



## Market Update

Thursday, 24 October 2019

### Global Markets

Asian shares pulled ahead on Thursday as corporate earnings and a ceasefire in northern Syria helped prop up sentiment, though the backdrop of trade and Brexit uncertainties was enough to prevent a decisive shift towards riskier assets. MSCI's broadest index of Asia-Pacific shares outside Japan advanced 0.4% with Japan's Nikkei rising 0.66% to a one-year high. Australian shares climbed 0.5% while South Korea's KOSPI eased 0.1%.

South Korea earlier reported third quarter growth slightly below expectations, while a private survey showed Japanese factory activity shrank at the fastest pace in over three years in October, hurt by slowing global demand and trade frictions.

Chinese shares opened higher with the blue-chip index rising 0.37%. Risk appetite was also aided after U.S. President Donald Trump lifted sanctions on Turkey saying a ceasefire in northern Syria was now permanent. "U.S.-China trade friction seems to be entering a truce, a no-deal Brexit looks increasingly likely to be avoided, and the U.S.'s posture against Turkey appears to have been softening," JPMorgan analyst Tohru Sasaki wrote in a note pointing to reasons for a rally in Nikkei. JPMorgan expects gains in the Japanese index to extend into year-end led by share buy-backs.

On Wall Street overnight, the Dow and the Nasdaq added 0.2% each while the S&P 500 gained 0.3%. Tesla shares jumped 21% in after-hours trading following a surprise third quarter profit. Microsoft also posted forecast-beating profit and revenue numbers after the closing bell though the outlook was darkened by slower-than-expected take-up of its Azure cloud services. Earlier, shares of U.S. industrial bellwethers Boeing Co and Caterpillar Inc ended about 1% higher each despite big earnings misses.

RBC Capital Markets' chief economist Tom Porcelli pointed to consistently alarming headlines since the first quarter of 2018 suggesting poor Caterpillar earnings meant a recession was round the corner, though that has yet to transpire. "We have been down this road before with CAT," Porcelli said in a note titled 'Still Waiting For Recession.' "If you keep saying a recession is here, it is a mathematical certainty that at some point you will be right," he wrote. "Maybe try again after CAT's next quarterly earnings report." So far, results from about 125 of the S&P500 companies are out with analysts expecting earnings to have declined 2.9% year-over-year, according to IBES data from Refinitiv.

Currency markets stuck to tight ranges ahead of key central bank meetings this week and next with the euro zone, Japan and United States due to review policy. European and U.S. manufacturing numbers are due later in the day. Sterling paused at \$1.2918 after rising 0.3% on Wednesday with Brexit developments in focus. Britain appears closer than ever to resolving its 3-1/2-year Brexit conundrum but there are still hurdles to clear. EU member states on Wednesday delayed a decision on whether to grant Britain a three-month Brexit extension. Prime Minister Boris Johnson said if the deadline is deferred to the end of January, he would call an election.

"The Brexit battle looks like it will drag on," economists at ANZ wrote in a note. "The UK government will not meet its current timetable of leaving the EU on 31 October, and an extension appears likely. In the meantime, Brexit uncertainty will keep weighing on UK business investment and activity." The single currency was flat at \$1.1135. The Japanese yen was 0.1% higher at 108.57 per dollar while the Australian dollar was barely changed at \$0.6852. That left the dollar index slightly lower at 97.400 against a basket of six major currencies.

In commodity markets, U.S. crude eased 46 cents to \$55.51 while Brent slipped 36 cents to \$60.81. Gold was trading water at \$1,492.75 an ounce.

## Domestic Markets

South Africa's rand dipped on Wednesday as consumer price data fell more than expected in September to 4.1% in annual terms, raising the prospect of further monetary policy easing. At 1615 GMT, the rand was down around 0.3% at 14.64 per U.S. dollar, slipping from its best level in a month touched on Tuesday.

