Market Update Wednesday, 18 December 2019

Global Markets

Asian stocks camped out at 18-month peaks on Wednesday having climbed for five straight sessions, while the British pound was licking fresh wounds as revived Brexit fears came back to haunt it.

MSCI's broadest index of Asia-Pacific shares outside Japan was dead flat near its highest since June last year. Japan's Nikkei dipped 0.4% and off a 2019 top. Shanghai blue chips were steady, after hitting an eight-month peak on Tuesday and as Beijing trimmed another short-term interest rate. E-Mini futures for the S&P 500 barely budged, as did futures for the EUROSTOXX 50 and the FTSE.

Upbeat economic news had helped the S&P 500 reach a record for the fourth straight session, building on its 27% gain this year. The Dow ended Tuesday up 0.19%, while the S&P 500 gained 0.07% and the Nasdaq 0.11%.

U.S. housing starts were surprisingly strong in November, and building permits rose to the highest level since May 2007. Manufacturing output picked up more than expected as a strike at General Motors Co ended. A run of better data recently has helped calm fears of recession while the "phase one" Sino-U.S. deal on trade seems to have lifted some of the uncertainty on the global outlook.

The sea change was clear in BofA Global Research's latest survey of fund managers with recession concerns diving 33 percentage points to a net 68% of investors saying a recession is now unlikely in 2020. Global growth expectations jumped 22 percentage points, marking the biggest 2-month rise on record. As a result, funds' allocation to global equities climbed 10 percentage points to a net 31% overweight, the highest level in a year.

Yet it might be too soon to declare an all-clear on the political front with UK Prime Minister Boris Johnson upsetting markets by taking a hard line on Brexit talks. Johnson will use the prospect of a Brexit cliff-edge at the end of 2020 to demand the EU give him a comprehensive free trade deal in less than 11 months. The threat of a hard exit sent shivers through sterling, which slid 1.5% in its largest one-day fall this year. The pound was down another 0.2% on Wednesday at $1.3096 having shed all the gains made during the Conservative Party's big election win.

"Johnson's move aimed at cancelling the possibility of an extension, has essentially increased the possibility of a no deal Brexit," said Rodrigo Catril, a senior FX strategist at NAB. "It suggests sterling's path in 2020 looks set to be a volatile one, a hard Brexit cannot be ruled out, but the probability of a positive Brexit resolution has also increased."

Sterling's slide gave the dollar index a lift to 97.243 against a basket of currencies, extending a bounce from last week's five-month low of 96.588. The euro also surged on the pound and was a shade softer on the dollar at $1.1134. The yen was little changed at 109.45 per dollar. Spot gold idled at $1,476.63 per ounce, after a couple of very quiet sessions. Oil prices eased from three-month highs as data showed U.S. crude stocks rose unexpectedly in the most recent week. U.S. crude fell 42 cents to $60.52 a barrel, while Brent crude futures lost 31 cents to $65.78.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened on Tuesday as the previous week's gains gave way to some profit-taking and fears about Britain's exit from the European Union resurfaced. At 1500, GMT the rand was 0.43% weaker at 14.4280 per dollar compared with an opening level of 14.3860. The rand rallied close to 3.5% in the previous week and on Monday was still near its strongest since Aug. 1, but with offshore risks building and volumes relatively light heading into Christmas holidays, the momentum faded on Tuesday.

Reports on Tuesday that new British Prime Minister Boris Johnson was ready to push for a hard exit from the monetary union scuppered some of the early-session risk appetite that had kept the rand and its emerging market peers bid.

With only monthly government budget balance data on the local calendar this week, the rand is set be swayed by offshore events, although traders will have one eye on developments in energy policy following last week's nationwide blackouts.

On Tuesday, Energy Minister Gwede Mantashe vowed to keep burning coal to generate electricity, even as the continent's biggest greenhouse gas emitter adopts more renewable-energy sources to meet its commitments on climate change.

Bonds gained, with the yield on the benchmark 2026 Government Issue down 3 basis points to 8.29%.

In equities, stocks climbed alongside other emerging-market shares, on hopes an initial U.S-China trade deal will mark a turning point in one of the major risks to global economic growth.

