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## Market Update

Monday, 04 March 2019

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### Global Markets

World equity markets rose on Friday as optimism around trade and benign U.S. inflation boosted investor sentiment, while crude oil retreated on news of weaker U.S. factory activity.

On Thursday, White House economic adviser Larry Kudlow called progress in the trade negotiations between the United States and China "fantastic" and said the countries were "heading toward a remarkable, historic deal." Additionally, Bloomberg reported that a summit between U.S. President Donald Trump and his Chinese counterpart Xi Jinping to sign a final deal could happen as soon as mid-March.

"They may be moving toward a trade deal, and the market is anticipating that and getting ahead of it," said Chad Morganlander, senior portfolio manager at Washington Crossing Advisors in Florham Park, New Jersey. "That doesn't mean it will gin up the global economy as the market is hoping for," he added.

A slew of surveys has highlighted how much manufacturers are suffering worldwide, particularly those exposed to China's slowdown, and added weight to expectations that policy tightening from central banks is pretty much over. A private survey showed China's factory activity contracted for a third straight month in February, though at a slower pace, helping to lift global equities.

MSCI's gauge of stocks across the globe gained 0.4 percent. On Wall Street, the Dow Jones Industrial Average rose 110.32 points, or 0.43 percent, to 26,026.32, the S&P 500 gained 19.2 points, or 0.69 percent, to 2,803.69 and the Nasdaq Composite added 62.82 points, or 0.83 percent, to 7,595.35.

A U.S. Commerce Department report showed tame inflation pressures and U.S. personal income falling for the first time in more than three years in January. The modest inflation lends support to the Federal Reserve's pledge to be patient on hiking U.S. interest rates, said Quincy Krosby, chief market strategist at Prudential Financial in Newark, New Jersey. "All of this helps toward a positive underpinning in the market," she said.

### Weak Factory Data Fells Oil

Oil prices reversed course to fall 2 percent as bearish U.S. manufacturing data stoked concerns over global energy demand. The ISM manufacturing activity index in February sank to the lowest since November 2016 and was below expectations.

U.S. West Texas Intermediate futures settled down \$1.42, or 2.48 percent, to \$55.80 a barrel. Global benchmark Brent crude LCOc1 futures settled \$1.24 lower to \$65.07 a barrel, a 1.87 percent drop.

The dollar rose, hitting 10-week-highs against the yen, as risk appetite improved amid a more upbeat outlook on some of the world's largest economies and on the prospect of a U.S.-China trade deal. The dollar was up 0.5 percent against the Japanese yen after hitting a 10-week high. The euro was little changed against the dollar at \$1.1365. The dollar index .DXY, which measures the greenback against a basket of six currencies, rose 0.31 percent.

U.S. Treasury yields were higher as investors sold off safe-haven assets on hopes for a trade deal with China and shrugged off economic data whose release was delayed by the government shutdown. Benchmark 10-year Treasury notes US10YT last fell 15/32 in price to yield 2.7658 percent, from 2.711 percent late on Thursday.

**Source: Thomson Reuters**

## Domestic Markets

The South African rand extended losses against a stronger dollar on Friday, after breaching the 14.00 to the dollar mark in the previous session, as doubts over the fate of a U.S.-China trade deal curbed appetite for risk.

Stocks got a boost from relatively upbeat results from property firm Hyprop Investment Ltd, drinks maker Distell Group and African Rainbow Minerals.

At 1530 GMT the rand was 0.64 percent weaker at 14.1800 per dollar after weakening below the 14 to the dollar level on Thursday. The dollar was buoyed by upbeat fourth-quarter growth in the world's top economy.

U.S. President Donald Trump on Thursday fueled concerns over trade talks between the United States and China after warning that he could walk away from a trade deal with China if it was not good enough, although his economic advisers touted "fantastic" progress towards an agreement. "When looking at the holistic picture, a potential positive outcome from the U.S./China trade talks could be the last 'good news' for emerging markets for a while, as geopolitical tension, declining global GDP, and populism all threaten risk appetite," said Bianca Botes, an analyst at Peregrine Treasury.

In fixed income, the yield on benchmark government bond due in 2026 closed 4.5 basis points higher at 8.745 percent.

On the bourse, the Johannesburg all-share index rose 0.63 percent to 56,203 points, while the Top-40 index gained 0.35 percent to 49,841 points.

Growth-hungry South African drinks maker Distell closed 3.77 percent stronger to 124.52 rand after reporting a 9.1 percent increase in half-year group revenue. African Rainbow Minerals rose 1.93 percent after reporting increasing its interim dividend by 60 percent and reporting a 13 percent increase in headline earnings. Hyprop said half-year revenue rose to 1.63 billion rand from 1.54 billion rand, sending its shares up 5.86 percent to 82.03 rand.

On the decliners' side, shares in MTN Group fell 5.41 percent, a day after the mobile phone group announced guidance for annual profit that was lower than forecast.

**Source: Thomson Reuters**

The safe way to double your money is to fold it over once and put it in your pocket.

Kin Hubbard

## Chart of the Day



Source: Thomson Reuters Datastream, Capricorn Asset Management

## Market Overview

MARKET INDICATORS		04 March 2019			
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	7.43	-0.017	7.45	7.43
6 months	↓	7.92	-0.007	7.93	7.92
9 months	↓	8.21	-0.006	8.22	8.21
12 months	↓	8.38	-0.003	8.38	8.38
<b>Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (BMK: R208)	↑	8.15	0.005	8.14	8.10
GC24 (BMK: R186)	↑	9.65	0.035	9.61	9.65
GC27 (BMK: R186)	↑	9.85	0.035	9.82	9.95
GC30 (BMK: R2030)	↑	10.67	0.040	10.63	10.67
GI22 (BMK: NCPI)	→	4.79	0.000	4.79	4.79
GI25 (BMK: NCPI)	→	5.21	0.000	5.21	5.21
GI29 (BMK: NCPI)	→	5.77	0.000	5.77	5.77
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,293	-1.47%	1,313	1,292
Platinum	↓	857	-1.51%	870	852
Brent Crude	↓	65.1	-1.45%	66.0	65.2
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX (Delayed)	↑	1,366	0.19%	1,364	1,365
JSE All Share	↑	56,203	0.36%	56,002	56,530
SP500	↑	2,804	0.69%	2,784	2,804
FTSE 100	↑	7,107	0.45%	7,075	7,107
Hangseng	↑	28,812	0.63%	28,633	28,967
DAX	↑	11,602	0.75%	11,516	11,602
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	17,056	-0.41%	17,127	17,108
Resources	↑	45,752	0.46%	45,545	45,652
Industrials	↑	67,285	0.63%	66,860	68,181
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	14.23	1.03%	14.08	14.23
N\$/Pound	↑	18.78	0.58%	18.67	18.84
N\$/Euro	↑	16.18	1.07%	16.01	16.16
US dollar/ Euro	↑	1.137	0.04%	1.14	1.136
<b>Economic data</b>		<b>Namibia</b>		<b>RSA</b>	
		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↓	4.7	5.1	4.0	4.5
Prime Rate	→	10.50	10.50	10.25	10.25
Central Bank Rate	→	6.75	6.75	6.75	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

Source: Bloomberg

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