



Market Update

Tuesday, 23 April 2019

Global Markets

Stocks in Asia rose marginally on Tuesday as many markets reopened after the long Easter break, while oil jumped to its highest this year as the United States tightened sanctions on Iran.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.1 percent, while Japan's Nikkei was little changed. Chinese stocks extended losses on concerns that Beijing will slow the pace of further policy easing after unexpectedly strong first-quarter economic data last week. Shares in Shanghai slid 0.4 percent after policymakers vowed to fine-tune monetary policy, ensuring it is "neither too tight, nor too loose".

Analysts believe Beijing's message signaled a more tempered approach in easing policy amid worries about debt growth, and sent local stocks to their heaviest fall in almost four weeks on Monday. China's blue-chip stocks have surged over 30 percent so far this year on expectations of more stimulus and hopes that Beijing and Washington will soon reach a deal to end their bruising trade war.

On Wall Street, stocks hovered near break-even on Monday as the benchmark S&P 500 index was about 1 percent away from its record high hit in September, while the S&P energy index jumped on higher oil prices. Oil prices jumped more than 2 percent the previous day to a near six-month high, on growing concern about tight global supplies after the United States announced a further clampdown on Iranian oil exports.

Washington said it would eliminate in May all waivers allowing eight economies to buy Iranian oil without facing U.S. sanctions. International benchmark Brent crude soared 2.9 percent to settle at \$74.04 a barrel on Monday and U.S. West Texas Intermediate crude jumped 2.7 percent to settle at \$65.70. Both indexes climbed to nearly six-month highs during the session. But sharp gains in oil prices have so far had a limited impact on the broader financial markets.

Despite recent gains in oil prices, many investors still expect inflation to be well-contained in major economies including the United States, allowing the Federal Reserve to keep dovish stance. The world's largest economy reported worse-than-expected fall in home sales on Monday, as rising demand continued to be frustrated by a lack of properties.

In the currency market, the dollar index, which measures the greenback against six major currencies, eased 0.2 percent overnight and last traded steady at 97.303. The index hit a two-week high of

97.485 on Thursday, before the start of Good Friday and the Easter weekend. Against the Japanese yen, the dollar was 0.1 percent softer at 111.82 yen, while the euro was pretty much steady to the greenback at 1.1252.

With the jump in the price of oil, one of Canada's major exports, the Canadian dollar rose 0.4 percent against its U.S. counterpart overnight and last traded at C\$1.3359. On Monday, the Russian ruble hit its highest level against the euro in more than a year, and a one month-peak versus the dollar, also driven by the jump in oil.

Source: Thomson Reuters

Domestic Markets

South Africa's currency traded weaker early on Thursday, shifting back above the 14.00 mark with investors closing positions and taking profits in anticipation of low volume ahead of the Easter holidays. At 0700 GMT the rand was 0.21 percent weaker at 14.03 per dollar compared to its close of 14.00 overnight in New York, falling alongside its emerging market peers as global risk demand faded.

The rand eked out gains in the previous session after retail sales came in weak but better than forecasts, offering hope the economy could shake off the impact of nationwide power outages over February and March.

The central bank, however, warned late on Wednesday that should the rolling blackouts persist throughout the year, it may knock 1.1 percentage off gross domestic product, leaving Africa's most industrialised economy facing possible recession.

With local markets closed on Friday and on Monday, liquidity is set to be tight, with the rand likely to struggle to find momentum to drive it significantly below 14.00, traders said. Bonds were flat, with the yield on the benchmark paper due in 2026 ZAR186= steady at 8.45 percent. In equities, the Johannesburg Stock Exchange's (JSE) Top-40 Index opened weaker, down 0.3 percent at 52,404 points.

Shares in miner Sibanye were up nearly 2 percent after the company agreed a wage settlement with The Association of Mineworkers and Construction Union (AMCU) to end a five-month strike at its gold operations.

Source: Thomson Reuters

Eskom update

South Africa's government has had to bring forward the bailout of state power firm Eskom, after it rushed 5 billion rand (\$355 million) to the struggling utility earlier this month to avert a default and said more cash could be needed soon.

Eskom supplies more than 90 percent of electricity in Africa's most advanced economy but is grappling with cash flow problems and a debt mountain which it is struggling to service. The government in February promised Eskom a 23 billion rand a year bailout over the next three years, but it only expected to start giving the cash-strapped utility the first tranche of funds between August and October this year.

