



Market Update

Thursday, 14 February 2019

Global Markets

Signs that the United States and China might reach an agreement in trade talks and news of a tentative deal to avoid another government shutdown in Washington helped push world stock markets and bond yields broadly higher Tuesday.

Tokyo's Nikkei set the tone with a 2.6 percent rally, its best day of the year, while the Stoxx 600 index of European shares gained nearly 0.5 percent. On Wall Street, the Dow Jones Industrial Average rose 372.65 points, or 1.49 percent, to 25,425.76, the S&P 500 gained 34.93 points, or 1.29 percent, to 2,744.73 and the Nasdaq Composite added 106.71 points, or 1.46 percent, to 7,414.62. MSCI's gauge of stocks across the globe gained 1.17 percent.

U.S. and Chinese officials expressed hopes that the new round of talks, which began in Beijing on Monday, would bring them closer to easing their nearly year-long trade war. Beijing and Washington are trying to hammer out a deal before a March 1 deadline, without which U.S. tariffs on \$200 billion worth of Chinese imports are scheduled to increase to 25 percent from 10 percent. "There will be no winner in a trade war. So at some point they will likely strike a deal," said Mutsumi Kagawa, chief global strategist at Rakuten Securities in Tokyo.

In Washington, U.S. lawmakers reached a tentative deal on border security funding, though aides cautioned that it did not contain the \$5.7 billion President Donald Trump wants to build a wall on the Mexican border. "What investors are taking from this is that the government stays open; whether or not Trump signs on the deal is secondary," said Peter Cardillo, chief market economist at Spartan Capital Securities in New York.

The dollar, meanwhile, slipped but remained near a two-month high after notching its longest winning streak - eight days straight - in two years. The dollar index fell 0.36 percent, with the euro up 0.49 percent to \$1.133.

The optimism that another government shutdown in the world's largest economy would be averted and trade tensions between the United States and China were easing helped push bond yields higher as investors traded out of safety plays. Benchmark 10-year notes last fell 6/32 in price to yield 2.6823 percent, up from 2.661 percent late on Monday.

In commodity markets, oil prices jumped up as traders weighed support from OPEC-led supply restraint and a slowdown in the global economy. U.S. crude rose 2 percent to \$53.49 per barrel and Brent gained 2. percent to \$62.77.

Source: Thomson Reuters

Domestic Markets

The rand firmed on Tuesday, supported by rising risk appetite globally and recovering from a sharp selloff in the previous session when it was hit by a sudden escalation of controlled power cuts in South Africa. At 1657 GMT, the rand was 0.36 percent firmer at 13.7550 per dollar, compared to its close of 13.8050 the previous day. The rand tumbled nearly 2.5 percent on Monday to its weakest in nearly three weeks as ailing power company Eskom cut 4,000 megawatts from the national grid after seven generating units unexpectedly went offline.

The power crisis persisted on Tuesday, exposing the frailty of state-owned Eskom despite government promises to revive the utility. "The reality of developments this week regarding Eskom and its ability to keep the lights on is that it matters not whether the first, but not last, failure of this magnitude was deliberate or the consequence of cumulative neglect, incompetence and lack of expertise," said Gary van Staden, an analyst at NKC African Economics. "The consequence either way for the economy is severe and the best laid plans of politicians and policymakers will fail if the power grid does too," he said.

The yield on the benchmark 10-year South African government bond ZAR186= rose by one basis point to 8.79 percent.

In the equities market retailer and wholesaler SPAR Group Ltd topped the Top-40 blue chip index after reporting a 8.2 percent increase in 17-week sales. The grocery and building materials retailer closed 5 percent higher at 199.78 rand. SPAR lifted sentiment in other retailers as well, such as grocery retailer Pick n Pay and supermarket chain owner Shoprite, which gained 4.09 percent and 2.69 percent respectively. Recent sales updates from retailers have been a mix bag, with the majority of them on the downside as financially strained consumers spent less on food and clothes.

Gold stocks were also on the rise after bullion rose, supported by a slight pause in the dollar's rally as the United States and China continue talks aimed at ending their trade conflict. The gold index jumped 1.9 percent. Harmony Gold was also supported by a robust first-half operating performance. It rose 2.08 percent to 29.88 rand.

