



## The Daily Brief

 Capricorn Asset Management

**Market Update**

**Wednesday, 02 October 2019**

### Global Markets

Global shares fell to one-month lows on Wednesday after U.S. manufacturing activity tumbled to more than a decade low, sparking worries that the fallout from the U.S.-China trade war is spreading to the U.S. economy. A slowdown in U.S. economic growth would remove one of the few remaining bright spots in the global economy and come just as Europe is seen as close to falling into recession.

MSCI's gauge of stocks across the globe, covering 49 markets, dipped 0.06% to a low last seen in early September, after shedding 0.83% in the previous session. In Asia, MSCI's ex-Japan Asia-Pacific shares index dropped 0.7%, with Australian shares falling 1.3% and South Korean shares shedding 1.4%. Japan's Nikkei slid 0.65%. China markets are closed for a one-week holiday. Hong Kong's Hang Seng index fell 0.8% in early trade after a market holiday.

On Tuesday, Hong Kong police shot a teenage protester, the first to be hit by live ammunition in almost four months of unrest in the Chinese-ruled city. Data on Hong Kong September retail sales is due later on Wednesday. "Nothing other than a terrible number is conceivable here," ING chief Asia-Pacific economist Rob Carnell said in a note, adding that he was watching Hong Kong events "with a growing sense of despair." Adding to tensions in Asia, North Korea carried out at least one more projectile launch on Wednesday, a day after it announced it will hold working-level talks with the United States at the weekend.

On Wall Street, the S&P 500 lost 1.23% to hit four-week lows. Selling was triggered after the Institute for Supply Management's (ISM) index of factory activity, one of the most closely-watched data on U.S. manufacturing, dropped 1.3 points to 47.8, the lowest level since June 2009. A reading below 50 indicates contraction in the manufacturing sector. Markets had been expecting the index to rise back above 50. The data came after euro zone manufacturing data showed the sharpest contraction in almost seven years.

"In terms of the outlook on manufacturing, U.S-China trade talks planned next week is everything. If that goes well, we could well see a V-shaped recovery in the ISM data in coming months," said Hirokazu Kabeya, chief global strategist at Daiwa Securities. "That means we can't just bet on a further decline in the U.S. economy now. On the whole I don't think we need to change our view that the U.S. economy remains relatively solid," he added.

The poor data lifted the Fed funds rate futures price sharply, with the November contract now pricing in about an 80% chance the U.S. Federal Reserve will cut interest rates this month, compared

to just over 50% before the data. U.S. President Donald Trump once again lashed out at the Federal Reserve on Tuesday, saying the central bank has kept interest rates "too high" and that a strong dollar is hurting U.S. factories. The U.S. 10-year Treasuries yield fell to 1.637%, reversing earlier gains sparked by a jump in Japanese government bond yields and hitting the lowest level since early September.

Gold rose to \$1,479.80 per ounce from a two-month low of \$1,459.50 hit on Tuesday on the back of a robust U.S. dollar. In the currency market, the U.S. dollar slipped from Tuesday's two-year high against a basket of currencies as the ISM survey shook the notion that the U.S. economy will withstand the trade war. The yen rose to 107.75 yen per dollar, from Tuesday's low of 108.47. The euro stood flat at \$1.0932, having bounced off a near 2 1/2-year low of \$1.0879 hit in European trade. The Australian dollar fetched \$0.6712, having hit a 10 1/2-year low of \$0.6672 the previous day after the Reserve Bank of Australia cut interest rates and expressed concern about job growth.

The weak U.S. data pushed oil prices to near one-month lows, although a surprise drop in U.S. crude inventories helped them to recoil in Asia. Brent crude futures rose 0.7% to \$59.30 a barrel, after hitting a four-week low of \$58.41 on Tuesday, while U.S. West Texas Intermediate (WTI) crude gained 0.97% to \$54.14 per barrel after hitting one-month low of \$53.05.

## Domestic Markets

South Africa's rand weakened to a one-month low on Tuesday, slumping in line with emerging market peers as uncertainty related to U.S.-China trade war, coupled with global growth worries, kept investors wary of riskier assets. At 1510 GMT, the rand traded at 15.3500 per dollar, 1.34% weaker than its close on Monday and trading at its weakest levels since Aug. 30.

Manufacturing activity in the euro zone contracted at its steepest rate in almost seven years last month, a survey showed, suggesting there would not be a turnaround any time soon. That exacerbated worries over risks to the global economy, which has already taken a hit from a protracted trade war between the United States and China.

