



Economic Headlines

Thursday, 10 January 2019

South Africa's rand and stocks gained on Wednesday, in line with other emerging markets as hopes the United States and China could reach a trade deal boosted risk sentiment.

At 1511 GMT, the rand traded at 13.8700 versus the greenback, 0.7 percent firmer than its previous close.

Stocks were broadly in the black, helping the country's benchmark index end the session more than 2 percent higher.

The rand's gains were linked to growing optimism that the world's two largest economies will strike a deal to avoid an all-out confrontation that would severely disrupt global trade, said Halen Bothma, a market analyst at ETM in Johannesburg.

"Market is still very much interested in a few big themes, one is the Fed, one is trade talks between China and the U.S. and the third, I would say, is global growth," he said.

Officials of the United States and China continued trade talks in Beijing for an unscheduled third day, amid signs of progress on issues including purchases of U.S. farm and energy commodities as well as increased access to China's markets.

On the bourse, the JSE Top-40 index ended 2.2 percent higher at 47,140 and the broader All-share index picked up 2.03 percent to 53,222.

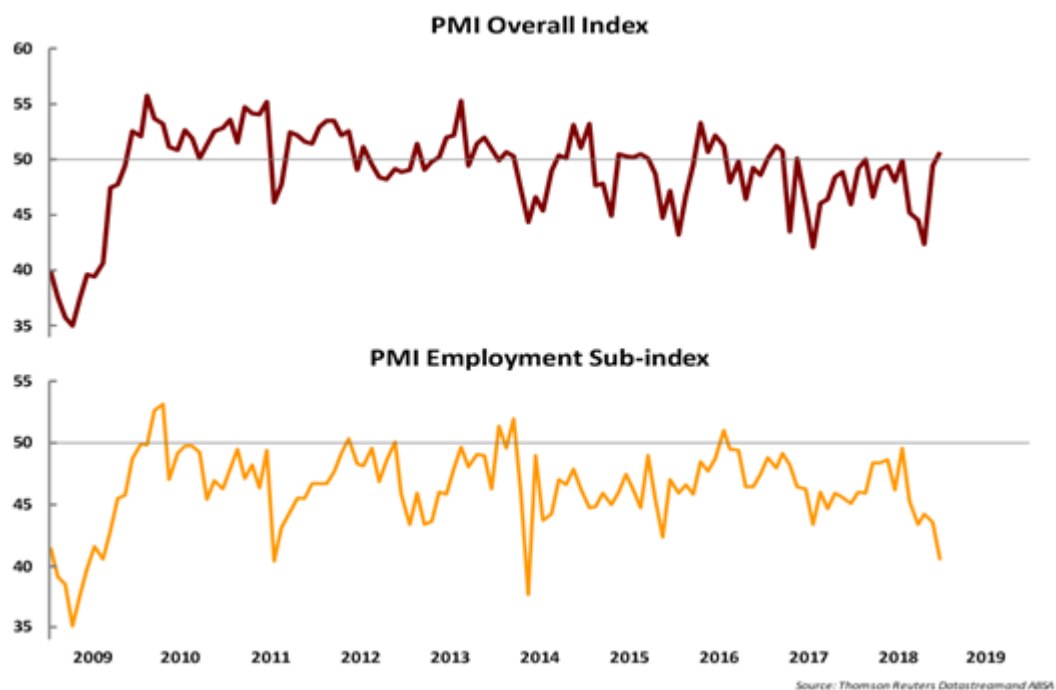
In fixed income, government bonds also firmed, with the yield on the benchmark instrument maturing in 2026 ZAR186= down 1 basis point to 8.750 percent.

Source:

THOMSON REUTERS
EIKON

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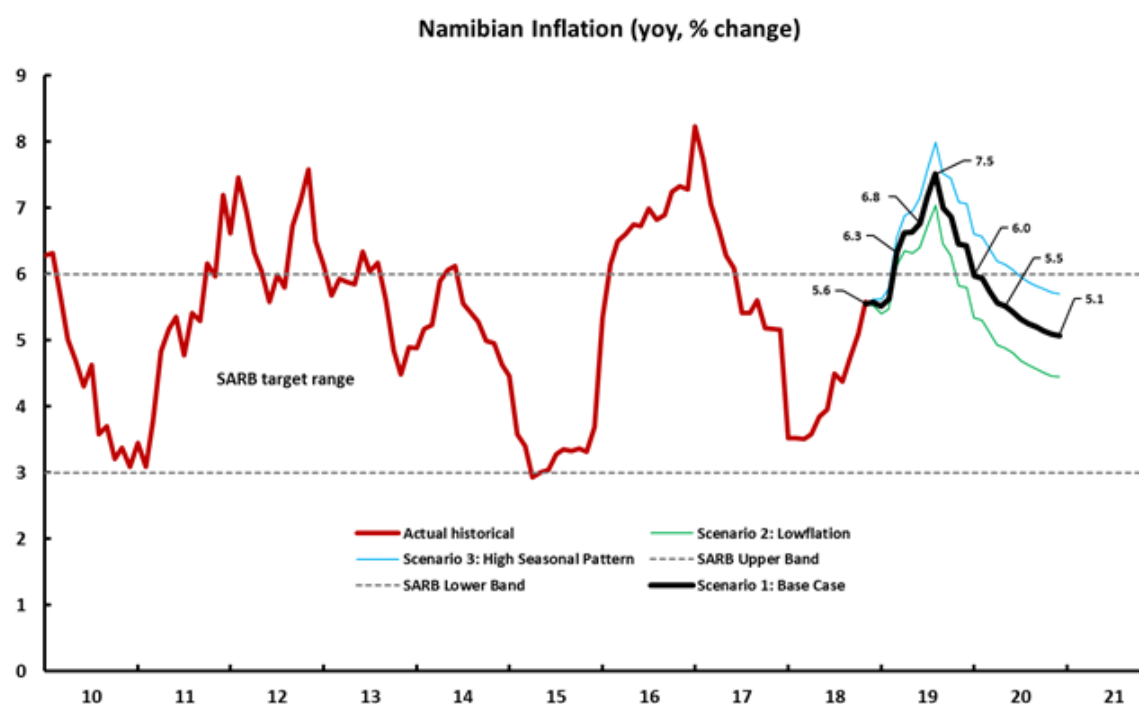
Chart of the Day



