



Market Update

Tuesday, 21 May 2019

Global Markets

Asian shares won some respite on Tuesday after Washington temporarily eased trade restrictions imposed last week on China's Huawei, although fears of a further escalation in tensions kept investors on edge.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.35% but stayed not far from a four-month low touched on Friday. It has fallen almost 8% from a nine-month peak hit just over a month ago. Japan's Nikkei fell 0.4%. The blue-chip CSI300 index rose 1.0%, a day after it fell to a three-month intraday low as Washington allowed Huawei Technologies Co Ltd to purchase American-made goods in order to maintain existing networks and provide software updates to existing Huawei handsets until Aug. 19.

Still, an increasingly acrimonious atmosphere between the world's two biggest economies have led investors to abandon any hopes of an early resolution, a sea change from just a few weeks ago when a deal was considered to be within reach.

In New York, the S&P 500 lost 0.67% while the Nasdaq Composite dropped 1.46%. The Philadelphia Semiconductor Index fell 4.02% to two-month lows. Huawei suppliers took a hit, with Qualcomm falling 6.0% and Micron Technology 4.0%. Some U.S. companies, such as Alphabet's Google and Apple Face ID parts supplier Lumentum Holdings Inc, have already started to limit services to Huawei.

Following Washington's Huawei ban, Beijing could take retaliatory measures against U.S. companies, further escalating tensions, said Norihiro Fujito, chief investment analyst at Mitsubishi UFJ Morgan Stanley Securities. Corporate earnings guidance provided to investors so far does not take into account the impact of the Huawei ban, said Nobuhiko Kuramochi, chief strategist at Mizuho Securities. "The sales of semi-conductors will be curtailed at least in the short term and companies will likely need to revise down their earnings," he said.

Markets showed scant reaction to a speech by Federal Reserve Chairman Jerome Powell, who dismissed comparisons between the rise of business debt to record levels in recent years and the conditions in U.S. mortgage markets that preceded the 2007-to-2009 economic crisis.

In the foreign exchange market, major currencies were on the sidelines for now. The euro was under pressure ahead of the European election this weekend but was little moved at \$1.1165, off

Monday's low of \$1.1150, its lowest level since May 3. The dollar was little changed at 110.21 yen Monday's near two-week high of 110.32 yen. The British pound was listless near four-month lows, trading at \$1.2730, just a stone's throw from Friday's low of \$1.2714, as embattled UK Prime Minister Theresa May struggled to pull together a Brexit deal. The yuan firmed slightly to 6.9040 to the dollar in onshore trade, still not far from a 5-1/2-month low of 6.9188. The Australian dollar dipped 0.2% to \$0.6891 after Australia's central bank governor said he would consider the case for lower interest rates at its June policy meeting.

Oil prices held near multi-week highs as OPEC indicated it was likely to maintain production cuts while escalating Middle East tensions provided further support. Brent crude futures traded up 0.25% at \$72.16 per barrel while U.S. crude futures fetched \$63.30 per barrel, up 0.3 percent.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed on Monday after a sharp slide in the previous week as a global sell-off in risk assets slowed, with investors positioning for an event-packed week. Stocks weakened, led by bourse heavyweight and e-commerce group Naspers.

At 1510 GMT the rand was 0.52% firmer at 14.3725 per dollar compared with its Friday close of 14.4475 in New York. Last week the rand and other emerging market currencies weakened as the trade spat between Beijing and Washington worsened, while solid economic data from the United States also pushed money towards the greenback.

The rand shed close to 2 percent in the previous week but remained one of the better performing emerging currencies as the post-election positivity limited losses, with investors awaiting the announcement of a new cabinet.

Before the announcement by incoming President Cyril Ramaphosa after this weekend's inauguration, Statistics South Africa publishes consumer inflation data on Wednesday and the central bank decides on lending rates on Thursday.

Investors also await developments in U.S.-China trade negotiations and the Federal Reserve minutes that may give more clues on what prompted U.S. policymakers to strike a broadly neutral stance this month.

In fixed income, the yield on the benchmark 10-year South African government bond due in 2026 fell 1.5 basis points to 8.5%.

On the bourse, the Johannesburg all-share index fell 1.01 percent to 55,617 points, while the Top-40 index was 1.06 percent lower at 49,551 points.

Naspers led the market lower, down 3.29 percent to 3,210 rand after losses in Hong Kong technology giant Tencent, in which it has a 31 percent stake. "All the tech shares in China have come under pressure and our whole market is built on Naspers," said Greg Davies, equities trader at Cratos Capital. A U.S. crackdown on China's Huawei Technologies stoked concerns about an escalating fallout in the U.S.-China trade dispute, hitting stock markets.

Source: Thomson Reuters



Chart of the Day



Source: Thomson Reuters Datastream, Capiborn Asset Management

Market Overview

MARKET INDICATORS		21 May 2019			
Money Market NCD's					
		Last close	Difference	Prev close	Current Spot
3 mth	➔	7.520	0.000	7.520	7.670
6 mth	➔	7.850	0.000	7.850	7.950
9 mth	➔	8.125	0.000	8.125	8.200
12 mth	➔	8.325	0.000	8.325	8.400
Bonds					
		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	⬇	7.73	-0.010	7.74	7.74
GC24 (BMK: R186)	⬇	9.40	-0.015	9.42	9.42
GC27 (BMK: R186)	⬇	9.61	-0.015	9.62	9.63
GC30 (BMK: R2030)	⬇	10.51	-0.025	10.54	10.53
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	0.03%	1,277	1,276
Platinum	⬇	812	-0.25%	814	809
Brent Crude	⬇	72.0	-0.33%	72.2	72.3
Main Indices					
		Last close	Change	Prev close	Current Spot
NSX (Delayed)	⬇	1,334	-0.34%	1,339	1,334
JSE All Share	⬇	55,617	-1.01%	56,183	55,617
SP500	⬇	2,840	-0.67%	2,860	2,840
FTSE 100	⬇	7,311	-0.51%	7,349	7,311
Hangseng	⬇	27,788	-0.57%	27,946	27,749
DAX	⬇	12,041	-1.61%	12,239	12,041
JSE Sectors					
		Last close	Change	Prev close	Current Spot
Financials	⬆	16,862	0.08%	16,848	16,862
Resources	⬇	43,867	-0.84%	44,237	43,867
Industrials	⬇	68,210	-1.75%	69,421	68,210
Forex					
		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	14.37	-0.29%	14.41	14.44
N\$/Pound	⬇	18.29	-0.24%	18.33	18.34
N\$/Euro	⬇	16.05	-0.21%	16.08	16.10
US dollar/ Euro	⬆	1.117	0.13%	1.116	1.115
Economic data					
		Namibia		RSA	
		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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