



The Daily Brief

 Capricorn Asset Management

Market Update

Tuesday, 01 October 2019

Global Markets

Asian share prices ticked up on Tuesday as some investors clung to hopes that the fourth quarter will bring progress in resolving the United-States trade war that's cast a shadow over the global economy.

Japan's Nikkei rose 0.74% while MSCI's broadest index of Asia-Pacific shares outside Japan inched up 0.24% and Australia's benchmark by 0.25%. Chinese markets will be shut for a week, starting on Tuesday, to mark 70 years since the founding of the People's Republic of China. U.S. stock futures rose 0.35% in Asia, a day after the S&P 500 gained 0.50%. Technology sectors led New York gains on Monday while U.S.-listed shares of Chinese firms bounced up a tad, after big falls on Friday, with Alibaba up 0.75% and Baidu gaining 1.53%. During the July-September quarter, the S&P500 advanced 1.21%. In Europe, the benchmark stock index gained 2.15% in the quarter to end at a 16-month high, thanks in part to a weak euro.

White House trade adviser Peter Navarro dismissed reports that the Trump administration was considering delisting Chinese companies from U.S. stock exchanges as "fake news", giving short-term players an excuse to buy back risk assets. "Whether it was a fake news or not, it is becoming harder to know exactly what the U.S. administration will be doing," said Takashi Hiroki, chief strategist at Monex Securities. China and the United States are due to resume high-level trade talks next week in Washington. "It's not clear how the U.S.-China talks will progress, given there are hard-liners against China in the administration. But if there's no further escalation in the upcoming meeting, markets will be relieved," Hiroki said.

While the tussle over trade and technology between the world's two largest economies has intensified, some investors are sticking to hopes of a compromise. They say a tentative deal could be reached by the end of this year, given that President Donald Trump's administration would strive to avoid the U.S. economy falling into a recession in an election year. "While we ought not to have preconception, for Trump, not having made a deal with China could be increasingly seen as negative ahead of the election next year," said Tomoo Kinoshita, chief global strategist at Invesco Asset Management in Tokyo.

In the currency market, the euro extended its decline on worries about sluggish growth in the currency bloc. The euro traded at \$1.0888, having slipped to a near 2 1/2-year low of \$1.0885 in U.S. trade on Monday. The yen was slightly weaker at 108.24 yen to the dollar, not far from last month's

low of 108.48. The Japanese currency showed no reaction to the Bank of Japan's tankan survey showing business confidence at big Japanese manufacturers worsened in the three months to September to its lowest level in six years.

The Australian dollar fetched \$0.6739, down 0.2% and near three-week low of \$0.6739 touched last month ahead of a likely rate cut by the Reserve Bank of Australia later in the day. A majority of 35 economists polled by Reuters expect the RBA to cut the cash rate for the third time this year. The New Zealand dollar slipped to a four-year low of \$0.6238, following Monday's weak local business sentiment data.

Gold fell to a two-month low on the back of a robust U.S. dollar, last trading at \$1,468.50 per ounce. Oil prices rebounded in early Asian trade on Tuesday after production at the world's largest oil producers fell in the third quarter, although demand concerns continued to keep a lid on prices. U.S. West Texas Intermediate (WTI) crude fell 3.3% on Monday before rising 0.39% early on Tuesday to \$54.28 per barrel.

Domestic Markets

South Africa's rand weakened on Monday, tracking the euro and other emerging market currencies, as ongoing jitters about the trade dispute between China and the U.S. and faltering euro zone growth dampened demand. At 1515 GMT the rand was 0.33% weaker at 15.1850 per dollar compared to an opening level of 15.1400.

Offshore uncertainty, with reports U.S. President Donald Trump's administration was considering delisting Chinese companies from U.S. stock exchanges, overshadowed local developments. Unexpectedly slower German inflation and lower growth forecasts for Europe's biggest economy added to the pressure on riskier currencies like the rand.