The latest ABSA/BER Purchasing Manger Index was released with the reading for December 2018. The overall index lifted marginally above 50, which means improving business conditions for the manufacturing sector is expected. This index was mostly below 50 over the past two years, which was a reflection of poor conditions, which is contraction. The New orders index (not shown) was up quite a bit, which is heartening for the SA economy. However, the employment sub-index deteriorated further which means no growth in employment in the sector. Manufacturing makes up a large 13% of SA GDP.

Prospects 2019: Namibian Inflation

It seems increasingly likely that Namibian inflation will breach 6% this year. The December 2018 number is likely to be somewhat lower than the 5.6% reached in November. December is a low-survey month and a number of sub-categories tend to be down in December. January is a high-survey month, that is quite a number of sub-categories are surveyed such as Housing, Health, Recreation, Education, Hotels and Miscellaneous, meaning the primary reading for these categories are taken in January. We've penciled in quite moderate increases in these compared to the recent past. This means that inflation should remain around 5.5%. However, by the time increases in sin-taxes and the fuel levy rolls around in March, inflation is likely to be above 6% (see chart). It should peak around 7.5% by mid-year and then drift back to 6% by year-end and 5.1% by year end 2020.



The "Lowflation" path should come about if (1) the oil price stays below \$50 consistently, (2) the currency maintains a trading range of below NAD 14.00 to the USD, (3) food inflation remains more subdued than expected, i.e. no El Niño, (4) customs and excise rate increases are moderate, (5) the rates and taxes increases from local authorities are contained to reasonable and affordable levels, (6) the crash in the property market means that owners are not able to increase rentals much. The "High Seasonal Pattern" scenario is likely if the opposite of the foregoing (1) to (6) happens.

Namibian inflation above 6% is not likely to have a big impact on monetary policy, which is interest rates, as long as the outlook remains for inflation to fall back within a reasonable timeframe. The policy goal of the Bank of Namibia (BoN) is maintaining the currency peg and financial stability. BoN does not have an explicit inflation target, but the South African Reserve Bank (SARB) has a target of 3%-6%. Only a very significant and prolonged divergence in inflation rates between SA and Namibia will bring the currency peg into question.

We will be looking at SA inflation and the outlook for interest rates next.

Market Overview

MARKET INDICATORS					
Money Market		Last close	Difference	Prev close	Current Spot
3 months	↓	7.29	-0.028	7.32	7.28
6 months	↓	7.95	-0.010	7.96	7.94
9 months	↓	8.26	-0.005	8.27	8.26
12 months	↓	8.40	-0.005	8.41	8.40
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↓	7.83	-0.030	7.86	7.91
GC24 (BMK: R186)	↓	9.43	-0.030	9.46	9.48
GC27 (BMK: R186)	↓	9.91	-0.030	9.94	9.96
GC30 (BMK: R2030)	↓	10.58	-0.025	10.61	10.63
GI22 (BMK: NCPI)	→	4.74	0.000	4.74	4.74
GI25 (BMK: NCPI)	↓	5.26	-0.001	5.26	5.26
GI29 (BMK: NCPI)	→	5.95	0.000	5.95	5.95
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,293	0.64%	1,285	1,293
Platinum	↑	825	1.25%	815	826
Brent Crude	↑	61.4	4.63%	58.7	60.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,316	1.75%	1,293	1,316
JSE All Share	↑	53,223	2.03%	52,165	52,968
SP500	↑	2,585	0.41%	2,574	2,585
FTSE 100	↑	6,907	0.66%	6,862	6,874
Hangseng	↑	26,462	2.27%	25,875	26,521
DAX	↑	10,893	0.83%	10,804	10,829
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,562	1.50%	16,317	16,607
Resources	↑	41,301	1.90%	40,529	40,894
Industrials	↑	64,304	2.71%	62,607	63,809
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	13.85	-0.81%	13.97	13.93
N\$/Pound	↓	17.71	-0.26%	17.76	17.79
N\$/Euro	↑	15.99	0.07%	15.98	16.06
US dollar/ Euro	↑	1.154	0.88%	1.14	1.153
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↑	5.6	5.1	5.2	5.1
Prime Rate	→	10.50	10.50	10.25	10.00
Central Bank Rate	→	6.75	6.75	6.75	6.50

Source: Bloomberg

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