



The Daily Brief

 Capricorn Asset Management

Market Update

Wednesday, 22 May 2019

Global Markets

Asian stocks were on shaky ground on Wednesday, as earlier relief over Washington's temporary relaxation of curbs against China's Huawei Technologies failed to offset deeper worries about trade frictions between the world's two largest economies.

The Chinese markets, which have endured a volatile few months, started off on a cautious note. The Shanghai Composite Index was last down 0.1%. Australian stocks gave up 0.1% and South Korea's KOSPI fell 0.2%. Japan's Nikkei edged up 0.3%. MSCI's broadest index of Asia-Pacific shares outside Japan moved in and out of the red and last stood little changed.

The U.S. Commerce Department on Monday granted Huawei Technologies Co Ltd a license to buy U.S. goods until Aug. 19, a move intended to give telecom operators that rely on Huawei time to make other arrangements. The United States blocked Huawei from buying U.S. goods last week in a major escalation in the trade war against China, saying the firm was involved in activities contrary to national security. Shares of technology companies helped lift Wall Street on Tuesday after Washington's easing of curbs on Huawei. Chipmakers, many of which sell to Huawei, had been hit at the start of the week.

"Notwithstanding the latest tweet from President Trump that some restrictions on Huawei had been eased, global equity markets have continued to underestimate the relentless expansion of the U.S.-China trade dispute," wrote Sean Darby, chief global equity strategist at Jefferies. "The progression from tariffs, to direct actions against single Chinese companies and their inter-linked supply chains, has a wide-ranging impact on profitability for corporates in both economies that investors will find difficult to quantify."

The dollar traded at 110.570 yen after popping up to a two-week high of 110.675 against the safe-haven Japanese currency overnight as U.S. yields rose in the wake of gains by Wall Street shares. The euro was little changed at \$1.1165 after brushing a 2-1/2-week trough of \$1.1142. The pound was steady at \$1.2710. Sterling had sunk to a four-month low of \$1.2685 on Tuesday on Brexit worries but bounced back after British Prime Minister Theresa May proposed a "new" Brexit deal. The Australian dollar, sensitive to shifts in risk sentiment, inched down 0.05% to \$0.6882. The currency had suffered losses the previous day when Australia's central bank governor said interest rates might be cut as soon as next month.

In commodities, U.S. West Texas Intermediate (WTI) crude futures were down 0.89% at \$62.57 per barrel after American Petroleum Institute data showed that U.S. crude stockpiles rose unexpectedly last week. Oil was also pressured by Saudi Arabia reiterating that it would aim to keep the market balanced and try to reduce tensions in the Middle East. Brent crude futures lost 0.47% to \$71.84 per barrel.

Source: Thomson Reuters

Domestic Markets

South Africa's rand steadied in late afternoon trade on Tuesday, recovering from losses earlier in the session as developing world currencies weakened on fears the protracted China-U.S trade conflict may have already begun to impact Asian economies.

On the bourse, equities slipped slightly with financial stocks and retailers leading the decline. At 1517 GMT the rand traded at 14.3900 per dollar, unchanged from an overnight close in New York. The unit had weakened to a session low of 14.4900 earlier on trade conflict concerns.

"Investors were previously hoping that the doors would be closed firmly shut on trade dispute by the end of this month," Jameel Ahmad, global head of currency strategy & market research at FXTM, said in a note. "But the recent tariff escalations from both sides suggest that emerging market currencies will continue to find themselves exposed to external uncertainties into the second half of 2019 at least."

Data showed economic growth in Singapore was its lowest in nearly a decade in the first quarter, while in Thailand it was at its lowest in four years, raising worries that major Asian economies will be hurt by global trade tensions.

Upcoming South Africa consumer inflation data and a central bank decision on lending rates also capped any large bets. A Reuters poll of economists and analysts conducted last week forecast the central bank will leave interest rates unchanged at 6.75%, with inflation expected to remain within the Reserve Bank's 3-6% target range.

Statistics South Africa publishes April consumer figures on Wednesday at 0800 GMT.

In fixed income, the benchmark government bond dipped 3 basis points to 8.47%.

