



Market Update

Friday, 25 October 2019

Global Markets

Asian shares wobbled on Friday as investors were reluctant to make big bets ahead of key central bank policy meetings next week against the backdrop of slowing global growth, while sterling extended its slide on a fresh bout of Brexit anxiety.

MSCI's broadest index of Asia-Pacific shares outside Japan was down just 0.03%, giving up small gains early in the day. Chinese blue chips were up by less than 0.1% and Hong Kong's Hang Seng fell 0.4%. Shares in South Korea were also trading water. Japan's Nikkei was a touch lower, while the Australian share market was a rare bright spot, adding 0.66% following on from gains on Wall Street.

The British pound, which had fallen 0.51% on Thursday after British Prime Minister Boris Johnson's call for a general election on Dec. 12, extended its slide, edging down 0.07% to \$1.2841. Johnson conceded on Thursday for the first time that he would not meet his "do or die" deadline to leave the European Union next week.

The continued uncertainty over Brexit comes against the backdrop of persistently sluggish global growth. New orders for U.S.-made capital goods fell more than expected in September and shipments also declined, in a sign that business investment remains soft. A Reuters poll of economists in recent weeks showed that most think a steeper decline in global growth is more likely than a synchronised recovery, despite central bank easing.

In his last meeting as president of the European Central Bank, Mario Draghi left ECB policy and guidance unchanged, but advised his successor to "never give up" on propping up the Eurozone economy in the face of a worsening outlook. The major focus for investors is next week's U.S. Federal Reserve policy meeting at which it's almost certain to cut interest rates for a third time this year. "It's less about the Fed going to cut, it's more about if they're going to signal the pace, the magnitude of cuts", said Kay Van-Petersen, global macro strategist at Saxo Bank in Singapore. Investors will also scrutinise a raft of data that will follow the Fed decision, he said. "It's really all about next week."

The Bank of Japan is also set to meet for a two-day meeting ending Oct. 31. The decision is expected to be a close call, though sources told Reuters the BOJ is leaning towards keeping monetary policy steady amid relatively stable markets and a lull in U.S.-China trade tensions.

On Wall Street, strong quarterly results from Microsoft and PayPal helped lift the tech-heavy Nasdaq, which closed up 0.81% at 8,185.80. The S&P 500 also rose, gaining 0.19% on the day, but the Dow Jones Industrial Average finished 0.11% lower at 26,805.53, weighed down by 3M after the company cut its full-year earnings forecast. Overall, however, investors remain cautious despite the gains in risk assets in recent weeks, supported by apparent progress in Brexit negotiations and China-U.S. trade talks.

"On the whole, we conclude that we have not entered into a new 'risk on' phase from a broader trend perspective just yet," said George Davis, chief technical strategist at RBC Dominion Securities. Investors are also nervous ahead of a summit in Chile where U.S. President Donald Trump hopes to finalise a partial trade deal with his Chinese counterpart Xi Jinping. Rattling confidence was a speech by U.S. Vice President Mike Pence on Thursday, which criticised China's handling of the Hong Kong protests and its treatment of Muslim Uighurs in the Xinjiang region. Those comments sent the S&P 500 index briefly lower.

The yield on benchmark 10-year Treasury notes fell to 1.7537% on Friday compared with its U.S. close of 1.766% on Thursday. The two-year yield, which rises with traders' expectations of higher Fed fund rates, was at 1.5737%, down from a U.S. close of 1.582%.

Expectations that the Fed will cut rates had helped to lift gold prices, but the precious metal was lower on Friday, losing 0.05% to \$1,502.43 per ounce. The dollar was slightly higher against the yen at 108.65 and the euro was little changed on the day at \$1.1101. The dollar index, which tracks the greenback against a basket of six major rivals, nudged 0.07% higher to 97.701. Oil prices were lower after rising on Thursday on a surprise drop in U.S. crude inventories and the hopes for market-supporting actions by OPEC and its allies. West Texas Intermediate (WTI) crude was down 0.57% to \$55.91 a barrel, and global benchmark Brent crude dipped 0.55% to \$61.33 per barrel.

