Market Update — Wednesday, 27 March 2019

Global Markets

Asian shares slipped on Wednesday, giving up small gains made the previous day as investors tried to come to terms with a sharp shift in U.S. bond markets and the implications for the world's top economy.

MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.1 percent while Japan's Nikkei average lost 0.6 percent. Chinese stocks bucked the trend, with the benchmark Shanghai Composite rebounding 0.6 percent, the blue-chip CSI 300 climbing 1.1 percent, and Hong Kong's Hang Seng advancing 0.5 percent.

Wall Street's main indexes tallied solid gains on Tuesday but finished below their session highs in a reflection of the underlying concerns about the economic outlook. The S&P 500 gained 0.72 percent while the Nasdaq Composite added 0.71 percent.

The 10-year U.S. Treasuries yield inched to as high as 2.432 percent from Monday's 15-month low of 2.377 percent, though the yield curve remained inverted, with three-month bills yielding 2.461 percent, more than 10-year bonds. The inversion spooked many investors as this phenomenon has preceded every U.S. recession over the past 50 years, triggering a dramatic selloff in stock markets globally late last week and a stampede into longer-dated U.S. government debt. The silver lining for stock bulls is that in the past, it has usually taken many months before the United States slipped into recession after the curve was first inverted.

Yet the signs from a raft of economic data, including a set of indicators on Tuesday, weren't encouraging. Home building fell more than expected in February as construction of single-family homes dropped to near a two-year low while the consumer confidence index by the Conference Board fell unexpectedly. Many major economies in the world, including China, Europe and Japan, are already slowing down, not helped by uncertainties stemming from trade frictions between the U.S. and China as well as Brexit.

Investors are left wondering what to expect on Britain's plan to exit from the European Union, with potential scenarios spanning from a cancellation of Brexit to a no-deal exit. Prime Minister Theresa May will address Conservative Party lawmakers, possibly to set out a timetable for her departure, to win support for her twice-rejected Brexit deal as the parliament prepares to vote on a variety of possible options. Ahead of the so-called indicative votes, the pound inched 0.1 percent lower to $1.3185.

The euro slipped to a two-week low of $1.1251 as the dollar gained some footing on a rebound in U.S. bond yields. The dollar edged back to 110.55 yen, from Monday's 1-1/2-month low of 109.70.

The New Zealand dollar took a tumble after the country's central bank blindsided markets by saying the next move in interest rates would likely be down, abandoning its long-standing neutral stance. While the Reserve Bank of New Zealand (RBNZ) kept the official cash rate (OCR) at 1.75 percent as expected, it surprised many by flatly stating "the more likely direction of our next OCR move is down." The kiwi dollar dived 1.6 percent to a two-week low at $0.6797, while bond and bill futures rallied sharply, taking yields to fresh all-time lows. The Australian dollar was dragged down in its wake, falling 0.4 percent to $0.7102, though the Aussie did make hefty gains on its kiwi counterpart.

Oil prices remained supported by supply curbs by the Organization of the Petroleum Exporting Countries plus allies and as Venezuela's main oil export port and four crude upgraders have been unable to resume operations following a massive power blackout. Brent crude oil futures rose 0.2 percent to $68.12 per barrel while U.S. crude futures edged up 0.1 percent to $60.01.

Source: Thomson Reuters

Domestic Markets

South Africa's rand slipped on Tuesday, surrendering the previous session's gains as the dollar rebounded from a sell-off triggered by fears the United States economy is heading for recession. Stocks closed up slightly as riskier assets showed signs of stability, while the bullion sector weighed on further gains. The rand was 0.66 percent weaker at 14.4050 per dollar at 1613 GMT, compared to a close of 14.3100 overnight in New York.

"Market fears over the U.S. economy heading for a recession seem to be easing and this continues to support appetite for the greenback," FXTM analyst Lukman Otunuga said. "The South African rand like many other emerging market currencies is likely to remain driven by external factors this week."

On Monday, the rand gained more than 1 percent in a broad emerging market rally sparked by renewed fears that economic growth in developed markets was set to contract after an inversion of the U.S. yield curve and poor manufacturing data from Germany and Japan.

Locally, with no top tier data due, investors are waiting for Thursday's central bank monetary policy decision, and a Moody's rating review on Friday, which is likely to be after local markets close. A Reuters poll last week forecast the bank will leave lending rates unchanged 6.75 percent.

Government bonds also weakened, with the yield on benchmark 2026 paper adding 3 basis points to 8.74 percent. On the bourse, the Johannesburg All-Share index ticked up 0.49 percent to 55,638 points and the Top-40 index was up 0.43 percent at 49,372 points.

Among the decliners, the gold sector fell 1.18 percent after spot gold prices retreated from more than three-week highs on Tuesday. Gold Fields closing down 2.38 percent to 57.73 rand and AngloGold Ashanti 1.03 percent lower at 205.33 rand.

