
## Market Update    Tuesday, 05 February 2019

# Global Markets

A gauge of global stocks hit a two-month high on Monday, as gains for technology and industrial shares fueled a rise on Wall Street, while the U.S. dollar gained for a third straight session against a basket of currencies and U.S. Treasury yields rose. Oil prices pulled back after reaching their highest levels in roughly two months. MSCI's gauge of stocks across the globe gained 0.33 percent, reaching a fresh two-month high.

Investors were parsing the significance for financial markets from Friday's strong U.S. jobs report, which came on the heels of the Federal Reserve saying it would be patient on future rate hikes amid a cloudy outlook for the U.S. economy. “Investors are realizing that the Fed is at least going to be friendly here in the near term," said Bucky Hellwig, senior vice president at BB&T Wealth Management in Birmingham, Alabama. "Some of these things that were weighing as negatives... namely a tighter Fed, lack of progress on the tariffs, those things are starting to improve or have improved, and as a result there are more reasons to be investing in stocks," Hellwig said.

On Wall Street, the Dow Jones Industrial Average rose 175.48 points, or 0.7 percent, to 25,239.37, the S&P 500 gained 18.34 points, or 0.68 percent, to 2,724.87 and the Nasdaq Composite added 83.67 points, or 1.15 percent, to 7,347.54. Technology and industrials were the biggest risers among the S&P 500 sectors, as investors braced for another big week of fourth-quarter corporate earnings reports.

The pan-European STOXX 600 index rose 0.06 percent as the heavyweight banking sector fell following poor results from Julius Baer.

The U.S. dollar strengthened across the board, as investors took heart from Friday's strong payrolls number. The dollar index, which measures the greenback against a basket of currencies. rose 0.27 percent, with the euro down 0.18 percent to $1.1433. Improved risk appetite helped lift the dollar to a five-week high against the safe-haven yen.

U.S. Treasury prices fell in generally thin volume, pressured by upcoming debt supply, as well as indications that inflation expectations are rising. Benchmark 10-year notes last fell 10/32 in price to yield 2.7253 percent, from 2.691 percent late on Friday.

Oil prices fell after disappointing U.S. factory data sparked fresh concerns about a slowdown in the global economy. But losses were limited as OPEC-led supply cuts and U.S. sanctions against Venezuela brightened the supply outlook.

U.S. crude settled down 1.3 percent at $54.56 per barrel and Brent settled down 0.4 percent at $62.51.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand eased on Monday as a strong dollar and U.S. Treasury yields holding recent gains put pressure on emerging market currencies, while stocks also edged lower. At 1550 GMT, the rand was 0.53 percent weaker at 13.4000 per dollar, after closing at 13.3300 in New York on Friday. The rand has had a stellar start to 2019, gaining nearly 7 percent against the greenback, aided mainly by a global push for emerging market assets that was accelerated by last week's dovish message from the Federal Reserve.

With a dearth of top-tier data this week and most of Asian markets closed for the Lunar New Year this week, the rand is expected to trade within recent ranges between 13.40 and 13.20.

South African focused investors are waiting for President Cyril Ramaphosa's state of the nation address on Thursday, where he is expected to give an update on plans to grow the economy and deal with cash-strapped state companies.

"Given that it is an election year, he would be constrained to introduce new sweeping measures without knowing if he will have the requisite power to carry them out after the elections," RMB analyst Mpho Tsebe said in a note. The speech is likely to focus on job creation and highlight the government's key achievements over the past year," she added.

