



Market Update

Tuesday, 18 February 2020

Global Markets

Asian shares fell and Wall Street retreated from record highs on Tuesday after Apple Inc said it will not meet its revenue guidance for the March quarter as the coronavirus outbreak slowed production and weakened demand in China. The warning from the most valuable company in the United States sobered investor optimism that economic stimulus by Beijing and other countries would protect the global economy from the effects of the epidemic.

S&P500 e-mini futures dipped as much as 0.3% in Asian trade. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.65% while Tokyo's Nikkei slid 1.0%. Shanghai shares dipped 0.2%, having gained in nine of the past 10 sessions largely on hopes for policy support by Beijing. China's central bank cut the interest rate on its medium-term lending on Monday, which is expected to pave the way for a reduction in the benchmark loan prime rate on Thursday.

But sentiment was shaken when Apple told investors its manufacturing facilities in China have begun to re-open but are ramping up more slowly than expected, reinforcing signs of a broader hit to businesses from the epidemic. "Apple is saying its recovery could be delayed, which could mean the impact of the virus may go beyond the current quarter," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities. "If Apple shares were traded cheaply, that might not matter much. But when they are trading at a record high, investors will be surely tempted to sell."

Asian tech shares were also hit. Samsung Electronics dropped 2.1%, Taiwan Semiconductor Manufacturing Co (TSMC) lost 1.7% and Sony shed 2.6%. In China, the number of new Covid-19 cases fell to 1,886 on Monday from 2,048 the day before. The World Health Organization cautioned on Monday, however, that "every scenario is still on the table" in terms of the epidemic's evolution.

As China's authorities try to prevent the spread of the disease, the economy is paying a heavy price. Some cities remained in lockdown, streets are deserted, and travel bans and quarantine orders are in place around the country, preventing migrant workers from getting back to their jobs. Many factories have yet to re-open, disrupting supply chains in China and beyond, as highlighted by Apple. "Lifting travel restrictions is taking longer than expected. Initially we thought lockdowns would end in February and factory output would normalise in March. But that is looking increasingly difficult," said Ei Kaku, currency strategist at Nomura Securities. Nomura downgraded its China first-quarter

economic growth forecast to 3%, half the pace of the fourth quarter, from its previous forecast of 3.8%, and added there was a risk it could be even weaker.

Also hurting market sentiment was news that the Trump administration is considering changing U.S. regulations to allow it to block shipments of chips to Huawei Technologies from companies such as Taiwan's TSMC, the world's largest contract chipmaker.

Bonds were in demand, with the 10-year U.S. Treasuries yield falling 1.0 basis point to 1.578% after a U.S. market holiday on Monday. Safe-haven gold also rose 0.18% to \$1,584.80 per ounce. In the currency market, the yen ticked up 0.1% to 109.75 yen per dollar while the risk-sensitive Australian dollar lost 0.4% to \$0.6707. The yuan was steadier for now, trading at 6.9866 yuan per dollar. The euro, grappling with worries about sluggish growth in the euro zone, edged down 0.1% to \$1.0836, near its 33-month low of \$1.0817 touched on Monday.

Oil prices also dipped. West Texas Intermediate (WTI) crude rose as high as \$52.41 per barrel, before giving up gains to be \$51.96 per barrel, down slightly on the day.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened on Monday, as ratings agency Moody's cut its forecast for the country's economic growth due to lacklustre private sector demand at home and power cuts. As of 1510 GMT, the rand was 0.4% weaker at 15.00 against the dollar.

Moody's cut its 2020 GDP growth forecast to 0.7% from a forecast of 1.5% set in September, due in part to the detrimental impact of widespread power outages on manufacturing and mining activity. Moody's is the last of the major international agencies to keep an investment grade rating on the sovereign and is scheduled to review that assessment in March.

South African President Ramaphosa acknowledged in his annual address to parliament on Thursday that growth had stalled, promising to fix its strained public finances and procure more renewable energy to address a power crisis.

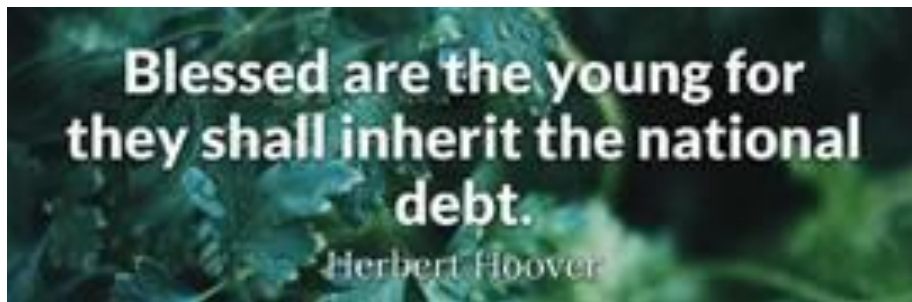
Investors await Finance Minister Tito Mboweni's 2020 budget presentation next week. "All eyes will be on Tito Mboweni speech which will be closely scrutinised for further details on how the government plans to jumpstart the South African economy," said Lukman Otunuga, senior research analyst at FXTM. "The budget speech will be a major risk event that may influence whether South Africa can save or lose its last investment-grade credit rating," Otunuga added.

