



Market Update

Wednesday, 16 October 2019

Global Markets

Asian shares inched higher while sterling came off five-month highs in volatile trade on Wednesday as investors looked to whether Britain can secure a deal to avoid a disorderly exit from the European Union. Officials and diplomats involved in negotiations over the acrimonious divorce between the world's fifth-largest economy and its biggest trading bloc said that differences over the terms of the split had narrowed significantly.

The news lit a fire under European and U.S. equities, which jumped about 1% on Tuesday. The British pound rocketed to \$1.28, a level not seen since May 21. The pound has strengthened nearly 5% over the past week as investors rushed to reprice the prospect of a last-minute Brexit deal before the end-October deadline. Still, the pound lost steam in Asia, falling 0.3% to \$1.2752, as uncertainties remained on whether a deal will be sealed at a make-or-break EU summit on Thursday and Friday and if Britain's minority government can get it through a divided UK parliament.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.4% while Japan's Nikkei jumped 1.5%, hitting 10-month highs. Australian shares added 0.9% while South Korea's KOSPI index climbed 0.6%, maintaining gains after South Korea's central bank cut its policy interest rate for the second time in three months, matching a record low to address mounting deflationary pressures. Stronger-than-expected earnings from major U.S. banks JPMorgan, Citigroup and Wells Fargo also boosted equities even as the International Monetary Fund downgraded its 2019 global growth forecast for a fifth time. "Equities rallied everywhere supported by another set of Brexit headlines and as earnings season started in the United States," JPMorgan analysts wrote in a client note. "Officials cautioned that talks haven't finished yet and there could yet be problems in hitting the deadline of midnight Tuesday," they added.

The EU's chief Brexit negotiator Michael Barnier had been demanding a legal text of any agreement by midnight U.K. time. However, the talks were still going on between UK Brexit negotiator David Frost and the EU's executive European Commission past midnight in Brussels. The EU will determine whether a deal is fit to be put to Thursday's leaders' summit for consideration. "Watching the UK news channels last night, the arithmetic for achieving said approval is challenging to say the least," analysts at National Australia Bank wrote in a note.

Elsewhere, news on the U.S.-China trade front has been less encouraging. Bloomberg reported, citing sources that China will struggle to buy \$50 billion of U.S. farm goods annually unless it

removes retaliatory tariffs on American products, which would require reciprocal action by U.S. President Donald Trump. China also said Beijing resolutely opposed new measures passed by the U.S. House of Representatives related to the Hong Kong protests and urged lawmakers to stop interfering.

The news helped to lift the Japanese yen from a 2-1/2 month low against the greenback hit on Tuesday.

The yen stood at 108.69 per dollar, compared to Tuesday's low of 108.90. "There remain concerns over whether everything goes all right until the APEC meeting in November when they are expected to sign a deal. I got the impression that the market got a bit too optimistic," said Naoya Oshikubo, senior economist at Sumitomo Mitsui Trust Asset in Tokyo. The dollar itself was under pressure against a basket of six major currencies with its index hovering near three-week lows at 98.338. The euro was little changed at \$1.1028.

In commodities, Brent crude added 10 cents to \$58.84 a barrel, while U.S. crude rose 10 cents to \$52.91 after falling the previous session over fears the unrelenting U.S.-China trade war would keep squeezing the global economy. Spot gold was barely changed at \$1,481.48 an ounce.

Domestic Markets

South Africa's rand steadied in late trade on Tuesday, struggling for momentum as fading optimism over the latest China-U.S. trade truce weighed on risk appetite, while stocks rose, led by chemicals firm Sasol. At 1510 GMT, the rand traded at 14.8450 per dollar, not far off its close of 14.8350 on Monday.

"The markets are in see-saw mode as it is apparent that the interim deal between the U.S. and China might not be as conclusive as initially thought, with the deal not even in writing yet," said Bianca Botes, treasury partner at Peregrine Treasury Solutions. The United States on Friday outlined the first phase of a trade deal and suspended this week's scheduled tariff hikes on Chinese goods. Bloomberg reported on Monday that China wanted more talks to hammer out the details of the phase-one deal before signing it.

Focus in markets was also on the Brexit talks, in the absence of domestic catalysts. Officials from Britain and the EU will meet at a make-or-break summit on Thursday and Friday that will determine whether Britain is headed for a deal to leave the bloc on Oct. 31, a disorderly no-deal exit or a delay.

In the equities market, Sasol jumped to a more than three-week high after it gave a definite date on which its 2019 results will be released and said it had completed its review into cost overruns at its Lake Charles project in the U.S. Sasol, whose share price has lost a third of its value so far in 2019, closed 4.85% firmer at 287.93 rand.

Technology service provider EOH Holdings Ltd ended the session up 4.40% at 12.52 rand after it said it had blacklisted and suspended payments to 50 enterprise development partners it says were implicated in nearly 1 billion rand (\$67.36 million) of suspicious transactions. The Johannesburg-based company's chief executive officer, Stephen van Coller, has been trying to clean up the firm from alleged corrupt dealings by EOH employees and fix a number of governance issues mentioned in a wide-ranging probe by law firm ENSafrica. "The market is taking the view that management are doing everything that they can with regards to cleaning up the mess that seems to have been left there with tender irregularities, fraud and things from the previous management," Independent Securities trader Ryan Woods said. "The market is sort of saying 'okay we'll give you the benefit of

the doubt for now and let's see how this goes' and as a result we're seeing a little bit of buying coming into the market today."

