



Market Update

Tuesday, 26 November 2019

Global Markets

Asian stocks rose on Tuesday, bolstered by Wall Street's record closing highs and signs of new momentum in Beijing's and Washington's efforts to end their long and acrimonious trade dispute. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5% to a one-week high. Australian shares were up 0.9%, while Japan's Nikkei stock index rose 0.91%.

Shares in the region extended gains on Tuesday after Beijing said Liu He, China's Vice premier and chief trade negotiator, held a call with his U.S. counterparts and that both sides reached consensus on solving relevant problems. That followed positive headlines out of China and the United States on Monday, which had helped bolster confidence.

The yen fell to a two-week low versus the dollar, while the Swiss franc traded near a six-week low against the greenback as the optimistic tone sapped demand for safe-haven currencies.

Oil prices erased early losses to edge higher amid cautious optimism about progress toward relieving one of the biggest risks to the global economic outlook. "The broad trend is the markets are looking for a deal because trade has been the biggest factor weighing on global growth and holding back confidence," said Shane Oliver, head of investment strategy and chief economist at AMP Capital Investors in Sydney. "We have a low interest rate environment that is supportive of equities. If we get better economic news and relief from geopolitical risks, equities could rally further next year." U.S. stock futures rose 0.21% in Asia on Tuesday.

Wall Street's three main stock averages closed at record highs on Monday, buoyed by hopes for a trade deal and by M&A activity. Traders pointed to China's decision to increase punishments for intellectual property rights violations as a fresh concession to the United States in the drawn-out and volatile negotiations. Investors were also encouraged by positive comments from U.S. President Donald Trump, Chinese President Xi Jinping and Chinese state-owned media about the chance for an imminent trade deal.

Also driving Wall Street higher was a burst of major acquisition activity with France's LVMH offer to buy U.S. jeweller Tiffany & Co and Charles Schwab Corp's purchase of U.S. discount brokerage TD Ameritrade Holding Corp.

Despite the recent optimism, a quick resolution to the U.S.-China trade war is far from certain given relations between the world's two-largest economies have stalled many times before. The United

States has imposed tariffs on Chinese goods in a 16-month long dispute over trade practices that the U.S. government says are unfair. China has responded in kind with its own tariffs on U.S. goods. If both sides cannot reach an agreement soon, the next important date to watch is Dec. 15, when Washington is scheduled to impose even more tariffs on Chinese goods.

In the offshore market, the yuan briefly rose to a one-week high of 7.0188 versus the dollar. The yen fell to 109.205 per dollar, the lowest since Nov. 12, as safe-haven demand waned. The Swiss franc, another safe-haven, traded at 0.9971 per dollar, close to the lowest since Oct. 16. Sterling traded at \$1.2904, holding onto overnight gains as polls show the ruling Conservatives as runaway favourites to win a Dec. 12 election with a pledge to implement Britain's divorce from the European Union.

Bitcoin, the world's biggest cryptocurrency, rose 0.64% on Tuesday to \$7,167.99. Bitcoin slumped to a six-month low on Monday after the People's Bank of China (PBOC) launched a fresh crackdown on cryptocurrencies. The PBOC is stepping up efforts to roll out its own digital currency, partly to fend off potential threats from Facebook's proposed digital currency, Libra.

U.S. crude ticked up 0.03% to \$58.03 a barrel. Brent crude rose 0.09% to \$63.71 per barrel. Oil traders await data this week that is forecast to show a decline in U.S. crude oil inventories. In addition, the Organization of the Petroleum Exporting Countries (OPEC) meets on Dec. 5, where the bloc is widely expected to extend supply cuts to mid-2020.

Domestic Markets

South Africa's rand weakened on Monday, giving up small early gains as uncertainty over a trade agreement between the United States and China outweighed relief from S&P's decision to only downgrade the outlook, not the rating, on the country's debt. At 1545 GMT the rand was 0.17% weaker at 14.7640 per dollar, having hit a session-best 14.6600 in the initial reaction to Friday's late-night decision by S&P Global Ratings to move the outlook to "negative" from "stable". S&P, which along with Fitch already ranks South Africa's debt at junk, cited flagging economic growth, mounting public debt and bailouts to state power firm Eskom as the main risks.