On the bourse, stocks were lifted by a positive earnings report from Anglo American Platinum (Amplats) and Friday's trading statement from Sibanye-Stillwater. Amplats, which also has operations in Zimbabwe, jumped 5.4% to 1,329.99 rand after it said higher metal prices had driven its annual headline earnings per share - the main profit measure used in South Africa - nearly 2-1/2 times higher at 70.87 rand, versus 28.93 rand a year earlier.

Sibanye continued to surge after saying on Friday it expects to swing to a 433 million rand profit in the year ended December, versus a 2.5 billion rand loss in 2018, due to significantly higher platinum group metals and gold prices and the inclusion of Lonmin's Marikana operations. Shares in the miner surged to a 3-1/2-year high, closing 5.89% firmer at 44.58 rand. Amplats and Sibanye topped the Johannesburg All-Share index as well as the Top-40 index.

The Johannesburg All-Share index ended the day 0.56% firmer at 58,187 points, while the Top-40 index climbed 0.59% to 52,357 points. Government debt weakened, with the yield on the benchmark bond due in 2030 adding 5 basis points to 8.9%.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)		Tuesday, 18 February 2020			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↑	7.39	0.004	7.39	7.30
6 months	→	7.65	0.000	7.65	7.60
9 months	↓	7.69	-0.017	7.70	7.62
12 months	↓	7.70	-0.055	7.75	7.66
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	7.34	-0.022	7.36	7.34
GC21 (BMK: R2023)	↑	7.75	0.015	7.74	7.72
GC22 (BMK: R2023)	↑	7.40	0.010	7.39	7.39
GC23 (BMK: R2023)	↑	8.10	0.010	8.09	8.09
GC24 (BMK: R186)	↑	8.54	0.030	8.51	8.54
GC25 (BMK: R186)	↑	8.55	0.030	8.52	8.55
GC27 (BMK: R186)	↑	8.99	0.030	8.96	8.99
GC30 (BMK: R2030)	↑	9.90	0.035	9.87	9.90
GC32 (BMK: R213)	↑	10.48	0.040	10.44	10.48
GC35 (BMK: R209)	↑	11.12	0.045	11.08	11.13
GC37 (BMK: R2037)	↑	11.25	0.045	11.21	11.26
GC40 (BMK: R214)	↑	11.53	0.065	11.47	11.53
GC43 (BMK: R2044)	↑	11.87	0.065	11.81	11.87
GC45 (BMK: R2044)	↑	12.11	0.065	12.05	12.11
GC50 (BMK: R2048)	↑	12.15	0.040	12.11	12.16
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	→	4.40	0.000	4.40	4.40
GI25 (BMK: NCPI)	→	4.60	0.000	4.60	4.60
GI29 (BMK: NCPI)	→	5.79	0.000	5.79	5.79
GI33 (BMK: NCPI)	→	6.40	0.000	6.40	6.40
GI36 (BMK: NCPI)	→	6.61	0.000	6.61	6.61
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,581	-0.22%	1,584	1,586
Platinum	↑	969	0.58%	963	971
Brent Crude	↑	57.7	0.61%	57.3	57.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,291	0.55%	1,283	1,291
JSE All Share	↑	58,188	0.56%	57,862	58,188
SP500	→	3,380	0.00%	3,380	3,380
FTSE 100	↑	7,433	0.33%	7,409	7,433
Hangseng	↑	27,960	0.52%	27,816	27,579
DAX	↑	13,784	0.29%	13,744	13,784
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	15,326	0.21%	15,293	15,326
Resources	↑	49,252	1.02%	48,753	49,252
Industrials	↑	74,398	0.43%	74,080	74,398
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.98	0.54%	14.90	15.04
N\$/Pound	↑	19.48	0.24%	19.43	19.54
N\$/Euro	↑	16.23	0.58%	16.13	16.29
US dollar/ Euro	↑	1.083	0.04%	1.083	1.083
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	2.1	2.6	4.0	3.6
Prime Rate	↓	10.25	10.50	9.75	10.00
Central Bank Rate	↓	6.50	6.75	6.25	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
- NSX is a Bloomberg calculated Index

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. The levels of and changes in the yields need to be interpreted with caution due to the illiquid nature of the domestic bond market.

Source: Bloomberg



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