



Market Update

Tuesday, 22 October 2019

Global Markets

Asian share markets made guarded gains on Tuesday amid cheery chatter about the chance of a Sino-U.S. trade deal, while investors were sanguine yet another vote on Brexit would still avert a hard exit for the UK.

A holiday in Tokyo kept turnover light and MSCI's broadest index of Asia-Pacific shares outside Japan added a modest 0.3%. Futures for Japan's Nikkei were trading at 22,760, compared to Monday's index close at 22,548. South Korean stocks rose 0.9% and Shanghai blue chips were flat. E-Mini futures for the S&P 500 gained 0.15%.

China and the United States have achieved some progress in their trade talks, Vice Foreign Minister Le Yucheng said on Tuesday, adding that as long as both sides respected each other, no problem could not be resolved. U.S. President Donald Trump sounded upbeat on a China deal on Monday, while White House adviser Larry Kudlow said tariffs on Chinese goods scheduled for December could be withdrawn if talks go well. Trade-sensitive technology stocks rose 1.1%, pulling the S&P 500 up 0.69% and near to a record closing high. The Dow gained 0.21%, while the Nasdaq rose 0.91%.

The better mood saw safe-haven bonds extend their recent pullback, with 10-year Treasury yields at a five-week peak of 1.80%. In foreign exchange markets, the dollar found support against the yen at 108.64 while staying steady on a basket of currencies to 97.289. The euro paused after its recent run higher and was last trading quietly at \$1.1151. Sterling held firm at \$1.2977 after Prime Minister Boris Johnson failed to get a vote on his Brexit deal and will try again on Tuesday to get the first stage of a withdrawal bill through Parliament.

"If the House of Commons vote in favour of the deal, GBP/USD could rally towards \$1.3500 over the medium term. The UK would then enter a transition period that lasts until 31 December 2020," said Kim Mundy, a currency strategist at CBA. "If the Commons rejects the deal, GBP/USD will likely stabilise around \$1.2800, because the risk of a hard Brexit will remain low," he added. "Early UK general elections would be the next most logical way forward."

The Canadian dollar kept its recent gains at C\$1.3080 per U.S. dollar as CBC TV predicted the ruling Liberal government of Justin Trudeau had won re-election. In commodity markets, spot gold was idling at \$1,483.98 per ounce. Oil prices were little moved as the market fretted about the health of the global economy and the future for energy demand. Brent crude futures were steady at \$58.96, while U.S. crude added 5 cents to \$53.36 a barrel.

Domestic Markets

South Africa's rand edged higher on Monday, with traders holding out for a decisive move by the currency before making any big bets. At 1613 GMT the rand was 0.09% firmer at 14.7570 per dollar, little changed from its close on Friday at 14.7700.

Sentiment towards emerging markets was boosted as hopes for resolving the China-U.S. trade war pushed investors towards higher-risk assets. The rand has hovered near key technical resistance at 14.75 and 14.70 over the past two weeks but failed to hold below the levels, leaving it open to bouts of volatility and event risk.

The crisis at heavily indebted Eskom, which implemented days of power cuts last week after a number of its generating units broke down, has been the main local catalyst for rand weakness while offshore events have kept speculative buyers interested. "We believe the rand will remain volatile, with the resolutions to the Eskom crisis, security of electricity supply and alleviating pressures on economic growth all key," said chief economist at Investec Annabel Bishop in a note.

On Monday, Eskom said its 2,000 megawatt Hendrina Power Station had suffered a "multi-unit trip", but that the failure would not lead to nationwide electricity cuts as it had reserve capacity to rely on.

Government bonds weakened, with the yield on benchmark 2026 instrument, R186, up 3.5 basis points to 8.275%.

In the equities market, Johannesburg-listed shares of Capital & Counties Properties Plc (Capco) surged to their highest level since Nov 11, 2018 after investment vehicle of luxury property tycoon Nick Candy confirmed it is considering a cash offer for the 85-year old UK-based company. Capco, which was the second biggest gainer on the All-Share index, jumped 8.74% to 51.50 rand. Other locally-listed UK property firms, such as Intu Properties Plc, up 7.14% to 9.60 rand, and Hammerson, up 2.33% to 61.50 rand, were boosted by hopes that Britain will avoid a disorderly exit from the European Union.

