



Market Update

Friday, 08 February 2019

Global Markets

Stocks pulled back sharply around the world on Thursday on fears of a global growth slowdown spreading to Europe and worry about the chances for a resolution of U.S.-China trade tensions anytime soon, while the U.S. dollar strengthened for a sixth session against a basket of currencies.

MSCI's gauge of stocks across the globe shed 0.98 percent as it receded from two-month highs reached earlier in the week. The pan-European STOXX 600 index lost 1.49 percent after disappointing corporate updates from Publicis and other companies, while Wall Street's S&P 500 benchmark index dropped 0.9 percent.

The European Commission sharply cut its forecasts for euro zone economic growth this year and next on expectations the bloc's largest countries will be held back by global trade tensions and domestic challenges. Germany's DAX stock index tumbled 2.7 percent as industrial output in Europe's biggest economy unexpectedly fell in December for the fourth consecutive month

Safe-haven assets gained, including Japan's yen and gold. "Even though we are in the midst of earnings season, the macro environment is really impacting global risk sentiment," said Katie Nixon, chief investment officer at Northern Trust Wealth Management in Chicago. "Fears of a more dramatic slowdown in Europe are being joined with the fears around a slowdown in China. And the broad slowdown in global trade is having a direct impact on some of these economies and some of the results."

Heightened concerns about U.S.-China trade relations also rattled investors after President Donald Trump said he did not plan to meet with Chinese President Xi Jinping before a March 1 deadline to achieve a trade deal. "Any concern that the stalemate won't be overcome by China and the U.S. is going to create negative sentiment for the markets just because trade is the single largest overhang," said Mike Loewengart, vice-president of investment strategy at E*Trade Financial in New York.

On Wall Street, the Dow Jones Industrial Average fell 220.77 points, or 0.87 percent, to 25,169.53, the S&P 500 lost 25.56 points, or 0.94 percent, to 2,706.05 and the Nasdaq Composite dropped 86.93 points, or 1.18 percent, to 7,288.35.

U.S. regional lender BB&T Corp will buy rival SunTrust Banks Inc for about \$28 billion in stock, the biggest bank deal in about a decade. Shares of both banks rose.

The downgrade in European growth expectations filtered into currency markets, with the euro down 0.14 percent to \$1.1344. The dollar index, which weighs the greenback against a basket of six currencies, rose 0.15 percent, firming for a sixth session in a row.

U.S. Treasury yields fell for a third straight session. Benchmark U.S. 10-year notes last rose 13/32 in price to yield 2.659 percent, from 2.704 percent late on Wednesday.

Oil fell as the market confronted concerns that global demand growth would lag in the coming year.

U.S. crude settled down 2.5 percent to \$52.64 a barrel, while Brent settled at \$61.63 a barrel, down 1.7 percent.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened on Thursday against a broadly stronger dollar as investors prepared for President Cyril Ramaphosa's state of the nation address (SONA) later in the day. On equity markets, banks and retailers were among the worst performing blue-chip firms. At 1502 GMT the rand was 0.54 percent softer at 13.6200 per dollar compared to its close of 13.5475 overnight in New York.

With no top-tier economic data due locally, focus shifted to Ramaphosa's speech, which comes after the market close, with investors looking for clues about the fate of cash-strapped state power firm Eskom.

In a note, Investec economist Annabel Bishop said expectations were for the speech to focus on key state-owned entities which are under financial pressure, with a formal announcement likely on Eskom's expected restructuring into three separate companies. She added that the state would be likely to provide further financial support to Eskom in the meantime.

"Buying sentiment towards the Rand will be heavily influenced by the tone Ramaphosa adopts during the SONA," FXTM Chief Market Strategist, Hussein Sayed said in a note.

Bonds also weakened, with the yield on the benchmark government issue due in 2026 adding 0.5 basis points to 8.66 percent. Stocks dropped, with the Johannesburg Stock Exchange's top-40 index down 1.34 percent at 47,672 points, and the broader all-share index slipping 1.26 percent to 53,888 points.

Truworths lead the declines, down 4.6 percent, with The Foschini Group, pharmacist Clicks, Nedbank and Woolworths following behind it. Confidence in firms exposed to South African consumers - whose budgets are tight in a lagging economy - dipped after a series of weak trading updates from big retailers in recent weeks.

Meanwhile, Clover Industries regained some of the ground lost earlier when a minority partner in a consortium that offered to buy the dairy firm said it was reviewing its role in the deal. Clover shares fell almost 10 percent on the news, but closed just 4.13 percent down.

Source: Thomson Reuters

Find the full State of the Nation speech here (Ctrl+click):

[SONA RSA 2019 by President Cyril Ramaphosa](#)

Market Overview

MARKET INDICATORS		08 February 2019			
Money Market		Last close	Difference	Prev close	Current Spot
3 months	↓	6.97	-0.022	7.00	6.97
6 months	↓	7.73	-0.006	7.74	7.72
9 months	↓	8.10	-0.003	8.11	8.10
12 months	↓	8.32	-0.002	8.32	8.32
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	8.11	0.010	8.10	8.11
GC24 (BMK: R186)	↑	9.56	0.005	9.55	9.58
GC27 (BMK: R186)	↑	9.76	0.005	9.76	9.79
GC30 (BMK: R2030)	→	10.51	0.000	10.51	10.54
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	↑	1,310	0.30%	1,306	1,308
Platinum	↓	796	-0.93%	803	792
Brent Crude	↓	61.6	-1.69%	62.7	61.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,327	-1.44%	1,346	1,327
JSE All Share	↓	53,889	-1.26%	54,574	53,889
SP500	↓	2,706	-0.94%	2,732	2,706
FTSE 100	↓	7,094	-1.11%	7,173	7,094
Hangseng	→	27,990	0.00%	27,990	27,917
DAX	↓	11,022	-2.67%	11,325	11,022
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,970	-1.48%	17,225	16,970
Resources	↓	42,699	-0.40%	42,868	42,699
Industrials	↓	63,831	-1.78%	64,987	63,831
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	13.63	0.74%	13.53	13.67
N\$/Pound	↑	17.65	0.90%	17.50	17.70
N\$/Euro	↑	15.46	0.60%	15.37	15.51
US dollar/ Euro	↓	1.134	-0.18%	1.14	1.134
		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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