



Market Update

Tuesday, 12 February 2019

Global Markets

Stock markets globally inched higher on Monday after China struck an upbeat tone as trade talks between the United States and Beijing resumed, though worries remained over the fate of Brexit.

On Wall Street, the Dow Jones Industrial Average fell 53.22 points, or 0.21 percent, to 25,053.11, the S&P 500 gained 1.92 points, or 0.07 percent, to 2,709.8 and the Nasdaq Composite added 9.71 points, or 0.13 percent, to 7,307.91.

European markets closed higher, with the benchmark Stoxx 6000 index gaining 0.8 percent, while Chinese shares rose more than 1 percent on the first day of trading after the week-long Lunar New Year holiday. MSCI's gauge of stocks across the globe gained 0.03 percent.

Worries about a slowdown in global growth, the U.S.-China trade dispute and the possibility of another U.S. government shutdown have been foremost on investors' minds. At the same time, Britain is due to leave the European Union in six weeks, though it still has no exit plan in place. Data on Monday showed the British economy grew last year at its slowest since 2012.

"The risk remains that investors are unwilling to commit to a breakout until we see what emerges from U.S.-China trade negotiations and Brexit," said John Hardy, head of FX strategy at Saxo Bank.

China expressed hopes for a trade breakthrough as talks between the world's two largest economies resumed, though a U.S. Navy mission through the disputed South China Sea cast a shadow over the prospect for improved Beijing-Washington ties. The two sides are trying to come up with a deal before March 1, when U.S. tariffs on \$200 billion worth of Chinese imports are scheduled to increase to 25 percent from 10 percent.

Safe-haven bonds and the dollar have gained amid the prolonged uncertainty. The dollar reached its highest in six weeks against a basket of other currencies, rising for an eighth consecutive day as investors piled into the greenback.

Worries about Europe's economic slowdown and falling inflation expectations dominated morning trade in debt markets. The yield on Germany's 10-year Bund, considered the risk-free benchmark for the region, held close to 0.10 percent after touching 0.077 percent on Friday, its lowest since October 2016. The European Commission downgraded its euro zone growth forecasts last week. U.S. benchmark 10-year notes last fell 7/32 in price to yield 2.6554 percent, compared with 2.63 percent late on Friday.

A collapse in border protection talks between U.S. Democratic and Republican lawmakers raised fears of another government shutdown. "Trade talks and shutdown (worries) are really weighing on markets," said Sebastian Fellechner, rates strategist at DZ Bank. "We don't see any major movements because of the general and global uncertainty."

The rising threat to growth means equity markets will focus on earnings from major U.S. companies for clues about the path of consumer shares. These include Coca-Cola Co, PepsiCo Inc., Walmart Inc., Home Depot Inc., Macy's Inc. and Gap Inc. Analysts now expect first-quarter earnings for S&P 500 companies to decline 0.1 percent from a year earlier. That would be the first such quarterly profit decline since 2016, according to IBES data from Refinitiv.

Oil prices slipped on concern about slowing global demand and a pick-up in U.S. drilling activity. U.S. crude was 0.6 percent lower at \$52.40 per barrel. Brent was 1 percent lower at \$61.48.

Source: Thomson Reuters

Domestic Markets

South Africa's rand fell to its weakest in almost three weeks on Monday as state electricity firm Eskom stepped up controlled power cuts because of a shortage of generating capacity. At 1456 PM, the rand was 1.12 percent weaker at 13.7675 per dollar, its softest level since Jan. 24, after Friday's close of 13.6150.

"Load-shedding is never good, especially from a growth perspective. The weakness you're seeing now is certainly linked to the power cuts. It will be interesting to see what the finance minister says next week about bailing out (state firms)," Unum Capital trader Michael Porter said. Cash-strapped Eskom, which supplies 90 percent of the country's electricity, resumed blackouts on Sunday. The previous ones had been in early December. It said on Monday it would increase the power cuts from the national grid to 4,000 megawatts from 2,000 megawatts after six of its generating units unexpectedly went off line, and that outages would probably last until 2000 GMT.

President Cyril Ramaphosa said on Thursday he planned to split Eskom into three separate entities in a move to avert a financial crisis that ratings firms have warned poses a major risk to the country's sovereign rating. Investors, however, seemed unconvinced and by Friday had upped bearish bets on the currency, with the premium on options to sell the rand jumping to around one-month highs. "We see potential for the rand's further depreciation in the next few sessions," Juri Kren, an analyst at Continuum Economics, said in a note.

Bonds also suffered on Monday, with the yield on the benchmark paper due in 2026 adding 12.5 basis points to 8.780 percent, its highest since Jan. 30. In the equities market, stocks followed emerging markets after a move higher in major Asian markets as they returned from the Lunar New Year holiday propped up emerging-market shares on Monday. The Johannesburg All-Share index rose 0.69 percent to 53,608 points, while its top-40 index climbed 0.47 percent to 47,225 points.

Market heavyweight Naspers closed 1.34 percent higher to 3,030 rand, while mobile telecoms providers Vodacom and rose 1 percent and 0.51 percent respectively. Bucking the upward trend, clothing and food retailer Woolworths closed 3.29 percent weaker after the sudden resignations of its two non-executive directors.

Source: Thomson Reuters

Market Overview

MARKET INDICATORS		12 February 2019			
Money Market		Last close	Difference	Prev close	Current Spot
3 months	↓	6.94	-0.032	6.97	6.93
6 months	↓	7.72	-0.007	7.72	7.71
9 months	↓	8.10	-0.004	8.10	8.09
12 months	↓	8.31	-0.005	8.32	8.31
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	8.24	0.140	8.10	8.18
GC24 (BMK: R186)	↑	9.69	0.145	9.55	9.75
GC27 (BMK: R186)	↑	9.90	0.145	9.75	9.98
GC30 (BMK: R2030)	↑	10.67	0.160	10.51	10.67
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	↓	1,308	-0.44%	1,314	1,312
Platinum	↓	782	-2.07%	798	785
Brent Crude	↓	61.5	-0.95%	62.1	61.7
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,308	-0.49%	1,315	1,308
JSE All Share	↑	53,409	0.31%	53,244	53,645
SP500	↑	2,710	0.07%	2,708	2,710
FTSE 100	↑	7,129	0.82%	7,071	7,129
Hangseng	↑	28,144	0.71%	27,946	28,153
DAX	↑	11,015	0.99%	10,907	11,015
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,751	-0.57%	16,846	16,782
Resources	↑	42,028	0.41%	41,857	42,312
Industrials	↑	63,553	0.92%	62,972	63,899
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	13.79	1.26%	13.62	13.76
N\$/Pound	↑	17.72	0.50%	17.63	17.70
N\$/Euro	↑	15.55	0.79%	15.43	15.53
US dollar/ Euro	↓	1.128	-0.47%	1.13	1.128
		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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