



## Market Update

Thursday, 23 May 2019

### Global Markets

Asian shares broke support and caved to a four-month low on Thursday, as concerns grew that the Sino-U.S. trade conflict was fast morphing into a prolonged technology cold war between the world's two largest economies. Late Wednesday, Reuters reported the U.S. administration was considering Huawei-like sanctions on Chinese video surveillance firm Hikvision over the country's treatment of its Uighur Muslim minority, according to a person briefed on the matter. After the United States placed Huawei Technologies on a trade blacklist last week, British chip designer ARM has halted relations with Huawei in order to comply with the blockade.

Digging the knife in, the U.S. military said it sent two Navy ships through the Taiwan Strait on Wednesday. "Both the U.S. and China appear to be preparing for a prolonged period of trade conflict," wrote analysts at Nomura in a note on the standoff. "We think domestic pressures and constraints will drive both sides towards further escalation," they warned. "Without a clear way forward during an intensifying 2020 U.S. presidential election, we see a rising risk that tariffs will remain in effect through end 2020."

Shanghai blue chips shed 1.2% in response to be near their lowest since February. An index of major telecoms firms fell 2.7% as suppliers to Huawei suffered. MSCI's broadest index of Asia-Pacific shares outside Japan touched its lowest in four months and was last down 0.7%. Japan's Nikkei lost 0.7% and South Korea 0.3%. Also feeling the pain, E-Mini futures for the S&P 500 dropped 0.4%. India's market was expected to buck the trend as media reported Prime Minister Narendra Modi's party was well ahead in an election vote count.

Treasury Secretary Steven Mnuchin said on Wednesday it would be at least a month before the United States would enact proposed tariffs on \$300 billion in Chinese imports as it studies the impact on American consumers.

Minutes of the U.S. Federal Reserve's last meeting out on Wednesday underlined its readiness to be patient on policy "for some time" given the uncertain global outlook. The chance of a rate cut seemed to diminish as many Fed policy makers saw recent weakness in inflation as "transitory", though the latest escalation in the trade war means markets are still wagering on an eventual easing. Yields on two-year Treasuries of 2.237% are also well below the current effective funds rate at 2.39%.

In currencies, constant trade friction saw the safe haven yen in demand again as the dollar dipped to 110.24 yen and away from the week's top of 110.67. The dollar fared better on the euro at \$1.1151 and was steady on a basket of currencies at 98.111. Sterling had troubles of its own at \$1.2646, having hit a four-month low of \$1.2625 overnight.

British Prime Minister Theresa May came under intense pressure after her latest Brexit gambit backfired and fueled calls for her to quit. Prominent Brexit supporter Andrea Leadsom resigned from the government on Wednesday and British media reported May could announce her departure date as early as Friday. "Uncertainty is the only clear certainty in the near term," said Westpac macro strategist Tim Riddell. "The risk of a hard-Brexit replacement for May has increased the risks of a hard Brexit result or even a forced no-deal exit," he added. "Such an event would likely force GBP lower, increase risks of assets sliding and BOE (Bank of England) taking counter action to support assets."

In commodity markets, spot gold was little changed at \$1,273.12 per ounce. Oil prices added to losses suffered overnight after an unexpected build in U.S. crude inventories compounded investor worries about demand. U.S. crude was last down 33 cents at \$61.09 a barrel, while Brent crude futures lost 40 cents to \$70.59.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand steadied in afternoon trade on Wednesday as markets positioned for the release of minutes from the Federal Reserve's latest meeting that might give more clues on the U.S. interest rate outlook.

Stocks were dragged down by Sasol as the South African petrochemicals firm raised the expected cost of its U.S. ethane cracker project by \$1 billion.

At 1530 GMT the rand was trading at 14.3825 per dollar following a close of 14.3800 overnight in New York. For much of this week, a dearth of domestic economic and political drivers has exposed it to offshore factors dominated by the U.S.-China trade standoff.

South Africa-focused investors also await the central bank's interest rates decision on Thursday. A Reuters poll of economists and analysts conducted last week forecast rates will stay at 6.75%, with the bank resisting pressure to lower them to support flagging economic growth.

"Eyes are on the ... subsequent statement by Reserve Bank Governor Lesetja Kganyago tomorrow, with ...interest rates expected to remain unchanged," Bianca Botes, a corporate treasury manager at Peregrine Treasury Solutions, said in a note.

In fixed income, the yield on the benchmark government bond due in 2026 dipped by 6 basis point to 8.41%.

On the bourse, the broader All-Share index declined 0.53% to 55,231 points, while the blue chips on the Top-40 index slipped 0.59% to 49,194 points. Leading the downside was Sasol, which fell 13% to 375 rand, while property investment company Redefine declined 6.7 percent to 9.05 rand.

