



## Market Update

Tuesday, 12 March 2019

### Global Markets

Global equity markets surged on Monday, lifted by talk of more stimulus from China and by a broad rally on Wall Street that overcame a plunge in Boeing shares after one of its newest jets crashed, while U.S. debt yields rose on improved risk appetite.

China's main bourses clawed back almost half the 4 percent they lost on Friday as the country's central bank chief pledged billions of dollars of cuts to taxes and fees to shore up an economy growing at its slowest pace in almost three decades.

U.S. stocks followed strong gains in Europe with the tech-heavy Nasdaq rising 2 percent and the benchmark S&P more than 1 percent after Wall Street posted losses every day last week. MSCI's gauge of global markets posted its biggest gain in seven weeks while European shares notched their best day in four weeks.

The Dow rebounded after Boeing Co, the index's best performing component this year, pared steep losses after some airlines grounded the company's new 737 MAX 8 passenger jet following a second deadly crash of the airliner in five months. Boeing shares dropped 5.3 percent, paring losses of about 13.5 percent shortly after the open.

European shares rose on merger chatter in the battered banking sector, which along with talk of new Chinese stimulus, helped ease worries over a slowdown in the global economy. In China, the Shanghai Composite index rose 1.92 percent and the blue-chip CSI300 gained 1.98 percent.

The dollar weakened after mixed U.S. retail sales data and sterling jumped as investors braced for parliamentary votes on Prime Minister Theresa May's Brexit deal that could decide the terms on which Britain leaves the European Union. May's failure to win last-minute concessions from the European bloc regarding the Irish border set the stage for another humiliating defeat in parliament.

Sterling fell in early trade but later erased its losses to trade at \$1.3145, up 1.0 percent on the day. The dollar index fell 0.11 percent, with the euro up 0.05 percent to \$1.1244. The Japanese yen weakened 0.09 percent versus the greenback at 111.24 per dollar.

The benchmark 10-year U.S. Treasury note fell 5/32 in price to yield 2.6411 percent. Oil prices rose 1 percent on Monday, lifted by comments from Saudi Energy Minister Khalid al-Falih that an end to OPEC-led supply cuts was unlikely before June. U.S. crude rose 72 cents to settle at \$56.79 per barrel and Brent settled 84 cents higher at \$66.58. Gold fell, moving further off the key \$1,300-per-

ounce mark it briefly surpassed last week. U.S. gold futures settled 0.6 percent lower at \$1,291.10 an ounce.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand firmed on Monday, helped by increasing demand for emerging market currencies amid a slew of disappointing economic data in developed markets and growth warnings from central banks. Stocks also rose, boosted by e-commerce and technology giant Naspers, though a fall in the shares of financials after weak results capped gains on the Johannesburg All-Share index.

At 1525 GMT the rand was 0.55 percent firmer at 14.3550 per dollar, moving higher in tandem with developing-world peers. Employment growth in the United States for February came in much weaker than expected last week, triggering a revival in demand for risk assets as U.S. Treasury yields dived.

"Global data continues to suggest that the bar for higher rates in the U.S. remains high. This is on the back of the mixed labour data as well as comments from (Federal Reserve Chairman Jerome Powell)," RMB analyst Gordon Kerr said in note. "We remain constructive on the outlook for both (South African) bonds and currency as we move towards the Moody's rate decision at the end of the month," he added.

Powell said on Sunday the U.S. central bank does "not feel any hurry" to change the level of interest rates again as it watches how a slowing global economy affects local conditions in the United States. Expectations of lower U.S. interest rate expectations often boost investors' appetite for emerging market assets, which offer higher returns but carry more risk.

The rand has moved away from two-month lows of 14.5825 hit last week, although the currency remains vulnerable to domestic risks mainly linked to power utility Eskom and the threat it poses to the country's sovereign credit risk. In fixed income, yield on the benchmark paper due in 2026 closed flat at 8.665 percent.

In stocks, the financial index fell 1.59 percent as South Africa's No.2 insurer Old Mutual dropped 5.46 percent to 20.59 rand after a 12 percent drop in adjusted full-year earnings and Absa Group ABGJ.J fell 3.10 percent to 167 rand after the bank's annual headline earnings per share dipped.

Tongaat Hulett fell 19.32 percent after its chief executive said last week that a review of past accounting practices at the firm could affect previously reported financial information.

Helping the market gain ground was market heavyweight Naspers, which ended the session 2.44 percent stronger at 3,146.53 rand, thanks largely to its one-third stake in Chinese internet group Tencent. BP Bernstein trader Vasili Girasis said Naspers had gained on the back of news that China's content regulator has approved the monetisation of 95 new video games, including titles from Tencent Holdings.

Aspen Pharmacare started the week 1.82 percent stronger following an aggressive sell-off on Friday, which saw the multi-national drugmaker lose almost a third of its value on concerns about ballooning debt.

The Johannesburg All-Share index rose 0.17 percent to 55,580 points while the Top-40 index climbed 0.31 percent to 49,387 points.

**Source: Thomson Reuters**



**Chart of the Day**

**British Pound Exchange Rate**  
US Dollar per UK Sterling and Standard Deviation



Source: Thomson Reuters Datastream, Capricorn Asset Management

## Market Overview

MARKET INDICATORS		12 March 2019			
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	7.37	-0.008	7.38	7.36
6 months	↓	7.90	-0.002	7.90	7.89
9 months	⇒	8.19	0.000	8.19	8.19
12 months	↓	8.35	-0.020	8.37	8.35
<b>Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (BMK: R208)	↑	8.14	0.030	8.11	8.09
GC24 (BMK: R186)	↓	9.56	-0.005	9.57	9.64
GC27 (BMK: R186)	↓	9.77	-0.005	9.77	9.75
GC30 (BMK: R2030)	↓	10.55	-0.005	10.56	10.54
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↓	1,294	-0.31%	1,298	1,296
Platinum	↑	825	1.20%	815	820
Brent Crude	↑	66.6	1.28%	65.7	66.7
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX (Delayed)	↓	1,325	-1.05%	1,339	1,325
JSE All Share	↑	55,581	0.17%	55,489	55,581
SP500	↑	2,783	1.47%	2,743	2,783
FTSE 100	↑	7,131	0.37%	7,104	7,131
Hangseng	↑	28,503	0.97%	28,228	28,836
DAX	↑	11,543	0.75%	11,458	11,543
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	16,362	-1.59%	16,626	16,362
Resources	↑	45,157	0.44%	44,961	45,157
Industrials	↑	67,708	1.01%	67,034	67,708
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	14.33	-0.71%	14.43	14.30
N\$/Pound	↑	18.84	0.32%	18.78	18.88
N\$/Euro	↓	16.11	-0.63%	16.22	16.09
US dollar/ Euro	↑	1.125	0.08%	1.12	1.126
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
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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