



Market Update

Thursday, 17 January 2019

Domestic markets

South Africa's rand and local stocks strengthened on Wednesday as retail sales rose more than expected, helping ease concerns over dismal mining data a day earlier. At 1600 GMT, the rand traded at 13.7200 per dollar, 0.2 percent stronger than its previous close and continuing a strong start to 2019.

Retail sales rose 3.1 percent year on year in November, versus expectations for a rise of 2.5 percent. "Today's figures point to some improvement on the demand side of the economy off a low base in the final quarter of this year," Nedbank economists said in a research note. "But the recovery in the production side remains slow and patchy." Mining production fell 5.6 percent year on year in November.

On the Johannesburg Stock Exchange (JSE), stocks rose as retailers outperformed. Grocery retailer Pick n Pay rose 1.87 percent to 75.59 rand, while clothing firm Truworths gained 1.61 percent to 89.08 rand and apparel and homeware retailer Mr Price MRPJJ increased 1.62 percent to 259.14 rand.

Some retailers struggled to lift earnings and sales last year, as elevated household debts, higher fuel prices and an increase in value-added tax squeezed consumer income. But Wednesday's data showed Black Friday sales gave a boost to retailers in November.

The JSE's Top-40 index ended up 0.6 percent at 47,665 points, while the All-share index rose 0.5 percent to 53,786 points.

Source: Thomson Reuters

Global

- Nikkei drifts lower, China shares subdued
- Beijing injects masses of cash into financial system
- Huawei subject of U.S., German displeasure
- Pound supported as May wins confidence vote

Asian share markets faltered on Thursday as unease over China's economic outlook eroded early gains, though an anti-climactic end to the latest chapter in the Brexit saga did offer sterling a moment's peace.

MSCI's broadest index of Asia-Pacific shares outside Japan edged down 0.1 percent in thin trade, while E-Mini futures for the S&P 500 slipped 0.3 percent.

Japan's Nikkei reversed course and dropped 0.3 percent. China's blue chip index eased 0.3 percent, led by a fall in the country's second largest home appliances maker, Gree Electric, after it warned of slower profit growth as the economy loses steam.

Dealers could find no single spark for the mood shift, but noted China's central bank had injected record amounts of money - around 1.14 trillion yuan (\$168.74 billion) - into the financial system this week, stirring concerns about the risk of a cash crunch.

Adding to the caution was news that a bipartisan group of U.S. lawmakers introduced bills on Wednesday that would ban the sale of U.S. chips or other components to Huawei Technologies Co Ltd or other Chinese telecommunications companies that violate U.S. sanctions or export control laws. That came shortly before the Wall Street Journal reported federal prosecutors were investigating allegations that Huawei stole trade secrets from U.S. businesses. Such moves could inflame tensions between Beijing and Washington and make a trade deal yet harder.

Separately, Handelsblatt reported the German government is actively considering stricter security requirements and other ways to exclude Huawei from a buildout of fifth-generation (5G) mobile networks.

Also lurking in the background were worries the U.S. government shutdown was starting to take a toll on its economy. White House economic adviser Kevin Hassett said the shutdown would shave 0.13 percent off quarterly economic growth for each week it goes on.

As expected, British Prime Minister Theresa May narrowly won a confidence vote overnight and invited other party leaders for talks to try to break the impasse on a Brexit divorce deal. An outline for Plan 'B' is due by Monday and the market assumes there will have to be an extension of the Article 50 exit date past March 29. "Nothing has happened in the last 24 hours to dissuade us from the view that we are headed in the direction of an Article 50 delay, a softer Brexit or no Brexit," said Ray Attrill, head of FX strategy at NAB. "But it remains too soon to be buying sterling with your ears pinned back," he added, noting many uncertainties remained.

All of which left the pound firm at \$1.2887, though still short of Monday's peak at \$1.2929. It fared well on the euro, which hit a seven-week low before steadying at 88.45 pence. The U.S. dollar was otherwise mixed, easing a touch on the yen to 108.88, but firming on the euro to \$1.1395. The dollar index was all but flat at 96.067.

In commodity markets, palladium hit record highs thanks to increasing demand and lower supply of the metal used in auto catalysts. Spot gold rose 0.1 percent to \$1,294.91 per ounce. Oil prices eased as traders worried about the strength of demand in the United States after gasoline stockpiles there grew last week by far more than analysts had expected. U.S. crude futures fell 39 cents to \$51.92 per barrel, while Brent slipped 40 cents to \$60.92.

Source: Thomson Reuters

But what is happiness except the simple harmony between a man and the life he leads?

