



Market Update

Wednesday, 06 March 2019

Global Markets

A gauge of world stock markets recovered from early declines but was slightly lower on Tuesday as China cut its growth targets to a 30-year low but added more stimulus, while strong U.S. economic data sent the dollar to a two-week high.

Stocks on Wall Street traded in a like fashion, with the benchmark S&P 500 a touch below the unchanged mark as investors looked for developments on trade between the United States and China.

Positive retail earnings from Target Corp and data on the U.S. services and housing sectors helped provide support to the upside. The Commerce Department said sales of new U.S. single-family homes rose to a seven-month high in December while a reading from the Institute for Supply Management showed an acceleration in growth in the vast services sector in February.

The S&P 500 index has struggled to hold above the 2,800 level, which has proven to be a stiff resistant point. Still, the index is up nearly 19 percent from its Dec. 24 low. "When you are here at that important level in the S&P 500, it's healthier to see the market slow down, pause, take account of the micro and the macro and absorb the good news," said Quincy Krosby, chief market strategist at Prudential Financial in Newark, New Jersey. "To see the market pause right now, as opposed to a deep sell-off, is encouraging."

European shares bounced between modest gains and declines, eventually closing slightly higher in the wake of China's response to the lowered growth target of between 6.0 to 6.5 percent for 2019, which includes billions of dollars in planned tax cuts and infrastructure spending and a lack of news on the trade front.

The Dow Jones Industrial Average fell 13.02 points, or 0.05 percent, to 25,806.63, the S&P 500 lost 3.16 points, or 0.11 percent, to 2,789.65 and the Nasdaq Composite dropped 1.21 points, or 0.02 percent, to 7,576.36.

Fatigue after a strong run higher for equities is playing a role in the recent pause. MSCI's All Country World Index was down 0.07 percent, and has now risen more than 15 percent from its near two-year closing low on Dec. 24. The index is trading at 14.6 times expected earnings, on par with levels back in early October, when a global bear market began to take hold. The pan-European STOXX 600 index closed up 0.15 percent.

In currency markets, the greenback was lifted by the economic data and is now up nearly 0.9 percent over the past five sessions. The dollar index tracking the unit against six major currencies, rose 0.16 percent, with the euro down 0.27 percent to \$1.1306.

Oil prices were little changed as the market wavered on expectations for an imminent trade deal between the United States and China while awaiting U.S. government crude stocks data. U.S. crude settled down 0.05 percent at \$56.56 per barrel and Brent was last at \$65.86, up 0.29 percent on the day.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed on Tuesday after data showing an economic recovery from a recession continued in the fourth quarter of last year, albeit at a slower rate. Stocks weakened as the GDP figure was below market expectation. At 1500 GMT, the rand was 0.42 percent firmer at 14.1400 per dollar, compared to its close of 14.2000 on Monday.

South Africa suffered a recession in the first half of 2018 as farming plunged after a drought, but growth has since recovered. The economy grew 1.4 percent in October-December 2018, after expanding by a revised 2.6 percent in the third quarter, Statistics South Africa said.

"Q4's growth outcome signalled that the South African economy has muddled along, very slowly on the mend," said Elize Kruger, an economist at NKC African Economics. "Clearly the economy is nowhere close to being out of the woods yet, with sporadic load shedding, higher fuel prices, a higher tax burden and a moderating global economy weighing on much-needed improvements in confidence levels," she added.

The Treasury has projected that the economy will grow 1.5 percent this year. But risks such as electricity supply shortages remain after struggling power utility Eskom resumed nationwide electricity cuts late in February.

Bonds firmed, with the yield on the benchmark paper due in 2026 dipping 6 basis points to 8.665 percent. In equities, the local market shrugged off the GDP data as it opened in the green before losing all its steam at 0730 GMT and drifting lower for the rest of the trading session, with the Johannesburg All-share index closing 0.71 percent lower at 55,815 points. The Top-40 index closed 0.62 percent weaker at 49,585 points.

"The GDP data we had out earlier was probably a little bit disappointing," said Cratos Capital equities trader Greg Davies. Refinitiv's consensus forecast was for growth of 1.6 percent quarter-on-quarter.

