



Market Update

Tuesday, 22 January 2019

Domestic markets

The JSE pushed higher on Monday, bolstered by a strong showing by market heavyweight Naspers, while banks and gold miners were under pressure. Naspers climbed a healthy 3.34% to R3,164.85, tracking gains in Hong Kong associate Tencent. The all share gained 0.76% to 54,139.1 points, and the top 40 0.95%. Industrials added 1.56%, while gold miners lost 1.66%.

Most indices spent much of the day flat, with US markets closed for a public holiday, thereby reducing activity. Corporate news and economic data also provided the market with little direction.

The rand was at roughly the same level it ended last week, but the oil price gained strongly at the weekend, pushing to a six-week high.

That followed reports of stronger than expected Chinese import demand. Earlier, data showed the Chinese economy grew at its slowest pace in 28 years in 2018, underlining the cost of its trade war with the US, and a need for government stimulus. Sentiment was boosted by reports suggesting that China had formulated a plan to reduce its trade deficit with the US over the next six years, further adding to hopes an agreement between the world's two largest economies was in the offing.

Wednesday's consumer inflation data is the main local feature this week, and will be of particular relevance after the Reserve Bank adopted a somewhat dovish tone at its monetary policy announcement last week. The market has priced in 10% chance of an interest rate increase in the next six months, and a 50% chance in 2019, Nedbank Corporate and Investment Banking analysts said. There was a risk the market was being a little too dovish.

The Reserve Bank's current stance, which forecasts one interest-rate increase over the next two years, was positive for fixed-income assets, which were already attractive at current levels, said Old Mutual Multi Managers strategists Dave Mohr and Izak Odendaal. "Long-term inflation should trend lower and the risk of short-term rate hikes has diminished." This, however, raised the question of whether the South African market was entering a low-return environment, the strategists said.

On the JSE, rand hedge British American Tobacco gained 2.5% to R459.98, Richemont 1.91% to R96.34 and AB InBev 0.37% to R1,013.70. TFG gave up 2.51% to R169.33, while Mr Price added 1% to R211.05. Shoprite fell 2.14% to R186 and Vodacom 2.17% to R130.11. Exxaro gained 4.57% to R149.61. Diversified miner BHP fell 0.61% to R287.95 and Glencore 0.51% to R53.01.

Shortly after the JSE closed the FTSE 100 was flat, while the CAC 40 had fallen 0.29% and the DAX 30 0.57%.

Platinum had given up 0.4% to \$796.12/oz, while gold was flat at \$1,280.02. Brent crude was 0.51% higher at \$62.81 a barrel.

Source: Business Day

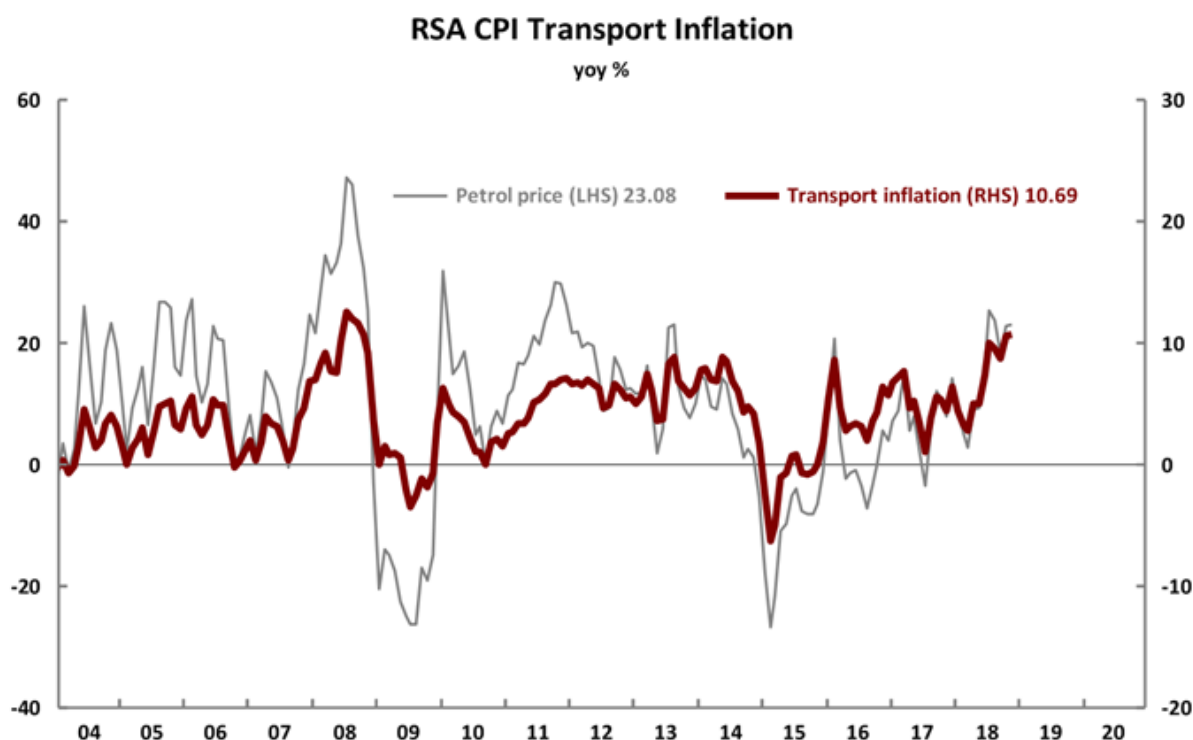
Good judgment comes from experience, and a lot of that comes from bad judgment.
Will Rogers