Albert Camus

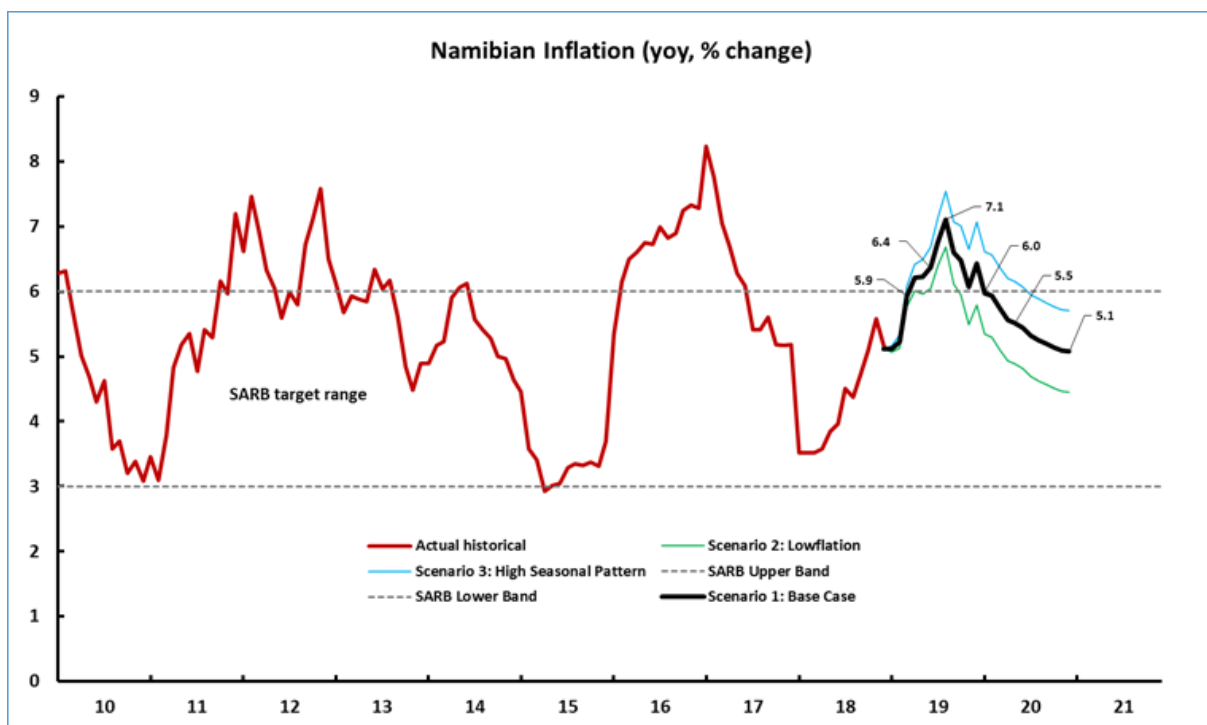
Chart of the Day

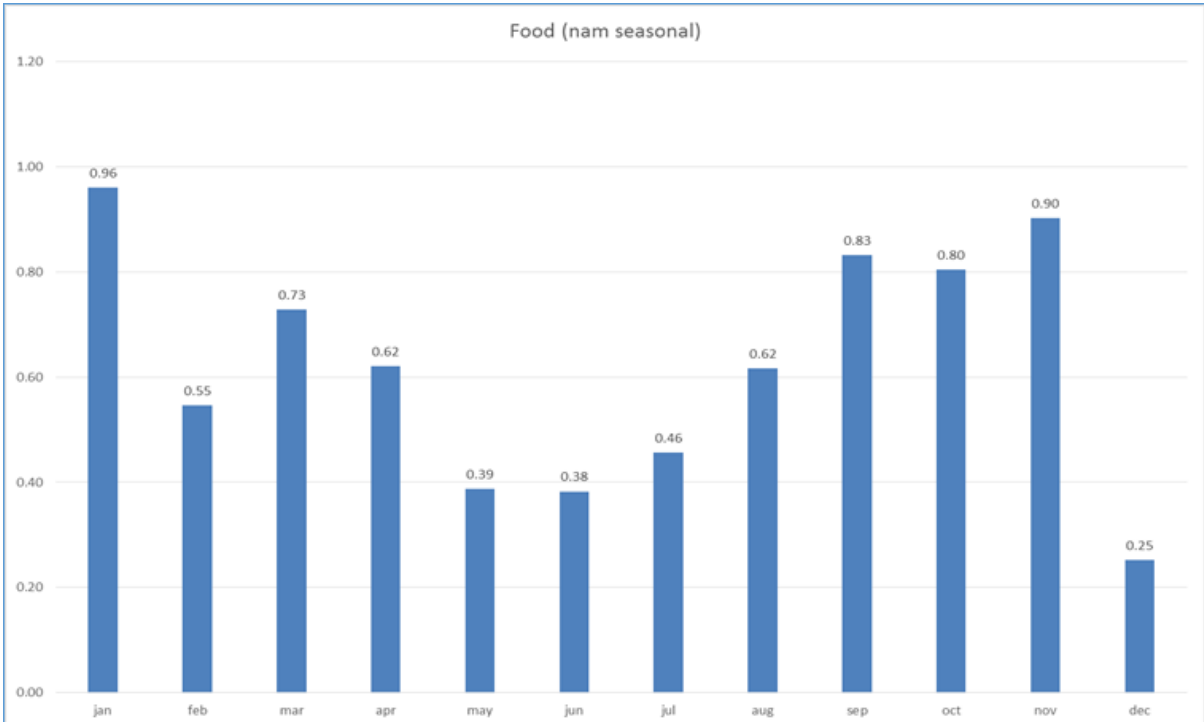
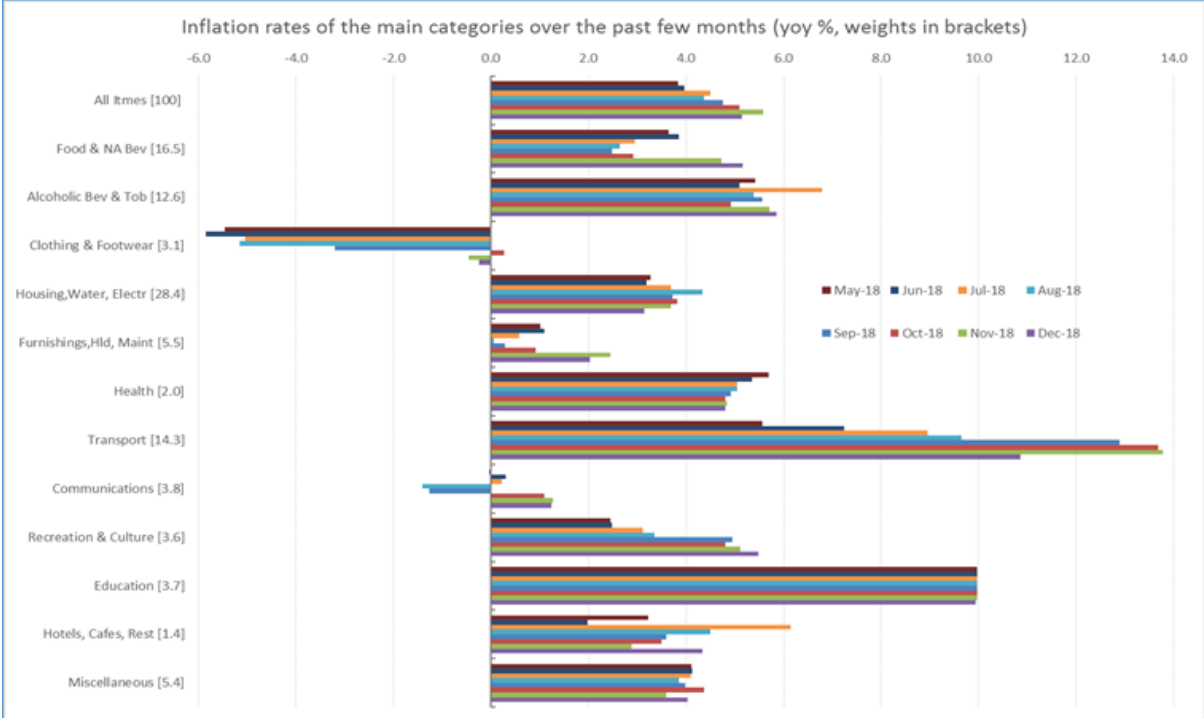
