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**Market Update**

**Monday, 01 April 2019**

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## **Global Markets**

Asian stocks rallied on Monday as positive Chinese factory gauges and signs of progress in Sino-U.S. trade talks supported sentiment, although another defeat for British Prime Minister Theresa May's proposed Brexit deal added to sterling's woes.

MSCI's broadest index of Asia-Pacific shares outside Japan added 1 percent and the Shanghai Composite Index rallied 1.7 percent. Australian stocks climbed 0.8 percent, South Korea's KOSPI gained 1 percent and Japan's Nikkei advanced more than 2 percent.

The markets took heart after China's official purchasing managers' index (PMI) released on Sunday showed factory activity unexpectedly grew for the first time in four months in March. A private business survey, the Caixin/Markit PMI, released on Monday also showed the manufacturing sector in the world's second biggest economy returning to growth. If sustained, the improvement in business conditions could indicate that manufacturing is on a path to recovery, easing fears that China could slip into a sharper economic downturn.

Stocks in Asia also took their cues from Wall Street, with the S&P 500 posting its best quarterly gain in a decade on Friday amid trade optimism. The United States and China said they made progress in trade talks that concluded on Friday in Beijing, with Washington saying the negotiations were "candid and constructive" as the world's two largest economies try to resolve their drawn out trade war.

In the currency market, the dollar index against a basket of six major currencies was little changed at 97.260 after going as high as 97.341 on Friday, its strongest since March 11. The greenback had benefited from the flagging pound, which was on track to post its fourth day of losses in the wake of the ongoing Brexit saga. Sterling took its latest knock after British lawmakers rejected Prime Minister May's Brexit deal for a third time on Friday, sounding its probable death knell and leaving the country's withdrawal from the European Union in turmoil.

The pound was down 0.1 percent at \$1.3022. The Australian dollar advanced 0.4 percent to \$0.7124. The Aussie is sensitive to shifts in the economic outlook for China, the country's main trading partner. The euro was a touch higher at \$1.1227 while the dollar rose 0.3 percent to 111.17 yen.

Safe-haven government bonds retreated as risk aversion in the broader markets eased. The benchmark 10-year U.S. Treasury yield edged up to a six-day high of 2.444 percent, pulling away from a 15-month low of 2.340 percent brushed on March 25. The Treasury 10-year yield had sunk as risk aversion, driven by concerns about a global economic slowdown, gripped financial markets towards the end of March.

Crude oil prices added to Friday's gains, with U.S. West Texas Intermediate (WTI) futures gaining 0.5 percent to \$60.45 per barrel. Oil prices posted their biggest quarterly rise in a decade during the January-March, as U.S. sanctions against Iran and Venezuela as well as OPEC-led supply cuts overshadowed concerns over a slowing global economy.

**Source: Thomson Reuters**

## Domestic Markets

South Africa's rand gained on Friday, supported by increased investor appetite for risk, even though traders were cautious before a review of the country's sovereign rating by Moody's later this evening. Stocks strengthened, led by banks and retailers on expectations Moody's would not downgrade its Baa3 rating on South Africa.

At 1502 GMT, the rand was up 0.96 percent at 14.4700 per dollar, as increased demand for Chinese assets amid signs of progress at U.S.-China trade talks and a pledge by Beijing to liberalise financial markets lifted emerging-market currencies.

Market focus was on the decision by Moody's, the last of the top three ratings firms to give Pretoria's debt an investment-grade mark. The other two, S&P and Fitch, have already downgraded it to "junk". While markets expectations were for the Moody's to hold the rating at Baa3, some analysts expected the outlook to be cut.

"We continue to expect the outlook will drop from stable to negative on South Africa's dual currency long-term sovereign debt Moody's rating today - if the country review goes ahead," Investec economist Annabel Bishop said in a note. "This negative outlook would signal a rating downgrade eighteen months thereafter," she said. Some economists, however, said the electricity crisis that saw state utility Eskom impose nationwide rolling blackouts this month, and an overall weak recovery in economic growth, have raised the risk of a full downgrade.