Davies also blamed market heavyweight Naspers for the weakness after it gave away its earlier gains. "A share like Naspers, which was positive this morning, has pulled all the way back in the last hour of trade. It started with Naspers pulling us down and it pulled more and more sellers into the market," Davies added. Naspers closed 0.06 percent weaker at 3,155 rand after rising more than 3 percent earlier.

Source: Thomson Reuters

Farming boosts South Africa's fourth-quarter GDP growth

South Africa's economy expanded in the final quarter of last year helped by growth in agriculture and manufacturing, data showed on Tuesday, a boost for President Cyril Ramaphosa who has pledged to re-start growth after a decade of stagnation.

South Africa suffered a recession in the first half of 2018 as farming plunged but growth has since recovered, albeit at slower rates as it struggles to rebuild investor confidence after corruption scandals. Statistics South Africa said the economy grew 1.4 percent in October-December 2018, after expanding by a revised 2.6 percent in the third quarter.

Farming - which was recovering after a drought - expanded 7.9 percent in the quarter, while manufacturing rose 4.5 percent. Mining, however, fell 3.8 percent, the agency said. "Agriculture made a positive contribution to growth, after having declined at a double digit pace earlier on in 2018," Standard Chartered Bank's Chief Africa Economist Razia Khan said. "A more normalised performance from agriculture should help boost South Africa's overall recovery," she added.

The growth slightly lagged market expectations of a quarter-on-quarter GDP expansion of 1.6 percent, according to a Reuters poll. The rand extended its session gains to trade 0.44 percent firmer at 14.1375 per dollar as of 1055 GMT. On an annual basis, the economy grew by 0.8 percent compared to a revised 1.4 percent expansion in 2017, the statistics agency said.

In its 2019 budget, the Treasury projected the economy would grow 1.5 percent this year. But risks such as electricity supply shortages remained. South Africa suffered its worst power cuts in several years in February after plant-related problems at state power utility Eskom, diesel shortages and planned maintenance. Ramaphosa has pledged to split Eskom into three units - generation, transmission and distribution - to deal with inefficiencies, a move cautiously welcomed by investors. South Africa will also bail out Eskom with 69 billion rand (\$4.88 billion) over three years.

"The news from the start of this year, including a collapse in the manufacturing PMI last month and load-shedding by utility company, Eskom, have been downbeat. But the Q4 GDP data will provide a reasonably strong carryover into 2019," Capital Economics chief emerging markets economist William Jackson wrote in a note. "More fundamentally, with financial conditions having loosened and inflation set to decline over the coming months, domestic demand should strengthen."

South Africa's real gross domestic expenditure expanded 1.6 percent in the fourth quarter, with household expenditure increasing by 3.2 percent, Statistics South Africa said. South Africa's rand firmed on Tuesday after data showing an economic recovery from a recession continued in the fourth quarter of last year, albeit at a slower rate. Stocks weakened as the GDP figure was below market expectation.