A batch of local data releases and political developments painted a mixed picture, failing to inspire rand buying. South Africa's trade balance swung to a 6.84 billion rand (\$450 million) surplus in August following a July deficit of 3.72 billion rand, while President Cyril Ramaphosa said on Monday government will finalise a clear economic growth strategy within the next few weeks. On the flip side, credit demand continued to stammer, slowing to 6.86% year-on-year in August from 7.19% in July.

The yield on the benchmark government bond due in 2026 rose 4.5 basis points to 8.34%, while stocks closed near a two-week low. The broader All-share index was down 0.7% at 54,824 points, while the Top-40 index fell 0.72% to 48,813 points, reflecting nervousness over the U.S.-China trade standoff.

Shares in crisis-hit retailer Steinhoff slipped 2% to 9.80 rand after its subsidiary Steinhoff Investment Holdings said its annual results would be delayed again. "It doesn't come as a surprise at all," said Wayne McCurrie, portfolio manager at FNB Private Wealth. "Their trading results are virtually irrelevant to the share price, because they can't even quantify the extent of the litigation against them."

The index of gold stocks dropped 1.6% as investors flocked to the greenback. Bullion producer Harmony declined 3.28% to 43.30 rand, GoldFields was 2.16% lower at 76.12 rand, while shares in AngloGold fell 1.45% to 284.09 rand.

Source: Thomson Reuters

Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 01 October 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	→	7.06	0.000	7.06	6.99
6 months	→	7.18	0.000	7.18	7.16
9 months	→	7.35	0.000	7.35	7.28
12 months	→	7.50	0.000	7.50	7.42
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.38	-0.003	7.38	7.37
GC21 (BMK: R2023)	→	7.75	0.000	7.75	7.75
GC22 (BMK: R2023)	↑	8.17	0.015	8.15	8.17
GC23 (BMK: R2023)	↑	8.64	0.021	8.61	8.63
GC24 (BMK: R186)	↑	8.91	0.025	8.88	8.90
GC25 (BMK: R186)	↑	8.89	0.025	8.87	8.89
GC27 (BMK: R186)	↑	9.06	0.025	9.03	9.05
GC30 (BMK: R2030)	↑	9.63	0.025	9.61	9.62
GC32 (BMK: R213)	↑	10.15	0.025	10.12	10.14
GC35 (BMK: R209)	↑	10.48	0.040	10.44	10.48
GC37 (BMK: R2037)	↑	10.60	0.040	10.56	10.59
GC40 (BMK: R214)	↑	11.06	0.045	11.01	11.05
GC43 (BMK: R2044)	↑	10.99	0.055	10.93	10.98
GC45 (BMK: R2044)	↑	11.33	0.055	11.28	11.32
GC50 (BMK: R2048)	↑	11.59	0.064	11.52	11.58
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.71	0.000	4.71	4.65
GI29 (BMK: NCPI)	↓	5.61	-0.013	5.62	5.61
GI33 (BMK: NCPI)	↓	6.19	-0.158	6.35	6.19
GI36 (BMK: NCPI)	↓	6.54	-0.161	6.70	6.54
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,472	-1.64%	1,497	1,460
Platinum	↓	882	-5.22%	931	879
Brent Crude	↓	60.8	-1.83%	61.9	59.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,248	-0.81%	1,258	1,247
JSE All Share	↓	54,825	-0.70%	55,209	54,833
SP500	↑	2,977	0.50%	2,962	2,977
FTSE 100	↓	7,408	-0.24%	7,426	7,398
Hangseng	↑	26,092	0.53%	25,955	26,092
DAX	↑	12,428	0.38%	12,381	12,425
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	15,418	-1.57%	15,665	15,524
Resources	↓	43,470	-0.51%	43,692	43,226
Industrials	↓	69,641	-0.50%	69,991	69,673
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.15	0.40%	15.09	15.23
N\$/Pound	↑	18.62	0.41%	18.54	18.68
N\$/Euro	↑	16.51	0.03%	16.51	16.58
US dollar/ Euro	↓	1.090	-0.37%	1.094	1.089
		Namibia		RSA	
Economic data		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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