



## Market Update

Thursday, 16 January 2020

### Global Markets

World stocks inched ahead to a record high on Thursday after the United States and China signed an initial deal to defuse their 18-month trade war, though financial markets were wary as a number of thorny issues remained unresolved. MSCI's broadest index of world stocks firmed 0.04% in early trade after closing at record level on Wednesday while its index on Asia-Pacific shares outside Japan rose 0.21%. Japan's Nikkei rose 0.14% while mainland China's Shanghai composite index was almost flat.

"Whether somebody looks at this as big progress or little progress, it is something tangible and so the arrow is pointing in a direction that the market is comfortable with," said Chuck Carlson, chief executive officer of Horizon Investment Services at Hammond, Indiana in the United States.

U.S. President Donald Trump and Chinese Vice Premier Liu He on Wednesday signed a deal that will roll back some tariffs and see China boost purchases of U.S. goods and services by \$200 billion over two year. The Phase 1 deal however does not fully eliminate the tariffs while the \$200 billion purchase targets, which include energy, farm and manufacturing products, look daunting to achieve. Nor does it address structural economic issues that led to the trade conflict. Officials say these will be dealt in Phase 2 negotiations, though the differences there are so fundamental that many investors doubt any deal will come through.

"While markets seemed to take this deal as a risk-on signal, we should all be aware that headlines about trade, particularly U.S. China trade, are going to be a constant feature of 2020," said Hannah Anderson, Global Markets Strategist, J.P. Morgan Asset Management in Hong Kong. "Highly sensitive issues like the U.S.'s export ban to several Chinese companies, increased scrutiny on Chinese investments abroad, and China's application of its commitment to treat foreign and domestic business alike within China are likely to make headlines throughout the year," she said.

On the Wall Street, the S&P 500 closed at a record high of 3,289.3 points, up 0.19%, with gains fairly small after the market has rallied for months on hopes of a deal. The index was dragged down by fall in financial shares following lackluster earnings from Bank of America and Goldman Sachs

"While the trade deal has provided a relief, there wasn't any positive surprises for markets. For shares to rise further, we need more evidences of improvement in the real economy and earnings," said Hirokazu Kabeya, chief global strategist at Daiwa Securities.

## **Disinflation Everywhere**

Bond yields dropped as a boost from the trade deal failed to offset pressure from low U.S. producer price inflation data, which highlighted persistently low inflationary pressure. The 10-year U.S. Treasuries yield slipped to one-week low of 1.780% compared with a high of 1.900% last Thursday and last stood at 1.793.

The price index rose less than expected in December to cap 2019 with rise of 1.3%, lowest since 2015. Weak inflation was evident also in UK where consumer price inflation slowed to 1.3%, its slowest rate in three years. The data fanned bets the Bank of England will cut interest rates at the end of this month, pushing the 10-year gilts yield to 2 1/2-month low of 0.630%. The British pound last traded at \$1.3040, having managed to recover a tad from its three-week low touched earlier this week.

The Swiss franc held firm, having rising to its strongest against the dollar in over a year and its highest against the euro in almost three years after the United States added Switzerland to its watch list of currency manipulators. Washington's decision led traders to think it will become difficult for the Swiss National Bank to intervene to weaken the franc in the future. The Swiss currency last stood at 0.9643 franc per dollar near Wednesday's high of 0.9631.

In contrast, the Chinese yuan hovered just below its 5-1/2-month high touched earlier this week after Washington dropped its currency manipulator label on China. Coupled with the trade deal, warmer ties between the two countries are seen as positive for the Chinese economy and its currency.

The offshore yuan stood at 6.8851 to the dollar near Tuesday's high of 6.8662. Other currencies have mostly muted reaction to the trade deal. Against the yen the dollar traded at 109.93 yen below its near eight-month peak of 110.22 set on Tuesday. The euro stood at \$1.1152 extending its recovery from a low of \$1.10855 hit last Friday.

Oil prices edged back after touching a six-week trough the previous day on data showing big increases in U.S. refined products. U.S. West Texas Intermediate (WTI) crude gained 0.48% to \$58.09 per barrel. It had fallen to as low as \$57.36 on Wednesday.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand firmed against the dollar on Wednesday as November retail sales rose more than expected, giving insight into how the economy performed in the final quarter of last year. Retail sales rose 2.6% year-on-year in November, as Black Friday discounts lured price-sensitive consumers into stores, data showed on Wednesday.

"Today's figures will boost fourth quarter growth figures as household spending accounts for about 60% of GDP," economists at Nedbank Group Economic Unit wrote in a note. They cautioned though that strong retail sales growth is not expected to be sustained in the coming months as household spending will be contained by subdued consumer income growth and a deterioration in consumer confidence.

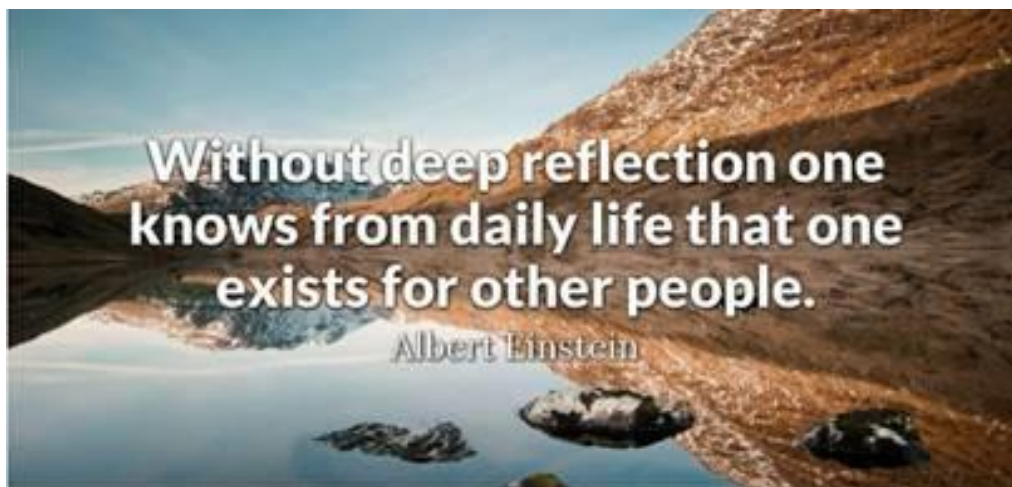
The market will now turn its focus on the initial trade deal which U.S. President Donald Trump and Chinese Vice Premier Liu He were due to sign at the White House at 1630 GMT.