Source: Thomson Reuters

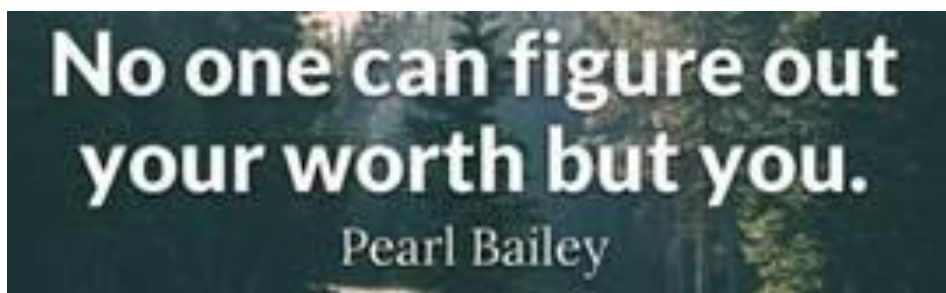
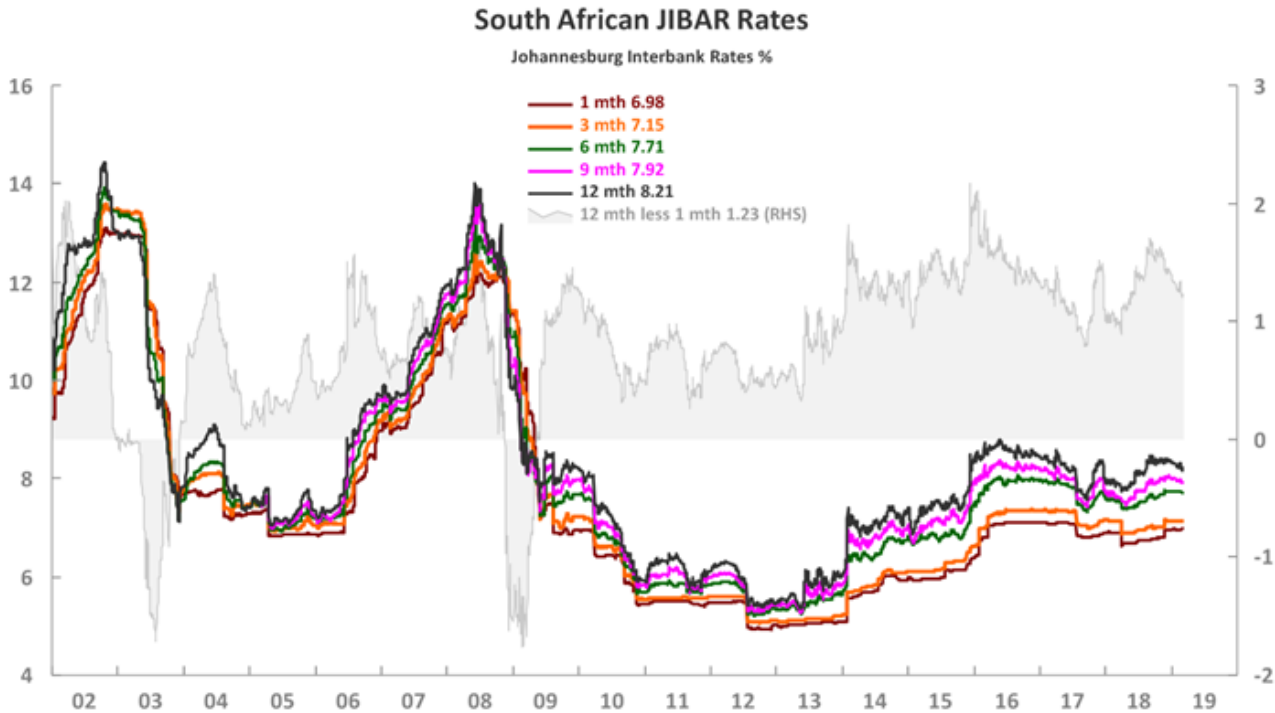


Chart of the Day



Source: Thomson Reuters Datastream, Capricorn Asset Management

Market Overview

MARKET INDICATORS			06 March 2019		
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.42	-0.008	7.43	7.39
6 months	↓	7.92	-0.003	7.92	7.90
9 months	↓	8.21	-0.003	8.21	8.20
12 months	↓	8.38	-0.002	8.38	8.37
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↓	8.08	-0.070	8.15	8.12
GC24 (BMK: R186)	↑	9.70	0.070	9.63	9.60
GC27 (BMK: R186)	↑	9.93	0.095	9.83	9.81
GC30 (BMK: R2030)	↓	10.61	-0.020	10.63	10.60
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
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,287	0.06%	1,286	1,290
Platinum	↑	837	0.24%	835	829
Brent Crude	↑	65.9	0.29%	65.7	65.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,345	-0.28%	1,348	1,345
JSE All Share	↓	55,815	-0.71%	56,217	56,067
SP500	↓	2,790	-0.11%	2,793	2,790
FTSE 100	↑	7,183	0.69%	7,134	7,183
Hangseng	↑	28,962	0.01%	28,960	29,008
DAX	↑	11,621	0.24%	11,593	11,621
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,722	-0.21%	16,756	16,805
Resources	↓	45,288	-0.51%	45,521	45,116
Industrials	↓	67,454	-0.99%	68,127	68,102
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	14.15	-0.32%	14.19	14.21
N\$/Pound	↓	18.64	-0.41%	18.71	18.67
N\$/Euro	↓	15.99	-0.60%	16.09	16.06
US dollar/ Euro	↓	1.131	-0.27%	1.13	1.130
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
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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