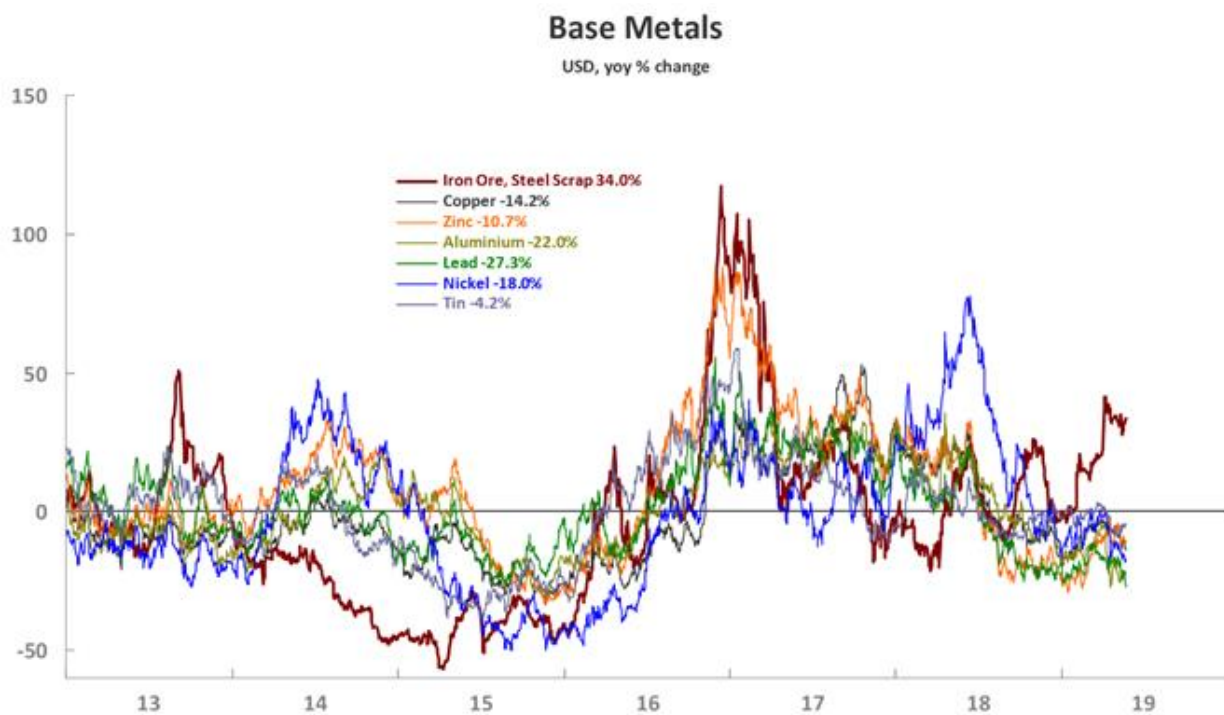
The broader All-Share index fell 0.17% to 55,524 points, while the blue chip stocks on the Top-40 index declined 0.13% to 49,486 points. Banking stocks slipped 2.01% to 9408.23, with Nedbank falling the farthest to 256.35 rand - a 3.26% decline, followed by Absa which shed 2.87% to 164.20 rand. Insurer Discovery fell 2.77% to 139.66 rand, and Standard Bank declined 2.170% to 192.95 rand.

"There's now growing realisation that the first quarter GDP number is going to be particularly poor, and a weak economy is not good for the banking or retail shares," said FNB Portfolio Manager Wayne McCurrie.

Source: Thomson Reuters



Chart of the Day



Source: Thomson Reuters Datastream, Capricorn Asset Management

Market Overview

MARKET INDICATORS		22 May 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months					7.33
6 months		not updated due to technical difficulties			7.71
9 months					8.00
12 months					8.17
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↓	7.72	-0.010	7.73	7.73
GC24 (BMK: R186)	↓	9.37	-0.030	9.40	9.36
GC27 (BMK: R186)	↓	9.58	-0.030	9.61	9.57
GC30 (BMK: R2030)	↓	10.49	-0.025	10.51	10.48
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	↓	1,275	-0.22%	1,277	1,274
Platinum	↑	814	0.25%	812	811
Brent Crude	↑	72.2	0.29%	72.0	71.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,322	-0.96%	1,334	1,322
JSE All Share	↓	55,524	-0.17%	55,617	55,524
SP500	↑	2,864	0.85%	2,840	2,864
FTSE 100	↑	7,329	0.25%	7,311	7,329
Hangseng	↓	27,657	-0.47%	27,788	27,683
DAX	↑	12,143	0.85%	12,041	12,143
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,624	-1.41%	16,862	16,624
Resources	↑	43,989	0.28%	43,867	43,989
Industrials	↑	68,310	0.15%	68,210	68,310
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.37	-0.01%	14.37	14.42
N\$/Pound	↓	18.25	-0.18%	18.29	18.30
N\$/Euro	↓	16.03	-0.10%	16.05	16.08
US dollar/ Euro	↓	1.116	-0.11%	1.117	1.116
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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