



Market Update

Monday, 24 June 2019

Global Markets

Asian shares edged up on Monday as investors pinned their hopes on any signs of a thaw in Sino-U.S. trade negotiations, while oil prices firmed on heightened tensions between the United States and Iran.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.2%, hovering not far from Thursday's six-week high, while Japan's Nikkei average was up 0.3%. Chinese shares were little changed. Wall Street shares closed slightly lower on Friday after hitting a record high thanks to signals last week from the Federal Reserve that it may cut interest rates soon to bolster the U.S. economy from protracted trade conflicts.

Investors are nervously awaiting an expected meeting between Presidents Donald Trump and Xi Jinping later this week for any signs of a de-escalation in a trade war that is damaging the global economy and souring business confidence. The leaders will meet on the sidelines of the G20 summit in Japan. China and the United States should be willing to make compromises in trade talks and not insist only on what each side wants, Vice Commerce Minister Wang Shouwen said on Monday.

U.S. Vice President Mike Pence on Friday decided to call off a planned China speech, which also increased optimism ahead of trade talks. Pence had upset China with a fierce speech in October in which he laid out a litany of complaints ranging from state surveillance to human-rights abuses.

Oil prices climbed as tensions remain high between Tehran and Washington following Iran's shooting down of an unmanned American surveillance drone, with U.S. Secretary of State Mike Pompeo saying "significant" sanctions on Tehran would be announced. Brent crude futures rose 0.3% to \$65.39 per barrel, near Friday's three-week high of \$65.76, while U.S. crude futures were up 0.6% at \$57.76, also near Friday's three-week high. Also potentially becoming a factor in the equation, Arab politicians and commentators greeted Trump's \$50 billion Middle East economic vision with a mixture of derision and exasperation, although some in the Gulf called for it to be given a chance.

The combination of heightened geopolitical worries and likely U.S. interest rate cuts encouraged investors to seek the safety of gold. The precious metal stood at \$1,405.41 per ounce, not far from Friday's six-year high of \$1,410.78.

In the foreign exchange market, the euro rose to a three-month high of \$1.1386 against the dollar on Monday as bearish bets on the greenback remained solid on prospects of a near-term interest rate

cut by the Federal Reserve. The dollar fetched 107.38 yen, having slipped to as low as 107.045 on Friday, the lowest level since its flash crash on Jan. 3. Other notable movers include Australian dollar. The Aussie firmed 0.4% to \$0.6954 to post a fifth straight session of gains as its U.S. counterpart was undermined by aggressive wagers on rate cuts from the Fed, which offset any bearishness from the probability of policy easing at home. The Turkish lira strengthened 0.7% to 5.775 per dollar after Turkey's main opposition claimed a decisive victory on Sunday in Istanbul's re-run election, dealing one of the biggest blows to President Tayyip Erdogan.

Elsewhere, Bitcoin jumped overnight to \$11,247.62, its highest level since March 2018. It was last quoted at \$10,626.56.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed up slightly on Friday, clawing back some of its losses following President Cyril Ramaphosa's state of the nation address, which some analysts said lacked detail on how he plans to fix the flagging economy. At 1600 GMT the rand was 0.07% firmer at 14.3450 per dollar compared to a session-low of 14.4450.

On Thursday evening, in his first state of the nation address since leading his party to victory in a May 8 election, Ramaphosa pledged to grow the economy, create jobs and reaffirmed a commitment to land redistribution. Ramaphosa also pledged to speed up 230 billion rand (\$16 billion) of support for struggling power utility Eskom.

"The State of the Nation (SONA) address is not usually a forum for detailed policy announcements. Overall, an encouraging message, but now we need action and implementation as the country," by Johann Els, chief economist at Old Mutual Investment Group.

Bonds weakened, with the yield on the benchmark government bond due in 2026 up 7 basis points to 8.12%.

On the bourse, stocks fell, dragged lower by the Ramaphosa disappointment and after the U.S. military threatened a strike against Iran, chilling investors already worried by trade tensions between Washington and Beijing. The Johannesburg Stock Exchange's benchmark Top-40 Index slipped 0.11% to 52,902.88 while the broader All-Share Index closed 0.05% lower at 58,941.47.