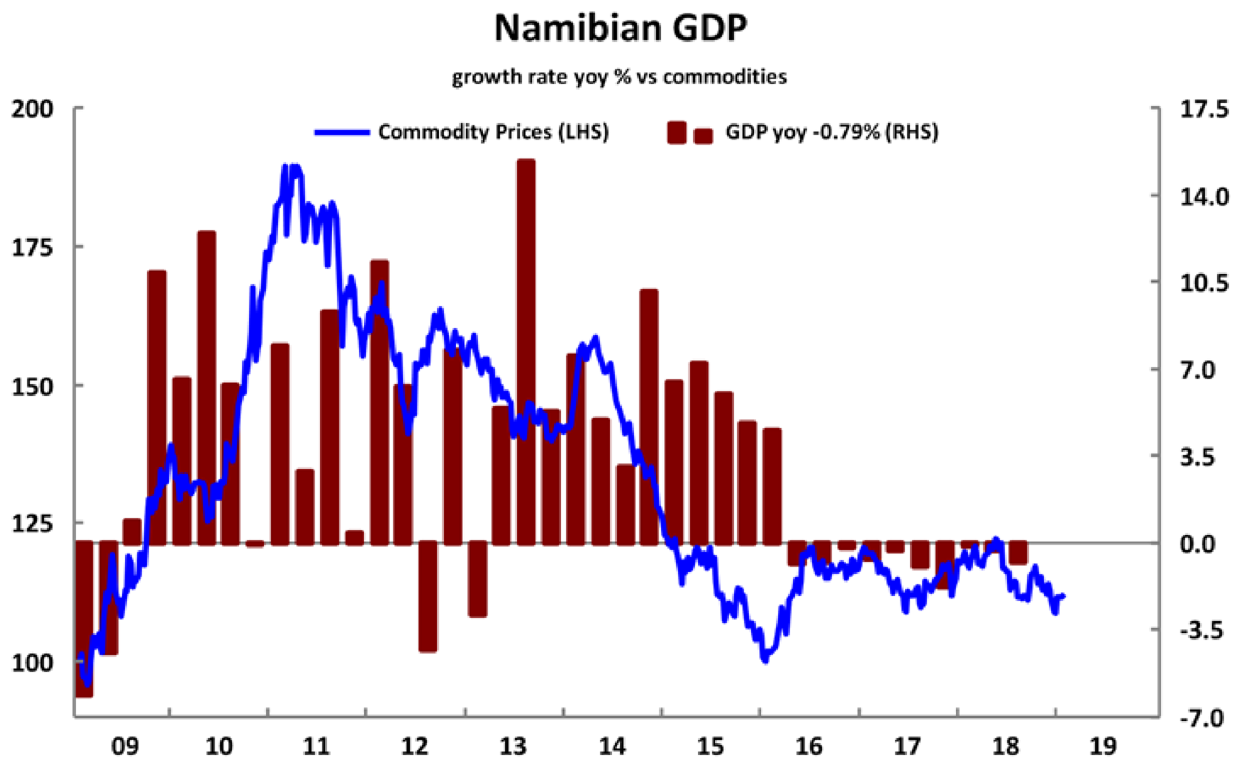
Government bonds also weakened, with the yield on the benchmark 10-year bond up 2.5 basis points at 8.64 percent.

Stocks slipped to their lowest since mid-January, with the Johannesburg Stock Exchange's Top-40 index down just over 1 percent at 47,183 points. The broader all-share index was also down 1 percent at 53,391 points.

Firms exposed to South African consumers were hit the hardest, with retailers like Mr Price, Woolworths and Spar Group and lenders including Standard Bank and Absa weighing on the blue-chip index. Meanwhile, Clover Industries, which processes products like olive oil and yoghurt, closed up 15 percent after announcing a 4.8 billion rand ($358.81 million) buyout offer from a consortium.

**Source: Thomson Reuters**

## Chart of the Day




*Source: Thomson Reuters Datastream, Capricorn Asset Management*

The chart shows one of the contributing factors to the current economic slump in Namibia. It is not the only one, but an important one. During the period 2010 to 2015 Namibia experienced relative strong growth. However, in the end, the falling commodity prices took their toll and in early 2016 the economy entered a recession.

