



Market Update

Monday, 20 January 2020

Global Markets

Asian shares neared a 20-month top on Monday as Wall Street extended its run of record peaks on solid U.S. economic data and lashes of liquidity from the Federal Reserve. Oil prices jumped as oilfields in southwest Libya began shutting down after forces loyal to Khalifa Haftar closed a pipeline, potentially reducing national output to a fraction of its normal level.

Early turnover in Asian shares was light with U.S. stock and bond markets closed for the Martin Luther King Jr. holiday. MSCI's broadest index of Asia-Pacific shares outside Japan firmed 0.1%, after notching its highest close since June 2018. Japan's Nikkei added 0.2% to be near its highest in 15 months. Chinese shares opened firm with the blue-chip CSI300 index up 0.2%. Australia's main index scored another all-time peak and South Korea was near its best level since October 2018. E-Mini futures for the S&P 500 edged up 0.1%.

Eyes will be on U.S. corporate earnings with Netflix Inc, Intel Corp and Texas Instruments Inc set to report this week, while central banks in the European Union, Canada and Japan hold policy meetings.

Sentiment was supported by the relentless run of record highs on Wall Street. Only three weeks into the new year, the S&P 500 has gained just over 3% and the NASDAQ almost 5%.

Ray Attrill, head of foreign exchange strategy at National Australia Bank, suspects the strength on Wall Street owes much to the Federal Reserve's decision in September to rein in rising repo rates by flooding markets with cash. "The relationship between the size of the Fed's balance sheet, now some 11% bigger than where it was in late September, and the performance of U.S. risk assets is uncanny," he said, noting the balance sheet had just hit a three-month top of \$4.18 trillion.

Analysts at BofA Global Research noted global stock market capitalisation had ballooned by \$13 trillion since its September lows and the S&P was only 5% away from marking the biggest bull run in history. "We stay irrationally bullish until peak positioning and peak liquidity incite a spike in bond yields and a 4-8% equity correction," they said in a note.

The Fed's buying binge on Treasury bills has kept bonds bid even as stocks surged and economic data stayed healthy. Yields on two-year notes are dead in line with the overnight cash rate at 1.56%, compared to 2.62% this time last year.

The string of mostly solid U.S. data has underpinned the dollar, particularly against the safe-harbour yen. The dollar stood at 110.19 yen on Monday, having hit an eight-month peak of 110.28 last week. The euro was stuck at \$1.1095, while sterling idled at \$1.3000 after poor British economic news fanned speculation about a cut in interest rates. Against a basket of currencies, the dollar was flat at 97.616, moving away from the recent trough of 96.355.

Spot gold stood at \$1,557.75 per ounce, having hit a seven-year top earlier this month of \$1,610.90 at the height of Iran-U.S. tensions. Concerns about a cut in supply from Libya sent oil prices higher. Brent crude futures rose 76 cents to \$65.61 a barrel, while U.S. crude jumped 61 cents to \$59.15.

Source: Thomson Reuters

Domestic Markets

South Africa's rand rose against the dollar early on Friday, a day after the central bank unexpectedly cut rates in an attempt to boost faltering economic growth.

The South African Reserve Bank (SARB) lowered its main lending rate by 25 basis points to 6.25% in a unanimous decision on Thursday, 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.

The central bank painted a grim picture on the outlook for economic growth, lowering its predictions for this year and next to 1.2% and 1.6% respectively.

At 0713 GMT, the rand traded at 14.3720 per dollar, 0.25% firmer than its previous close.

"The cut was not expected for the most part," said Warrick Butler, executive for rand and emerging market spot trading at Standard Bank.

"Lack of any major move in the rand suggests that either positioning is very light or some of the offshore investors are already hedged. Of course, the continued bias towards emerging market investment also helps."

In fixed income, yield on the benchmark government bond was down 3 basis points to 8.16%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Monday, 20 January 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.07	-0.016	7.08	7.50
6 months	↓	7.60	-0.001	7.60	7.68
9 months	↓	7.71	-0.004	7.72	7.74
12 months	↓	7.81	-0.001	7.81	7.81
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↑	7.56	0.001	7.56	7.57
GC21 (BMK: R2023)	→	7.79	0.000	7.79	7.85
GC22 (BMK: R2023)	↓	8.01	-0.005	8.01	7.99
GC23 (BMK: R2023)	↓	8.11	-0.005	8.11	8.09
GC24 (BMK: R186)	↓	8.80	-0.015	8.82	8.80
GC25 (BMK: R186)	↓	8.83	-0.015	8.85	8.83
GC27 (BMK: R186)	↓	9.38	-0.015	9.40	9.38
GC30 (BMK: R2030)	↑	9.93	0.015	9.92	9.92
GC32 (BMK: R213)	↑	10.19	0.010	10.18	10.18
GC35 (BMK: R209)	↓	10.71	-0.010	10.72	10.70
GC37 (BMK: R2037)	↓	10.90	-0.005	10.90	10.88
GC40 (BMK: R214)	↓	11.23	-0.010	11.24	11.21
GC43 (BMK: R2044)	↓	11.43	-0.025	11.45	11.41
GC45 (BMK: R2044)	↓	11.63	-0.025	11.65	11.61
GC50 (BMK: R2048)	↓	11.96	-0.025	11.98	11.95
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	↑	1,556	0.24%	1,553	1,561
Platinum	↑	1,018	1.39%	1,004	1,026
Brent Crude	↑	64.9	0.36%	64.6	65.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,315	0.44%	1,310	1,316
JSE All Share	↑	59,002	1.35%	58,217	59,008
SP500	↑	3,330	0.39%	3,317	3,330
FTSE 100	↑	7,675	0.85%	7,610	7,675
Hangseng	↑	29,056	0.60%	28,883	28,882
DAX	↑	13,526	0.72%	13,429	13,526
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,428	-1.00%	15,584	15,400
Resources	↑	50,611	2.26%	49,494	50,836
Industrials	↑	74,105	2.03%	72,631	73,913
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.45	0.46%	14.38	14.44
N\$/Pound	↓	18.79	-0.06%	18.80	18.75
N\$/Euro	↑	16.02	0.03%	16.01	16.03
US dollar/ Euro	↓	1.109	-0.42%	1.114	1.110
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	2.6	2.5	3.6	3.7
Prime Rate	↓	10.25	10.50	10.00	10.25
Central Bank Rate	↓	6.50	6.75	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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