



Market Update

Wednesday, 30 October 2019

Global Markets

Asian share markets slipped on Wednesday, as the prospect of a rate cut by the Federal Reserve was countered by worries a Sino-U.S. first-stage trade deal could be delayed.

MSCI's broadest index of Asia-Pacific shares outside Japan shed 0.33% from Tuesday's three-month high while Japan's Nikkei lost 0.35% after hitting a one-year high the previous day. On Wall Street overnight, the S&P 500 index touched a record intraday high, led by strong earnings from drug manufacturers such as Merck and Pfizer, before ending down 0.08%. Markets had erased gains after Reuters reported a U.S. administration official said an interim trade agreement between Washington and Beijing might not be completed in time for signing in Chile next month as expected.

A disappointing profit report from Google parent Alphabet kept the technology-rich Nasdaq in the red, with the Nasdaq Composite falling 0.59%. MSCI's gauge of stocks across the globe slipped 0.06% in Asia on Wednesday from a 21-month high reached on Tuesday.

Since U.S. President Donald Trump outlined what he called the first phase of a trade deal with China earlier this month, investors have bet on a trade truce between the two countries, driving global equities higher.

Expectations of further U.S. monetary policy loosening also emboldened investors, with a reduction of 0.25 percentage point later in the day almost seen as a done deal. "With a cut today completely priced in, markets are looking to the Fed's stance on its policy outlook," said Masahiro Ichikawa, senior strategist at Sumitomo Mitsui DS Asset Management.

While Fed funds rate futures fully price in a 25- basis-point cut on Wednesday, only about a 30% chance of another cut in December has been priced in, compared with about 70% earlier this month. "I think the Fed will clearly indicate that a rate cut in December is not its main scenario," said Tomoaki Shishido, macro strategist at Nomura Securities. Fading expectations of aggressive rate cuts by the Fed have lifted the two-year U.S. bond yield to 1.644%, compared with a two-year low of 1.368% in early October. The 10-year U.S. Treasuries yield stood at 1.833%, near a 1-1/2-month high of 1.860% touched earlier this week.

That has helped to lift the dollar against the yen. The dollar was traded at 108.86 yen, after having hit a three-month high of 109.07 yen. The euro stood at \$1.1107, having bounced off from Tuesday's low of \$1.10735.

Sterling wobbled after Britain decided to hold an election on Dec. 12 following Prime Minister Boris Johnson winning approval from parliament for an early ballot aimed at breaking the Brexit deadlock. While Johnson seeks to gain a parliamentary majority to ratify his Brexit deal, the election would be highly unpredictable as Brexit has fatigued and enraged swathes of voters, while eroding traditional loyalties to the two major parties, Conservative and Labour. The currency last traded at \$1.2861.

Oil prices slipped after an industry report that stocks at the Cushing delivery hub for the benchmark rose last week, shrugging off a drop in overall inventories. U.S. West Texas Intermediate (WTI) crude lost 0.47% to \$55.28 per barrel while international benchmark Brent crude futures dropped 0.19% to \$61.47 a barrel.

Domestic Markets

South Africa's rand dipped on Tuesday, a day before the finance minister is expected to reveal wider government deficits and higher debt in a budget speech. At 1830 GMT, the rand was 0.3% weaker at 14.6090 per U.S. dollar.

Finance Minister Tito Mboweni will deliver a keenly waited medium-term budget speech on Wednesday, which is expected to show a wider budget deficit than the February estimate of 4.5%, as well as higher debt and lower growth projections.

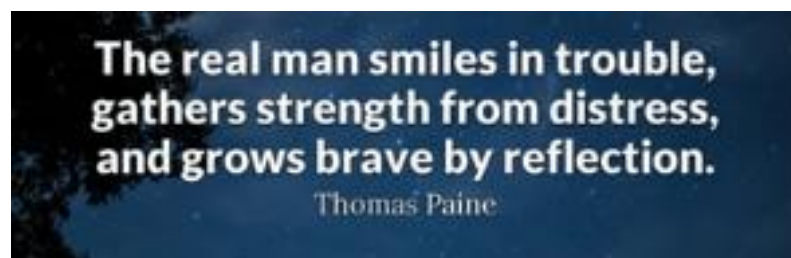
Africa's most industrialised economy is battling to kick-start economic growth, with the treasury target of a 1.5% expansion in 2019 unlikely after nationwide power cuts by state utility Eskom dragged the economy into contraction in the first quarter.