Since its peak in early 2011 to the bottom around the end of 2015, commodity prices have fallen by 47%. No wonder, then, that GDP of the mining industry fell for three years from 2014 to 2016. During 2017 it experience a recovery off a low base. We think 2018 was another tough year, but somewhat positive. The same goes for 2019 .

The latest global developments are not good news for Namibia. Generally, commodity demand has cooled off along with the Chinese economy. Therefore chances for a strong surge in commodity demand and –prices seem unlikely.

## Market Overview

| MARKET INDICATORS | | | | | 05 February 2019 |
|---|---|---|---|---|---|
| **Money Market** | | **Last close** | **Difference** | **Prev close** | **Current Spot** |
| 3 months | ↑ | 7.01 | 0.034 | 6.98 | 7.01 |
| 6 months | ↓ | 7.76 | -0.019 | 7.78 | 7.76 |
| 9 months | ↓ | 8.12 | -0.013 | 8.13 | 8.11 |
| 12 months | ↓ | 8.33 | -0.002 | 8.33 | 8.33 |
| **Bonds** | | **Last close** | **Difference** | **Prev close** | **Current Spot** |
| GC21 (BMK: R208) | ↑ | 8.15 | 0.035 | 8.11 | 8.10 |
| GC24 (BMK: R186) | ↑ | 9.54 | 0.010 | 9.53 | 9.54 |
| GC27 (BMK: R186) | ↑ | 9.74 | 0.010 | 9.73 | 9.75 |
| GC30 (BMK: R2030) | ↑ | 10.52 | 0.015 | 10.50 | 10.52 |
| GI22 (BMK: NCPI) | → | 4.82 | 0.000 | 4.82 | 4.82 |
| GI25 (BMK: NCPI) | → | 5.31 | 0.000 | 5.31 | 5.31 |
| GI29 (BMK: NCPI) | → | 5.85 | 0.000 | 5.85 | 5.85 |
| **Commodities** | | **Last close** | **Change** | **Prev close** | **Current Spot** |
| Gold | ↓ | 1,312 | -0.47% | 1,318 | 1,313 |
| Platinum | ↓ | 818 | -0.49% | 822 | 819 |
| Brent Crude | ↓ | 62.5 | -0.38% | 62.8 | 62.6 |
| **Main Indices** | | **Last close** | **Change** | **Prev close** | **Current Spot** |
| NSX (Delayed) | ↓ | 1,334 | -1.90% | 1,360 | 1,333 |
| JSE All Share | ↓ | 53,392 | -1.00% | 53,930 | 53,611 |
| SP500 | ↑ | 2,725 | 0.68% | 2,707 | 2,725 |
| FTSE 100 | ↑ | 7,034 | 0.20% | 7,020 | 7,034 |
| Hangseng | ↑ | 27,990 | 0.21% | 27,931 | 27,990 |
| DAX | ↓ | 11,177 | -0.04% | 11,181 | 11,177 |
| **JSE Sectors** | | **Last close** | **Change** | **Prev close** | **Current Spot** |
| Financials | ↓ | 16,981 | -2.40% | 17,399 | 16,990 |
| Resources | ↓ | 42,207 | -0.32% | 42,343 | 42,619 |
| Industrials | ↓ | 62,979 | -0.91% | 63,558 | 63,205 |
| **Forex** | | **Last close** | **Change** | **Prev close** | **Current Spot** |
| N$/US dollar | ↑ | 13.42 | 0.82% | 13.31 | 13.40 |
| N$/Pound | ↑ | 17.49 | 0.41% | 17.42 | 17.46 |
| N$/Euro | ↑ | 15.35 | 0.59% | 15.25 | 15.29 |
| US dollar/ Euro | ↓ | 1.144 | -0.17% | 1.15 | 1.142 |
| | | **Namibia** | | **RSA** | |
| **Economic data** | | **Latest** | **Previous** | **Latest** | **Previous** |
| Inflation | ↓ | 5.1 | 5.6 | 4.5 | 5.2 |
| 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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