In fixed income, the yield on the benchmark 10-year bond ZAR186= shed 9 basis points to 8.61 percent. In stocks, the Top-40 index closed up 0.74 percent while the broader all-share rose 0.72 percent. Banking shares rose 1.68 percent and general retailers gained 3.4 percent, with Woolworths jumping more than 5 percent to 46.48 rand and Standard Bank 3.3 percent higher to 185.23 rand.

**Source: Thomson Reuters**

## Moody's

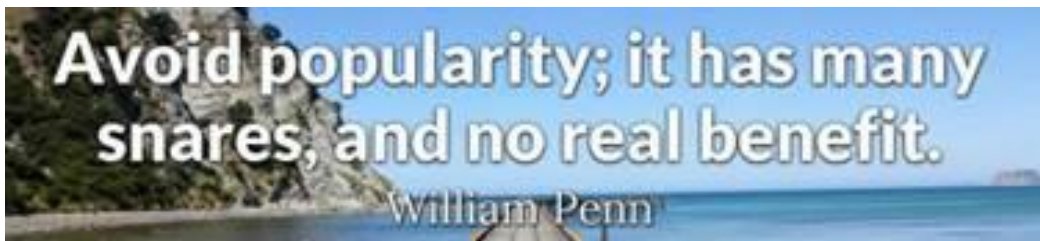
Ratings agency Moody's said it would not publish a review of South Africa's debt rating on Friday as indicatively scheduled, without giving a reason for the delay or the next scheduled release date. In accordance with European Union regulations, Moody's provides dates for the potential release of both solicited and unsolicited sovereign credit rating actions, but can alter these dates at its discretion.

Moody's rates South Africa's foreign and local currency debt on their lowest level of investment-grade at 'Baa3', with a stable outlook. South African markets on Friday were on edge over the impending review, with some economists fearful that a power crisis will cost the country its last investment-grade rating and lead to capital flight and the outflows of billions of dollars.

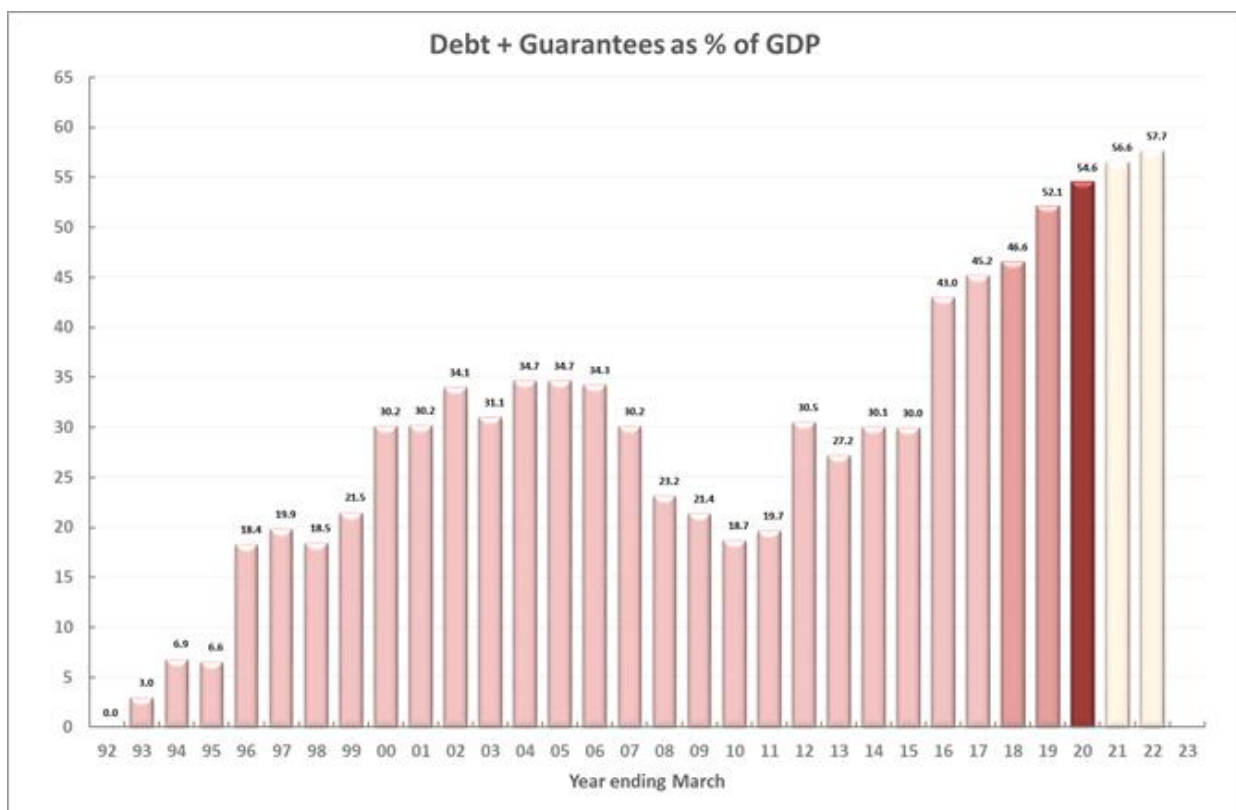
Some analysts were hopeful Moody's would only revise its rating outlook to negative. This year South Africa has experienced its worst power cuts in several years, as cash-strapped utility Eskom struggles with capacity constraints. Eskom has not implemented rolling blackouts this week, but has warned the electric power system remains vulnerable.