The two sides are due to meet for high-level trade talks next week in Washington, but it is not clear if they will be able to resolve the dispute. "The big move for EMs in the next couple of weeks will be if a U.S.-China trade deal can be stamped out, and talks will resume next week, but no-one is holding their breath," Andre Botha, senior currency dealer at Treasury ONE, said in a note.

A survey showed on Tuesday that South Africa's seasonally adjusted Absa Purchasing Managers' Index (PMI) sank to its lowest level in a decade in September, on weak demand linked to fears over slowing domestic and global growth.

On the bourse, stocks were up slightly with the broader All Share Index rising 0.22% to 54,945 points and the blue-chip Top-40 Index up 0.26% to 48,938 points. Gold stocks led the top-40 index higher, with Sibanye Gold closing 5.5% higher to 22.14 rand, AngloGold Ashanti up 3.7% to 294.56 rand and Goldfields rising 2.8% to 78.25 rand.

Shares in consumer-facing companies, on the other hand, suffered after the disappointing PMI readout. Retailer Shoprite was the biggest loser, down 1.65% to 120.62 rand, while Woolworths fell 1.33% to 54.35 rand and The Foschini Group fell 1.08% to 164.3 rand. Telecoms firms MTN and Vodacom also shed more than 1%.

In fixed income, bonds were slightly weaker, with the yield on the benchmark government bond due in 2026 up a single basis point to 8.35%. **Source: Thomson Reuters**

## Market Overview

MARKET INDICATORS (Thomson Reuters)		Wednesday, 02 October 2019			
<b>Money Market TB's</b>		Last close	Difference	Prev close	Current Spot
3 months	➔	7.06	0.000	7.06	6.97
6 months	➔	7.18	0.000	7.18	7.15
9 months	➔	7.35	0.000	7.35	7.28
12 months	➔	7.50	0.000	7.50	7.41
<b>Nominal Bonds</b>		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.37	-0.001	7.38	7.37
GC21 (BMK: R2023)	➔	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	➔	8.17	0.000	8.17	8.20
GC23 (BMK: R2023)	↓	8.63	-0.003	8.64	8.66
GC24 (BMK: R186)	↓	8.90	-0.005	8.91	8.93
GC25 (BMK: R186)	↓	8.89	-0.005	8.89	8.92
GC27 (BMK: R186)	↓	9.05	-0.005	9.06	9.08
GC30 (BMK: R2030)	↓	9.62	-0.010	9.63	9.65
GC32 (BMK: R213)	↓	10.14	-0.010	10.15	10.16
GC35 (BMK: R209)	↓	10.48	-0.005	10.48	10.50
GC37 (BMK: R2037)	↓	10.59	-0.010	10.60	10.61
GC40 (BMK: R214)	↓	11.05	-0.010	11.06	11.07
GC43 (BMK: R2044)	↓	10.98	-0.010	10.99	11.00
GC45 (BMK: R2044)	↓	11.32	-0.010	11.33	11.35
GC50 (BMK: R2048)	↓	11.58	-0.010	11.59	11.60
<b>Inflation-Linked Bonds</b>		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	➔	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	↓	4.65	-0.060	4.71	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
<b>Commodities</b>		Last close	Change	Prev close	Current Spot
Gold	↑	1,479	0.45%	1,472	1,475
Platinum	↓	876	-0.68%	882	871
Brent Crude	↓	58.9	-3.11%	60.8	59.4
<b>Main Indices</b>		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,243	-0.42%	1,248	1,243
JSE All Share	↑	54,946	0.22%	54,825	54,946
SP500	↓	2,940	-1.23%	2,977	2,940
FTSE 100	↓	7,360	-0.65%	7,408	7,360
Hangseng	➔	26,092	0.00%	26,092	26,039
DAX	↓	12,264	-1.32%	12,428	12,264
<b>JSE Sectors</b>		Last close	Change	Prev close	Current Spot
Financials	↓	15,418	0.00%	15,418	15,418
Resources	↑	43,954	1.11%	43,470	43,954
Industrials	↓	69,565	-0.11%	69,641	69,565
<b>Forex</b>		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.31	1.06%	15.15	15.35
N\$/Pound	↑	18.84	1.19%	18.62	18.81
N\$/Euro	↑	16.73	1.35%	16.51	16.77
US dollar/ Euro	↑	1.093	0.29%	1.090	1.093
<b>Economic data</b>		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↑	3.7	3.6	4.3	4.0
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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