



Market Update

Friday, 01 March 2019

Global Markets I

Global equities markets fell on Thursday as weak Chinese economic data and mixed messages on the progress of trade talks between China and the United States weighed on investor sentiment.

Earlier, news of the collapse of the summit between U.S. President Donald Trump and North Korean leader Kim Jong Un on denuclearization triggered flight-to-quality bids in lower-risk assets such as the Swiss franc.

Data showed that Chinese factory activity contracted to a three-year low and China's export orders fell at their fastest pace since the global financial crisis a decade ago, adding to ongoing worries about a slowdown in the Chinese economy and its impact on global markets. "There's been a lot of stimulus measures in China, and it's still not showing up in the numbers as soon as people would like," said Keith Lerner, chief market strategist at SunTrust Advisory Services in Atlanta.

Receding optimism on the U.S.-China trade talks also dampened sentiment. U.S. Trade Representative Robert Lighthizer said his office was taking legal steps to implement Trump's announcement on Sunday to delay a tariff increase on more than \$200 billion worth of Chinese goods that had been scheduled to take effect on Friday. But Lighthizer's office later issued a statement saying that it was not abandoning the threat of increasing the tariffs to 25 percent from 10 percent.

On Wall Street, data showing better-than-expected U.S. economic growth in the fourth quarter helped offset worries over China. Gross domestic product rose 2.9 percent for the year, just shy of the 3 percent goal set by the Trump administration. "The numbers came out in a pretty robust way," said Mona Mahajan, U.S. investment strategist at Allianz Global Investors in New York. "There hasn't been much reaction because of the geopolitical uncertainty in the headlines."

The U.S. economic data also prompted a rise in Treasury yields and a retreat in gold prices. Benchmark 10-year U.S. Treasury notes last fell 8/32 in price to yield 2.7222 percent, from 2.693 percent late on Wednesday. Spot gold dropped 0.5 percent to \$1,313.20 an ounce.

Pulling Back

Global equities scaled a four-month high earlier this week, helped by upbeat expectations about the U.S.-China trade talks. But on Thursday, the MSCI All-Country World Index dropped 0.4 percent to notch a third day of losses, albeit modest ones. The Dow Jones Industrial Average fell 69.16 points,

or 0.27 percent, to 25,916, the S&P 500 lost 7.89 points, or 0.28 percent, to 2,784.49 and the Nasdaq Composite dropped 21.98 points, or 0.29 percent, to 7,532.53. MSCI's gauge of emerging markets stocks fell 1.0 percent.

According to equity market analysts in Reuters polls, global stock markets in 2019 will at best only recoup losses from the deep sell-off late last year. They see the risk skewed more toward a sharp fall by mid-year. "The expectation is that we'll probably chop sideways until we get substantial news," said Robert Phipps, director at Per Stirling Capital Management in Austin, Texas.

In currency markets, the dollar index, which measures the greenback against a basket of six major currencies, was little changed. The dollar was also nearly flat against the euro. The Swiss franc rose 0.4 percent against the dollar, rising following the news of the end of the summit between Trump and Kim. The Japanese yen hit a 10-month low against the dollar and was last down 0.4 percent.

Brent crude settled down 36 cents, or 0.54 percent, at \$66.03 a barrel. U.S. West Texas Intermediate crude settled up 28 cents, or 0.49 percent, at \$57.22 a barrel. **Source: Thomson Reuters**

Global Markets II

Asian shares rose on Friday, driven by a rally in Chinese markets after index publisher MSCI announced it would boost the proportion of mainland shares in its global benchmarks, while strong U.S. economic data helped the dollar higher.

Chinese shares rallied, with the blue-chip CSI300 index adding 1.2 percent after MSCI said it would quadruple the weighting of mainland shares in its global benchmarks later this year, potentially drawing more than \$80 billion of fresh foreign inflows to the world's second-biggest economy.

That, along with strength in other markets in the region, helped push MSCI's broadest index of Asia-Pacific shares outside Japan up more than 0.3 percent.

The boost in mainland stocks on Friday follows a strong run for Chinese shares, which posted their strongest month in nearly four years in February, largely driven by investor hopes for government stimulus and policy support, as well as optimism over U.S.-China trade talks. "Just two months ago China was facing one of the worst years it's ever had in terms of equity market performance. So I think investors are taking very seriously the fact that the rebalancing of MSCI is happening," said Jim McCafferty, head of equity research, Asia ex-Japan at Nomura. "There's a disconnect between China's place in the world economy and China's place in the world's stock markets. And the two things can't be diverged for so long," he said.

