



Market Update

Wednesday, 27 February 2019

US Markets

Wall Street's three major indexes fell slightly after a choppy session on Tuesday as investors eyed mixed U.S. economic data and corporate news and waited for clarity on issues such as the U.S.-China trade talks.

Weaker-than-expected housing data contrasted with a rosy consumer confidence report, while Home Depot Inc was among the biggest drags on the benchmark S&P 500 index after the home improvement retailer blamed bad weather for missed Wall Street forecasts.

Federal Reserve Chairman Jerome Powell told a U.S. Senate Banking Committee that the central bank would remain "patient" in deciding on further interest rate hikes and that rising risks and recent soft data should not prevent solid growth for the economy this year.

The indexes have already been bolstered in recent weeks by trade optimism and dovish signals from the Fed, with the S&P 500's session high just 4.7 percent away from its record closing high in September. "Investors are a little tentative as far as chasing the market higher. They're waiting for better prices or better news," said Michael O'Rourke, chief market strategist at JonesTrading in Greenwich, Connecticut. He cited issues such as a need for specifics on U.S.-China trade relations after President Donald Trump said on Sunday he would delay an increase in U.S. tariffs on Chinese goods after "productive" trade talks.

Sameer Samana, senior global market strategist at Wells Fargo Investment Institute in St. Louis, also cited uncertainty over reports that Trump's former personal attorney Michael Cohen would tell lawmakers this week that Trump asked him about a proposed skyscraper project in Moscow long after he had secured the Republican presidential nomination. "You've higher uncertainty today relative to yesterday," said Samana. "The economic data was mixed. We've had a market rally going on for about two months. All those things together suggest this would be a good time to take some profits. It's not wholesale selling but profit taking around the edges."

The Dow Jones Industrial Average fell 33.97 points, or 0.13 percent, to 26,057.98, the S&P 500 lost 2.21 points, or 0.08 percent, to 2,793.9 and the Nasdaq Composite dropped 5.16 points, or 0.07 percent, to 7,549.30.

Seven of the 11 major S&P sectors ended lower with industrials providing the biggest drag with a 0.3 percent drop. The benchmark's biggest boost was the technology index, which closed up 0.2

percent. The healthcare index declined 0.3 percent after a U.S. congressional hearing on the prices of medicines wrapped up in Washington. Declines in shares of health insurers Cigna Corp and UnitedHealth Group both of which operate major pharmacy benefit managers, were big drags on the sector. The S&P's biggest losing stock was JPMorgan Chase & Co JPM.N, which closed down 0.8 percent after it warned of rising costs for deposits, a key part of its business, and slowing global economic growth. Caterpillar Inc fell 2.4 percent and also depressed the benchmark after brokerage UBS downgraded the stock to "sell" from a "buy" rating.

U.S. homebuilding tumbled to a more than two-year low in December as construction of both single and multifamily housing declined, the latest sign that the economy had lost momentum in the fourth quarter. But the Conference Board's consumer confidence index rose more than expected in February.

Source: Thomson Reuters

Domestic Markets

South Africa's rand fell on Tuesday, ending a rally that had seen the currency breach a key technical mark, amid cooling demand for emerging-market currencies that had been fueled by optimism over U.S.-China trade talks.

At 1508 GMT, the rand was 0.43 percent weaker at 13.8850 per dollar, compared to a close of 13.8250 on Monday. The rand has traded below the psychologically significant 14.00 per dollar level for the past few sessions as last Wednesday's budget lowered market bets of a credit rating cut by Moody's after a week of power cuts by utility Eskom had spooked investors.

Demand for the rand and other emerging market currencies in the previous session was boosted by U.S. President Donald Trump's decision to delay a deadline for increasing tariffs on Chinese imports. But risk demand faded on Tuesday after Trump said a U.S.-China trade deal is not a certainty, even though talks have made progress.

"With easing trade tensions seen to be stimulating risk appetite and the dollar likely to weaken further on Fed rate pause expectations, the South African rand, like many other emerging market currencies, has scope to appreciate further," Lukman Otunuga, research analyst at FXTM, said in a note. "In regards to the technical picture, technical traders will continue to closely observe how the USDZAR behaves around the 13.800 level."