Government bonds were unchanged on Tuesday, with the yield on the benchmark 2026 bond at 8.20%.

On the local bourse, the Top-40 Index closed down 0.1% at 49,477.44 points, while the broader All-Share Index closed 0.1% lower at 55,716.69 points. "The market is really, I think, marking time until after the medium-term budget tomorrow," said Greg Katzenellenbogen from Sanlam Private Wealth. Katzenellenbogen also warned that a potential water crisis, which has already seen dam levels drop and the government implementing water restrictions, could be a source of concern for investors.

Among the biggest fallers on the blue-chip index was bourse heavyweight and tech giant Naspers Ltd which slipped 0.28% to 2,090 rand. Further losses came from the gold sub-index, with AngloGold Ashanti 3.68% lower and Gold Fields falling 2.2%, weighed down by a weaker spot gold price.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS		30 October 2019			
Money Market TB's		Last Close	Change	Prev Close	Current Spot
3 months	↑	7.099	0.068	7.031	7.099
6 months	↑	7.257	0.024	7.233	7.257
9 months	↑	7.353	0.044	7.309	7.353
12 months	↓	7.458	-0.006	7.464	7.458
Nominal Bonds		Last Close	Change	Prev Close	Current Spot
GC20 (BMK: R207)	↑	7.242	0.053	7.189	7.237
GC21 (BMK: R2023)	↑	8.020	0.015	8.005	8.020
GC22 (BMK: R2023)	↑	8.093	0.022	8.071	8.092
GC23 (BMK: R2023)	↑	8.214	0.011	8.203	8.214
GC24 (BMK: R186)	↑	8.829	0.015	8.814	8.828
GC25 (BMK: R186)	↑	8.834	0.016	8.818	8.834
GC27 (BMK: R186)	↑	8.926	0.007	8.919	8.926
GC30 (BMK: R2030)	↑	9.549	0.007	9.542	9.550
GC32 (BMK: R213)	↑	10.038	0.023	10.015	10.038
GC35 (BMK: R209)	↓	10.429	-0.011	10.440	10.429
GC37 (BMK: R2037)	↑	10.592	0.029	10.563	10.592
GC40 (BMK: R214)	↑	10.960	0.005	10.955	10.959
GC43 (BMK: R2044)	↑	10.997	0.011	10.986	10.997
GC45 (BMK: R2044)	↑	11.393	0.011	11.382	11.393
GC50 (BMK: R2048)	↑	11.652	0.007	11.645	11.652
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	→	4.364	0.000	4.364	4.365
GI25 (BMK: NCPI)	↑	4.664	0.001	4.663	4.664
GI29 (BMK: NCPI)	↑	5.598	0.001	5.597	5.598
GI33 (BMK: NCPI)	↑	6.155	0.001	6.154	6.155
GI36 (BMK: NCPI)	↑	6.503	0.001	6.502	6.503
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↓	1,487.72	-0.32%	1,492.51	1,489.24
Platinum	↑	921.05	0.21%	919.16	921.74
Brent Crude	↑	61.59	0.03%	61.57	61.38
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Local Index	↑	602.52	0.28%	600.85	602.52
JSE All Share	→	55,716.69	0.00%	55,716.69	55,716.69
S&P 500	↓	3,036.89	-0.08%	3,039.42	3,036.89
FTSE 100	↓	7,306.26	-0.34%	7,331.28	7,306.26
Hangseng	↓	26,627.47	-0.59%	26,786.76	26,627.47
DAX	↓	12,939.62	-0.02%	12,941.71	12,939.62
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	↓	16,160.69	-0.13%	16,181.40	16,160.69
Resources	↓	45,524.61	-0.01%	45,529.43	45,596.26
Industrials	↓	68,175.48	-0.05%	68,208.49	68,141.25
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	14.63	0.48%	14.56	14.65
N\$/Pound	↑	18.82	0.53%	18.72	18.85
N\$/Euro	↑	16.25	0.56%	16.16	16.28
US Dollar/ Euro	→	1.11	0.00%	1.11	1.11
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	3.26	3.71	4.10	4.30
Prime Rate	↓	10.25	10.50	10.00	10.00
Central Bank Rate	↓	6.50	6.75	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



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