"Capco has been trading at a huge discount to its underlying value. One of the reasons that they've been so cheap is because of worries over Brexit and things are now starting to develop in the right direction, although there is still uncertainty," Sasfin Holdings stockbroker David Shapiro said. "If you look at sterling it's suggesting that there is a good chance that a Brexit deal will be done even though there has been another delay." On Monday, the British parliament's speaker refused to allow a vote on Prime Minister Boris Johnson's Brexit divorce deal, suggesting Johnson faces further problems in the Brexit ratification.

The Johannesburg All-Share index gained 0.7% to 56,110 points when it closed at 1500 GMT, while the Top-40 index rose 0.65% to 49,834 points in line with emerging stocks on signs of progress in U.S.-China trade talks.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Bloomberg)				22 October 2019	
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↓	7.031	-0.082	7.113	7.031
6 months	↑	7.233	0.006	7.227	7.233
9 months	↑	7.353	0.044	7.309	7.353
12 months	↓	7.458	-0.006	7.464	7.458
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↓	7.250	-0.040	7.290	7.240
GC21 (BMK: R2023)	⇒	8.058	0.000	8.058	8.067
GC22 (BMK: R2023)	↓	8.143	-0.001	8.144	8.143
GC23 (BMK: R2023)	↓	8.333	-0.002	8.335	8.334
GC24 (BMK: R186)	↓	8.848	-0.001	8.849	8.851
GC25 (BMK: R186)	⇒	8.863	0.000	8.863	8.867
GC27 (BMK: R186)	⇒	9.025	0.000	9.025	9.025
GC30 (BMK: R2030)	↓	9.581	-0.003	9.584	9.590
GC32 (BMK: R213)	↑	10.047	0.001	10.046	10.047
GC35 (BMK: R209)	⇒	10.475	0.000	10.475	10.478
GC37 (BMK: R2037)	⇒	10.580	0.000	10.580	10.580
GC40 (BMK: R214)	↓	11.017	-0.001	11.018	11.023
GC43 (BMK: R2044)	⇒	11.039	0.000	11.039	11.046
GC45 (BMK: R2044)	⇒	11.424	0.000	11.424	11.432
GC50 (BMK: R2048)	⇒	11.694	0.000	11.694	11.707
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↑	4.367	0.002	4.365	4.363
GI25 (BMK: NCPI)	↑	4.674	0.001	4.673	4.675
GI29 (BMK: NCPI)	↑	5.599	0.001	5.598	5.599
GI33 (BMK: NCPI)	⇒	6.192	0.000	6.192	6.192
GI36 (BMK: NCPI)	⇒	6.539	0.000	6.539	6.539
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,484.50	-0.37%	1,490.05	1,487.80
Platinum	↓	888.52	-0.17%	890.05	888.81
Brent Crude	↓	58.96	-0.77%	59.42	59.19
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↑	597.20	1.56%	588.01	597.20
JSE All Share	↓	56,060.40	-0.09%	56,110.78	56,060.40
S&P 500	↑	3,006.72	0.69%	2,986.20	3,006.72
FTSE 100	↑	7,173.22	0.13%	7,163.64	7,173.22
Hangseng	↑	26,786.20	0.23%	26,725.68	26,786.20
DAX	↑	12,758.14	0.08%	12,747.96	12,758.14
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↑	16,186.90	0.92%	16,038.82	16,246.67
Resources	↑	44,828.94	1.41%	44,207.55	44,165.05
Industrials	↑	69,896.18	0.12%	69,810.93	70,123.73
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↓	14.76	-0.20%	14.79	14.72
N\$/Pound	↓	19.13	-0.31%	19.19	19.04
N\$/Euro	↓	16.46	-0.30%	16.51	16.40
US Dollar/ Euro	⇒	1.12	0.00%	1.12	1.11
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	3.26	3.71	4.30	4.00
Prime Rate	↓	10.25	10.50	10.00	10.00
Central Bank Rate	↓	6.50	6.75	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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