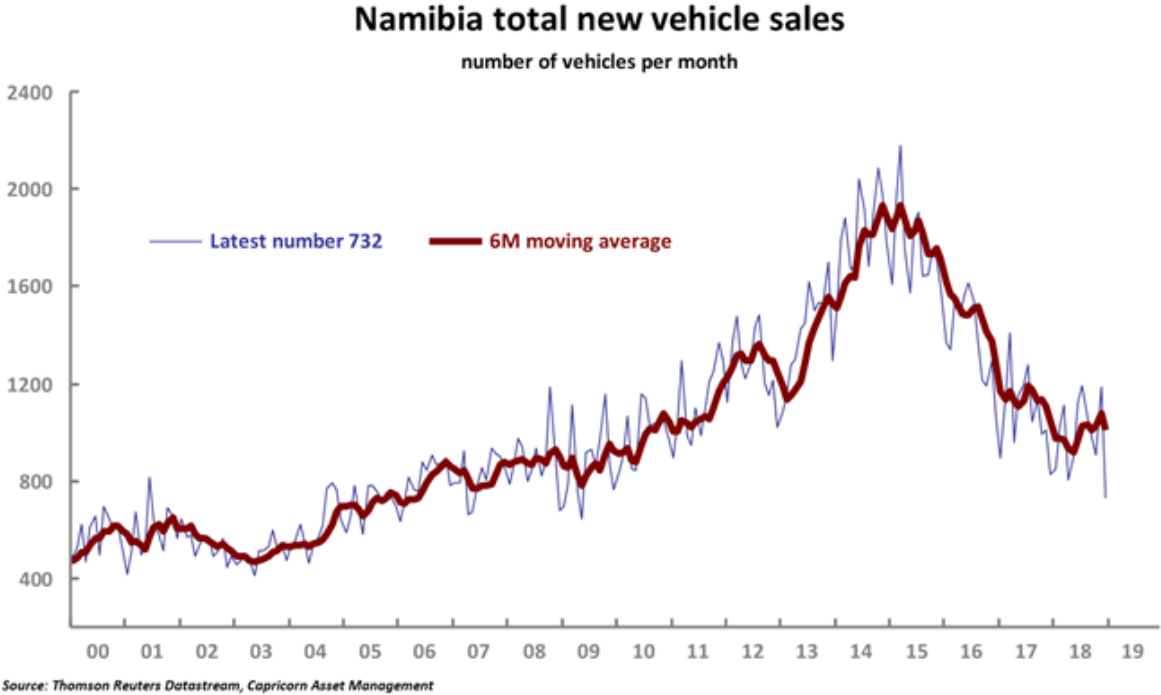
Bucking the upward trend, EOH Holdings plunged 25.87 percent to 19.80 rand, a level last seen in April 2011 after it said Microsoft has given notice to terminate its channel partner agreement with its subsidiary.

The Johannesburg all-share index closed 1.03 percent higher at 53,960 points, while the top-40 index rose 1.23 percent to 47,807 points.

Source: Thomson Reuters

” Get your facts first, and then you can distort them as much as you please. Mark Twain

Chart of the Day



The chart shows the precipitous decline in the new vehicle sales market in Namibia since its peak of 2,176 vehicles sold in March 2015. The number sold in December 2018 came to 732 – the lowest total number since May 2009, a time that the world was in the grip of the Great Credit Crisis. Low vehicle sales is another indicator that confirms the malaise that the Namibian economy finds itself in. However, the 6 month moving average (a type of trend line) has been ticking up since about the middle of last year. It could yet prove to be a harbinger of the proverbial “light at the end of the tunnel”. Generally, commentators and analysts (ourselves included) expects 2019 to be a better year than 2018, but not by much.

Market Overview

MARKET INDICATORS		13 February 2019			
Money Market		Last close	Difference	Prev close	Current Spot
3 months	↓	6.93	-0.008	6.94	6.92
6 months	↓	7.71	-0.007	7.72	7.69
9 months	↓	8.09	-0.003	8.10	8.08
12 months	↓	8.31	-0.002	8.31	8.31
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	→	8.24	0.000	8.24	8.22
GC24 (BMK: R186)	↑	9.70	0.005	9.69	9.70
GC27 (BMK: R186)	↑	9.90	0.005	9.90	9.91
GC30 (BMK: R2030)	↑	10.68	0.015	10.67	10.70
GI22 (BMK: NCPI)	→	4.82	0.000	4.82	4.82
GI25 (BMK: NCPI)	→	5.31	0.000	5.31	5.17
GI29 (BMK: NCPI)	→	5.85	0.000	5.85	5.85
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,311	0.17%	1,308	1,312
Platinum	↑	787	0.64%	782	786
Brent Crude	↑	62.4	1.48%	61.5	63.0
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,323	1.16%	1,308	1,322
JSE All Share	↑	53,961	1.03%	53,409	53,870
SP500	↑	2,745	1.29%	2,710	2,745
FTSE 100	↑	7,133	0.06%	7,129	7,170
Hangseng	↑	28,171	0.10%	28,144	28,498
DAX	↑	11,126	1.01%	11,015	11,197
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,958	1.24%	16,751	16,839
Resources	↑	42,360	0.79%	42,028	42,752
Industrials	↑	64,471	1.44%	63,553	64,178
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	13.76	-0.27%	13.79	13.74
N\$/Pound	↑	17.73	0.04%	17.72	17.72
N\$/Euro	↑	15.58	0.16%	15.55	15.56
US dollar/ Euro	↑	1.132	0.43%	1.13	1.132
		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

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of  **Capricorn Group**
