



Market Update

Thursday, 21 November 2019

Global Markets

Global shares slid on Thursday as a fresh row between Washington and Beijing over U.S. bills on Hong Kong could complicate their trade negotiation and delay a "phase one" deal that investors had initially hoped to be inked by now.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.2%, with Hong Kong's Hang Seng shedding 2% while Japan's Nikkei dropped 1.6%. Chinese mainland shares dropped 0.6%. U.S. S&P500 futures dropped 0.5% in Asian trade, a day after MSCI's broadest gauge of world stocks fell 0.4%, the biggest fall since early October. On Wall Street, all three major indexes fell, with the S&P 500 losing 0.38%.

The U.S. House of Representatives on Wednesday passed two bills intended to support protesters in Hong Kong and send a warning to China about human rights. The legislation, which has angered Beijing, has been sent to the White House for President Donald Trump's approval. A person familiar with the matter said Trump was expected to sign it. "China will surely take this as an interference into its domestic affairs and is likely to think it will no longer need to make concessions on trade," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities. The move came as trade experts and people close to the White House said completion of a "phase one" U.S.-China trade deal could slide into next year, as Beijing presses for more extensive tariff rollbacks, and the Trump administration counters with heightened demands of its own. Trump said on Oct. 11 that the deal could take as long as five weeks, and investors had initially expected an agreement by mid-November. Asked Wednesday about the status of the China deal, Trump told reporters in Texas: "I don't think they're stepping up to the level that I want."

Trade jitters sent the 10-year U.S. Treasuries yield down to 1.707%, near its lowest levels in three weeks and down more than 25 basis points from a Nov. 7 peak of 1.973%, a three-month high. Similarly in the currency market the yuan hit three-week lows, trading as low as 7.0450 to the dollar in onshore trade. The dollar slipped 0.3% against the yen to 108.31, compared to this week's high of 109.07 touched on Monday, while safe-haven gold edged up 0.26% to \$1,474.9 per ounce. The euro was little changed at \$1.1075.

Tomoo Kinoshita, chief economist at Invesco Asset Management in Tokyo, said the market is unlikely to completely give up hopes on the trade deal. "There have always been some uncertainties in trade

talks but that won't erase positive effects from signs of bottoming out in the global manufacturing sector," he said.

The minutes from the Federal Reserve's previous policy meeting published on Wednesday offered little guidance on what would cause policymakers to change their minds on the outlook after an increasingly divided Fed decided to hit pause in its easing cycle.

Oil prices also dipped, paring some of their 2% gains made on Wednesday after a better-than-expected U.S. crude inventories report and as Russia said it would continue its cooperation with OPEC to keep the market balanced. Global benchmark Brent futures dropped 0.4% to \$62.16. U.S. West Texas Intermediate (WTI) crude futures were down 0.39% at \$56.79 per barrel in early Thursday trade.

Domestic Markets

South Africa's rand weakened on Wednesday, reflecting gains by the dollar, while stocks tread water as worsening U.S.-China relations fuelled weakening demand for riskier assets and weighing on world markets. At 1447 GMT the rand was 0.27% weaker against the dollar.

Markets were in "a tentative risk-off mood as overnight developments cast a shadow over relations between China and the U.S.," said Andre Botha, a senior dealer at TreasuryONE.

The U.S. Senate on Tuesday approved bills aimed at protecting human rights in Hong Kong, drawing a sharp rebuke from China and casting doubt on a thaw in tensions between the two superpowers.

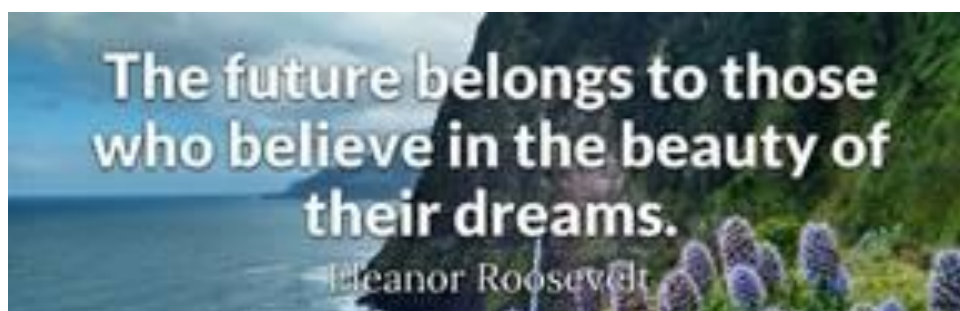
Local focus now turns to the South African Reserve Bank interest rates decision on Thursday. The bank is expected to leave rates on hold at 6.5%, even though Wednesday's data showed South African consumer inflation dropped in October to its lowest in eight years, increasing the chances of a rate cut.