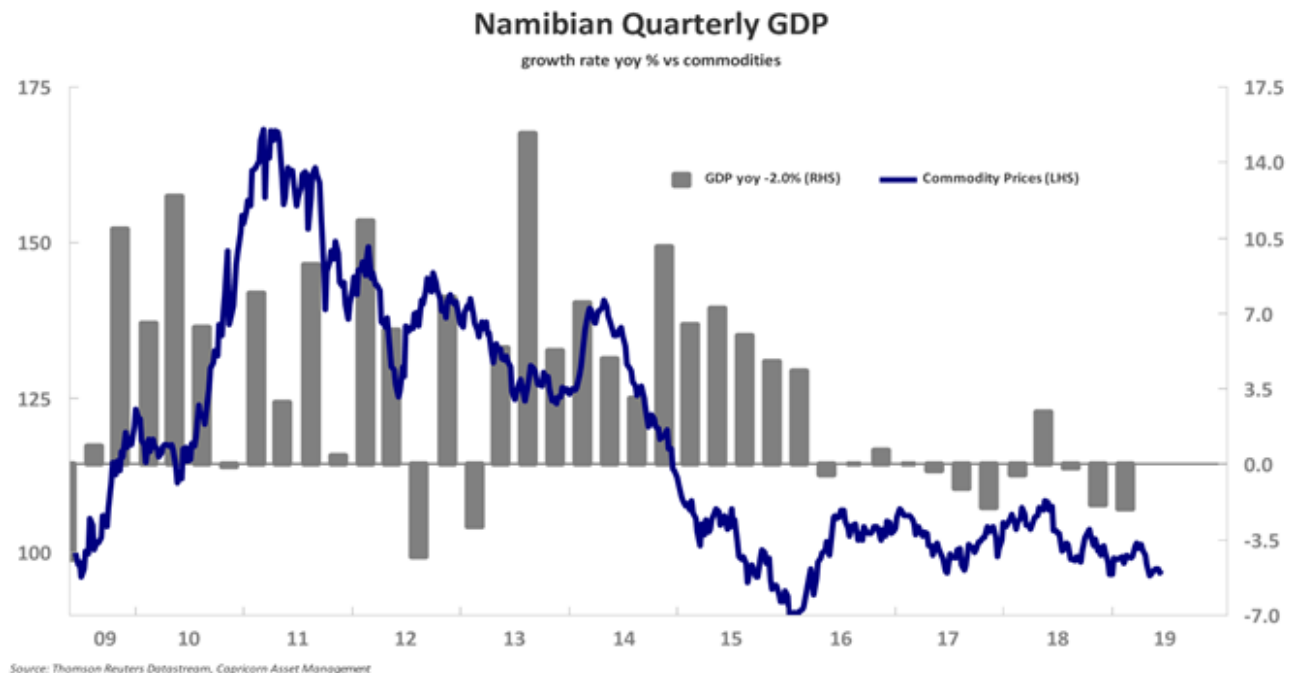
Retailer Shoprite and pharmaceuticals specialist Clicks were the biggest losers on the blue-chip index, with Shoprite down 6.36% to 164.74 rand while Clicks fell 2.39% to 214.32 rand. Embattled telecommunications company Vodacom Group fell 0.71% to 125.37 rand after announcing that it had entered into agreements to sell some of its Business Africa operations, which offer business-managed services to enterprises. Newly-listed pay-for-TV service Multichoice said on Friday it had notified workers of plans to lay off 1,790 employees. The company's profit margins have nosedived in the face of competition from digital services like Netflix looking to gain traction in the African market.

Source: Thomson Reuters



Chart of the Day – Namibia Economic Growth

The economy is still firmly in recession. In the first quarter GDP (gross domestic product) was down -2% compared to the first quarter of last year in real terms. Woeful conditions continues in Agriculture (-6.7%) and, worryingly, Mining (-1.1%) experienced its first negative quarter in two years. The decimation of the Construction industry (-27.8%) is unabated. The Wholesale and Retail industry (-6.7%) is not showing signs of recovery either. A handful of industries showed some positive growth, but it's mostly barely above zero. These conditions in the economy, together with moderating inflation, calls for policy action. We now expect the South African Reserve Bank to cut interest rates in July and the Bank of Namibia to cut in August.



Market Overview

MARKET INDICATORS		24 June 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.15	-0.006	7.15	7.14
6 months	↓	7.60	-0.003	7.60	7.60
9 months	↓	7.81	-0.003	7.82	7.75
12 months	↓	8.07	-0.003	8.08	7.91
Nominal Bonds		Last close	Difference	Prev close	Current Spot
GC20 (BMK: R207)	↓	8.03	-0.070	8.10	8.03
GC21 (BMK: R208)	⇒	7.55	0.000	7.55	7.55
GC22 (BMK: R2023)	↓	7.93	-0.090	8.02	7.93
GC23 (BMK: R2023)	↓	8.40	-0.116	8.52	8.40
GC24 (BMK: R186)	↓	8.68	-0.130	8.81	8.81
GC25 (BMK: R186)	↓	8.66	-0.130	8.79	9.42
GC27 (BMK: R186)	↓	8.85	-0.130	8.98	8.85
GC30 (BMK: R2030)	↓	9.68	-0.139	9.82	9.68
GC32 (BMK: R213)	↓	9.89	-0.120	10.01	9.89
GC35 (BMK: R209)	↓	10.33	-0.060	10.39	11.17
GC37 (BMK: R2037)	↓	10.52	-0.050	10.57	10.52
GC40 (BMK: R214)	↓	11.01	-0.055	11.06	11.01
GC43 (BMK: R2044)	⇒	11.24	0.000	11.24	11.24
GC45 (BMK: R2044)	↓	11.43	-0.050	11.48	11.43
GC50 (BMK: R2048)	↓	11.67	-0.060	11.73	11.67
Inflation-Linked Bonds		Last close	Difference	Prev close	Current Spot
GI22 (BMK: NCPI)	⇒	4.20	0.000	4.20	4.20
GI25 (BMK: NCPI)	⇒	4.90	0.000	4.90	4.90
GI29 (BMK: NCPI)	⇒	5.73	0.000	5.73	5.73
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,399	0.78%	1,388	1,405
Platinum	↑	806	0.37%	803	812
Brent Crude	↑	65.2	1.16%	64.5	65.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,399	-0.29%	1,404	1,399
JSE All Share	↓	58,941	-0.05%	58,974	58,737
SP500	↓	2,950	-0.13%	2,954	2,950
FTSE 100	↓	7,408	-0.23%	7,424	7,408
Hangseng	↓	28,474	-0.27%	28,550	28,513
DAX	↓	12,340	-0.13%	12,355	12,272
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	17,515	-0.12%	17,537	17,348
Resources	↑	47,659	0.47%	47,434	47,720
Industrials	↓	72,935	-0.36%	73,202	72,697
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.35	0.15%	14.33	14.27
N\$/Pound	↑	18.29	0.48%	18.20	18.17
N\$/Euro	↑	16.31	0.82%	16.18	16.26
US dollar/ Euro	↑	1.137	0.66%	1.129	1.139
Economic data		Namibia		RSA	
		Latest	Previous	Latest	Previous
Inflation	↓	4.1	4.5	4.5	4.4
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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