Elsewhere in the region, Japan's Nikkei 225 gained 0.9 percent, helped by a weaker yen, while Australian shares added 0.6 percent.

The gains in Asia contrast with a weaker finish on Wall Street on Thursday. The Dow Jones Industrial Average fell 0.27 percent to 25,916 points, the S&P 500 lost 0.28 percent to 2,784.49 and the Nasdaq dropped 0.29 percent to 7,532.53.

U.S. President Donald Trump on Thursday fueled concerns over trade talks between the United States and China, warning that he could walk away from a trade deal with China if it were not good enough. But in subsequent comments Thursday, White House economic adviser Larry Kudlow called progress in the negotiations "fantastic" and said the countries were "heading towards a remarkable, historic deal."

Mixed messages on trade combined with the collapse of the summit between U.S. President Donald Trump and North Korean leader Kim Jong Un on denuclearization, and data from China showing slowing factory activity put pressure on U.S. stocks. "News that President Trump walked out of the meeting with Supreme Leader Kim, because the two sides couldn't reach an agreement over North Korea's nuclear disarmament, dashed hopes for an easing in geopolitical tensions," analysts at ANZ said in a morning note. South Korea's financial markets are closed Friday for a public holiday.

Higher Yields

Better-than-expected U.S. economic growth in the fourth quarter had little impact on U.S. stocks. Gross domestic product rose 2.9 percent for the year, just shy of the 3 percent goal set by the Trump administration.

The GDP data lifted yields on benchmark 10-year Treasury notes. After rising to a high of 2.7222 percent on Friday, the yield eased to 2.7168 percent, still up from a U.S. close of 2.711 percent on Thursday. Dallas Federal Reserve Bank President Robert Kaplan said on Thursday that it will take time to see how much the U.S. economy is slowing, supporting views of the Fed's rate-hike holiday at least through to June.

The dollar also rose on the U.S. data, adding 0.29 percent against the yen to 111.69, a new high for the year. The dollar index which tracks the greenback against major rivals, was up 0.1 percent at 96.268.

In commodity markets, U.S. crude added 0.28 percent to \$57.38 a barrel, and Brent crude rose 0.32 percent to \$66.52 per barrel. Spot gold was higher at \$1,313.30 per ounce.

Source: Thomson Reuters

Domestic Markets

The South African rand fell on Thursday as fading hopes for a U.S-China trade deal and an unsatisfactory end to the U.S.-North Korea summit subdued demand for emerging market currencies.

Stocks ended slightly lower, with Massmart among the biggest decliners after the retailer reported annual earnings down by a third and gave downbeat outlook.

At 1520 GMT the rand was 0.77 percent weaker at 14.0425 against the U.S. dollar. "Reduced optimism over U.S.-China trade talks, an abrupt end to a second summit between the United States and North Korea, coupled with Brexit uncertainty among many other geopolitical risks, are leaving investors on edge," FXTM research analyst Lukman Otunuga said in a note.

U.S. Trade Representative Robert Lighthizer's comments overnight that the issues between United States and China are "too serious" to be resolved prodded investors into scaling back risk as hopes of a swift resolution to the bruising U.S.-China trade dispute waned.

Riskier assets also took a hit after an early end to a U.S.-North Korea aimed at denuclearising the Korean peninsula, with U.S. President Donald Trump walking away as the respective leaders failed to reach a deal on winding back sanctions.

Domestic events also weighed on sentiment, with power utility Eskom warning that it could resume rotational power cuts because of supply constraints.

On the data front, trade figures showed that South Africa's trade balance swung to a deficit of 13.08 billion rand (\$931.5 million) in January, from a revised 16.70 billion rand surplus in December.

In fixed income, the yield on the benchmark government paper due in 2026 closed 4 basis points higher at 8.7 percent.

On the stock market, the JSE Top-40 index was off 0.58 percent at 49,667 and the broader All-share index fell 0.58 percent to 56,002.

Wal-Mart's Massmart featured on the loser board, falling 6.4 percent to 87.11 rand after posting a 32 percent drop in annual profit.

