Market Update Monday, 28 January 2019

Global Markets

Asian stocks advanced on Monday as Wall Street rallied after a deal was announced to reopen the U.S. government following a prolonged shutdown that had taken a toll on investor sentiment. MSCI's broadest index of Asia-Pacific shares outside Japan climbed 0.4 percent.

The Shanghai Composite Index rose 0.7 percent and Hong Kong's Hang Seng was up 0.5 percent. South Korea's KOSPI edged up 0.1 percent, while Japan's Nikkei bucked the trend and eased 0.3 percent. Australian financial markets were shut for their 'Australia Day' holiday.

Facing mounting pressure, U.S. President Donald Trump agreed on Friday to temporarily end a 35-day-old partial U.S. government shutdown without getting the $5.7 billion he had demanded from Congress for a border wall. In response Wall Street rallied broadly on Friday as investors were relieved to see an end to one of the longest U.S. government shutdown in history. The shutdown had left the markets anxious as it came at a time of heightened worries over slowing global growth, signs of stress in corporate earnings and a still unresolved Sino-U.S. trade war. "The rise in the broader stock markets looks to keep going. The U.S. government reopening is definitely a plus for market sentiment," said Soichiro Monji, senior economist at Daiwa SB Investments. "There are still potential risk factors, such as the U.S.-China trade row and Brexit," he said.

Chinese Vice Premier Liu He will visit the United States on Jan. 30-31 for the next round of trade negotiations with Washington. Besides the underlying anxiety on trade, the temporary nature of the U.S. government's reopening - Trump has threatened to resume the shutdown on Feb. 15 if his demands aren't met - remained a source of concern. "As things stand this morning, we have only 18 days left before we get another government shutdown, or a Wall. That should keep things interesting for markets," wrote strategists at Rabobank.

In the currency market, the pound hovered near a three-month high of $1.3218 set on Friday on the back of optimism that Britain can avoid a no-deal Brexit. Britain is set to leave the European Union on March 29, but the country's members of parliament remain far from agreeing a divorce deal and longer term prospects for sterling remained far from clear. The immediate focus was on Tuesday, when the British parliament will debate and vote on Prime Minister Theresa May's Brexit "plan B".

The euro was also on the front foot against the sagging dollar, which was on the defensive ahead of the Federal Reserve's Jan. 29-30 policy meeting where it is expected to leave interest rates unchanged after raising them four times last year. The attention will be on the policy outlook as the Fed has signaled a slower pace of rate increases this year with markets speculating it might pause its tightening cycle soon.

The single currency was 0.05 percent higher at $1.1411 after gaining 0.9 percent on Friday, paring the losses from earlier last week on dovish-sounding comments by European Central Bank President Mario Draghi. The dollar slipped 0.2 percent to 109.35 yen following mild losses at the end of last week.

The benchmark 10-year Treasury yield was little changed at 2.747 percent after popping up 4 basis points on Friday in the wake of surging U.S. shares.

U.S. crude oil futures were down 0.4 percent at $53.48 per barrel, with a rise in U.S. rig count stopping a two-day winning run. Oil prices rose towards the end of last week as political turmoil in Venezuela threatened to tighten crude supply, with the United States signaling it may impose sanctions on exports from the South American nation.

Source: Thomson Reuters

Domestic Markets

South Africa's rand firmed against the dollar on Friday, supported by a pick-up in risk-taking, while banks topped the blue-chip index after Morgan Stanley raised their target prices. At 1539 GMT, the rand traded at 13.6000 per dollar, 0.87 percent firmer than its New York close of 13.7175 on Thursday.

The rand also found support from a weaker dollar as concerns about a prolonged U.S. government shutdown, at a time when global growth is already slowing, weighed on the greenback. The dollar index, a gauge of its value versus six major peers, fell 0.58 percent to 96.037.

"The rand began the week on the back foot after the IMF trimmed its global growth forecasts. This prompted risk-averse investors to opt for the safety of the greenback," said economists at NKC African Economics in a note. "However, the rand remained resilient, despite volatile U.S. dollar movements, recovering earlier losses to post a second consecutive weekly gain."

In fixed income, bonds moved in step with a stronger rand, with the yield on the benchmark government bond due in 2026 dropping 10 basis points to 8.71 percent.

In the equities market, banks topped the gainers on the Top-40 blue chip index after Morgan Stanley raised target prices for Standard Bank, Absa group , Firstrand Ltd and Nedbank Group Ltd. The banks index climbed 2.51 percent, hitting an 8-1/2-month high. Standard Bank rose 3.69 percent to 194.94 rand, Absa gained 2.56 percent to 180 rand, Firstrand climbed 1.57 percent to 70.61 rand, while Nedbank was up 2.90 percent to 288.27 rand.

