



Market Update

Wednesday, 29 May 2019

Global Markets

Asian shares sank on Wednesday and bonds rallied as investor sentiment soured over growing worries about world growth with trade tensions between Washington and Beijing showing no signs of easing.

MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.5% after three straight days of gains. Chinese shares started on the back foot with the blue-chip CSI300 off 0.5%. Australian shares were 0.8% lower while Japan's Nikkei faltered 1.4%. In an indication U.S. markets will fall again on Wednesday, E-Minis for the S&P 500 were 0.4% lower.

Risk aversion has increased globally in recent days as fears of world recession resurfaced amid disappointing macro data in major economies. Wins for Eurosceptic parties in EU elections as well as a snap poll in Greece and political turmoil in Austria have added to the gloomy outlook. Italy's dispute with the European Commission over its budget is also a major overhang for world markets. In Asia, focus remains on the ongoing Sino-U.S. trade war. U.S. President Donald Trump said on Monday that Washington was not ready to make a deal with China yet. At the same time, he pressed Japan to reduce its trade imbalance with the United States.

Such concerns have led U.S. 10-year yields to fall about 10 basis points below the 3-month rates, an inversion typically seen as a leading indicator of a recession. German Bund yields are also on a slippery slope.

U.S. rates futures are pricing in two cuts by the Federal Reserve by the middle of next year to help prop up the country's economy (see chart below). Data this week showed a gauge of U.S. manufacturing activity unexpectedly fell in May from the previous month.

Analysts at Citi reckon punitive measures against China's Huawei and other tech firms, as part of the tariff battle, could undermine global productivity growth. "Technological rivalry is here to stay," Citi analyst Johanna Chua said in a note, adding "it is hard to be constructive risk assets in Asia at this juncture."

In currencies, activity was muted. The dollar index was flat at 97.937, well above a recent two-week trough of 97.547. The euro was also unchanged at \$1.1162 after two straight days of falls while the British pound held at \$1.2656.

In commodity markets, oil prices were subdued on Wednesday as worries the Sino-U.S. trade war could trigger a global economic downturn dominated, despite the risk of supply shortfall from U.S. floods and political tensions in the Middle East. Brent crude was last off 45 cents at \$69.66 per barrel while U.S. crude eased 58 cents to \$58.56 per barrel.

Source: Thomson Reuters

Domestic Markets

South Africa's rand tumbled to its weakest in three weeks on Tuesday as deputy president David Mabuza was sworn in as a lawmaker after being cleared by the ruling African National Congress of bringing the party into disrepute.

At 1700 GMT the rand was 2.15% weaker at 14.7350 per dollar, its weakest level since March 28, after opening at 14.4225, with news of Mabuza's swearing in adding to a risk-off tone globally after trade tensions resurfaced.

The move clears the way for 58-year-old Mabuza, an important ally of President Cyril Ramaphosa, to remain his deputy, but again throws a spotlight on corruption allegations that have hit the party's popularity. Investors are keen to see proof of Ramaphosa's clean governance pledge. Mabuza denies any wrongdoing, and has said he wants all the allegations levelled against him to be tested in a court of law.

"The rand outperformed its EM peers last week after elections and was able to hold onto those gains because of the positive politics and expectations about the new cabinet," said BNP Paribas analyst Jeffrey Schultz. "We've had delays to that announcement because of the Mabuza issue so that outperformance has been eroded. The market is anxious to see how small cabinet is going to be and what key appointments like the finance ministry are going to be."

The ANC easily won this month's general election, but its vote dropped sharply due to anger over corruption scandals.

Bonds also took a hit, with the yield on benchmark debt due in 2026 adding 8.5 basis points to 8.445 percent.

On the bourse, stocks traded weaker with the broader All-Share index shedding 0.1% to 54,432 points, while the Top-40 index declined 0.07% to 48,464 points. Banking stocks fell 2.49%. Leading the downside, Old Mutual continued to slip after parting ways with its CEO Peter Moyo on Friday. The insurer declined 4.51% to 20.34 rand, while financial firm FirstRand fell 3.9% to 61.79 rand.

On the upside, Sibanye-Stillwater's rose 10.29% to 12.43 rand and South African-listed shares in Lonmin lifted 11.86% to 12.07 rand after shareholders from both firms approved a takeover deal that would create the world's second-largest platinum producer. "It's quite a big one, and it was well received," said Nick Kunze, a portfolio manager at Sanlam Private Wealth.