Source: Thomson Reuters

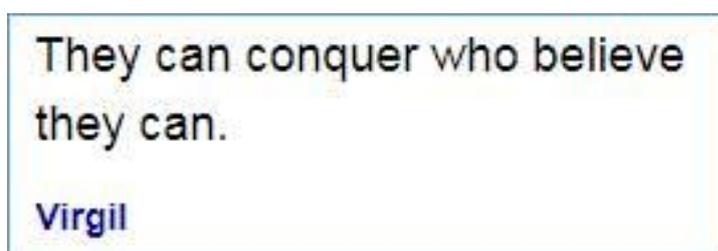


Chart of the Day – Asset Class returns to February 2019

Note: All ranked on the year-to-date (ytd) return from best (darkest green) to worst (darkest red). It highlights the recovery we've seen since the dismal last quarter of last year.

International in their Local Currency € \$ £ ¥	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
MSCI CHINA	3.5%	8.1%	1.1%	15.0%	-11.1%	14.6%	19.9%	9.0%	6.9%	11.4%	10.6%
MSCI CANADA	3.1%	5.7%	-0.3%	12.1%	6.5%	5.1%	11.0%	5.7%	6.8%	9.9%	7.0%
RUSSELL 1000 (EOD)	3.4%	1.8%	-3.1%	12.0%	5.0%	10.7%	15.4%	10.4%	13.0%	16.8%	8.5%
MSCI WORLD US	3.1%	2.7%	-3.1%	11.1%	1.0%	9.2%	13.3%	7.1%	9.8%	13.7%	7.3%
S&P 500 COMPOSITE	3.2%	1.4%	-3.0%	11.0%	4.7%	11.0%	15.0%	11.0%	13.0%	17.0%	8.3%
HANG SENG	2.7%	8.3%	3.6%	11.0%	-3.8%	14.0%	19.0%	8.6%	8.0%	12.0%	8.7%
EURO STOXX 50	4.4%	4.5%	-2.0%	10.0%	-0.6%	3.2%	7.7%	4.6%	8.0%	9.6%	4.8%
MSCI AUSTRALIA	5.9%	10.1%	0.1%	9.7%	7.7%	8.3%	13.2%	7.2%	10.2%	11.0%	9.0%
MSCI EAFE US	2.6%	4.0%	-3.5%	9.3%	-5.6%	6.8%	9.9%	2.5%	6.0%	10.1%	5.6%
DAX 30 PERFORMANCE	3.1%	2.3%	-6.9%	9.1%	-7.4%	-1.4%	6.6%	3.5%	7.7%	12.0%	7.3%
ISHARES MSCI EMRG.MKTS. IDX.FD.	-1.5%	4.9%	-0.2%	8.7%	-9.7%	7.9%	14.0%	3.6%	1.5%	9.3%	7.3%
NIKKEI 225 STOCK AVERAGE	3.0%	-4.1%	-5.5%	6.9%	-1.1%	7.8%	12.0%	9.6%	14.0%	13.0%	6.3%
FTSE 100	2.3%	2.3%	-3.1%	6.0%	2.1%	2.8%	9.5%	4.8%	6.7%	10.0%	7.0%

International in ZAR	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
MSCI CHINA	10.1%	14.1%	-1.1%	15.9%	0.4%	20.3%	14.4%	13.0%	15.9%	15.5%	17.9%
MSCI CANADA	8.9%	8.1%	-5.3%	13.7%	23.5%	9.2%	7.8%	7.8%	12.2%	13.2%	12.6%
RUSSELL 1000 (EOD)	9.5%	3.3%	-7.0%	9.5%	25.1%	14.8%	11.1%	16.5%	23.7%	20.8%	14.1%
S&P 500 COMPOSITE	9.4%	2.8%	-7.0%	9.0%	25.0%	15.0%	11.0%	17.0%	24.0%	21.0%	14.0%
MSCI WORLD US	9.2%	4.1%	-7.0%	8.6%	20.3%	13.2%	9.0%	13.1%	20.2%	17.6%	12.7%
MSCI AUSTRALIA	9.5%	8.8%	-5.5%	8.3%	17.1%	8.0%	8.8%	8.0%	13.7%	16.0%	14.0%
HANG SENG	8.8%	9.5%	-0.6%	8.3%	14.0%	17.0%	14.0%	14.0%	18.0%	16.0%	14.0%
FTSE 100	9.6%	8.1%	-4.8%	8.2%	17.0%	10.0%	3.7%	5.6%	14.0%	13.0%	10.0%
EURO STOXX 50	9.8%	6.5%	-8.0%	7.3%	11.0%	11.0%	5.2%	6.2%	16.0%	12.0%	9.5%
MSCI EAFE US	8.7%	5.5%	-7.4%	6.9%	12.5%	10.7%	5.7%	8.2%	16.0%	13.8%	11.0%
ISHARES MSCI EMRG.MKTS. IDX.FD.	4.3%	6.3%	-4.3%	6.2%	7.5%	12.0%	9.8%	9.3%	11.0%	13.0%	13.0%
DAX 30 PERFORMANCE	8.4%	4.3%	-13.0%	6.2%	3.0%	5.9%	4.2%	5.1%	15.0%	14.0%	12.0%
NIKKEI 225 STOCK AVERAGE	6.7%	-0.8%	-9.7%	3.0%	13.0%	12.0%	8.5%	14.0%	19.0%	15.0%	12.0%