The Johannesburg All-share index has been under pressure throughout the week due to concerns of a weaker global economic outlook and ongoing uncertainty over the U.S.-China trade war. "That said, stronger performing Asian stock markets provided impetus to local equity prices," economists at NKC African Economics said.

The all-share index ended the week 0.77 percent stronger, while the top-40 index closed 0.88 percent firmer. On the downside, food and beverage company AVI Ltd was the biggest decliner, closing 8.68 percent after it reported a marginal rise in half-year group revenue, blaming continued pressure on consumer spending.

Source: Thomson Reuters

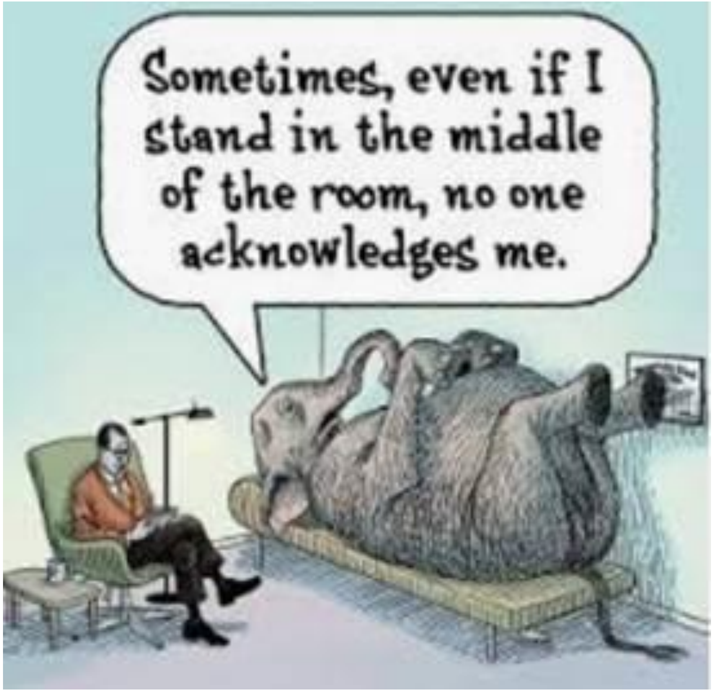

Chart of the Day - The future is not what it used to be

Source: Thomson Reuters Datastream, Capricorn Asset Management

Market Overview

MARKET INDICATORS					28 January 2019
Money Market		**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	⇨	7.10	0.000	7.10	7.09
6 months	⇨	7.92	0.000	7.92	7.82
9 months	⇨	8.20	0.000	8.20	8.15
12 months	⇨	8.35	0.000	8.35	8.34
Bonds		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC21 (BMK: R208)	⇩	8.12	-0.020	8.14	8.07
GC24 (BMK: R186)	⇩	9.61	-0.070	9.68	9.69
GC27 (BMK: R186)	⇩	9.82	-0.070	9.89	9.92
GC30 (BMK: R2030)	⇩	10.60	-0.070	10.67	10.61
GI22 (BMK: NCPI)	⇨	4.74	0.000	4.74	4.74
GI25 (BMK: NCPI)	⇧	5.26	0.001	5.26	5.26
GI29 (BMK: NCPI)	⇨	5.95	0.000	5.95	5.95
Commodities		**Last close**	**Change**	**Prev close**	**Current Spot**
Gold	⇧	1,303	1.76%	1,281	1,301
Platinum	⇧	814	1.56%	801	815
Brent Crude	⇧	61.6	0.90%	61.1	60.9
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX (Delayed)	⇧	1,360	1.68%	1,338	1,361
JSE All Share	⇧	54,050	0.77%	53,639	53,851
SP500	⇧	2,665	0.85%	2,642	2,665
FTSE 100	⇩	6,809	-0.14%	6,819	6,809
Hangseng	⇧	27,569	1.65%	27,121	27,551
DAX	⇧	11,282	1.36%	11,130	11,282
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	⇧	17,449	1.86%	17,130	17,339
Resources	⇧	41,439	1.84%	40,690	41,623
Industrials	⇩	64,673	-0.20%	64,802	64,403
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	⇩	13.61	-0.77%	13.72	13.63
N$/Pound	⇧	17.96	0.24%	17.92	17.97
N$/Euro	⇧	15.52	0.11%	15.50	15.56
US dollar/ Euro	⇧	1.141	0.95%	1.13	1.141
		Namibia		**RSA**	
Economic data		**Latest**	**Previous**	**Latest**	**Previous**
Inflation	⇩	5.1	5.6	4.5	5.2
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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