Domestic Markets

South Africa's rand traded marginally weaker on Thursday, in line with global currency markets ahead of some important central bank meetings, and in the absence of new signals from the Sino-U.S. trade war and the Brexit saga. At 1600 GMT, the rand traded at 14.6550 per dollar, 0.1% weaker.

Without local catalysts, the rand is expected to take direction from global markets. The currency dipped slightly tracking the weaker euro, which fell after European Central Bank chief Mario Draghi gave his final news conference and data showed stagnating economic momentum in the euro zone.

Investors also await the U.S. Federal Reserve's meeting on Oct. 29 and 30, where it is expected to cut its benchmark interest rate for a third consecutive time this year.

In fixed income, the yield on the benchmark government bond due in 2026 fell 0.5 basis points to 8.21%.

In stocks, the Johannesburg Stock Exchange's blue-chip index closed 0.24% lower at 49,124 points while the broader all-share index was 0.17% weaker at 55,4789 points. Gold miners were the biggest winners, with Exxaro Resources, AngloGold Ashanti and Goldfields topping the blue chip index and up 2.9%, 2.37% and 2.2% respectively. At the other end of the spectrum were banks and telecoms firms: Vodacom, off 2.14%, led the index downwards, followed by Standard Bank, which shed 2.13%, and Absa and FirstRand, both losing near to 1.5%.

Source: Thomson Reuters

Market Overview

MARKET INDICATORS (Thomson Reuters)		Friday, 25 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	⇒				6.79
6 months	⇒				7.05
9 months	⇒				7.27
12 months	⇒				7.39
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.36	-0.001	7.36	7.36
GC21 (BMK: R2023)	↓	7.53	-0.045	7.57	7.75
GC22 (BMK: R2023)	↓	8.04	-0.055	8.09	8.04
GC23 (BMK: R2023)	↓	8.53	-0.059	8.59	8.53
GC24 (BMK: R186)	↑	8.94	0.025	8.92	8.81
GC25 (BMK: R186)	↑	9.52	0.035	9.48	8.80
GC27 (BMK: R186)	↓	8.96	-0.009	8.97	8.96
GC30 (BMK: R2030)	↑	10.18	0.015	10.16	9.48
GC32 (BMK: R213)	↑	10.49	0.020	10.47	10.06
GC35 (BMK: R209)	↑	11.15	0.625	10.53	10.46
GC37 (BMK: R2037)	↓	10.57	-0.070	10.64	10.58
GC40 (BMK: R214)	↓	10.99	-0.065	11.05	10.99
GC43 (BMK: R2044)	↓	11.01	-0.065	11.07	11.00
GC45 (BMK: R2044)	↓	11.37	-0.065	11.44	11.37
GC50 (BMK: R2048)	↓	11.62	-0.060	11.68	11.61
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	6.21
GI36 (BMK: NCPI)	⇒	6.54	0.000	6.54	6.55
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,503	0.76%	1,492	1,505
Platinum	↑	924	0.96%	915	925
Brent Crude	↑	61.7	0.82%	61.2	61.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,303	-0.75%	1,313	1,303
JSE All Share	↓	55,478	-0.17%	55,571	55,478
SP500	↑	3,010	0.19%	3,005	3,010
FTSE 100	↑	7,328	0.93%	7,261	7,328
Hangseng	↑	26,798	0.87%	26,567	26,729
DAX	↑	12,872	0.58%	12,798	12,872
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,005	-1.01%	16,167	16,005
Resources	↑	44,645	0.08%	44,610	44,645
Industrials	↓	68,534	-0.03%	68,554	68,534
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.70	0.48%	14.63	14.65
N\$/Pound	↓	18.89	-0.04%	18.89	18.82
N\$/Euro	↑	16.32	0.25%	16.28	16.27
US dollar/ Euro	↓	1.110	-0.22%	1.113	1.111
		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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