



## Market Update

Friday, 24 May 2019

### Global Markets

Asian stocks stumbled to a four-month low on Friday and crude oil plunged on worries the U.S.-China trade spat was developing into a more entrenched strategic dispute between the world's two largest economies, pushing investors to safe-haven assets.

MSCI's broadest index of Asia-Pacific shares outside Japan edged down 0.2 percent to a fresh four-month low, and was on track for a third straight weekly loss, down 1.0% so far on the week. Chinese shares recovered slightly, with the benchmark Shanghai Composite up 0.2% and the blue-chip CSI 300 rising 0.3% while Hong Kong's Hang Seng added 0.2%. Japan's Nikkei average dropped 0.7%. On Wall Street, the Dow Jones Industrial Average fell 1.1%, the S&P 500 lost 1.2% and the Nasdaq Composite dropped 1.6%, as traders dumped cyclical names on fears that the escalating U.S.-China trade war would stymie global economic growth.

U.S. President Donald Trump said on Thursday that Washington's complaints against Huawei Technologies might be resolved within the framework of a U.S.-China trade deal, while calling the Chinese telecom giant "very dangerous." Washington last week effectively banned U.S. firms from doing business with Huawei, the world's largest networking gear maker, citing national security concerns. The U.S. Commerce Department said on Thursday it was proposing a new rule to impose anti-subsidy duties on products from countries that undervalue their currencies against the dollar, another move that could slap higher tariffs on Chinese products.

China's Commerce Ministry hit back on Thursday, with its spokesman saying the United States wants to continue trade talks, they should show sincerity and correct their wrong actions."

As flight-to-safety plays dominated global markets, the benchmark 10-year U.S. Treasury note yield hit 2.292%, the lowest level since mid-October 2017, with the key parts of the yield curve inverted. The yield last stood at 2.326 percent.

Chotaro Morita, chief fixed income strategist at SMBC Nikko Securities, said big falls shown in a fresh U.S. manufacturing survey appear to reflect expectations of a breakdown in the U.S-China trade talks. "In the last couple of years, the PMI has had a very small gap with hard data, such as industrial output. So if that holds true this time, we could see factory production plunging into negative levels (compared to a year ago)." "Since the global financial crisis, U.S. output has fallen only once: from 2015 to early 2016 when the shale industry was badly hit. Markets could start to fret over a global slowdown as they have done late last year."

The dollar index, which measures it against six major currencies, hit a high of 98.371 on Thursday U.S. time. It was last quoted at 97.872, little changed on the day. The euro on Thursday slumped to levels last seen in May 2017 as a recovery in euro zone business activity was weaker than expected. Early Friday, the currency was steady on the day at \$1.1181. Sterling weakened again on Thursday as pressure mounted on British Prime Minister Theresa May to name a date for her departure after a backlash over her last-ditch plans for Britain's exit from the European Union. While some domestic media said May's time was up, foreign minister Jeremy Hunt said she would still be prime minister when Trump arrives for a visit trip on June 3. The pound was last traded at \$1.2661, little changed on the day. Sterling suffered its 14th consecutive day of losses against the euro on Thursday, its longest losing streak on record. It stood at 0.8831 pound to the euro. Other major currencies were relatively calm, with the safe-haven yen still supported but not aggressively so. The dollar was holding at 109.56 yen, almost flat on the day.

In commodity markets, oil prices tumbled on Thursday as trade tensions dampened the demand outlook, with the crude benchmarks posting their biggest daily falls in six months. Oil prices stabilised on Friday amid OPEC supply cuts and tensions in the Middle East. In Asian trade, U.S. crude rebounded 0.9% to \$58.46 a barrel, after Thursday's 5.7% fall that took it to the lowest in two months. Brent crude futures rebounded 1.0% to \$68.46 per barrel, after falling 4.6% in the previous session.

**Source: Thomson Reuters**

## **Domestic Markets**

South Africa's rand slipped nearly 1 percent to a three-week low and stocks fell on Thursday after the central bank kept lending rates unchanged, cut its growth forecast and struck a dovish tone that suggested a cut was on its way.

At 1500 GMT the rand was 0.64% weaker at 14.4650 per dollar, off a session low of 14.5350 hit soon after the South African Reserve Bank (SARB) decided to leave lending rates at 6.75% for the third meeting in a row.

"Although the Bank decided to keep interest rates on hold at their meeting, the statement was decidedly more dovish than their March statement," said Nazmeera Moola, head of investments at Investec Asset Management. "The logical conclusion is that the SARB is likely to cut interest rates by 25 basis points at their July MPC meeting -- barring any major rand weakness in the intervening period," Moola said.

The bank's five-member policy committee voted 3-2 to keep rates on hold. Governor Lesetja Kganyago said while inflation and inflation expectations were close to the middle of the bank's 3% to 6% target range, they had not yet settled there. The bank was bearish on economic growth, slashing its 2019 outlook to 1% from a 1.5% forecast in January.

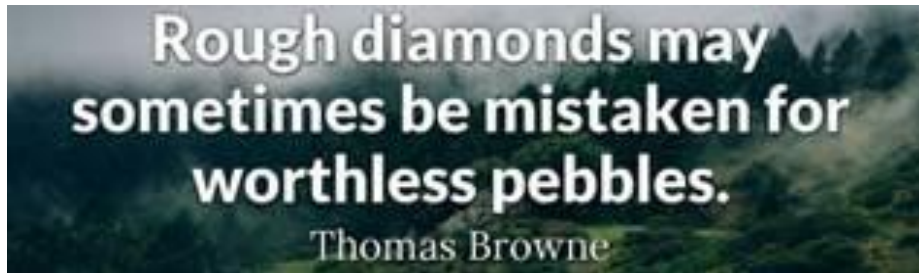
Bonds were firmer, with the yield on the benchmark 2026 down 3 basis points to 8.38 percent, its lowest since May 2018.

