



Market Update

Friday, 22 November 2019

Global Markets

Asian equities posted a mild bounce on Friday from three-week lows hit the previous day, with persistent worries over the status of trade negotiations between China and the United States limiting the gains.

MSCI's broadest index of Asia-Pacific shares outside Japan climbed 0.12%, recovering from Thursday's drop of as much as 1.4% that took it to its lowest level since Oct. 30 on concerns that U.S. legislation on Hong Kong threatened to undermine trade talks between the world's two largest economies. Those concerns linger, with U.S. President Donald Trump expected to sign into law two bills backing protesters in Hong Kong after the U.S. House of Representatives voted 417 to 1 for the "Hong Kong Human Rights and Democracy Act", which the Senate had passed unanimously a day earlier. "If he's going to be forced to sign it, then it brings another (element) of uncertainty to this phase one trade deal, which then pushes back into next year," said Matt Simpson, senior market analyst at GAIN Capital in Singapore. But Simpson said that in the absence of major news on trade, rangebound market moves are "quite reflective of the small headlines coming through".

Chinese blue-chip shares, which had opened higher, turned negative later in the morning, and were last down 0.82%. Australian shares gained 0.55% and Japan's Nikkei was up 0.43%. Worries that a "phase one" trade deal between the United States and China might not occur until next year had weighed on investor sentiment on Wall Street overnight, pulling the S&P 500 down 0.16% to 3,103.54, the Dow Jones down 0.2% to 27,766.29 and the Nasdaq Composite 0.24% lower to 8,506.21. The losses, though, were tempered by China saying it was willing to work with the United States to resolve core trade concerns, and a report in the Wall Street Journal that China has invited top U.S. trade negotiators for a new round of face-to-face talks in Beijing. "I was ready to give up on a trade deal yesterday. But it seems the Chinese haven't so I, we, mustn't," Greg McKenna, strategist at McKenna Macro, said in a note.

But analysts at ANZ said that whipsawing hopes over a deal were starting to wear on investors in the 16th month of the U.S.-China trade war. "It's fair to say that some signs of trade-headline fatigue are emerging in markets," they said in a note.

U.S. Treasury yields were a shade higher. The yield on benchmark 10-year Treasury notes was at 1.7774 up from its U.S. close of 1.772% on Thursday. The policy-sensitive two-year yield was at 1.6087% compared with a U.S. close of 1.605%. In currency markets, the yen was barely stronger,

with the dollar buying 108.61. The euro was up 0.05% at \$1.1063. The dollar index, which tracks the greenback against a basket of six major rivals, was off 0.04% at 97.958.

Oil prices retreated after hitting two-month highs following a Reuters report that the Organization of Petroleum Exporting Countries and its allies are likely to extend existing output cuts until mid-2020. U.S. West Texas Intermediate crude dipped 0.68% to \$58.18 a barrel and global benchmark Brent crude was down 0.58% at \$63.60 per barrel. Spot gold edged up 0.04% to \$1,464.74 per ounce.

Domestic Markets

South Africa's rand firmed on Thursday, supported by a weaker dollar and the central bank's decision to keep the repo rate unchanged, while stocks edged lower.

The U.S. dollar eased against other major currencies, with investors focused on the latest developments in a 16-month long trade dispute between the United States and China that has weighed on the world economy. At 1650 GMT the rand was 0.59% firmer at 14.7000 per dollar.

The currency touched a session high of 14.6410 after the central bank kept the repo rate at 6.5% in a close decision. The bank said it wanted to see inflation expectations closer to the midpoint of its target range, despite a sustained drop in headline inflation.

"The decision was not surprising against the backdrop of elevated inflation risks in both domestic and global economies," Nedbank analysts said in a note. "A further improvement of inflation expectations would boost chances of a cut in January and this could be helped by another low headline CPI figure in December," the Nedbank analysts said. "However, the proximity of the National Budget in February 2020 may prevent an early cut."

On the stock market, stocks fell alongside other emerging market equities after as a diplomatic row between the United States and China sparked fears of a delay to a deal to end a trade war that has dented global growth and unsettled financial markets. The benchmark JSE Top-40 Index fell 1.44% to 50,235.68 points while the broader All-Share Index fell 1.35% to 56,540.25 points. Financials took the biggest tumble on the blue-chip index, with insurance and financial services company Discovery down 4.4% at 128.75 rand and Absa Group down 4.08% at 158.53 rand. Preventing further losses was retailer Mr Price Group which shot up 11.25% to the top of the index after reporting total revenue growth of 2.6% even though profits were down 10% because of the weak economy and an imbalance in product ranges.

