



Market Update

Friday, 01 November 2019

Global Markets

Asian shares reversed early losses on Friday as an unexpected bounce in Chinese manufacturing activity offset some negativity cast by a Bloomberg news report that raised doubts over whether the United States and China can reach a long-term trade deal.

Factory activity in China expanded at its fastest pace in more than two years in October as export orders and production rose, a private business survey showed on Friday. The expansion, which beat expectations and contrasted with the dour results of an official survey Thursday, helped to boost Chinese blue chips, which rose 0.7%. Hong Kong's Hang Seng added 0.3% and Seoul's Kospi rose 0.42%. MSCI's broadest index of Asia-Pacific shares outside Japan reversed early losses to add 0.16%, having hit three-month highs on Thursday.

The index's performance reflected a results season that has shown companies to be more resilient than expected, said Jim McCafferty, head of Equity Research, Asia ex-Japan at Nomura. "If you look at the micro data supplied by the companies, then it tells you that customers ... are continuing to do business. So, I think that we are in a better state than perhaps investors thought we were just one month ago," he said.

Earlier on Friday, losses had mirrored falls in global stock markets, as MSCI's gauge of equity performance in 47 countries fell from 20-month highs after a report that cast doubt on the likelihood of a U.S.-China trade deal. On Wall Street, the Dow Jones Industrial Average fell 0.52%, the S&P 500 lost 0.30% and the Nasdaq Composite dropped 0.14%.

Efforts by Washington and Beijing to end their bruising nearly 16-month trade war appeared on track as U.S. President Donald Trump said on Thursday that the two sides would soon announce a new venue for the signing of a "Phase One" trade deal after Chile cancelled a planned summit set for mid-November.

Optimism was dampened by a Bloomberg report citing unnamed Chinese officials airing doubts over whether a comprehensive long-term trade deal is possible. China's doubts were "not entirely unexpected", Greg McKenna, strategist at McKenna Macro, said in a morning note to clients, noting that the falls in equity markets were relatively small. Retreats in the S&P 500 and the U.S. 10-year Treasury yield indicated some technical resistance in the market, he said. "Either way, today's deluge of manufacturing PMI's and then U.S. non-farm (payrolls) tonight will be an important factor in where markets head next," McKenna said.

The Institute for Supply Management is due to release data from its survey of purchasing managers on Friday. A separate PMI survey released Thursday by the Chicago Fed showed a sharper contraction in midwestern manufacturing activity for October. The yield on benchmark 10-year Treasury notes was higher at 1.6962% compared with its U.S. close of 1.691% on Thursday. The two-year yield, sensitive to market expectations of Federal Reserve policy, was at 1.5319%, up from a U.S. close of 1.526%.

The Fed cut interest rates for a third time this year on Wednesday to help sustain U.S. growth, but signalled there would be no further reductions unless the economy takes a turn for the worse. In the currency market, the dollar was a touch stronger than the safe-haven yen, adding 0.01% to 108.03. The euro was 0.14% higher on the day at \$1.1166, while the dollar index, which tracks the greenback against a basket of six major rivals, was down 0.14% at 97.216 on the day. U.S. crude ticked up 0.33% to \$54.36 a barrel and Brent crude rose 0.13% to \$59.70 per barrel. Spot gold eased 0.15% to \$1,510.94 per ounce.

Domestic Markets

South Africa's rand extended losses against the dollar on Thursday after Finance Minister Tito Mboweni gave a bleak budget speech a day earlier in which he slashed growth forecasts and predicted ballooning debt, raising fears of a ratings downgrade. Stocks rose, led by gains in mining shares. At 1505 GMT the rand was 0.74% weaker at 15.1120 per dollar.

Government bonds also weakened further, with the yield on the benchmark instrument up 6 basis points to 8.495%, as investors faced the prospect of South Africa's losing its last investment-grade rating, from Moody's.

"Trying to hang on to a long dollar position was close to impossible as everyone scrambled to the exit door," said Standard Bank chief trader Warrick Butler in a note. "I will bet my last dollar that Moody's will now move the country to negative watch. Something that before yesterday's MTBPS (budget) was only a 40% probability has now become an almost guaranteed outcome."

