



---

**Market Update**

**Wednesday, 20 March 2019**

---

## **Global Markets**

Asian shares slipped from six-month highs on Wednesday as investors took profits ahead of a policy decision by the U.S. Federal Reserve which is expected to shed more light on its interest rate plans for the rest of the year.

MSCI's broadest index of Asia-Pacific shares outside Japan dropped 0.4 percent, led by losses in Australia and South Korea. Japan's Nikkei was little changed while mainland Chinese shares fell 0.5 percent. Wall Street shares were narrowly mixed on Tuesday, with the S&P 500 losing 0.01 percent and the Nasdaq adding 0.12 percent.

Some market players said selling was triggered by a report of U.S. concerns that China is pushing back against American demands in trade talks. Still, on the whole, many market players held on to hopes of a trade deal between Washington and Beijing as officials from both sides remained locked in negotiations.

Confidence among Asian companies remained near three-year lows in the first quarter as the U.S.-China trade dispute dragged on, pulling down a global economy that is already on a downward path, a Thomson Reuters/INSEAD survey found. Companies in the survey listed the global trade war as the top business risk, followed by higher interest rates and the slowing Chinese economy.

The Fed is widely expected keep rates steady later in the day, putting the main market focus on its policymakers' rate projections for the next few years. Since the beginning of year, Fed Chairman Jerome Powell has said the central bank would be patient - interpreted as code word for holding off on a rate hike - on signs of slowing economic growth in the United States and many parts of the world. Financial markets have gone even further by pricing in a rate cut this year. Fed funds futures point to about a 30 percent chance of a cut by the end of year.

The Fed is also expected to lay out a plan to stop shrinking its \$4 trillion balance sheet, or so-called quantitative tightening. Many policy makers have suggested the Fed is likely to conclude the process and stabilise its bond holdings by the end of this year.

Expectations of a more cautious Fed have dented the U.S. dollar, which has already been under pressure this year after Powell all but signaled a pause to the tightening cycle at the previous meeting. The dollar's index against a basket of six major currencies hit 2 1/2-week low of 96.288 on Tuesday and last stood at 96.465. The euro traded little changed at \$1.1354, near Tuesday's two-

week high of \$1.1362. The dollar fetched 111.61 yen, up slightly on the day but below Friday's nine-day high of 111.90. The Australian dollar dipped 0.2 percent to \$0.7071, as the country's bond yields extended their breakneck decline to multi-year lows on expectations of a rate cut in Australia. The British pound remained hostage to headlines on Brexit.

Prime Minister Theresa May is expected to ask the European Union to delay Brexit by at least three months after her plan to hold a third vote on her deal was thrown into disarray by a surprise intervention from the speaker of parliament. May had earlier warned parliament that if it did not ratify her deal, she would ask to delay Brexit beyond June 30, a step that Brexit's advocates fear would endanger the entire divorce. On the other hand, the EU's chief negotiator, Michel Barnier, has said an extension would only make sense if it increased the chances of May's deal being ratified by Britain's House of Commons. Sterling last stood flat at \$1.3265, off its nine-month peak of \$1.3380 hit a week ago.

Oil prices held close to four-month highs on expectations that OPEC would continue production cuts through the end of the year and after data from the American Petroleum Institute (API) showed a surprise draw-down on crude inventories. U.S. West Texas Intermediate (WTI) futures stood flat at \$59.02 per barrel after touching their highest since November at \$59.57 on Tuesday.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand steadied on Tuesday as the prospect of rolling blackouts and downbeat economic data offset expectations that a dovish tone at this week's U.S. Federal Reserve policy meeting could lift emerging market assets. At 1637 GMT, the rand traded at 14.4425 per dollar, 0.02 percent weaker than its New York close on Monday.

The Fed's two-day meeting starts later on Tuesday. Money markets are pricing in a 99 percent probability of U.S. borrowing costs not being altered on Wednesday. "A dovish Fed will trigger a risk-on rally for risk assets. But the rand's gains will be curbed by rolling blackouts and sales data that is likely to disappoint," RMB analyst Mpho Tsebe said in a note.

Caution prevailed among investors as South Africa's power utility said it would continue implementing power cuts on a rotational basis as it struggles with generating capacity shortages. Analysts say power cuts, which have happened in several rounds since June last year, are one of the reasons why business confidence has slumped in recent months.

Statistics South Africa is scheduled to publish February consumer price inflation figures and January retail sales data on Wednesday.

In fixed income, the yield on the benchmark government bond R186 rose 6.5 basis points to 8.76 percent.