The decision not to cut the ratings, along with South Africa's still-attractive yield after the central bank resisted calls to lower interest rates on Thursday, shielded the rand from a knee-jerk selloff. But lingering uncertainty, and investor nervousness, over the ongoing Sino-U.S. trade dispute, kept the risk demand cool and big-money bets on the sidelines, despite indications from a U.S. official that a trade deal by year-end was still a possibility.

Bonds also weakened, with the yield on the benchmark 2026 paper up 5 basis points to 8.47%.

On the bourse, stocks rose slightly along with emerging market bourses after investors traded cautiously on optimistic trade talk news, but turned slightly down after the International Monetary Fund warned that South Africa faces risk of prolonged weak economic growth. The benchmark JSE Top-40 Index was slightly down 0.15% to 50,409.21 points while the broader All-Share Index nudged down 0.13% to 56,687.47 points. "Our banks are down today and the reason might be because of the economic slowdown," said Robert Cameron, private client trader at Thebe Stockbroking.

Financials were the biggest losers on the blue-chip index with Discovery down 4.27% and Nedbank down 4.15%.

Preventing further losses were oil companies Exxaro and BHP Billion rose by 1.97% and 1.93% respectively off the back of a firmer oil price.

Source: Thomson Reuters

Market Overview

MARKET INDICATORS		26 November 2019			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.214	0.115	7.099	7.214
6 months	↑	7.395	0.138	7.257	7.395
9 months	↑	7.43	0.003	7.427	7.43
12 months	↑	7.573	0.081	7.492	7.573
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↓	7.300	-0.032	7.332	7.274
GC21 (BMK: R2023)	↑	8.218	0.007	8.211	8.241
GC22 (BMK: R2023)	↑	8.311	0.022	8.289	8.337
GC23 (BMK: R2023)	↑	8.331	0.028	8.303	8.398
GC24 (BMK: R186)	↑	9.109	0.033	9.076	9.155
GC25 (BMK: R186)	↑	9.131	0.035	9.096	9.177
GC27 (BMK: R186)	↑	9.181	0.019	9.162	9.286
GC30 (BMK: R2030)	↑	9.730	0.033	9.697	9.798
GC32 (BMK: R213)	↑	10.331	0.034	10.297	10.361
GC35 (BMK: R209)	↑	10.704	0.041	10.663	10.774
GC37 (BMK: R2037)	↑	10.910	0.045	10.865	11.057
GC40 (BMK: R214)	↑	11.228	0.044	11.184	11.296
GC43 (BMK: R2044)	↑	11.538	0.113	11.425	11.686
GC45 (BMK: R2044)	↑	11.655	0.106	11.549	11.923
GC50 (BMK: R2048)	↑	11.557	0.100	11.457	11.944
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↑	4.307	0.001	4.306	4.308
GI25 (BMK: NCPI)	⇒	4.601	0.000	4.601	4.602
GI29 (BMK: NCPI)	↑	5.528	0.002	5.526	5.528
GI33 (BMK: NCPI)	⇒	6.069	0.000	6.069	6.070
GI36 (BMK: NCPI)	↑	6.392	0.003	6.389	6.394
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,455.26	-0.46%	1,461.93	1,458.15
Platinum	↑	897.22	0.66%	891.35	900.80
Brent Crude	↑	63.65	0.41%	63.39	63.66
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↓	595.20	-0.99%	601.13	595.20
JSE All Share	↓	56,194.50	-0.98%	56,747.88	56,194.50
S&P 500	↑	3,133.64	0.75%	3,110.29	3,133.64
FTSE 100	↓	7,386.48	-0.13%	7,396.29	7,386.48
Hangseng	↓	26,913.92	-0.29%	26,993.04	26,913.92
DAX	↓	13,203.80	-0.32%	13,246.45	13,203.80
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↓	15,972.70	-1.94%	16,287.89	15,701.11
Resources	↑	46,884.27	1.00%	46,418.42	46,712.07
Industrials	↑	70,222.99	0.25%	70,049.85	69,360.74
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	14.78	0.41%	14.72	14.81
N\$/Pound	↑	19.06	0.85%	18.90	19.06
N\$/Euro	↑	16.28	0.37%	16.22	16.31
US Dollar/ Euro	⇒	1.10	0.00%	1.10	1.10
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	3.02	3.26	3.70	4.10
Prime Rate	⇒	10.25	10.25	10.00	10.00
Central Bank Rate	⇒	6.50	6.50	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:

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



For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer’s judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