Mboweni cut the forecast for 2019 economic growth to 0.5% from 1.5%, put debt at over 70% of gross domestic product in the next two years and the budget deficit at 5.9% - its highest since the 2009 global financial crisis.

On the bourse, the Top-40 index was up 1.09% while the broader all-share gained 1.25%. Leading gains were gold miners after bullion rose as the dollar came under pressure when the U.S. Federal Reserve cut interest rates, while uncertainty surrounding a U.S.-China trade deal bolstered the metal's appeal as a safe-haven investment. The gold stocks index was up nearly 6%, as AngloGold Ashanti jumped 7.37% while Gold Fields was up 5.7%. "A lot of it has got to do with (US) interest rates being cut last night," said Andrew Padoa, a portfolio manager at Sasfin.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Bloomberg)		01 November 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)	↓	7.199	-0.041	7.240	7.165
GC21 (BMK: R2023)	↑	8.152	0.115	8.037	8.153
GC22 (BMK: R2023)	↑	8.218	0.015	8.203	8.216
GC23 (BMK: R2023)	↑	8.350	0.118	8.232	8.348
GC24 (BMK: R186)	↑	8.955	0.120	8.835	8.952
GC25 (BMK: R186)	↑	8.962	0.123	8.839	8.962
GC27 (BMK: R186)	↑	9.070	0.133	8.937	9.069
GC30 (BMK: R2030)	↑	9.720	0.153	9.567	9.715
GC32 (BMK: R213)	↑	10.193	0.033	10.160	10.193
GC35 (BMK: R209)	↑	10.579	0.122	10.457	10.579
GC37 (BMK: R2037)	↑	10.883	0.342	10.541	10.884
GC40 (BMK: R214)	↑	11.086	0.105	10.981	11.085
GC43 (BMK: R2044)	↑	11.089	0.092	10.997	11.088
GC45 (BMK: R2044)	↓	11.279	-0.111	11.390	11.276
GC50 (BMK: R2048)	↓	11.316	-0.359	11.675	11.254
Inflation-Linked Bonds		Last Close	Change	Prev Close	Current Spot
GI22 (BMK: NCPI)	↓	4.363	-0.001	4.364	4.365
GI25 (BMK: NCPI)	↑	4.651	0.001	4.650	4.652
GI29 (BMK: NCPI)	⇒	5.552	0.000	5.552	5.553
GI33 (BMK: NCPI)	↓	6.128	-0.001	6.129	6.128
GI36 (BMK: NCPI)	⇒	6.479	0.000	6.479	6.479
Commodities		Last Close	Change	Prev Close	Current Spot
Gold	↑	1,512.99	1.16%	1,495.66	1,510.34
Platinum	↑	933.04	0.80%	925.65	931.98
Brent Crude	↓	59.62	-1.63%	60.61	59.63
Main Indices		Last Close	Change	Prev Close	Current Spot
NSX Overall Index	↑	596.18	0.38%	593.93	596.18
JSE All Share	↑	56,425.11	0.99%	55,872.60	56,425.11
S&P 500	↓	3,037.56	-0.30%	3,046.77	3,037.56
FTSE 100	↓	7,248.38	-1.12%	7,330.78	7,248.38
Hangseng	↑	27,065.32	0.59%	26,906.72	27,065.32
DAX	↓	12,866.79	-0.34%	12,910.23	12,866.79
JSE Sectors		Last Close	Change	Prev Close	Current Spot
Financials	⇒	15,835.81	0.00%	15,835.81	15,854.22
Resources	⇒	46,027.68	0.00%	46,027.68	46,572.16
Industrials	⇒	68,802.44	0.00%	68,802.44	69,772.98
Forex		Last Close	Change	Prev Close	Current Spot
N\$/US Dollar	↑	15.10	0.60%	15.01	15.10
N\$/Pound	↑	19.54	0.98%	19.35	19.57
N\$/Euro	↑	16.84	0.66%	16.73	16.85
US Dollar/ Euro	⇒	1.12	0.00%	1.12	1.12
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:

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Source: Thomson Reuters



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