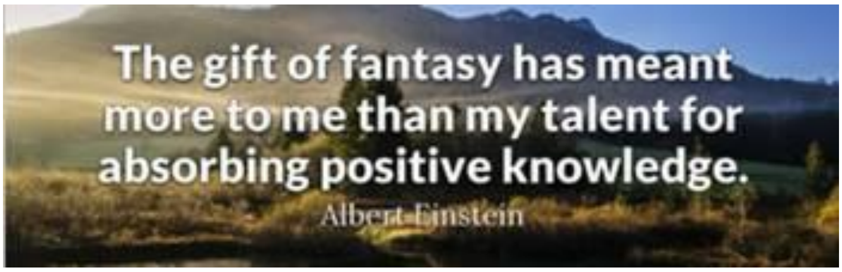
State-owned power utility Eskom announced that there would be no rolling power cuts on Tuesday and a low probability of any during the week, providing relief to retailers, who were hit hard by the blackouts.

The benchmark JSE Top-40 Index was up 1.23% to 51,122.19 points. The broader All-Share Index rose 1.27% to 57,467.44 points.

Energy and chemicals company Sasol soared 11.92% to 307.01 rand, reaching the top of the blue-chip index, after announcing that the Lake Charles Chemicals Project ethane cracker is increasing production rates following the successful replacement of the acetylene reactor catalyst.

Following Sasol was retailer Mr Price Group, which rose 5.32% to 193.19 rand, and mining company Anglo American Platinum, which rose 4.99% to 1,383 rand.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 18 December 2019			
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	➔	7.04	0.000	7.04	7.04
6 months	⬇	7.45	-0.017	7.47	7.45
9 months	⬇	7.70	-0.016	7.72	7.70
12 months	⬇	7.82	-0.042	7.86	7.82
Nominal Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC20 (BMK: R207)	⬇	7.37	-0.010	7.38	7.37
GC21 (BMK: R2023)	⬇	7.90	-0.030	7.93	7.90
GC22 (BMK: R2023)	⬇	8.18	-0.010	8.19	8.17
GC23 (BMK: R2023)	⬇	8.28	-0.010	8.29	8.27
GC24 (BMK: R186)	⬇	8.91	-0.015	8.93	8.90
GC25 (BMK: R186)	⬇	8.94	-0.015	8.96	8.93
GC27 (BMK: R186)	⬇	9.49	-0.015	9.51	9.48
GC30 (BMK: R2030)	⬇	10.01	-0.020	10.03	10.01
GC32 (BMK: R213)	⬇	10.29	-0.015	10.31	10.28
GC35 (BMK: R209)	⬆	10.78	0.010	10.77	10.77
GC37 (BMK: R2037)	⬆	10.96	0.005	10.96	10.95
GC40 (BMK: R214)	⬆	11.31	0.005	11.31	11.30
GC43 (BMK: R2044)	➔	11.48	0.000	11.48	11.47
GC45 (BMK: R2044)	➔	11.68	0.000	11.68	11.67
GC50 (BMK: R2048)	⬆	12.01	0.010	12.00	12.00
Inflation-Linked Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GI22 (BMK: NCPI)	➔	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	➔	4.60	0.000	4.60	4.60
GI29 (BMK: NCPI)	➔	5.72	0.000	5.72	5.72
GI33 (BMK: NCPI)	➔	6.25	0.000	6.25	6.25
GI36 (BMK: NCPI)	➔	6.46	0.000	6.46	6.46
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	⬆	1,476	0.01%	1,476	1,478
Platinum	⬇	928	-0.17%	929	931
Brent Crude	⬆	66.1	1.16%	65.3	65.8
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	⬆	1,340	0.40%	1,335	1,340
JSE All Share	⬆	57,326	1.02%	56,749	57,326
SP500	⬆	3,193	0.03%	3,191	3,193
FTSE 100	⬆	7,525	0.08%	7,519	7,525
Hangseng	⬆	27,844	1.22%	27,508	27,805
DAX	⬇	13,288	-0.89%	13,408	13,288
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⬆	15,872	0.07%	15,861	15,872
Resources	⬆	49,766	0.98%	49,286	49,766
Industrials	⬆	68,901	1.52%	67,870	68,901
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⬆	14.38	0.15%	14.35	14.39
N$/Pound	⬇	18.87	-1.36%	19.13	18.88
N$/Euro	⬆	16.03	0.21%	15.99	16.03
US dollar/ Euro	⬆	1.115	0.06%	1.114	1.114
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	⬇	2.5	3.0	3.6	3.7
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