Source: Thomson Reuters

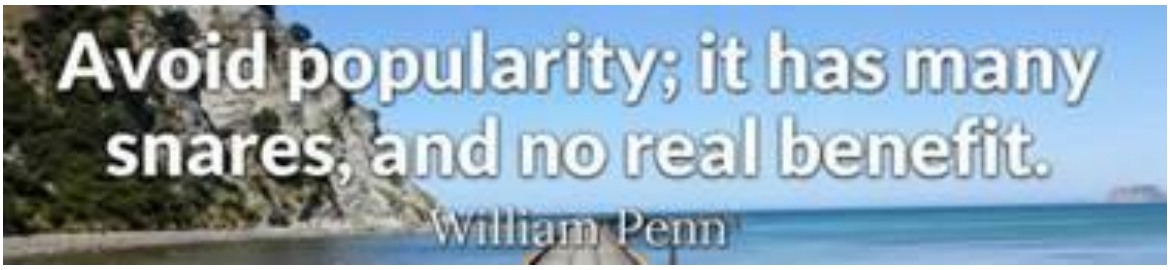
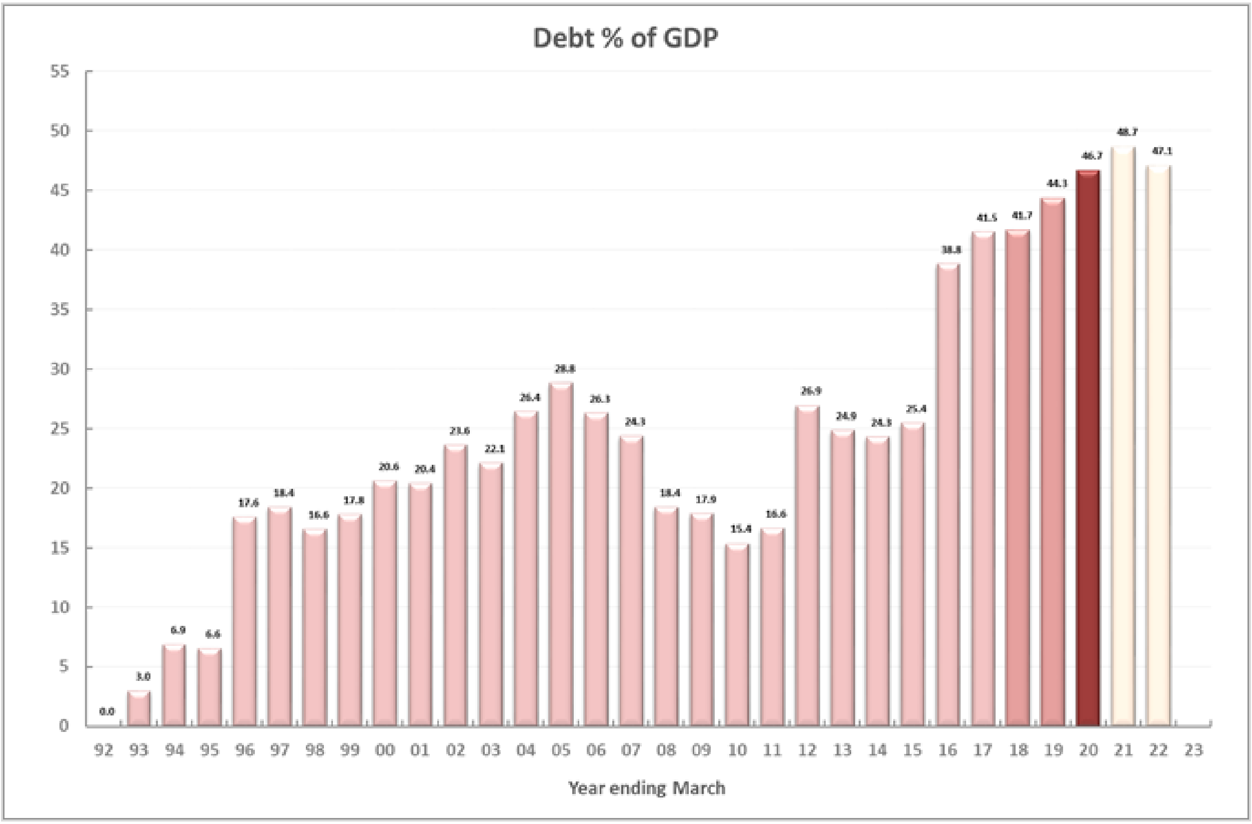


Chart of the Day – Namibia's debt to GDP ratio

The Budget will be tabled today. The chart shows the debt-to-GDP ratio. On the face of it, the ratio should stabilize at below 50%. However, the Budget and the Medium Term Framework will confirm whether this is still the case.



Market Overview

MARKET INDICATORS					27 March 2019
Money Market TB's		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	↓	7.36	-0.014	7.38	7.34
6 months	→	7.95	0.000	7.95	7.95
9 months	→	8.14	0.000	8.14	8.17
12 months	↓	8.34	-0.004	8.34	8.33
Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (BMK: R208)	↓	8.07	-0.020	8.09	8.03
GC24 (BMK: R186)	↑	9.64	0.010	9.63	9.71
GC27 (BMK: R186)	↑	9.84	0.010	9.83	9.94
GC30 (BMK: R2030)	↑	10.67	0.025	10.64	10.69
GI22 (BMK: NCPI)	→	4.66	0.000	4.66	4.66
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	↓	1,315	-0.48%	1,322	1,316
Platinum	→	855	0.00%	855	861
Brent Crude	↑	68.0	1.13%	67.2	68.2
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX (Delayed)	↑	1,300	1.04%	1,286	1,300
JSE All Share	↑	55,638	0.49%	55,367	55,638
SP500	↑	2,818	0.72%	2,798	2,818
FTSE 100	↑	7,196	0.26%	7,178	7,196
Hangseng	↑	28,567	0.15%	28,523	28,736
DAX	↑	11,419	0.64%	11,347	11,419
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	↑	15,916	0.39%	15,854	15,916
Resources	↑	46,569	1.19%	46,021	46,569
Industrials	↑	67,481	0.12%	67,400	67,481
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	↑	14.40	0.72%	14.30	14.47
N$/Pound	↑	19.02	0.75%	18.87	19.07
N$/Euro	↑	16.22	0.30%	16.17	16.29
US dollar/ Euro	↓	1.126	-0.42%	1.13	1.126
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	↓	4.4	4.7	4.1	4.0
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