Federal Reserve Chairman Jerome Powell said on Tuesday rising risks and recent soft data shouldn't prevent solid growth for the U.S. economy this year, but the Fed will remain "patient" in deciding on further interest rate hikes. Bonds firmed, with the yield on the benchmark 10-year government issue falling 4.5 basis points to close at 8.65 percent.

On the bourse, stocks ended higher, led by Shoprite after the retailer gave a somewhat upbeat outlook after reporting its worst half-year performance in a decade. The blue-chip JSE Top-40 index was up 0.66 percent at 49,965 and the broader All-share index ended 0.65 percent higher at 56,242. Shoprite topped the gainers list on the benchmark index, rising 4.89 percent to 169.75 rand, after the company said it had seen evidence of improved sales since January.

Source: Thomson Reuters

TymeBank

TymeBank, one of several digital-only startups aiming to shake up South Africa's banking industry, could break even by 2022, the bank's executives said on Tuesday.

The lender, backed by billionaire Patrice Motsepe's investment group African Rainbow Capital (ARC), has attracted 80,000 customers since a soft launch in November and is targeting 21 million people it says are not adequately served by established rivals.

Deputy CEO Tauriq Keraan told a presentation on Tuesday that TymeBank, which officially launched this week, could break even in 2022 if it attracted 2.2 million active customers and lent to 6 percent of them. "We really believe that if we push it that hard it is possible for us to get to those kind of numbers in that period," CEO Sandile Shabalala told Reuters, adding that this was earlier than previous expected.

TymeBank can offer much lower fees than rivals because it has no branches and has used technology to cut costs. Shabalala said the majority of the bank's income would come from lending. TymeBank was in talks with a major bank to offer a credit card, and planned to launch a separate unsecured lending pilot in the second half of this year, he said.

Customers can set up accounts and get a debit card over 700 automated kiosks in supermarkets Boxer, owned by the country's largest chain Shoprite and Pick N Pay, where account holders benefit from the store's rewards programme.

The bank aims to set up kiosks at universities and small, informal shops, and aims to offer more products from other financial service companies backed by Motsepe's ARC, as well as other partners. Shabalala told Reuters that, with a customer's consent, it would use their transaction data to suggest suitable partner products, and could earn a fee from partners in return, a model adopted by digital-only banks in Britain and elsewhere.

Eventually, the bank could be rolled out in other countries in Africa and Asia, executives said.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS			27 February 2019		
Money Market NCD's		Last close	Difference	Prev close	Current Spot
3 mth	⇒	7.390	0.000	7.390	7.540
6 mth	⇒	7.950	0.000	7.950	8.050
9 mth	⇒	8.325	0.000	8.325	8.400
12 mth	⇒	8.595	0.000	8.595	8.670
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↓	7.98	-0.030	8.01	7.96
GC24 (BMK: R186)	↓	9.55	-0.035	9.58	9.49
GC27 (BMK: R186)	↓	9.75	-0.035	9.79	9.70
GC30 (BMK: R2030)	↓	10.56	-0.070	10.63	10.50
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
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,329	0.11%	1,327	1,327
Platinum	↑	856	0.82%	849	858
Brent Crude	↑	65.2	0.69%	64.8	65.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,375	0.81%	1,364	1,375
JSE All Share	↑	56,243	0.65%	55,878	56,243
SP500	↓	2,794	-0.08%	2,796	2,794
FTSE 100	↓	7,151	-0.45%	7,184	7,151
Hangseng	↓	28,772	-0.65%	28,959	28,826
DAX	↑	11,541	0.31%	11,505	11,541
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	17,343	0.67%	17,228	17,343
Resources	↑	45,668	0.79%	45,311	45,668
Industrials	↑	67,105	0.64%	66,679	67,105
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	13.83	0.04%	13.82	13.85
N\$/Pound	↑	18.32	1.22%	18.10	18.33
N\$/Euro	↑	15.75	0.36%	15.70	15.75
US dollar/ Euro	↑	1.139	0.24%	1.14	1.137
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	4.7	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

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