The Johannesburg All-Share index rose 0.57% to 55,532 points, while the Top-40 index climbed 0.57% to 49,391. In fixed income, the yield on the benchmark government bond due in 2026 was up 0.5 basis points at 8.23%.

Source: Thomson Reuters



Market Overview

| MARKET INDICATORS (Thomson Reuters) | | Wednesday, 16 October 2019 | | | |
|-------------------------------------|----|----------------------------|-------------------|-------------------|---------------------|
| Money Market TB's | | Last close | Difference | Prev close | Current Spot |
| 3 months | ➡ | 7.06 | 0.000 | 7.06 | 6.85 |
| 6 months | ➡ | 7.18 | 0.000 | 7.18 | 7.08 |
| 9 months | ➡ | 7.35 | 0.000 | 7.35 | 7.26 |
| 12 months | ➡ | 7.50 | 0.000 | 7.50 | 7.39 |
| Nominal Bonds | | Last close | Difference | Prev close | Current Spot |
| GC20 (BMK: R207) | ➡ | 7.36 | 0.000 | 7.36 | 7.36 |
| GC21 (BMK: R2023) | ⬆️ | 7.75 | 0.215 | 7.54 | 7.75 |
| GC22 (BMK: R2023) | ⬆️ | 8.07 | 0.005 | 8.06 | 8.05 |
| GC23 (BMK: R2023) | ⬆️ | 8.56 | 0.011 | 8.55 | 8.54 |
| GC24 (BMK: R186) | ⬆️ | 8.84 | -0.100 | 8.94 | 8.82 |
| GC25 (BMK: R186) | ⬆️ | 8.83 | -0.740 | 9.57 | 8.81 |
| GC27 (BMK: R186) | ⬆️ | 9.04 | -0.870 | 9.91 | 9.02 |
| GC30 (BMK: R2030) | ⬆️ | 9.52 | -0.670 | 10.19 | 9.51 |
| GC32 (BMK: R213) | ⬆️ | 10.12 | -0.380 | 10.50 | 10.10 |
| GC35 (BMK: R209) | ⬆️ | 10.41 | 0.015 | 10.39 | 10.46 |
| GC37 (BMK: R2037) | ⬆️ | 10.52 | 0.015 | 10.50 | 10.53 |
| GC40 (BMK: R214) | ⬆️ | 10.97 | 0.015 | 10.96 | 10.99 |
| GC43 (BMK: R2044) | ⬆️ | 10.92 | 0.010 | 10.91 | 10.90 |
| GC45 (BMK: R2044) | ⬆️ | 11.39 | 0.010 | 11.38 | 11.37 |
| GC50 (BMK: R2048) | ⬆️ | 11.65 | 0.010 | 11.64 | 11.62 |
| Inflation-Linked Bonds | | Last close | Difference | Prev close | Current Spot |
| GI22 (BMK: NCPI) | ➡ | 4.40 | 0.000 | 4.40 | 4.40 |
| GI25 (BMK: NCPI) | ➡ | 4.65 | 0.000 | 4.65 | 4.65 |
| GI29 (BMK: NCPI) | ➡ | 5.61 | 0.000 | 5.61 | 5.61 |
| GI33 (BMK: NCPI) | ➡ | 6.19 | 0.000 | 6.19 | 6.19 |
| GI36 (BMK: NCPI) | ➡ | 6.54 | 0.000 | 6.54 | 6.54 |
| Commodities | | Last close | Change | Prev close | Current Spot |
| Gold | ⬆️ | 1,481 | -0.80% | 1,493 | 1,480 |
| Platinum | ⬆️ | 889 | -0.50% | 893 | 881 |
| Brent Crude | ⬆️ | 58.7 | -1.03% | 59.4 | 59.0 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ⬆️ | 1,296 | 0.63% | 1,288 | 1,296 |
| JSE All Share | ⬆️ | 55,574 | 0.64% | 55,219 | 55,574 |
| SP500 | ⬆️ | 2,996 | 1.00% | 2,966 | 2,996 |
| FTSE 100 | ⬆️ | 7,212 | -0.03% | 7,213 | 7,212 |
| Hangseng | ⬆️ | 26,504 | -0.07% | 26,522 | 26,632 |
| DAX | ⬆️ | 12,630 | 1.15% | 12,487 | 12,630 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ⬆️ | 16,010 | 0.63% | 15,911 | 16,010 |
| Resources | ⬆️ | 44,448 | 0.50% | 44,225 | 44,448 |
| Industrials | ⬆️ | 69,253 | 0.64% | 68,814 | 69,253 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ⬆️ | 14.88 | 0.38% | 14.82 | 14.99 |
| N\$/Pound | ⬆️ | 19.02 | 1.82% | 18.68 | 19.15 |
| N\$/Euro | ⬆️ | 16.41 | 0.41% | 16.34 | 16.56 |
| US dollar/ Euro | ⬆️ | 1.103 | 0.03% | 1.103 | 1.105 |
| | | Namibia | | RSA | |
| Economic data | | Latest | Previous | Latest | Previous |
| Inflation | ⬆️ | 3.3 | 3.7 | 4.3 | 4.0 |
| Prime Rate | ⬆️ | 10.25 | 10.50 | 10.00 | 10.25 |
| Central Bank Rate | ⬆️ | 6.50 | 6.75 | 6.50 | 6.75 |

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

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.

Source: Thomson Reuters



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