In fixed income, the yield on the benchmark government bond was flat at 8.26%.

In the equities market, stocks rose, boosted by gains from retailers and gold. The Johannesburg All-Share index closed 0.17% firmer at 58,063 points, while the Top-40 index rose 0.21% to 51,835 points. The general retail index climbed 0.66%, buoyed by gains in drugstore Clicks up 2.81%, clothing and homeware retailer TFG up 1.86% and supermarket chain Spar group up 1.74%, on the back of stronger than expected November retail sales.

Gold stocks benefited from higher prices, which rose on renewed worries about U.S.-China relations ahead of the signing of an initial trade deal. The rand traded at 14.3950 per dollar at 1554 GMT, 0.11% firmer than its previous close.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS		16 January 2020			
<b>Money Market TB's</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
3 months	↑	7.624	0.059	7.565	7.624
6 months	↑	7.572	0.177	7.395	7.572
9 months	↑	7.817	0.036	7.781	7.817
12 months	↑	7.848	0.012	7.836	7.848
<b>Nominal Bonds</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
GC20 (BMK: R207)	↓	7.597	-0.190	7.787	7.591
GC21 (BMK: R2023)	↓	8.015	-0.017	8.032	8.015
GC22 (BMK: R2023)	↑	8.056	0.038	8.018	8.055
GC23 (BMK: R2023)	↓	8.267	-0.036	8.303	8.267
GC24 (BMK: R186)	↓	8.803	-0.022	8.825	8.802
GC25 (BMK: R186)	↓	8.843	-0.012	8.855	8.843
GC27 (BMK: R186)	↓	9.153	-0.048	9.201	9.152
GC30 (BMK: R2030)	↓	9.789	-0.022	9.811	9.789
GC32 (BMK: R213)	↓	10.415	-0.017	10.432	10.416
GC35 (BMK: R209)	↓	10.807	-0.035	10.842	10.807
GC37 (BMK: R2037)	↓	11.121	-0.040	11.161	11.121
GC40 (BMK: R214)	↓	11.304	-0.037	11.341	11.304
GC43 (BMK: R2044)	↓	11.720	-0.034	11.754	11.720
GC45 (BMK: R2044)	↓	11.861	-0.040	11.901	11.859
GC50 (BMK: R2048)	↓	11.971	-0.069	12.040	11.971
<b>Inflation-Linked Bonds</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
GI22 (BMK: NCPI)	↑	4.380	0.006	4.374	4.381
GI25 (BMK: NCPI)	↑	4.659	0.008	4.651	4.660
GI29 (BMK: NCPI)	↓	5.706	-0.002	5.708	5.707
GI33 (BMK: NCPI)	↓	6.256	-0.004	6.260	6.256
GI36 (BMK: NCPI)	↓	6.453	-0.001	6.454	6.454
<b>Commodities</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
Gold	↑	1,556.25	0.64%	1,546.39	1,553.03
Platinum	↑	1022.45	3.87%	984.32	1016.57
Brent Crude	↓	64.00	-0.76%	64.49	64.36
<b>Main Indices</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
NSX Local Index	↓	592.44	-0.16%	593.40	592.44
JSE All Share	↑	58,111.25	0.08%	58,063.59	58,111.25
S&P 500	↑	3,289.29	0.19%	3,283.15	3,289.29
FTSE 100	↑	7,642.80	0.27%	7,622.35	7,642.80
Hangseng	↑	28,784.89	0.04%	28,773.59	28,784.89
DAX	↓	13,432.30	-0.18%	13,456.49	13,432.30
<b>JSE Sectors</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
Financials	↑	15,590.71	0.32%	15,541.20	15,498.54
Resources	↓	48,928.73	-0.81%	49,329.64	49,223.80
Industrials	↑	72,785.01	0.88%	72,147.61	72,795.79
<b>Forex</b>		<b>Last Close</b>	<b>Change</b>	<b>Prev Close</b>	<b>Current Spot</b>
N\$/US Dollar	↓	14.39	-0.07%	14.40	14.41
N\$/Pound	↑	18.76	0.05%	18.75	18.80
N\$/Euro	↑	16.04	0.06%	16.03	16.07
US Dollar/ Euro	↑	1.12	0.90%	1.11	1.11
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↑	2.59	2.46	3.60	3.70
Prime Rate	→	10.25	10.25	10.00	10.00
Central Bank Rate	→	6.50	6.50	6.50	6.50

**Notes to the table:**

- The money market rates are TB rates
- “BMK” = Benchmark
- “NCPI” = Namibian inflation rate
- “Difference” = change in basis points
- Current spot = value at the time of writing
- NSX is a Bloomberg calculated Index

**Important Note:**

This is not a solicitation to trade and CAM will not necessarily trade at the yields and/or prices quoted above. The information is sourced from the data vendor as indicated. The levels of and changes in the yields need to be interpreted with caution due to the illiquid nature of the domestic bond market.

Source: Bloomberg



**Capricorn Asset Management**



**Bank Windhoek**

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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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