



Market Update

Friday, 18 January 2019

Domestic markets

South Africa's rand fell against the dollar on Thursday after the central bank left interest rates unchanged and sounded less hawkish, citing an improved inflation outlook.

Stocks closed lower, led by a slump in retailers after poor sales updates from Mr Price, Woolworths and Truworths.

At 1522 GMT, the rand traded at 13.80 per dollar, 0.77 percent weaker than its close of 13.6950 on Wednesday. It hit a session low of 13.8300 and a high of 13.6575.

South Africa's central bank kept its benchmark repo rate unchanged at 6.75 percent, as expected, saying it had noted an improved inflation outlook. Analysts said the Reserve Bank's inflation outlook has reduced the likelihood of future interest rates increases, putting pressure on the rand.

"South African policymakers' abrupt shift away from their previous hawkish rhetoric suggests that further rate hikes are now unlikely," said John Ashbourne, senior emerging markets economist at Capital Economics. "If anything, today's speech raises the possibility that the cut will come sooner."

In fixed income, the yield on the benchmark government bond due in 2026 added 2 basis points to 8.8 percent.

On the stock market, the Top-40 index fell 0.88 percent to 47,298. The broader all-share index fell 0.65 percent to 53,436.

Mr Price led declines on the blue-chip index, tumbling 16.69 percent to 215.60 rand after it reported a slowdown in sales growth and warned of a challenging final quarter. Shares in Woolworths fell nearly 10 percent to 49.44 rand. The department store operator posted slower half-year sales growth and said it expected its headline earnings to drop by 5 percent in the period. Truworths also suffered heavy losses, declining more than 9 percent to 80.70 rand, after saying it was likely to report a drop in first-half headline earnings.

Source: Thomson Reuters

Europe

A profit warning from Societe Generale and U.S. frictions over Chinese tech giant Huawei weighed on European shares on Thursday, although the worries gradually faded and a rising Wall Street helped indexes pare losses or close a shade higher.

The pan-European STOXX 600 index ended the day up 0.04 percent after having traded in the red most of the session. Germany's exporter-heavy DAX fell 0.12 percent and Britain's FTSE slid 0.4 percent.

Societe Generale shares were the biggest losers within the banking sector and on the French blue chip index CAC 40, down 5.6 percent. The French bank said its fourth-quarter results would be affected by tough market conditions and the impact of some asset sales. The warning hit European banking stocks, which fell 1.2 percent. "I have a preference for the U.S. banks. SocGen shows how tough things are for European banks," said Jerome Schupp, fund manager at Geneva-based investment firm Prime Partners.

Italian banks limited their losses to a 0.7 percent fall after a top government official said on Wednesday that mergers among Italian lenders could make the banking system more solid, as the sector seeks to further cut its bad loan pile.

Early trading was marred by worries that U.S. action against Huawei could further complicate trade talks between Washington and Beijing at a time when signs of a global economic slowdown are growing. "The severity of Thursday's losses, initially inspired by the fear that the announced U.S. probe into Huawei would disrupt the trade talks between the country and China, seem to have been limited by the confirmation that Vice Premier Liu He will be coming to Washington for further discussions at the end of January," said Connor Campbell, an analyst for Spreadex.

Carmakers, which are highly sensitive to trade and have large exposure to both the Chinese and U.S. economies, lost 0.8 percent. U.S. Senate Finance Committee Chairman Charles Grassley said he thought U.S. President Donald Trump was inclined to impose tariffs on European cars to win better terms on agriculture.

Austrian steelmaker Voestalpine was another heavy faller, sliding 4.7 percent after another profit warning.