The consumer price index (CPI), which came in below analysts' forecasts of 4.2%, showed inflation remained comfortably within the central bank's 3%-6% target range. "September's release confirms that consumer price inflation remains well under control in South Africa," analysts at NKC Research said in a note. "The moderate inflation outlook and dismal economic growth prospects could justify further monetary policy loosening."

South Africa's economy is expected to grow by less than 1% this year, dented by power cuts at struggling state utility Eskom as well as weak business confidence. That's a problem for President Cyril Ramaphosa, who has staked his reputation on reviving Africa's most industrialised economy.

The South African Reserve Bank (SARB) cut its main lending rate in July but kept it on hold in September. Its next monetary policy committee meeting is in mid-November.

The Johannesburg All-Share index fell 0.65% to 55,571 points, while the Top-40 index shed 0.74% to 49,244 points, alongside global stocks as risk sentiment took a hit after UK lawmakers pushed the pause button on Brexit. The risk aversion pushed gold stocks such as AngloGold Ashanti up 5.53% to 315.07 rand, Sibanye-Stillwater up 5.27% to 25.79 rand and Gold Fields up 4.47% to 83.50 rand.

Government bonds were unchanged, with the yield on the benchmark 2026 bond at 8.205%.

**Source: Thomson Reuters**



## Market Overview

MARKET INDICATORS (Thomson Reuters)		Thursday, 24 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	→				6.80
6 months	→				7.05
9 months	→				7.28
12 months	→				7.39
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.36	-0.004	7.36	7.36
GC21 (BMK: R2023)	↑	7.57	0.045	7.53	7.53
GC22 (BMK: R2023)	↑	8.09	0.025	8.07	8.04
GC23 (BMK: R2023)	↑	8.59	0.025	8.56	8.53
GC24 (BMK: R186)	→	8.92	0.000	8.92	8.95
GC25 (BMK: R186)	↓	9.48	-0.020	9.50	8.80
GC27 (BMK: R186)	↑	8.97	0.025	8.94	8.96
GC30 (BMK: R2030)	↑	10.16	0.005	10.16	10.19
GC32 (BMK: R213)	→	10.47	0.000	10.47	10.50
GC35 (BMK: R209)	↓	10.53	-0.665	11.19	10.46
GC37 (BMK: R2037)	↑	10.64	0.040	10.60	10.57
GC40 (BMK: R214)	↑	11.05	0.040	11.01	10.99
GC43 (BMK: R2044)	↑	11.07	0.045	11.03	11.01
GC45 (BMK: R2044)	↑	11.44	0.045	11.39	11.37
GC50 (BMK: R2048)	↑	11.68	0.045	11.63	11.62
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.65	0.000	4.65	4.65
GI29 (BMK: NCPI)	→	5.61	0.000	5.61	5.61
GI33 (BMK: NCPI)	→	6.19	0.000	6.19	6.19
GI36 (BMK: NCPI)	→	6.54	0.000	6.54	6.54
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,492	0.28%	1,488	1,491
Platinum	↑	915	2.69%	891	924
Brent Crude	↑	61.2	2.46%	59.7	61.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,313	-0.73%	1,323	1,313
JSE All Share	↓	55,571	-0.65%	55,937	55,571
SP500	↑	3,005	0.28%	2,996	3,005
FTSE 100	↑	7,261	0.67%	7,212	7,261
Hangseng	↓	26,567	-0.82%	26,786	26,728
DAX	↑	12,798	0.34%	12,755	12,798
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,167	-1.13%	16,352	16,167
Resources	↑	44,610	1.71%	43,860	44,610
Industrials	↓	68,554	-2.03%	69,971	68,554
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.63	0.35%	14.58	14.66
N\$/Pound	↑	18.89	0.69%	18.76	18.94
N\$/Euro	↑	16.28	0.39%	16.22	16.32
US dollar/ Euro	↑	1.113	0.04%	1.112	1.113
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	3.3	3.7	4.1	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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