On the stock market, the Top-40 index dipped 0.17% to 50,972 points and broader all-share was 0.36% lower at 57,168 points. "Stories around this trade deal are still up in the air. It's uncertainty which the markets don't like," said Independent Securities trader Ryan Woods.

Among the stocks that fell, FirstRand closed down 1.53% to 67.50 rand after falling more than 4% early Wednesday after its top investor, RMB Holdings (RMH), announced plans to distribute its roughly 130 billion rand (\$8.8 billion) stake in the bank to its shareholders. Curbing further losses, Lewis Group Ltd rose 12.27% to 34.22 rand after it reported a rise in half-year revenue, driven by strong sales growth in the first quarter.

Yields on benchmark bonds due in 2026 fell 5.5 basis points to 8.315%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Bloomberg)		21 November 2019			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.099	0.068	7.031	7.099
6 months	↑	7.257	0.024	7.233	7.257
9 months	↑	7.43	0.003	7.427	7.43
12 months	↑	7.492	0.034	7.458	7.492
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↓	7.054	-0.320	7.374	7.371
GC21 (BMK: R2023)	↓	8.168	-0.040	8.208	8.198
GC22 (BMK: R2023)	↓	8.029	-0.221	8.250	8.229
GC23 (BMK: R2023)	↓	8.277	-0.101	8.378	8.277
GC24 (BMK: R186)	↓	9.059	-0.010	9.069	9.060
GC25 (BMK: R186)	↓	9.072	-0.008	9.080	9.080
GC27 (BMK: R186)	↓	9.167	-0.011	9.178	9.167
GC30 (BMK: R2030)	↓	9.672	-0.004	9.676	9.703
GC32 (BMK: R213)	↑	10.250	0.005	10.245	10.229
GC35 (BMK: R209)	↓	10.662	-0.025	10.687	10.684
GC37 (BMK: R2037)	↓	10.816	-0.047	10.863	10.850
GC40 (BMK: R214)	↓	11.190	-0.051	11.241	11.190
GC43 (BMK: R2044)	↓	11.319	-0.021	11.340	11.388
GC45 (BMK: R2044)	↑	11.578	0.219	11.359	11.711
GC50 (BMK: R2048)	↑	11.600	0.169	11.431	11.725
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↓	4.306	-0.044	4.350	4.280
GI25 (BMK: NCPI)	↑	4.599	0.001	4.598	4.598
GI29 (BMK: NCPI)	↓	5.510	-0.014	5.524	5.526
GI33 (BMK: NCPI)	↓	6.020	-0.045	6.065	6.068
GI36 (BMK: NCPI)	↓	6.344	-0.036	6.380	6.336
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,471.61	-0.06%	1,472.46	1,472.00
Platinum	↑	917.06	0.68%	910.85	914.30
Brent Crude	↑	62.40	2.45%	60.91	62.24
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↓	611.91	-0.09%	612.44	611.91
JSE All Share	↓	56,832.12	-0.84%	57,313.44	56,832.12
S&P 500	↓	3,108.46	-0.38%	3,120.18	3,108.46
FTSE 100	↓	7,262.49	-0.84%	7,323.80	7,262.49
Hangseng	↓	26,481.71	-1.52%	26,889.61	26,481.71
DAX	↓	13,158.14	-0.48%	13,221.12	13,158.14
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↑	16,656.65	1.09%	16,476.85	16,470.87
Resources	↓	46,743.42	-0.82%	47,129.43	46,115.73
Industrials	↓	70,383.68	-0.38%	70,653.33	69,985.37
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	14.78	0.14%	14.76	14.77
N\$/Pound	↑	19.10	0.10%	19.08	19.11
N\$/Euro	↑	16.37	0.06%	16.36	16.36
US Dollar/ Euro	⇒	1.11	0.00%	1.11	1.11
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	3.02	3.26	3.70	4.10
Prime Rate	⇒	10.25	10.25	10.00	10.00
Central Bank Rate	⇒	6.50	6.50	6.50	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

Important Note:

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Source: Thomson Reuters



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