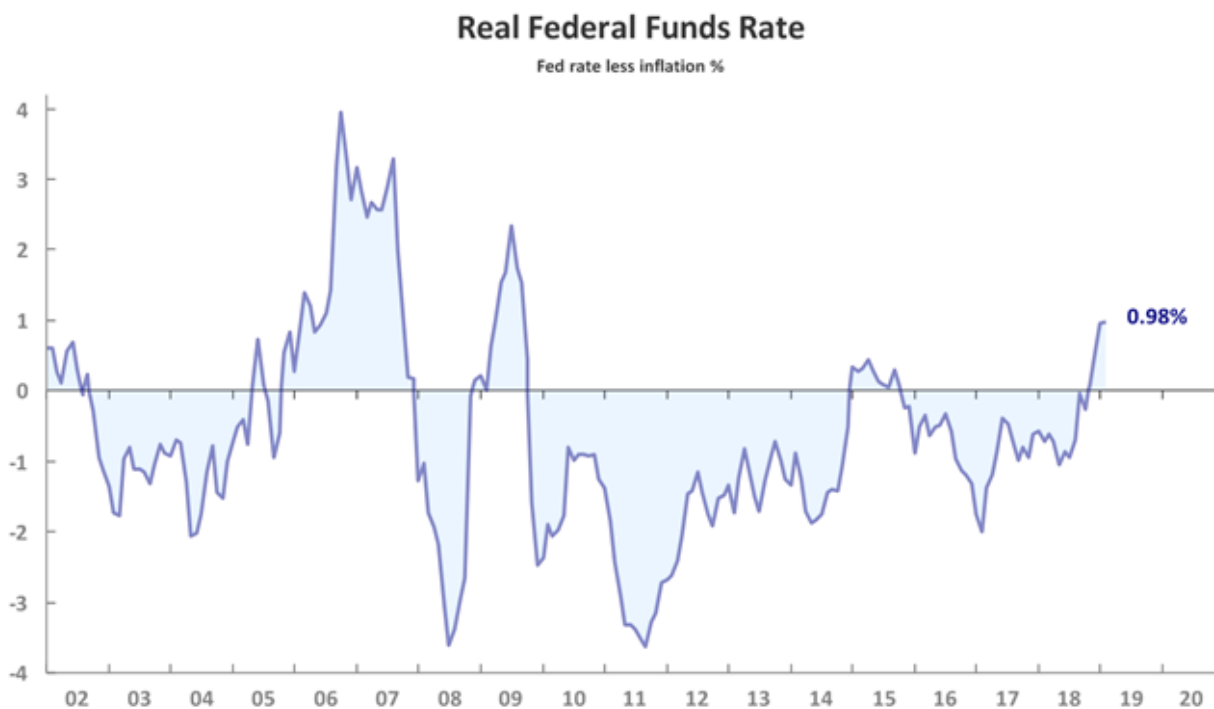
Stocks meanwhile rose, with the Johannesburg All-Share index up 0.14 percent to 56,849 points, while the Top-40 Index firmed 0.17 percent to 50,475 points. Commodity stocks lead the bourse higher as palladium surged past \$1,600 for the first time on Tuesday on expectations that an already strained supply scenario for the auto catalyst metal could worsen, while platinum soared 3 percent. Gold also joined other precious metals to benefit from a weaker dollar going into the Fed meeting. Sibanye-Stillwater jumped 8.45 percent to 16.56 rand, Lonmin Plc climbed 4.85 percent, and Impala Platinum rose 2.56 percent to 67.22 rand.

**Source: Thomson Reuters**



## Chart of the Day

As mentioned in yesterday's Daily Brief, the Fed is expected to remain "dovish" today (see "dot plot"). The chart below shows the real Fed rate. It appears that at 1% where it is now, it is around expectations of the long run neutral real rate or  $r^*$  - the so-called  $r$  star.



Source: Thomson Reuters Datastream, Capricorn Asset Management

## Market Overview

MARKET INDICATORS		20 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	↓	7.29	-0.008	7.30	7.27
6 months	↓	7.85	-0.003	7.85	7.84
9 months	↓	8.15	-0.004	8.16	8.14
12 months	↓	8.34	-0.001	8.34	8.33
<b>Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (BMK: R208)	↑	8.19	0.040	8.15	8.14
GC24 (BMK: R186)	↑	9.66	0.070	9.59	9.73
GC27 (BMK: R186)	↑	9.87	0.070	9.80	9.90
GC30 (BMK: R2030)	↑	10.68	0.075	10.61	10.71
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	↑	1,306	0.22%	1,303	1,304
Platinum	↑	846	1.93%	830	856
Brent Crude	↑	67.6	0.10%	67.5	67.8
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX (Delayed)	↓	1,328	-0.90%	1,340	1,328
JSE All Share	↑	56,850	0.14%	56,770	56,850
SP500	↓	2,833	-0.01%	2,833	2,833
FTSE 100	↑	7,324	0.34%	7,299	7,324
Hangseng	↑	29,466	0.19%	29,409	29,370
DAX	↑	11,788	1.13%	11,657	11,788
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	16,450	-1.51%	16,702	16,450
Resources	↑	47,111	1.31%	46,503	47,111
Industrials	↑	69,071	0.32%	68,850	69,071
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	14.50	0.32%	14.45	14.48
N\$/Pound	↑	19.23	0.41%	19.15	19.19
N\$/Euro	↑	16.45	0.43%	16.38	16.43
US dollar/ Euro	↑	1.135	0.11%	1.13	1.135
		<b>Namibia</b>		<b>RSA</b>	
<b>Economic data</b>		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
Inflation	↓	4.4	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

---

**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto: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**

---