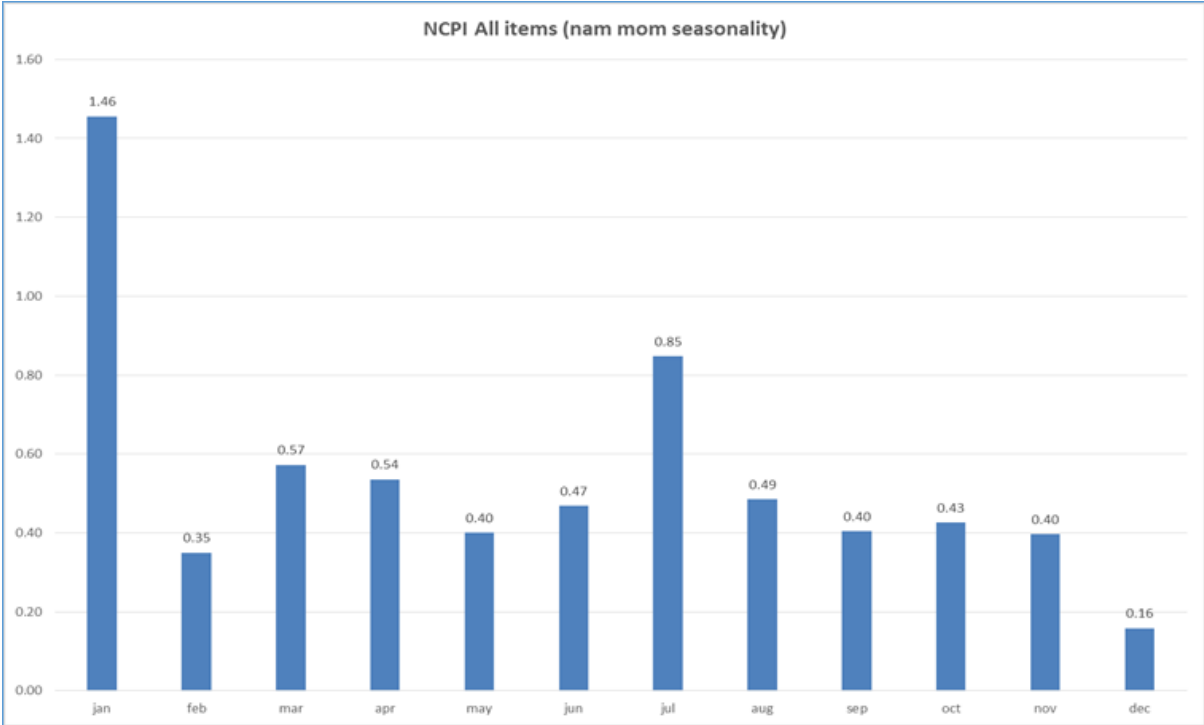
Namibia inflation rate at 5.1% in December 2018 (for those that missed yesterday's daily due to technical difficulties on our side)