But by the end of March, Eskom was experiencing difficulties raising funding, according to a finance ministry report to parliament seen by Reuters, prompting Finance Minister Tito Mboweni to authorise the cash transfer on April 2. The fact that the first tranche of the bailout had to be

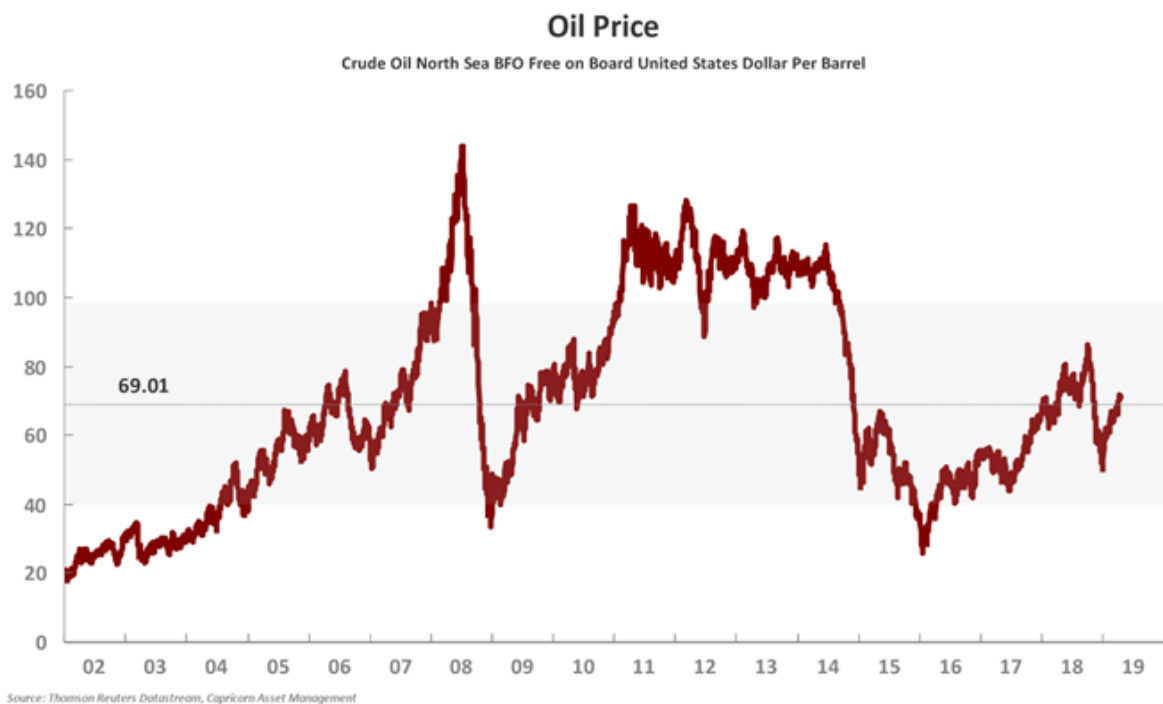
brought forward highlights the precariousness of Eskom's financial position, which has been exacerbated by spiraling diesel and maintenance costs.

"In order to avert a default by Eskom on its obligations, on 2 April 2019, the Minister of Finance ... authorised the payment of 5 billion rand," the report to parliament said, adding Eskom could need another government cash injection before April 30. A finance ministry spokesman confirmed Mboweni had authorised the transfer of money to Eskom.

Early this month, Public Enterprises Minister Pravin Gordhan said the highest levels of government were considering a variety of additional financial support measures for Eskom, beyond the bailout announced in February. Energy experts say the bailout is insufficient to make Eskom financially sustainable in the long term.

Source: Thomson Reuters

Chart of the Day



Market Overview

MARKET INDICATORS		23 April 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	⇒	7.49	0.000	7.49	7.48
6 months	⇒	7.77	0.000	7.77	7.70
9 months	⇒	8.12	0.000	8.12	7.94
12 months	⇒	8.23	0.000	8.23	8.14
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	⇒	7.94	0.000	7.94	7.89
GC24 (BMK: R186)	⇒	9.36	0.000	9.36	9.44
GC27 (BMK: R186)	⇒	9.57	0.000	9.57	9.67
GC30 (BMK: R2030)	⇒	10.37	0.000	10.37	10.44
GI22 (BMK: NCPI)	⇒	4.54	0.000	4.54	4.54
GI25 (BMK: NCPI)	⇒	5.11	0.000	5.11	5.11
GI29 (BMK: NCPI)	⇒	5.73	0.000	5.73	5.73
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,275	-0.03%	1,275	1,273
Platinum	↓	896	-0.56%	901	897
Brent Crude	↑	74.0	2.88%	72.0	74.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	⇒	1,410	0.00%	1,410	1,410
JSE All Share	⇒	59,222	0.00%	59,222	59,222
SP500	↑	2,908	0.10%	2,905	2,908
FTSE 100	⇒	7,460	0.00%	7,460	7,460
Hangseng	⇒	29,963	0.00%	29,963	29,947
DAX	⇒	12,222	0.00%	12,222	12,222
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⇒	17,426	0.00%	17,426	17,426
Resources	⇒	47,077	0.00%	47,077	47,077
Industrials	⇒	73,598	0.00%	73,598	73,598
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.14	0.64%	14.05	14.16
N\$/Pound	↑	18.35	0.54%	18.26	18.38
N\$/Euro	↑	15.92	0.74%	15.80	15.92
US dollar/ Euro	↑	1.126	0.08%	1.12	1.125
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↑	4.5	4.4	4.5	4.1
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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