Stocks fell as local companies felt the pinch of a slow economy and a squeezed consumer. The broader All-Share index weakened 1.74% to 54,271 points, while the Top-40 index fell 1.84% to 48,290 points.

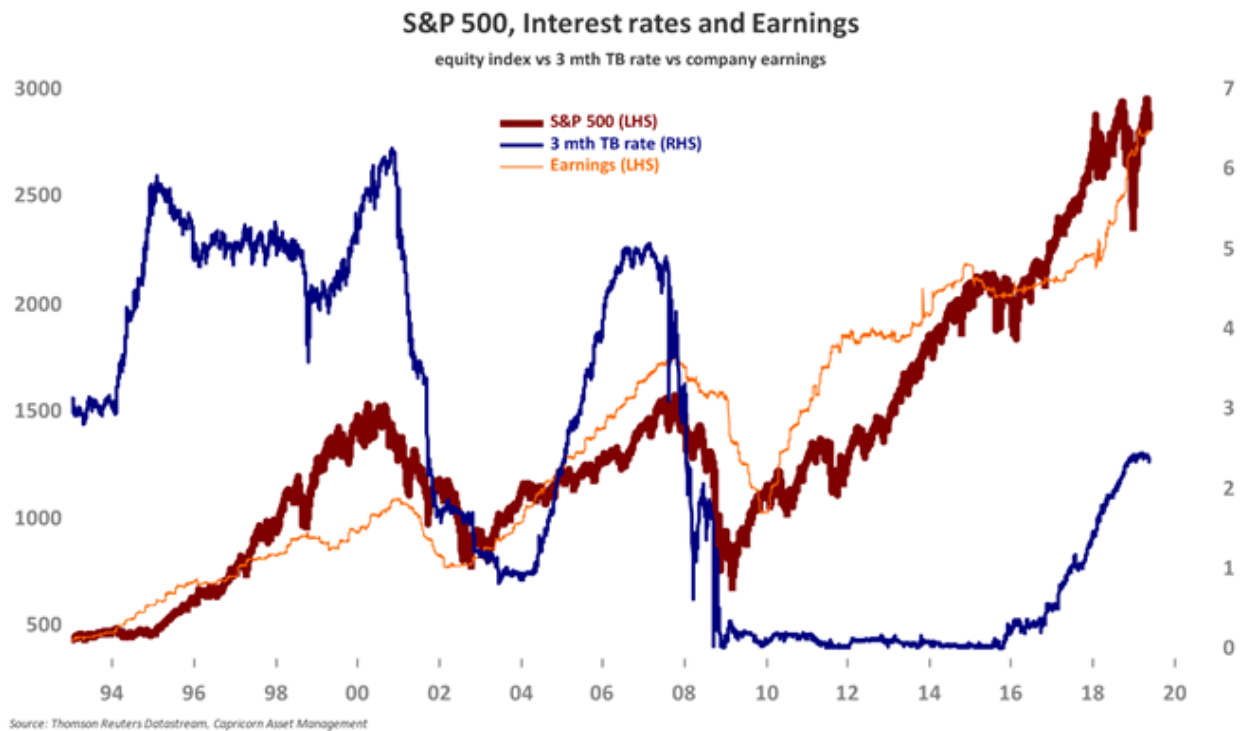
Tiger Brands, which dropped 5% to 218.50 rand, also continued to weaken after it reported half-year revenue falling short after challenges at its meat unit. Massmart declined 13.14% to 67.75 rand

after it flagged 50% lower headline earnings than the year before while Steinhoff shed 10% before recovering to 1.35 rand, a 4.93% decline. The biggest faller among blue chip stocks in the Top-40 index was Sasol, which fell for a second consecutive day, shedding 5.72% to 353.55 rand, after it raised the expected cost of its U.S. ethane cracker project by around \$1 billion.

Source: Thomson Reuters



## Chart of the Day



## Market Overview

MARKET INDICATORS		24 May 2019			
<b>Money Market TB's</b>		Last close	Difference	Prev close	Current Spot
3 months					7.28
6 months		not updated due to technical			7.69
9 months		difficulties			7.99
12 months					8.16
<b>Bonds</b>		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	7.68	0.035	7.65	7.68
GC24 (BMK: R186)	↑	9.28	0.180	9.10	9.24
GC27 (BMK: R186)	↑	9.49	0.301	9.18	9.45
GC30 (BMK: R2030)	↑	10.38	0.354	10.02	10.35
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	↑	1,283	0.76%	1,273	1,282
Platinum	↓	794	-0.69%	799	806
Brent Crude	↓	67.8	-4.55%	71.0	68.4
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,293	-2.11%	1,321	1,294
JSE All Share	↓	54,271	-1.74%	55,231	54,542
SP500	↓	2,822	-1.19%	2,856	2,822
FTSE 100	↓	7,231	-1.41%	7,334	7,280
Hangseng	↓	27,267	-1.58%	27,706	27,354
DAX	↓	11,952	-1.78%	12,169	12,057
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↓	16,249	-2.53%	16,670	16,382
Resources	↓	42,383	-1.27%	42,929	42,603
Industrials	↓	67,157	-1.70%	68,317	67,408
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.47	0.72%	14.36	14.41
N\$/Pound	↑	18.31	0.67%	18.18	18.25
N\$/Euro	↑	16.17	0.98%	16.02	16.12
US dollar/ Euro	↑	1.118	0.25%	1.115	1.119
		<b>Namibia</b>		<b>RSA</b>	
<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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