

late on a friday

26 February 2016: "Junk tax vs junk status!"

The National Budget Speech was one of the most eagerly anticipated in decades. With the recent widespread downward revisions to the economic growth outlook, the government had to focus its attention on trying to avoid the looming prospect of a sovereign rating downgrade to sub-investment grade. The economy is expected to grow by 0.9% in 2016, down from 1.3% last year. The decline in the forecast has been a function of both the depressed global environment and the local drought. The budget deficit is expected to fall from 3.2% in 2016/17 to 2.8% in 2017/18 and 2.4% the following year. The debt to GDP ratio is expected to stabilise at -4% in 2016/17. This year the minister forecasts that an additional R18.1 billion of tax revenue will be raised, with an additional R15 billion in each of the subsequent two years. Some of the proposed revenue increases will come from the introduction of: sugar tax, adjustments in capital gains tax, transfer duties and tyre levy.

The fear of a downgrade has not been unwarranted as Brazil's sovereign rating was cut to junk by Moody's Investors Service, the last of the major ratings companies to strip the country of its investment grade. Though one of the rating agencies Standard & Poor's issued a statement on Thursday assuring that the South African sovereign's rating will not be immediately impacted by the budget speech.

The Producer Prices in South Africa increased to 7.6% y/y in January 2016 from 4.8% y/y in December 2015. . Unemployment decreased to 24.5% in the fourth quarter of 2015 from 25.5% in the previous period. This was below market expectations of 25.5%. Employment figures increased by a slower 1.2%.

US consumer confidence fell to its lowest level in seven months in February .The index declined to 92.2 from 97.8 in January. The numbers were lower than expected, though a figure of more than 90 is regarded as a good reading.

DOMESTIC EQUITY		WEEK CHANGE	YTD CHANGE
JSE ALL SHARE	48,940.43	0.72%	-3.46%
JSE FIN 15	14,650.86	2.73%	-3.84%
JSE IND 25	66,933.67	-0.58%	-6.72%
JSE RES 20	26,973.53	3.31%	6.22%
JSE GOLD	1,785.58	-8.01%	68.88%
JSE ALL SHARE 40	43,474.46	0.82%	-5.07%
INTERNATIONAL EQUITY			
DOW JONES (USA)	16,391.99	2.62%	-5.93%
NASDAQ (TECH USA)	4,504.43	3.85%	-10.04%
FTSE (LONDON)	5,950.23	4.25%	-4.68%
NIKKEI (TOKYO)	15,967.17	6.79%	-16.11%
GLOBAL EQUITY	1,538.17	3.48%	-7.49%
EMERGING MARKET EQUITY	740.98	4.18%	-6.69%
OTHER			
ALL BOND INDEX	485.31	0.70%	5.03%
3 MONTH NCD YIELD	7.05	0.00%	3.68%
R/DOLLAR	15.38	-3.09%	-0.55%
R/EURO	17.14	-4.14%	2.04%
R/POUND	21.99	-3.60%	-2.47%
GOLD	1,231.15	-0.69%	15.90%
OIL (BRENT)	33.01	-1.05%	-11.45%

The rand rally continued this week against major currencies supported by rising commodity prices and an improvement in local sentiments.

The JSE All Share Index rose by 72 basis points, supported mostly by resources and financial shares.

International markets rose as the G20 policy makers met in Shanghai to discuss the state of the global economy.

The All Bond Index was up 70 basis points at the back of increasing yields after the budget speech.

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