



Market Update

Wednesday, 17 July 2019

Global Markets

Asian shares drifted off on Wednesday as anxious investors awaited more earnings reports from corporate America, while the dollar held firm in the wake of robust U.S. retail data and a Brexit-driven dive in the pound. Oil prices also nursed losses on hints U.S. tensions with Iran could be easing and as data showed stockpiles fell by less than expected last week. Not helping the mood was Tuesday's threat from U.S. President Donald Trump to put tariffs on another \$325 billion of Chinese goods, amid market nervousness over when face-to-face talks will resume. The fallout of the year-long trade dispute was apparent in data from Singapore, where exports sank by the most in six years in June led by a steep drop in electronics.

In stock markets trade was generally muted with MSCI's broadest index of Asia-Pacific shares outside Japan off 0.25%. Japan's Nikkei eased 0.3% and South Korea 1%, while Chinese blue chips edged up 0.3%. E-Mini futures for the S&P 500 were a fraction firmer but EUROSTOXX 50 futures dipped 0.2%. The Dow eased 0.09% on Tuesday, while the S&P 500 lost 0.34% and the Nasdaq 0.43%.

A surprisingly strong reading on U.S. retail sales released overnight had outweighed weakness in industrial production for the June quarter and boosted the dollar. Yet, it barely budged market wagers on a Federal Reserve rate cut this month, with Chicago Fed President Charles Evans touting 50 basis points of easing. Futures are 100% priced for a cut of 25 basis points, and imply a 25% chance of 50 basis points.

"We do not expect these solid (retail) results to impact the Fed's decision to cut rates at the end of the month," said Michelle Girard, chief U.S. economist at NatWest Markets. "The Fed knows the U.S. consumer is strong; policymakers are worried about the downside risks associated with global growth and weak manufacturing/business investment, which is why they believe a rate cut is appropriate." Analysts at Barclays were even more dovish, arguing persistent uncertainty and soft inflation warranted quarter-point cuts in July, September, and December.

STERLING STRICKEN

Expectations of policy stimulus, and the resulting drop in bond yields, helped counter concerns about corporate profits. JPMorgan Chase & Co and Wells Fargo & Co beat quarterly profit estimates but reported weaker net interest income. Bank of America and Netflix report on Wednesday.

In currency markets, sterling was the star for all the wrong reasons. It slid 0.9% overnight to 27-month lows amid fears the UK could tumble out of the European Union with no trade deal to soften

the blow. The pound was last at \$1.2414, a big come-down from its March peaks of \$1.3383. The dollar was a major beneficiary at 97.323 on a basket of currencies, having risen 0.5% overnight. The euro settled at \$1.1214, after a loss of 0.4% on Tuesday, while the dollar held at 108.20 yen.

The dollar's gains tarnished gold a little, with the precious metal easing to \$1,404.40 per ounce from a high above \$1,418 on Tuesday. Oil prices were trying to stabilize after falling more than 3% overnight. Brent crude futures edged up 18 cents to \$64.49, while U.S. crude rose 2 cents to \$57.64 a barrel.

Source: Thomson Reuters

Domestic Markets

South Africa's rand edged weaker in subdued trade on Tuesday with market participants awaiting a local lending rates decision and one by the U.S. central bank next week before making any big calls. At 1500 GMT the rand was 0.1% weaker at 13.9150 per dollar, hardly budging from the overnight close of 13.9025.

Early trade saw the rand touch a session best of 13.8350 before strong growth in U.S. retail sales re-energized the greenback and dampened expectations of a deep rate cut by the Federal Reserve next week.

Locally, retail sales data due on Wednesday will likely be overshadowed by the policy decision by the South African Reserve Bank (SARB) on Thursday. Twenty-four of 30 economists in a survey by Reuters said the SARB would cut rates by 25 basis points to 6.50% on July 18. Two expected a cut of 50 basis points. The other four said rates would be left unchanged.

On the bourse, stocks rose with other emerging market assets ahead of U.S. economic data releases later on Tuesday that could provide clues to the country's future monetary policy. The benchmark Johannesburg Stock Exchange Top-40 Index was up 0.9% to 51,908 points while the broader All-Share Index closed 0.8% higher at 57,996 points.

"I think maybe [there is] a push towards some of the riskier kind of assets that are coming through closer to the interest rate drops," Bruno van Eck, trader at Thebe Stockbroking, said, referring to the upcoming decision by the U.S. Federal Reserve.

Paper and pulp producer Sappi and energy and chemicals company Sasol were the day's biggest winners on the blue-chip index with Sappi up 4.26% and Sasol up 3.35%. Platinum miners Anglo American Platinum rose 1.24% to 804.63 rand after announcing that they expected their half-year earnings to double.

Bonds were slightly firmer, with the yield on the benchmark 2026 paper down 1.5 basis points to 8.025%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS		17 July 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.02	-0.009	7.03	7.00
6 months	↓	7.48	-0.004	7.48	7.47
9 months	⇒	7.70	0.000	7.70	7.69
12 months	⇒	7.82	0.000	7.82	7.82
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	⇒	7.90	0.000	7.90	7.90
GC21 (BMK: R2023)	↑	8.00	0.655	7.35	8.00
GC22 (BMK: R2023)	↑	7.93	0.065	7.86	7.86
GC23 (BMK: R2023)	↑	8.43	0.062	8.37	8.37
GC24 (BMK: R186)	↑	8.97	0.310	8.66	8.97
GC25 (BMK: R186)	↓	8.70	-0.710	9.41	8.64
GC27 (BMK: R186)	↑	8.89	0.060	8.83	8.83
GC30 (BMK: R2030)	↑	9.92	0.341	9.58	9.58
GC32 (BMK: R213)	↑	9.87	0.065	9.81	9.82
GC35 (BMK: R209)	↑	10.99	0.699	10.29	10.35
GC37 (BMK: R2037)	↑	10.49	0.090	10.40	10.46
GC40 (BMK: R214)	↑	10.94	0.095	10.85	10.92
GC43 (BMK: R2044)	⇒	11.11	0.000	11.11	11.11
GC45 (BMK: R2044)	↑	11.29	0.095	11.20	11.27
GC50 (BMK: R2048)	↑	11.59	0.095	11.50	11.57
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	⇒	4.20	0.000	4.20	4.20
GI25 (BMK: NCPI)	⇒	4.90	0.000	4.90	4.90
GI29 (BMK: NCPI)	⇒	5.89	0.000	5.89	5.89
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,406	-0.55%	1,414	1,405
Platinum	↓	838	-0.18%	840	839
Brent Crude	↓	64.4	-3.20%	66.5	64.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,348	1.22%	1,332	1,350
JSE All Share	↑	58,053	0.90%	57,537	57,981
SP500	↓	3,004	-0.34%	3,014	3,004
FTSE 100	↑	7,577	0.60%	7,532	7,564
Hangseng	↑	28,620	0.23%	28,555	28,585
DAX	↑	12,431	0.35%	12,387	12,426
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,786	1.63%	16,517	16,661
Resources	↑	46,470	0.73%	46,134	46,557
Industrials	↑	72,801	0.88%	72,168	72,763
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	13.94	0.30%	13.90	13.98
N\$/Pound	↓	17.29	-0.59%	17.39	17.32
N\$/Euro	↓	15.62	-0.13%	15.64	15.66
US dollar/ Euro	↓	1.121	-0.43%	1.126	1.121
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	4.1	4.5	4.5	4.4
Prime Rate	⇒	10.50	10.50	10.25	10.25
Central Bank Rate	⇒	6.75	6.75	6.75	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

Source: Bloomberg



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