We expected the inflation rate to dip a bit from November's 5.6%, but not as much (see The Daily Brief of 9 January 2019). In the event, December's inflation number of 5.1% came in a bit lower than our expectations. Eight of the main sub-categories were lower than expected, three higher and one in line. Even though December does have a number of categories that are seasonally weak, we estimated a month on month (mom) change of 0.14% in the all items index. However, it printed at -0.23% mom.

January is a high survey month - notably Housing, Water & Electricity (weight 28.4%), Health (2%), Education (3.7%) and Recreation and Culture (3.6%). The rate at which rentals have escalated will set the tone for inflation this year - we've pencilled in a 3% escalation for January. Therefore, our outlook remains for a breach of 6% in overall inflation by April or May, a peak at 7.1% in August and a year-end rate of 6.4%. Alcoholic Beverages and Tobacco (weight 12.6%) and Transport (14.3%) awaits the increases around Budget time - together they account for 26.9% of the basket - same order of magnitude as Housing. January is also a seasonally strong month for Food inflation (weight of 16.5%).

Be that as it may, due to the quirks of the calculations of CPI and inflation, it seems the yoy rate could stay low (at around current levels) for another month or two before starting to climb.





Market Overview

MARKET INDICATORS		17 January 2019			
Money Market		Last close	Difference	Prev close	Current Spot
3 months	↓	7.24	-0.029	7.27	7.23
6 months	↓	7.93	-0.010	7.94	7.93
9 months	↓	8.25	-0.005	8.25	8.25
12 months	↓	8.38	-0.005	8.39	8.38
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↓	8.12	-0.025	8.15	8.12
GC24 (BMK: R186)	↓	9.78	-0.005	9.78	9.75
GC27 (BMK: R186)	↓	10.01	-0.005	10.01	9.98
GC30 (BMK: R2030)	↑	10.63	0.040	10.59	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	0.33%	1,289	1,292
Platinum	↑	805	1.39%	794	798
Brent Crude	↑	61.3	1.12%	60.6	61.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,342	0.63%	1,333	1,342
JSE All Share	↑	53,787	0.47%	53,534	53,787
SP500	↑	2,616	0.22%	2,610	2,616
FTSE 100	↓	6,863	-0.47%	6,895	6,863
Hangseng	↑	26,902	0.27%	26,830	26,783
DAX	↑	10,931	0.36%	10,892	10,931
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	17,125	1.11%	16,937	17,125
Resources	↓	40,456	-1.26%	40,971	40,456
Industrials	↑	65,405	1.22%	64,618	65,405
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↓	13.69	-0.22%	13.72	13.72
N\$/Pound	↓	17.63	-0.04%	17.64	17.66
N\$/Euro	↓	15.60	-0.34%	15.66	15.63
US dollar/ Euro	↓	1.140	-0.15%	1.14	1.139
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	5.1	5.6	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

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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