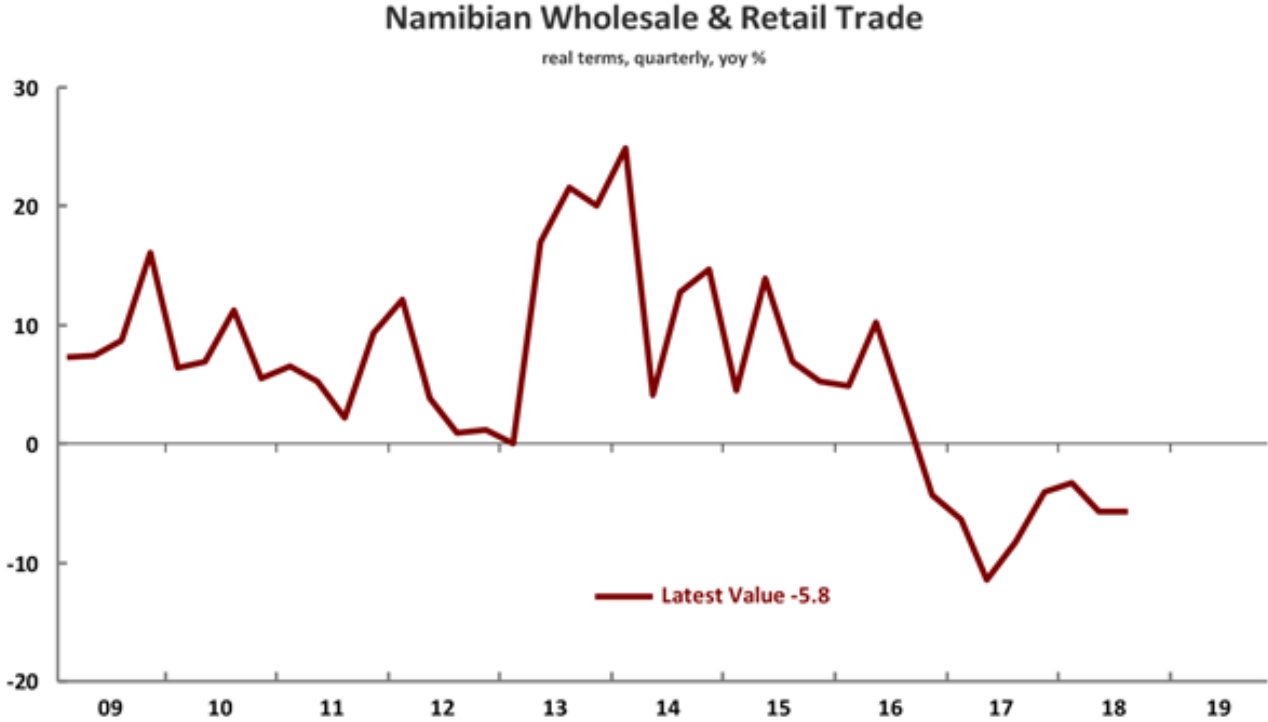
Source: Thomson Reuters

A great attitude becomes a great day which becomes a great month which becomes a great year which becomes a great life.

Chart of the Day

The Namibian economy is, in all probability, going to register negative growth for 2018. The quarterly GDP numbers up the 3rd quarter, shows average growth of -0.4%. One of the indicators that confirms general economic weakness is that of consumption as is indicated by the chart – real wholesale and retail trade. It shows a yoy contraction of -5.8% in real terms for the 3rd quarter.

The outlook for 2019 is also not great at all. We are looking for economic growth of only 1.5% this year and 2.5% next.



Source: Thomson Reuters Datastream, Capricorn Asset Management

Market Overview

MARKET INDICATORS		18 January 2019			
Money Market		Last dose	Difference	Prev close	Current Spot
3 months	↓	7.23	-0.009	7.24	7.22
6 months	↓	7.93	-0.004	7.93	7.93
9 months	↓	8.25	-0.002	8.25	8.25
12 months	↓	8.38	-0.001	8.38	8.38
Bonds		Last dose	Difference	Prev close	Current Spot
GC21 (BMK: R208)	→	8.12	0.000	8.12	8.12
GC24 (BMK: R186)	↓	9.75	-0.025	9.78	9.77
GC27 (BMK: R186)	↓	9.98	-0.025	10.01	10.00
GC30 (BMK: R2030)	→	10.63	0.000	10.63	10.55
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 dose	Change	Prev close	Current Spot
Gold	↓	1,291	-0.16%	1,293	1,289
Platinum	↑	805	0.06%	805	811
Brent Crude	↓	61.2	-0.23%	61.3	61.6
Main Indices		Last dose	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,324	-1.32%	1,342	1,323
JSE All Share	↓	53,436	-0.65%	53,787	53,829
SP500	↑	2,636	0.76%	2,616	2,636
FTSE 100	↓	6,835	-0.40%	6,863	6,889
Hangseng	↓	26,756	-0.54%	26,902	27,091
DAX	↓	10,919	-0.12%	10,931	11,017
JSE Sectors		Last dose	Change	Prev close	Current Spot
Financials	↓	16,918	-1.21%	17,125	17,003
Resources	↑	40,649	0.48%	40,456	41,198
Industrials	↓	64,702	-1.07%	65,405	65,136
Forex		Last dose	Change	Prev close	Current Spot
N\$/US dollar	↑	13.72	0.20%	13.69	13.77
N\$/Pound	↑	17.81	1.01%	17.63	17.83
N\$/Euro	↑	15.63	0.17%	15.60	15.69
US dollar/ Euro	↓	1.140	-0.02%	1.14	1.140
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	5.1	5.6	5.2	5.1
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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