The power crisis is a major challenge for President Cyril Ramaphosa a few weeks before an election at which he will try to reverse a decline in voter support for the governing African National Congress. The other two big rating agencies, S&P and Fitch, have already downgraded the country's sovereign to "junk".

Source: Thomson Reuters



## Chart of the Day – Namibia’s debt + guarantees to GDP ratio



## Market Overview

MARKET INDICATORS		01 April 2019			
<b>Money Market TB's</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	7.33	-0.007	7.33	7.32
6 months	⇒	7.95	0.000	7.95	7.95
9 months	⇒	8.17	0.000	8.17	8.17
12 months	↓	8.33	-0.002	8.33	8.33
<b>Bonds</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (BMK: R208)	↓	8.01	-0.020	8.03	7.94
GC24 (BMK: R186)	↓	9.51	-0.090	9.60	9.58
GC27 (BMK: R186)	↓	9.71	-0.090	9.80	9.81
GC30 (BMK: R2030)	↓	10.53	-0.105	10.64	10.49
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,292	0.14%	1,290	1,289
Platinum	↑	846	1.02%	837	847
Brent Crude	↑	68.4	0.84%	67.8	68.2
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX (Delayed)	↑	1,324	1.46%	1,305	1,324
JSE All Share	↑	56,463	0.72%	56,060	56,463
SP500	↑	2,834	0.67%	2,815	2,834
FTSE 100	↑	7,279	0.62%	7,234	7,279
Hangseng	↑	29,051	0.96%	28,775	29,539
DAX	↑	11,526	0.86%	11,428	11,526
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	16,262	1.66%	15,996	16,262
Resources	↓	46,884	-0.22%	46,986	46,884
Industrials	↑	68,916	0.92%	68,285	68,916
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	14.47	-0.83%	14.59	14.34
N\$/Pound	↓	18.85	-0.93%	19.03	18.75
N\$/Euro	↓	16.23	-0.91%	16.38	16.11
US dollar/ Euro	↓	1.122	-0.03%	1.12	1.123
<b>Economic data</b>		<b>Namibia</b>		<b>RSA</b>	
		<b>Latest</b>	<b>Previous</b>	<b>Latest</b>	<b>Previous</b>
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

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