Source: Thomson Reuters

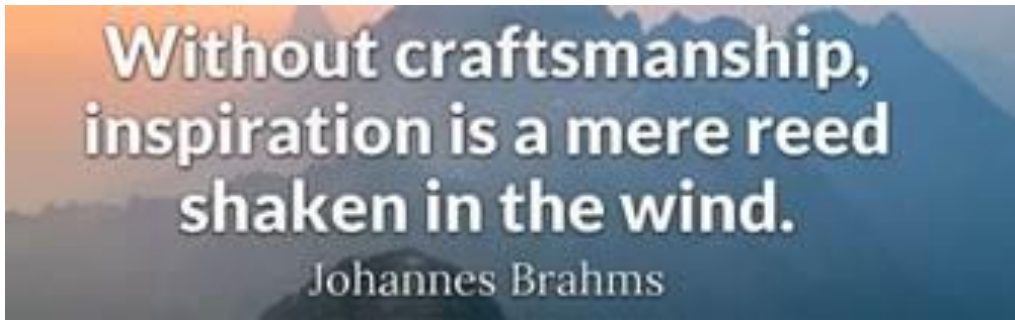
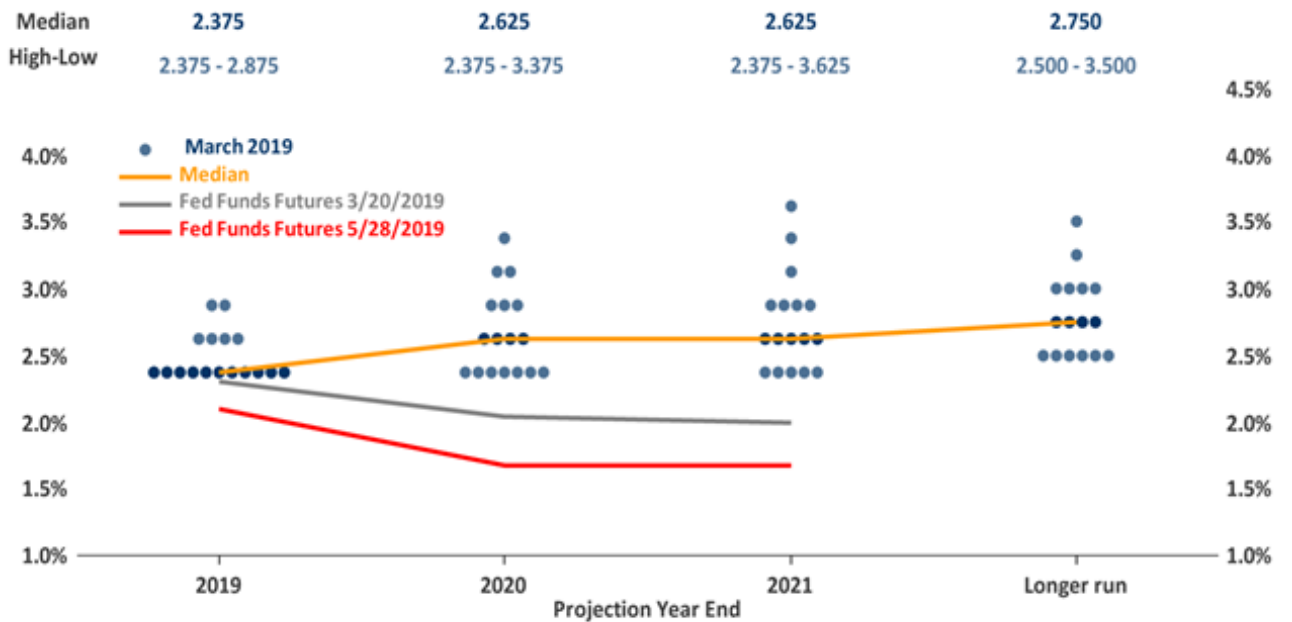


Chart of the Day

US Fed Projections - the "Dot Plot"

from latest meeting of the FOMC



Source: Thomson Reuters Datastream, Copricorn Asset Management

Market Overview

MARKET INDICATORS		29 May 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	➔	7.39	0.000	7.39	7.39
6 months	➔	7.78	0.000	7.78	7.78
9 months	⬇	7.96	-0.002	7.97	7.96
12 months	➔	8.14	0.000	8.14	8.14
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	⬇	7.62	-0.055	7.68	7.67
GC24 (BMK: R186)	⬇	9.03	-0.265	9.30	9.39
GC27 (BMK: R186)	⬇	9.16	-0.337	9.50	9.62
GC30 (BMK: R2030)	⬇	10.03	-0.372	10.41	10.52
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
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬇	1,279	-0.45%	1,285	1,283
Platinum	⬇	796	-1.30%	806	798
Brent Crude	➔	70.1	0.00%	70.1	69.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	⬇	1,290	-1.01%	1,303	1,290
JSE All Share	⬇	54,432	-0.10%	54,488	54,432
SP500	⬇	2,802	-0.84%	2,826	2,802
FTSE 100	⬇	7,269	-0.12%	7,278	7,269
Hangseng	⬆	27,391	0.38%	27,288	27,296
DAX	⬇	12,027	-0.37%	12,071	12,027
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	15,907	-2.30%	16,282	15,907
Resources	⬆	44,304	3.03%	43,001	44,304
Industrials	⬇	66,739	-0.65%	67,173	66,739
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	14.70	1.75%	14.45	14.73
N\$/Pound	⬆	18.60	1.55%	18.32	18.62
N\$/Euro	⬆	16.41	1.42%	16.18	16.43
US dollar/ Euro	⬇	1.116	-0.32%	1.120	1.115
		Namibia		RSA	
Economic data		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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