



Market Update

Monday, 20 May 2019

Global Markets

Asian shares steadied on Monday as investors caught their breath following another week of escalating U.S.-China trade tensions, with sentiment turning brighter after the United States said it would lift tariffs in North America.

MSCI's broadest index of Asia-Pacific shares outside Japan added 0.6%, reflecting modest gains in markets across the region after the broad index finished at its lowest since Jan. 24 on Friday, down 3% for the week. Australian shares underpinned the market's firmer mood, jumping 1.7% after the centre-right Liberal National Coalition pulled off a shock win in federal elections, beating the left-wing Labor Party.

Election results also look set to lift markets in India. India's NSE Stock Futures listed in Singapore rose 2.4% and the rupee strengthened after exit polls showed Indian Prime Minister Narendra Modi is likely to return to power with an even bigger majority in parliament.

Shares in the trade-sensitive markets of South Korea and Taiwan also rose. The Taiwan SE Weighted Index added 0.3% and Seoul's KOSPI rose 0.6%. U.S. S&P 500 e-mini futures also turned higher, rising 0.3% following losses on Wall Street on Friday.

The U.S. announced on Friday that it would remove tariffs on Canadian steel and aluminium, prompting Canada's foreign minister to vow the quick ratification of a new North American trade agreement.

The cautious optimism failed to lift Chinese blue chips, which fell 1%. Japan's Nikkei stock index added 0.3% after data showed growth in the world's third-biggest economy unexpectedly accelerated in the first quarter. Modest gains on Monday came even as financial markets remained on edge over the intensifying Sino-U.S. trade war, with the Trump administration last week adding Huawei Technologies Co Ltd to a trade blacklist.

Rising tensions in the Middle East, which have supported oil prices, ratcheted up another notch on the weekend as U.S. President Donald Trump issued new threats, tweeting that a conflict with Iran would be the "official end" of that country. But it was comments from Saudi Arabia's energy minister that had the most immediate effect on crude prices on Monday. Saudi Energy Minister Khalid al-Falih said that there was consensus among the members of the Organization of the Petroleum Exporting Countries to maintain production cuts to "gently" reduce inventories. Both U.S.

crude and Brent crude jumped more than 1.4% following the minister's comments, with West Texas Intermediate fetching \$63.66 a barrel and Brent crude at \$73.27 per barrel.

In currency markets, China's offshore yuan rebounded after touching its weakest against the dollar since November on Friday. It was last trading at 6.9351 per dollar. In onshore trading on Friday, the yuan had weakened past the psychologically important 6.9 per dollar level to end at its softest in 19 weeks. However, sources told Reuters the country's central bank is expected to use foreign exchange intervention and monetary policy tools to stop it weakening past the 7-per-dollar level in the near term. The People's Bank of China said on Sunday that it would maintain basic stability of the yuan exchange rate within a "reasonable and balanced range."

The dollar added 0.12% against the yen to 110.20, while the euro was barely changed at \$1.1155. The dollar index, which tracks the greenback against a basket of six major rivals, was up a hair's breadth at 98.018.

The yield on benchmark 10-year Treasury notes rose to 2.4015% compared with a U.S. close of 2.393% on Friday, while the two-year yield touched 2.2146%, up from Friday's U.S. close of 2.202%.

Gold trimmed earlier gains on the modest revival in risk appetite, easing to \$1,276.91 per ounce.

Source: Thomson Reuters

Domestic Markets

The South African rand slipped to its weakest in one week on Friday as escalating trade tensions between China and the United States dragged down demand for emerging markets assets. At 1540 GMT, the rand was 1% weaker at 14.4300 per dollar, its weakest level since May 9, after an overnight close of 14.2875.

With soft local economic data in the first half of the week and an escalation in the tariff spat between Washington and Beijing in the second half, the currency has struggled to hold on to gains it made following last week's general elections.

Tit-for-tat restrictions, including Beijing imposing higher tariffs on most U.S. imports and U.S. President Donald Trump blocking China's Huawei Technologies from buying vital American technology, have dented investor enthusiasm for risk assets.

And while the victory of South African President Cyril Ramaphosa's African National Congress (ANC) in parliamentary and provincial polls has been cheered by financial markets, investors are holding fire until he appoints a new cabinet.

"Market participants are acutely aware of the apparent fissures within the ANC, which may disrupt attempts at reform. They may reserve judgement and are likely to look out for signposts to confirm the President's 'mandate'", economist at Sanlam Arthur Kamp said.

Bonds were also weaker, with the yield on the benchmark 10-year Government Issue adding 7 basis points to 8.495 %.

On the bourse, stocks weakened on the back of U.S.-China trade talks. The broader All-Share index fell 0.63% to 56,183 points, while the Top-40 index closed 0.55% down at 50,081 points. Among the losers was South African diversified industrial goods wholesaler Bidvest, down 4.32% to 199.49 rand, while lender FirstRand fell 3.19% to 65.80 rand. Local stocks such as investment house Rand Merchant Bank and Bidvest - often seen as proxies for local economic health along with other

financial firms - fell. Standard Bank slipped 3.1 % to 195.61 rand after ICBC Standard Bank announced the closure of its Tokyo metals branch.

Source: Thomson Reuters



Chart of the Day



Market Overview

MARKET INDICATORS		20 May 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	⇒	7.41	0.000	7.41	7.33
6 months	⇒	7.65	0.000	7.65	7.71
9 months	⇒	7.92	0.000	7.92	7.98
12 months	⇒	8.16	0.000	8.16	8.18
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	7.74	0.072	7.67	7.74
GC24 (BMK: R186)	↑	9.42	0.075	9.34	9.42
GC27 (BMK: R186)	↑	9.62	0.075	9.55	9.63
GC30 (BMK: R2030)	↑	10.54	0.070	10.47	10.54
GI22 (BMK: NCPI)	⇒	4.54	0.000	4.54	4.54
GI25 (BMK: NCPI)	⇒	5.11	0.000	5.11	5.11
GI29 (BMK: NCPI)	⇒	5.73	0.000	5.73	5.73
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,277	-0.72%	1,286	1,276
Platinum	↓	814	-1.93%	830	822
Brent Crude	↓	72.2	-0.56%	72.6	73.2
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,339	-1.51%	1,359	1,339
JSE All Share	↓	56,183	-0.63%	56,538	56,183
SP500	↓	2,860	-0.58%	2,876	2,860
FTSE 100	↓	7,349	-0.07%	7,354	7,349
Hangseng	↓	27,946	-1.16%	28,275	27,771
DAX	↓	12,239	-0.58%	12,310	12,239
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,848	-2.06%	17,202	16,848
Resources	↑	44,237	0.55%	43,994	44,237
Industrials	↓	69,421	-0.44%	69,725	69,421
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.41	0.96%	14.27	14.39
N\$/Pound	↑	18.33	0.37%	18.26	18.32
N\$/Euro	↑	16.08	0.84%	15.95	16.05
US dollar/ Euro	↓	1.116	-0.14%	1.12	1.116
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	⇒	4.5	4.5	4.5	4.1
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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