Market Update

Friday, 17 January 2020

Global Markets

Asian shares rose on Friday after global stock indexes and Wall Street posted more records, and as China's economic growth matched expectations in spite of U.S. trade pressures. The world's second-largest economy grew 6.0% in the fourth quarter of 2019 from a year earlier, and 6.1% for the full year, official data showed on Friday. While China's growth in 2019 was the slowest pace of economic expansion in 29 years, held back by anaemic domestic demand and the damaging trade war with the United States, it was in line with analyst expectations and within the government's official target.

"This is all good news and positive for the China story. All the data coming out, from industrial production, fixed asset to retail sales, they are all showing signs of bottoming out as the trade cycle bottoms out," said Daniel Gerard, senior multi-asset strategist at State Street Global Markets in Hong Kong.

Recent data has pointed to an improvement in Chinese manufacturing and business confidence as trade tensions eased, but analysts are not sure if the gains can be sustained and Beijing is widely expected to roll out more stimulus measures.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.1%. China's blue-chip CSI300 index was 0.27% higher, extending a rally fuelled by hopes for improving relations with the United States that has seen it gain 9% since the beginning of December. Australian shares added 0.47% after setting four consecutive record closing highs in previous days and Seoul's KOSPI rose 0.12%. Japan's Nikkei was up 0.49% after touching 15-month highs earlier in the session. MSCI's global share index touched new highs and was last up 0.03%.

Analysts think global equities may find it difficult to maintain momentum from their recent rally as optimism over the U.S.-China trade truce gives way to uncertainty over the next steps in trade talks. While a Phase 1 deal signed by China and the United States on Wednesday is seen as defusing the 18-month row that has hit global growth, experts say it is unlikely to provide much balm for broader frictions between the two countries. Most of the tariffs imposed during the dispute remain in place and a number of thorny issues that sparked the conflict are still unresolved.

"The challenge from here is how long we can maintain these improvements," said Steven Daghlian, market analyst at CommSec in Sydney. "Speaking of the Aussie market specifically, a 6% gain in two weeks is obviously a massive challenge to replicate in the tail end of the month. You don't really see 10, 11, 12% improvements over the course of a month without any gigantic positive catalysts."

In the United States on Thursday, a combination of upbeat earnings from Morgan Stanley, rising U.S. retail sales, a strong labour market and robust manufacturing data helped to lift Wall Street to record highs. The Phase 1 deal and the U.S. Senate's approval of a revamp to the 26-year-old North American Free Trade Agreement also boosted investor spirits.

The Dow Jones Industrial Average rose 0.92% to 29,297.64, the S&P 500 gained 0.84% to 3,316.81 and the Nasdaq Composite added 1.06% to 9,357.13. The U.S. data supported the dollar, which held steady on Friday. The greenback hit eight-month highs against the yen before trimming its advance to rise 0.05% to 110.20. The euro was little changed at $1.1136. The dollar index which tracks the greenback against a basket of six major rivals, was a tick lower at 97.319.

The rally in equities was mirrored in U.S. benchmark 10-year Treasury notes, which saw yields rise to 1.8266% from their close on Thursday at 1.809%. Yields rise as prices fall.

Commodity markets were quiet, with Brent crude futures adding just 3 cents to $64.58 per barrel. U.S. West Texas Intermediate crude futures were also 3 cents higher at $58.55 per barrel. Gold added 0.05% to $1,553.35 per ounce on the spot market.

Source: Thomson Reuters

Domestic Markets

South Africa's rand inched up on Thursday after the central bank unexpectedly cut its main lending rate by 25 basis points to 6.25%, providing a stimulus to the flagging economy as it lowered its inflation forecasts significantly. The majority of analysts polled by Reuters had expected no change in rates because of risks associated with a February budget speech and a scheduled review of the country's last investment-grade credit rating by Moody's in March.

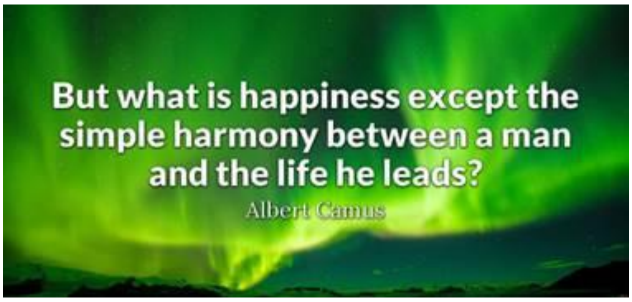
Gains were capped by Reserve Bank Governor Lesetja Kganyago's bleak outlook for economic growth: lowering predictions this year and next to 1.2% and 1.6% respectively. The bank called Africa's most industrialised economy "weak" and "vulnerable" and said electricity supply constraints would probably keep activity muted in the near term.