Chart of the Day

The SA inflation statistics for December 2018 will be released tomorrow, the 23rd. We expect the yoy rate to dip below 5%, largely due to lower Transport inflation driven by the petrol price cut in December. Furthermore January's rate will also be impacted by a petrol price cut. This was largely brought about by lower oil prices and a stronger currency. Transport inflation has a close relationship with oil and petrol. Transport constitutes 16.4% of the inflation basket. In Namibia it weighs 14.3%. So, in both countries it is a significant component of inflation.

The chart shows that up to November 2018, Transport inflation rose to reach 10.7% yoy – roughly double the overall inflation rate of 5.2%. This was a cause for concern and probably weighed heavily on the SARB's decision to hike the repo rate. Note that at that time the petrol price was 23.1% up over the year.

The outlook for inflation has now improved (lower) to such an extent that interest rates are unlikely to change any time soon. The SARB's own projections are for inflation to stay within their target band of 3%-6% over the next three years.



Market Overview

MARKET INDICATORS		22 January 2019			
Money Market		Last close	Difference	Prev close	Current Spot
3 months	↓	7.21	-0.012	7.22	7.19
6 months	↓	7.91	-0.020	7.93	7.90
9 months	↓	8.22	-0.027	8.25	8.22
12 months	↓	8.37	-0.010	8.38	8.37
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	8.17	0.040	8.13	8.20
GC24 (BMK: R186)	↑	9.81	0.015	9.80	9.87
GC27 (BMK: R186)	↑	10.10	0.095	10.00	10.10
GC30 (BMK: R2030)	↑	10.67	0.020	10.65	10.69
GI22 (BMK: NCPI)	→	4.74	0.000	4.74	4.74
GI25 (BMK: NCPI)	→	5.26	0.000	5.26	5.26
GI29 (BMK: NCPI)	→	5.95	0.000	5.95	5.95
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,280	-0.12%	1,281	1,283
Platinum	↓	791	-0.82%	798	792
Brent Crude	↑	62.7	0.06%	62.7	62.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,324	-0.45%	1,330	1,318
JSE All Share	↑	54,139	0.76%	53,732	53,678
SP500	→	2,671	0.00%	2,671	2,671
FTSE 100	↑	6,971	0.03%	6,968	6,944
Hangseng	↑	27,197	0.39%	27,091	26,955
DAX	↓	11,136	-0.62%	11,206	11,100
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	16,909	-0.16%	16,936	16,897
Resources	↑	41,161	0.26%	41,056	40,752
Industrials	↑	66,263	1.76%	65,115	65,422
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	13.87	0.27%	13.83	13.92
N\$/Pound	↑	17.88	0.41%	17.80	17.90
N\$/Euro	↑	15.76	0.30%	15.71	15.80
US dollar/ Euro	↑	1.136	0.03%	1.14	1.135
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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