



## Market Update

Thursday, 17 October 2019

### Global Markets

Asian stocks barely moved on Thursday as soft U.S. retail sales data raised fears about the health of the world's largest economy, sucking the steam out of a five-session rally, while hopes of a Brexit deal kept sterling volatile.

South Korean, Australian and New Zealand indexes were all in negative territory. Chinese shares were mostly flat while Japan's Nikkei ticked up and U.S. stock futures were barely changed. That left MSCI's broadest index of Asia-Pacific shares outside Japan slightly higher with gains largely led by Hong Kong's Hang Seng index. The S&P 500 shed 0.20% on Wednesday after data showed U.S. retail sales contracted in September for the first time in seven months, in a potential sign that manufacturing-led weakness could be spreading to the broader economy. "It looks like the trade war has claimed yet another victim, in addition to diminished business confidence and reduced investment spending, as consumers are starting to chicken out," said Chris Rupkey, chief financial economist at MUFG Union Bank. Given U.S. consumption has been one of few remaining bright spots in the global economy, the data fanned worries the Sino-U.S. trade war would tip the world into recession.

U.S. Treasury Secretary Steven Mnuchin said on Wednesday that U.S. and Chinese trade negotiators were working on nailing down a Phase 1 trade deal text for their presidents to sign next month. But he also said there were no plans for another high-level meeting on the trade deal outlined last week. "While the U.S. suspended a hike in tariffs, it hasn't gone as far as scrapping the tariffs altogether, so it is hard to expect a quick pick-up in the economy," said Yoshinori Shigemori, global market strategist at JPMorgan Asset Management.

Losses in equities were somewhat offset by a solid start to the earnings season, though that is partly because investors have already marked down their expectations substantially. Earnings for S&P 500 companies are forecast to show a decline of 3% for the quarter, according to Refinitiv data. Bank of America shares rose 2.0% following its quarterly results. Netflix rose 9.9% in after-hours trade after its earnings beat Wall Street estimates.

In the currency market, soft U.S. retail sales took the shine out of the dollar. The dollar index was last at 98.005, having touched its lowest since Aug. 27 on Wednesday. Against the yen, it was a flat at 108.73 after peaking at 108.90 on Tuesday. The euro stood at \$1.1074, near a one-month high of

\$1.1085 hit in U.S. trade on Wednesday. Sterling traded at \$1.2821, having risen to as high as \$1.2877 on Wednesday, its loftiest since mid-May.

The pound has risen more than 5% in the past five sessions on hopes the United Kingdom and the European Union can strike a fresh deal in an EU leaders' summit on Thursday and Friday. Investors have welcomed optimistic comments from key officials in the last few days. British culture minister Nicky Morgan said late on Wednesday there is a good chance of a deal. Still, many doubts remained, not the least of which is if British Prime Minister Boris Johnson can ensure his government and factious parliament approve the plan.

"Trading the British pound intra-day at the moment is not for the faint-hearted with deep pockets required," said Jeffrey Halley, senior market analyst at OANDA. "The street clearly wants to take GBP higher on any Brexit hope, but traders should be aware that the pullback will be equally as ugly if progress stalls or collapses yet again."

In commodities, oil prices slipped after industry data showed a larger-than-expected build-up in U.S. crude stocks, adding to concerns that demand for oil around the world may weaken amid further signs of a global economic slowdown. Brent crude futures fell 0.47% to \$59.14 a barrel while U.S. West Texas Intermediate (WTI) crude lost 0.7% to \$52.98. Spot gold was slightly weaker at \$1,488.31 an ounce.

## **Domestic Markets**

The rand fell on Wednesday as power cuts by state utility Eskom highlighted the challenges facing South Africa's ailing economy. But the weaker currency and strong palladium prices lifted the main South African stock indexes to a 3-1/2-week high. At 1505 GMT, the rand was 0.47% weaker at 14.9600 per dollar, after earlier hitting a one-week low of 15.0550.