Commodities in US\$	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
Bloomberg-WTI Crude Oil Sub Index TR	5.6%	11.0%	-17.7%	24.4%	-3.8%	3.1%	10.7%	-19.2%	-15.1%	-7.4%	-6.7%
Bloomberg-Petroleum Index TR	7.8%	11.3%	-15.3%	22.7%	0.4%	6.4%	13.3%	-15.5%	-11.7%	-3.6%	-3.7%
Bloomberg-Energy Index TR	5.4%	-6.4%	-10.1%	15.2%	3.6%	3.5%	10.0%	-17.1%	-12.6%	-10.0%	-11.3%
Bloomberg-Copper Sub Index TR	5.8%	6.1%	10.7%	12.2%	-6.5%	2.9%	9.8%	-2.6%	-4.9%	5.1%	6.2%
Bloomberg-Industrial Metals Index TR	3.5%	6.1%	4.3%	11.8%	-8.1%	3.0%	11.1%	-0.4%	-4.2%	3.4%	3.1%
Bloomberg-Commodity TR	1.0%	-0.8%	-1.7%	6.5%	-5.7%	-2.1%	3.6%	-8.8%	-7.7%	-2.2%	-2.6%
Bloomberg-Gold Sub Index TR	-0.5%	7.4%	9.2%	2.6%	-0.8%	1.7%	1.3%	-0.7%	-4.3%	2.7%	7.5%
Bloomberg-Softs Index TR	-3.5%	-5.2%	-0.1%	1.1%	-16.7%	-18.7%	-6.3%	-12.6%	-12.5%	-2.4%	-4.2%
Bloomberg-Agricultur Sub Index TR	-3.9%	-3.3%	-2.9%	-1.0%	-16.8%	-12.7%	-5.9%	-11.2%	-8.6%	-2.0%	-3.0%

Commodities in ZAR	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
Bloomberg-WTI Crude Oil Sub Index TR	11.8%	12.6%	-21.1%	21.6%	14.6%	6.9%	6.5%	-14.7%	-7.1%	-4.2%	-2.0%
Bloomberg-Petroleum Index TR	14.3%	12.9%	-18.7%	19.9%	19.6%	10.4%	9.0%	-10.8%	-3.4%	-0.3%	1.3%
Bloomberg-Energy Index TR	11.7%	-5.1%	-13.7%	12.6%	23.4%	7.3%	5.8%	-12.5%	-4.3%	-7.0%	-6.7%
Bloomberg-Copper Sub Index TR	12.1%	7.6%	6.3%	9.7%	11.3%	6.7%	5.7%	2.8%	4.1%	8.7%	11.7%
Bloomberg-Industrial Metals Index TR	9.7%	7.6%	0.1%	9.3%	9.4%	6.8%	6.9%	5.1%	4.9%	6.9%	8.3%
Bloomberg-Commodity TR	7.0%	0.6%	-5.6%	4.1%	12.4%	1.5%	-0.3%	-3.8%	1.1%	1.2%	2.4%
Bloomberg-Gold Sub Index TR	5.4%	8.9%	4.8%	0.3%	18.1%	5.5%	-2.5%	4.8%	4.8%	6.2%	13.0%
Bloomberg-Softs Index TR	2.2%	-3.9%	-4.2%	-1.1%	-0.7%	-15.8%	-9.8%	-7.7%	-4.1%	0.9%	0.7%
Bloomberg-Agricultur Sub Index TR	1.8%	-2.0%	-6.8%	-3.2%	-0.9%	-9.5%	-9.5%	-6.2%	0.1%	1.3%	1.9%