**Source: Thomson Reuters**

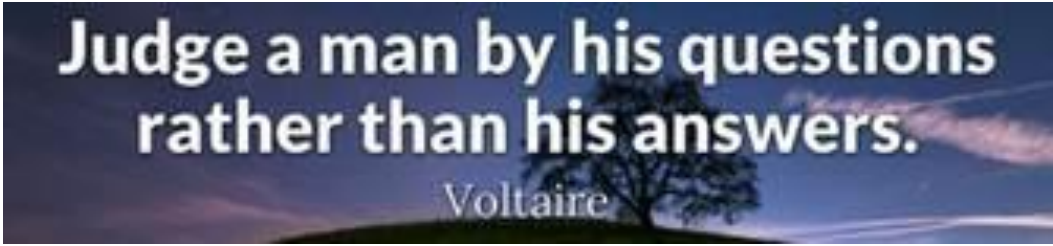
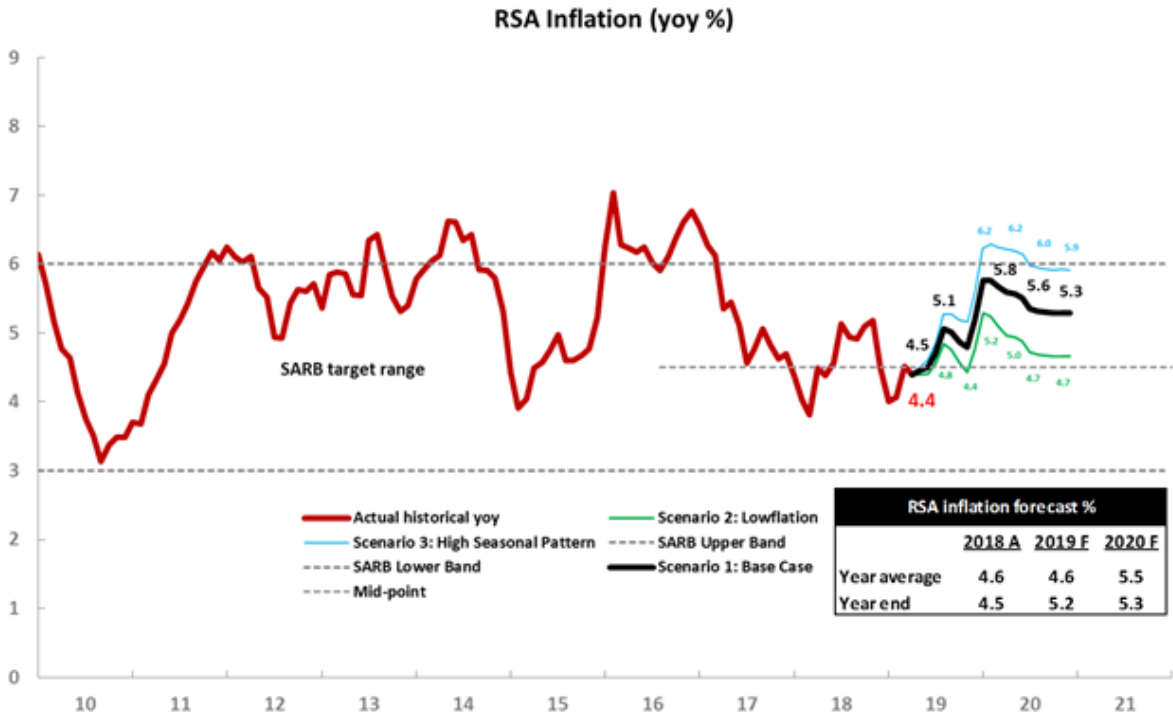


Chart of the Day



## Market Overview

MARKET INDICATORS		23 May 2019			
<b>Money Market TB's</b>		Last close	Difference	Prev close	Current Spot
3 months					7.29
6 months		not updated due to technical			7.69
9 months		difficulties			7.99
12 months					8.17
<b>Bonds</b>		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↓	7.65	-0.075	7.72	7.69
GC24 (BMK: R186)	↓	9.10	-0.270	9.37	9.35
GC27 (BMK: R186)	↓	9.18	-0.391	9.58	9.55
GC30 (BMK: R2030)	↓	10.02	-0.464	10.49	10.45
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
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↓	1,273	-0.11%	1,275	1,275
Platinum	↓	799	-1.78%	814	798
Brent Crude	↓	71.0	-1.65%	72.2	70.4
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,321	-0.04%	1,322	1,318
JSE All Share	↓	55,231	-0.53%	55,524	54,427
SP500	↓	2,856	-0.28%	2,864	2,856
FTSE 100	↑	7,334	0.07%	7,329	7,301
Hangseng	↑	27,706	0.18%	27,657	27,177
DAX	↑	12,169	0.21%	12,143	12,067
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↑	16,670	0.28%	16,624	16,545
Resources	↓	42,929	-2.41%	43,989	42,520
Industrials	↑	68,317	0.01%	68,310	66,740
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.36	-0.03%	14.37	14.45
N\$/Pound	↓	18.18	-0.38%	18.25	18.22
N\$/Euro	↓	16.02	-0.09%	16.03	16.09
US dollar/ Euro	↓	1.115	-0.05%	1.116	1.114
		Namibia		RSA	
<b>Economic data</b>		Latest	Previous	Latest	Previous
Inflation	⇒	4.5	4.5	4.4	4.5
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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