



Market Update

Friday, 18 October 2019

Global Markets

Asian stocks stumbled on Friday after China posted its weakest growth in nearly three decades, countering a global lift in sentiment on the UK and European Union striking a long-awaited Brexit deal. China's economy grew 6.0% in the third quarter, less than expected, and the weakest pace in at least 27-1/2 years, as the Sino-U.S. trade war hit demand at home and abroad.

While the downbeat data raises the prospect that Chinese policymakers could prepare more measures to boost growth, analysts and market players said Beijing has relatively little room for significant easing. "How much traction is monetary policy going to get? If there is any short-term move (higher) here in Asia it will genuinely be only short-term players because we're not far from printing 5 (percent) in China GDP, and that's not going to be good for risk assets," said Greg McKenna, strategist at McKenna Macro. "It doesn't matter how excited you get about stimulus, it is not going to be good for risk assets."

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.17% by 0350 GMT, erasing earlier small gains. Australian shares dropped 0.61% and Chinese blue-chips were off 0.65%. The disappointing Chinese data came as Japan's core inflation slowed to near 2-1/2-year lows in September, raising expectations that the Bank of Japan could add to its already massive monetary stimulus. Japan's Nikkei was last up 0.18%.

Sterling, which had enjoyed its biggest rising streak since October 1985 and hit a five-month high on the back of the Brexit deal, gave up ground on Friday morning amid doubts that the agreement would receive parliamentary approval. The pound eased 0.31% to buy \$1.2848. "Whatever was agreed last night with the EU still has to go through the British parliament...the uncertainty surrounding that still hasn't changed one iota," said James McGlew, executive director of corporate stockbroking at Argonaut in Perth, Australia.

Equity markets had enjoyed a bounce on Thursday from the initial Brexit news, with the S&P 500 briefly topping 3,000 points for the first time in more than three weeks. Helping to alleviate immediate trade war worries, China said on Thursday that it hoped to reach a phased agreement in its trade dispute with the United States as soon as possible.

Investors were also encouraged by upbeat earnings from Netflix and Morgan Stanley, but poor results from International Business Machines Corp and weak U.S. economic data weighed. Housing starts, industrial production and mid-Atlantic factory output all fell short of economist expectations.

The Dow Jones Industrial Average gained 0.09% to 27,025.88, the S&P 500 finished up 0.28% at 2,997.97 and the Nasdaq Composite rose 0.4% to 8,156.85. On Friday, S&P 500 e-mini stock futures, were down 0.16% at 2,993.25.

Reflecting the cautious mood, the yield on benchmark 10-year Treasury notes fell to 1.7395% compared with a U.S. close of 1.755% on Thursday. In the currency market, the safe-haven yen strengthened, with the dollar falling 0.1% to 108.54, while the euro was up 0.04% on the day at \$1.1126. The dollar index, which tracks the greenback against a basket of six major rivals, was barely lower at 97.592. Oil fell, with U.S. crude dropping 0.17% to \$53.84 a barrel and Brent crude easing 0.45% to \$59.64. Spot gold rose to \$1,492.54 per ounce.

Domestic Markets

South Africa's rand firmed on Thursday after the country's cabinet approved the promulgation of its long-delayed plan for electricity generation amid nationwide power cuts by state utility Eskom. At 1535 GMT, the rand was 1% firmer at 14.7900 per dollar.

The Integrated Resource Plan (IRP 2019) will replace a previous blueprint not updated for almost a decade, and deals with electricity generation and the energy mix South Africa will rely on in the immediate future.

"The news comes as a great relief after months of uncertainty, in the midst of yet another round of load shedding (power cuts) implemented by Eskom," said Bianca Botes, treasury partner at Peregrine Treasury Solutions. South Africa was hit by power cuts for a second day on Thursday with Eskom saying a number of generating units were still out of service and some would not be back up and running for a few days.

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. Moody's is the last of the big three credit rating agencies to have an investment grade rating on South Africa and is due to deliver its latest credit review on Nov. 1.

Equities fell, with the broader Johannesburg All-share index down 0.17% to 55,993 points, while the blue-chip Top-40 index edged 0.28% lower to 49,715 points. Diversified miners were among the losers, with Anglo American down 1.27% to 360.54 rand, while BHP Group shed 2.010% to 305.93 rand.

"Commodity prices are under pressure at the moment, so all the diversified miners are trading weaker because of that and a stronger rand causing a pullback," said Jean Wessels, a trader at AG Capital. Bucking the trend were gold miners, with bullion edging up as investors focused on lingering uncertainties over U.S.-China trade ties. DRDGOLD gained 2.5% to 6.95 rand, Harmony rose 2.070% to 45.41 rand, and Sibanye-Stillwater was up 1.96% at 25.45 rand.

The yield on the benchmark government bond due in 2026 fell 1.3 basis points to 8.26%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Friday, 18 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	-0.001	7.36	7.36
GC21 (BMK: R2023)	➔	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	⬆	8.06	0.010	8.05	8.10
GC23 (BMK: R2023)	⬆	8.55	0.010	8.54	8.60
GC24 (BMK: R186)	⬆	8.83	0.010	8.82	8.89
GC25 (BMK: R186)	⬆	8.82	0.010	8.81	8.87
GC27 (BMK: R186)	⬆	9.03	0.010	9.02	8.98
GC30 (BMK: R2030)	⬆	9.52	0.015	9.51	9.56
GC32 (BMK: R213)	⬆	10.11	0.010	10.10	10.13
GC35 (BMK: R209)	⬆	10.47	0.005	10.46	10.53
GC37 (BMK: R2037)	⬆	10.54	0.010	10.53	10.65
GC40 (BMK: R214)	⬆	11.00	0.010	10.99	11.05
GC43 (BMK: R2044)	⬆	10.91	0.010	10.90	11.06
GC45 (BMK: R2044)	⬆	11.38	0.010	11.37	11.43
GC50 (BMK: R2048)	⬆	11.63	0.005	11.62	11.66
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	⬆	1,492	0.15%	1,489	1,488
Platinum	⬆	887	0.48%	883	884
Brent Crude	⬆	59.9	0.82%	59.4	59.9
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬇	1,305	-0.27%	1,308	1,305
JSE All Share	⬇	55,993	-0.17%	56,091	55,894
SP500	⬆	2,998	0.28%	2,990	2,998
FTSE 100	⬆	7,182	0.20%	7,168	7,153
Hangseng	⬆	26,848	0.69%	26,664	26,720
DAX	⬇	12,655	-0.12%	12,670	12,662
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	16,167	-0.10%	16,183	16,197
Resources	⬇	44,138	-1.22%	44,682	44,068
Industrials	⬆	70,293	0.30%	70,080	70,051
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	14.80	-0.93%	14.94	14.75
N\$/Pound	⬇	19.07	-0.48%	19.17	19.02
N\$/Euro	⬇	16.46	-0.47%	16.54	16.41
US dollar/ Euro	⬆	1.112	0.47%	1.107	1.113
		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



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

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