In fixed income, the yield on the benchmark 2026 bond added 2.5 basis points to 8.33%.

Source: Thomson Reuters

SARB keeps rates unchanged

South Africa's central bank kept its repo rate unchanged at 6.5% in a close decision on Thursday, saying it wanted to see inflation expectations closer to the midpoint of its target range, despite a sustained drop in headline inflation.

Three members of the central bank's monetary policy committee had preferred to keep the repo rate on hold and two had wanted a cut of 25 basis points (bps), Reserve Bank Governor Lesetja Kganyago told a news conference.

The central bank's main focus is keeping inflation near the middle of its 3%-6% target range, but inflation has regularly surprised to the downside this year owing to tepid economic growth. October

inflation data came in below expectations at 3.7% year on year on Wednesday, an almost nine-year low.

Twenty-one of the 28 economists polled by Reuters last week said the repo rate would remain on hold, while seven predicted it would be cut by 25 bps.

"The overall risks to the inflation outlook are assessed to be balanced, but uncertainty about inflation risks is unusually high," Kganyago said, citing unpredictable weather, food and utility prices and a volatile exchange rate. "In this persistently uncertain environment future policy decisions will continue to be highly data-dependent."

The central bank lowered its forecast for economic growth this year to 0.5%, from 0.6%, and lowered its forecasts for the next two years to 1.4% and 1.7%, respectively. It said business confidence remained weak and that longer-term weakness in most sectors was a serious concern.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Friday, 22 November 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	6.94	-0.003	6.94	6.94
6 months	↓	7.21	-0.002	7.22	7.21
9 months	↓	7.35	-0.002	7.35	7.35
12 months	↓	7.44	-0.001	7.44	7.44
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	→	7.37	0.000	7.37	7.37
GC21 (BMK: R2023)	→	7.35	0.000	7.35	7.35
GC22 (BMK: R2023)	↑	8.29	0.030	8.26	8.29
GC23 (BMK: R2023)	↑	8.39	0.030	8.36	8.39
GC24 (BMK: R186)	↑	8.95	0.010	8.94	8.95
GC25 (BMK: R186)	↑	8.98	0.010	8.97	8.98
GC27 (BMK: R186)	↑	9.09	0.010	9.08	9.09
GC30 (BMK: R2030)	↑	9.97	0.005	9.96	9.97
GC32 (BMK: R213)	↓	10.24	-0.010	10.25	10.24
GC35 (BMK: R209)	↓	10.64	-0.015	10.65	10.64
GC37 (BMK: R2037)	↑	10.82	0.005	10.82	10.82
GC40 (BMK: R214)	↓	11.21	-0.010	11.22	11.21
GC43 (BMK: R2044)	↓	11.35	-0.010	11.36	11.35
GC45 (BMK: R2044)	↓	11.55	-0.010	11.56	11.55
GC50 (BMK: R2048)	↑	11.88	0.005	11.88	11.88
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)	→	5.55	0.000	5.55	5.55
GI33 (BMK: NCPI)	→	6.15	0.000	6.15	6.15
GI36 (BMK: NCPI)	→	6.39	0.000	6.39	6.39
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,464	-0.48%	1,471	1,467
Platinum	↓	915	-0.21%	917	908
Brent Crude	↑	64.0	2.52%	62.4	63.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,322	-2.02%	1,349	1,322
JSE All Share	↓	56,540	-1.35%	57,313	56,540
SP500	↓	3,104	-0.16%	3,108	3,104
FTSE 100	↓	7,239	-0.33%	7,262	7,239
Hangseng	↓	26,467	-1.57%	26,890	26,508
DAX	↓	13,138	-0.16%	13,158	13,138
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,339	-1.91%	16,657	16,339
Resources	↓	45,739	-2.15%	46,743	45,739
Industrials	↓	69,914	-0.67%	70,384	69,914
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.68	-0.67%	14.77	14.69
N\$/Pound	↓	18.95	-0.74%	19.09	18.99
N\$/Euro	↓	16.23	-0.81%	16.36	16.26
US dollar/ Euro	↓	1.106	-0.14%	1.107	1.107
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	3.0	3.3	3.7	4.3
Prime Rate	↓	10.25	10.50	10.00	10.25
Central Bank Rate	↓	6.50	6.75	6.50	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

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.

Source: Thomson Reuters



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