Some analysts were doubtful that Thursday's policy easing would do much to lift the growth rate, pointing to a need for meaningful economic reform. "This cut is positive but one or even two cuts will not change things significantly for the outlook for the economy," said Magdalena Polan, global emerging markets economist at Legal & General Investment Management.

At 1624 GMT, the rand marginally rose 0.06% to 14.3970 per dollar. In fixed income, the yield on the benchmark government bond was flat at 8.190%.

Stocks firmed, led by telecoms company Telkom SA which was up 5.43% to 36.49 rand after it told unions on Wednesday it could cut up to 3,000 of more than 15,000 staff as it struggles with declining performance in fixed voice and fixed data services. Sibanye-Stillwater also gained, rising 3.85% to 37.22 rand after it said it has concluded a consultation process that reduced the number of proposed job cuts as it restructures the loss-making Marikana operations it acquired last year. The Johannesburg All-Share index climbed 0.26% to 58,217 points, while the Top 40 index gained 0.25% to 51,965 points.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS			17 January 2020	
Money Market TB's	**Last Close**	**Change**	**Prev Close**	**Current Spot**
3 months	7.624	0.059	7.565	7.624
6 months	7.618	0.046	7.572	7.618
9 months	7.785	-0.032	7.817	7.785
12 months	7.848	0.012	7.836	7.848
Nominal Bonds	**Last Close**	**Change**	**Prev Close**	**Current Spot**
GC20 (BMK: R207)	7.653	0.056	7.597	7.633
GC21 (BMK: R2023)	7.995	-0.020	8.015	7.994
GC22 (BMK: R2023)	8.010	-0.046	8.056	7.958
GC23 (BMK: R2023)	8.268	0.001	8.267	8.266
GC24 (BMK: R186)	8.792	-0.011	8.803	8.776
GC25 (BMK: R186)	8.825	-0.018	8.843	8.814
GC27 (BMK: R186)	9.165	0.012	9.153	9.156
GC30 (BMK: R2030)	9.756	-0.033	9.789	9.745
GC32 (BMK: R213)	10.403	-0.012	10.415	10.380
GC35 (BMK: R209)	10.825	0.018	10.807	10.813
GC37 (BMK: R2037)	11.142	0.021	11.121	11.120
GC40 (BMK: R214)	11.320	0.016	11.304	11.311
GC43 (BMK: R2044)	11.754	0.034	11.720	11.741
GC45 (BMK: R2044)	11.899	0.038	11.861	11.879
GC50 (BMK: R2048)	11.991	0.020	11.971	11.991
Inflation-Linked Bonds	**Last Close**	**Change**	**Prev Close**	**Current Spot**
GI22 (BMK: NCPI)	4.368	-0.012	4.380	4.372
GI25 (BMK: NCPI)	4.620	-0.039	4.659	4.622
GI29 (BMK: NCPI)	5.707	0.001	5.706	5.708
GI33 (BMK: NCPI)	6.253	-0.003	6.256	6.254
GI36 (BMK: NCPI)	6.453	0.000	6.453	6.455
Commodities	**Last Close**	**Change**	**Prev Close**	**Current Spot**
Gold	1,552.51	-0.24%	1,556.25	1,554.53
Platinum	1004.85	-1.72%	1022.45	1012.80
Brent Crude	64.62	0.97%	64.00	64.84
Main Indices	**Last Close**	**Change**	**Prev Close**	**Current Spot**
NSX Overall Index	594.87	0.41%	592.44	594.87
JSE All Share	58,607.49	0.67%	58,217.43	58,607.49
S&P 500	3,316.81	0.84%	3,289.29	3,316.81
FTSE 100	7,650.57	0.54%	7,609.81	7,650.57
Hangseng	29,056.42	0.60%	28,883.04	29,056.42
DAX	13,541.42	0.83%	13,429.43	13,541.42
JSE Sectors	**Last Close**	**Change**	**Prev Close**	**Current Spot**
Financials	15,584.25	-0.04%	15,590.71	15,541.91
Resources	49,494.21	1.16%	48,928.73	49,900.09
Industrials	72,630.75	-0.21%	72,785.01	73,490.50
Forex	**Last Close**	**Change**	**Prev Close**	**Current Spot**
N$/US Dollar	14.41	0.14%	14.39	14.38
N$/Pound	18.85	0.48%	18.76	18.83
N$/Euro	16.05	0.06%	16.04	16.01
US Dollar/ Euro	1.11	-0.89%	1.12	1.11
	Namibia		**RSA**	
Economic data	**Latest**	**Previous**	**Latest**	**Previous**
Inflation	2.59	2.46	3.60	3.70
Prime Rate	10.25	10.25	9.75	10.00
Central Bank Rate	6.50	6.50	6.25	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

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