Wednesday's power cuts, after a number of Eskom generating units broke down, put more pressure on the country's weak economy ahead of a review by Moody's on Nov. 1. Moody's is the last of the big three credit rating agencies to have an investment grade rating on South Africa. "The longer it (blackouts) goes on, the worse it will be for the rand," said currency dealer at TreasuryOne Andre Botha. Debilitating power cuts in February and March pushed first-quarter economic growth into contraction and raised the likelihood of South Africa losing an investment-grade rating.

On the stock market, Sibanye-Stillwater led the Top-40 index higher as the precious metals miner benefited from deficit-hit palladium. The metal used in vehicle exhausts to reduce harmful emissions rose 2.4% to \$1,774.32 an ounce, after hitting a record high of \$1,779.23 earlier. This pushed Sibanye up 5.44% to 25.01 rand. The weaker currency also sent commodity stocks such as Harmony Gold up 2.99% to 44.49 rand, AngloGold Ashanti up 2.11% to 300.19 rand. A weaker rand is beneficial for commodity companies because their exports, sold in dollars, are more affordable.

Healthcare group Mediclinic International rose to its highest level in almost a year, closing 3.83% higher at 70.50 rand. The Johannesburg All-Share index rose 0.93% to 56,090, while the Top-40 index gained 0.94% to 49,855 points. "Today you've got everything going positive. The gold index is up (2.18%) and the resources are a bit better because of the weaker rand," Cratos Capital equities trader Greg Davies said.

In fixed income, the yield on the benchmark government bond due in 2026 was up 3.5 basis points to 8.27%.

**Source: Thomson Reuters**

**Where there is no vision,  
there is no hope.**  
George Washington Carver

## Chart of the Day – Namibian Inflation



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 17 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➡	7.06	0.000	7.06	6.84
6 months	➡	7.18	0.000	7.18	7.07
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	-0.003	7.36	7.36
GC21 (BMK: R2023)	➡	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	⬇	8.05	-0.020	8.07	8.06
GC23 (BMK: R2023)	⬇	8.54	-0.020	8.56	8.55
GC24 (BMK: R186)	⬇	8.82	-0.020	8.84	8.83
GC25 (BMK: R186)	⬇	8.81	-0.020	8.83	8.82
GC27 (BMK: R186)	⬇	9.02	-0.020	9.04	9.03
GC30 (BMK: R2030)	⬇	9.51	-0.015	9.52	9.52
GC32 (BMK: R213)	⬇	10.10	-0.020	10.12	10.11
GC35 (BMK: R209)	⬆	10.46	0.055	10.41	10.47
GC37 (BMK: R2037)	⬆	10.53	0.015	10.52	10.54
GC40 (BMK: R214)	⬆	10.99	0.020	10.97	11.00
GC43 (BMK: R2044)	⬇	10.90	-0.020	10.92	10.91
GC45 (BMK: R2044)	⬇	11.37	-0.020	11.39	11.38
GC50 (BMK: R2048)	⬇	11.62	-0.025	11.65	11.63
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	⬆	1,489	0.57%	1,481	1,491
Platinum	⬇	883	-0.62%	889	886
Brent Crude	⬆	59.4	1.16%	58.7	58.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆	1,308	0.93%	1,296	1,308
JSE All Share	⬆	56,091	0.93%	55,574	56,091
SP500	⬇	2,990	-0.20%	2,996	2,990
FTSE 100	⬇	7,168	-0.61%	7,212	7,168
Hangseng	⬆	26,664	0.61%	26,504	26,785
DAX	⬆	12,670	0.32%	12,630	12,670
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬆	16,183	1.08%	16,010	16,183
Resources	⬆	44,682	0.53%	44,448	44,682
Industrials	⬆	70,080	1.19%	69,253	70,080
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	14.94	0.41%	14.88	14.90
N\$/Pound	⬆	19.17	0.76%	19.02	19.02
N\$/Euro	⬆	16.54	0.77%	16.41	16.49
US dollar/ Euro	⬆	1.107	0.35%	1.103	1.107
		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



**Capricorn Asset Management**



**Bank Windhoek**

---

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

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

---

**Disclaimer**

*The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.*

A member of  **Capricorn Group**

---