

late on a friday

22 January 2016: "Don't worry, be happy?"

Investor sentiment has been tested so far this year. Panic over the uncontrolled fall in the oil price and concerns over global growth sent stock indices tumbling with some entering bear market territory – a drop of 20% or more from their cyclical highs. Doom prophets re-emerged from the side-lines, calling for a global recession. The International Monetary Fund revised down its global growth forecasts and world growth for this year was lowered from 3.6% to 3.4%. South Africa's GDP growth outlook for this year was cut to a meagre 0.7%. The IMF's revisions overshadowed data from China which showed that the economy actually stabilised towards the end of last year. Full year growth was the lowest in 25 years, but at 6.9% it was in line with their government's target of 7%. The underlying data showed that the slow transitions towards a more consumer orientated economy was still in place.

Financial market panic seems overdone. There are no visible financial excesses and conditions that typically signal recession are absent. The drop in the oil price will be a boon to global growth as it puts money back into the pocket of the consumer. On Thursday, the European Central Bank pledged its support to more aggressive monetary policy. With a possible announcement of further asset purchases as soon as their March meeting, this seemed to have put a floor underneath the market fall and financial markets experienced a sharp snap-back on Friday.

The global credit rating agency, Standard & Poor's, issued a stern warning to the local government that further policy mistakes could bring the country's credit rating closer to junk status. This came a week ahead of the Reserve Bank's Monetary Policy Committee meeting in which an interest rate hike is almost a certainty, the question will be whether it is a 0.25% or 0.5% hike? Consumer price inflation data showed that inflation rose to 5.2% in December. The recent drought-induced food price spike has not yet filtered through and poses upside risks.

DOMESTIC EQUITY		WEEK CHANGE	YTD CHANGE
JSE ALL SHARE	47,661.87	1.49%	-5.98%
JSE FIN 15	13,914.57	1.69%	-8.67%
JSE IND 25	68,107.23	1.56%	-5.08%
JSE RES 20	23,969.18	3.79%	-5.61%
JSE GOLD	1,346.28	-2.13%	27.33%
JSE ALL SHARE 40	42,952.57	2.01%	-6.21%
INTERNATIONAL EQUITY			
DOW JONES (USA)	16,093.51	0.66%	-7.64%
NASDAQ (TECH USA)	4,591.18	2.29%	-8.31%
FTSE (LONDON)	5,900.01	1.65%	-5.48%
NIKKEI (TOKYO)	16,958.53	-1.10%	-10.90%
GLOBAL EQUITY	1,536.79	1.04%	-7.58%
EMERGING MARKET EQUITY	710.66	0.21%	-10.51%
OTHER			
ALL BOND INDEX	470.90	1.01%	1.91%
3 MONTH NCD YIELD	6.73	0.00%	-1.03%
R/DOLLAR	16.41	-2.09%	6.12%
R/EURO	17.78	-3.11%	5.83%
R/POUND	23.34	-1.89%	3.53%
GOLD	1,096.25	0.23%	3.20%
OIL (BRENT)	32.18	11.20%	-13.68%

Global equity markets experienced a sharp snap-back on the hope that major central banks will provide further monetary policy stimulus to counter the financial market turmoil. One of the main beneficiaries of this news was oil, which spiked by 11% this week and closed back above \$30 a barrel after touching a new cyclical low earlier this week. Colder Northern hemisphere weather conditions also helped the recovery in the oil price. It is still, however, set for its biggest January fall in 25 years as sanctions against Iran are officially dropped. The local FTSE/JSE All Share Index gained nearly 3% on Friday to end the week 1.5% higher. The rand had a good week and appreciated by more than 2% against the dollar to close at R16.41.

DISCLAIMER

This document is for information purposes only and is not intended for the solicitation of new business. Novare shall not accept any liability or responsibility of whatsoever nature and however arising in respect of any claim, damage, loss or expense relating to or arising out of or in connection with the reliance by anyone on the contents of this document.

NOVARE[®]

Novare Investments (Pty) Ltd is an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act No 37 of 2002. FSP No. 757. Novare Actuaries and Consultants (Pty) Ltd is an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act No 37 of 2002. FSP No. 815. Past performance is not indicative of future returns which may go up or down. No guarantees are provided in relation to portfolio investment performance.