SA Equity in ZAR	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
FTSE/JSE RESOURCE 10	8.0%	25.0%	5.9%	11.0%	33.0%	24.0%	22.0%	-0.7%	1.0%	6.1%	8.3%
FTSE/JSE TOP 40	3.6%	11.0%	-3.9%	6.4%	-0.3%	9.3%	7.3%	6.1%	10.0%	15.0%	14.0%
FTSE/JSE ALL SHARE	3.4%	11.0%	-3.1%	6.3%	-0.9%	7.9%	7.3%	6.6%	11.0%	15.0%	15.0%
FTSE/JSE INDUSTRIAL 25	4.1%	8.0%	-10.0%	5.1%	-11.0%	2.9%	1.5%	6.5%	14.0%	19.0%	19.0%
FTSE/JSE FINANCIAL 15	-2.1%	5.9%	2.1%	4.6%	-2.3%	12.0%	11.0%	11.0%	14.0%	18.0%	15.0%
FTSE/JSE SHAREHOLDER WEIGHTED TOP 40	1.3%	7.5%	-5.9%	4.3%	-6.6%	6.5%	5.6%	6.0%	10.0%	15.0%	15.0%
FTSE/JSE SA LISTED PROPERTY	-5.7%	1.9%	-3.7%	3.0%	-5.2%	-5.6%	-0.4%	6.9%	9.5%	13.0%	17.0%

SA BONDS	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
SOUTH AFRICAN GOVT. (GOVI)	-0.5%	3.1%	5.4%	2.5%	3.6%	8.8%	10.3%	8.3%	7.7%	8.3%	8.7%
SOUTH AFRICAN ALL (ALBI)	-0.4%	3.1%	5.6%	2.5%	4.2%	9.2%	10.6%	8.4%	7.8%	8.5%	8.8%

Foreign Exchange Rates	1 mth	3 mth	6 mth	ytd	12 mth	2 yr	3 yr	5 yr	7 yr	10 yr	15 yr
CNYZAR CURRENCY	-5.8%	2.4%	6.4%	4.8%	-20.8%	-2.2%	3.3%	-6.9%	-9.4%	-3.1%	-3.6%
EURZAR CURRENCY	-5.3%	-2.0%	6.4%	2.9%	-10.2%	-6.9%	2.5%	-1.5%	-6.5%	-2.2%	-4.3%
USDZAR CURRENCY	-5.9%	-1.5%	4.3%	2.0%	-16.3%	-3.5%	4.1%	-5.2%	-8.6%	-3.3%	-4.9%
EURUSD CURRENCY	0.7%	-0.5%	2.0%	0.9%	7.2%	-3.6%	-1.5%	4.0%	2.3%	1.1%	0.6%
JPYZAR CURRENCY	-8.0%	0.3%	4.0%	0.3%	-19.8%	-2.8%	4.5%	-6.9%	-12.6%	-4.5%	-5.0%
US\$ Index	-0.7%	1.0%	-1.1%	-0.1%	-5.7%	-2.6%	-0.7%	3.8%	2.9%	0.9%	0.7%
GBPZAR CURRENCY	-7.0%	-5.3%	1.9%	-1.9%	-13.1%	-6.7%	5.7%	-0.7%	-6.2%	-2.5%	-2.7%

Market Overview

MARKET INDICATORS		01 March 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)	↑	8.14	0.135	8.01	8.06
GC24 (BMK: R186)	↑	9.61	0.040	9.57	9.67
GC27 (BMK: R186)	↑	9.82	0.040	9.78	9.84
GC30 (BMK: R2030)	↑	10.63	0.050	10.58	10.65
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	↓	1,313	-0.54%	1,320	1,312
Platinum	↑	870	0.64%	865	865
Brent Crude	↓	66.0	-0.54%	66.4	66.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↓	1,364	-0.75%	1,374	1,364
JSE All Share	↓	56,002	-0.53%	56,298	56,002
SP500	↓	2,784	-0.28%	2,792	2,784
FTSE 100	↓	7,075	-0.46%	7,107	7,075
Hangseng	↓	28,633	-0.43%	28,757	28,725
DAX	↑	11,516	0.25%	11,487	11,516
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	17,127	-0.42%	17,199	17,127
Resources	↓	45,545	-1.59%	46,280	45,545
Industrials	↓	66,860	-0.06%	66,901	66,860
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.08	1.08%	13.93	14.08
N\$/Pound	↑	18.67	0.72%	18.54	18.65
N\$/Euro	↑	16.01	1.09%	15.84	16.00
US dollar/ Euro	↑	1.137	0.01%	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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