

late on a friday

11 March 2016: "Helicopter Draghi!"

Mario Draghi left the pea shooter at home and arrived with a bazooka at the European Central Bank's monthly meeting on Thursday, delivering more monetary stimulus than what was expected. He cut the deposit rate further into negative territory (from -0.3% to -0.4%), he expanded the amount of monthly asset purchases to €80bn from €60bn (allowing for the inclusion of non-bank corporate debt purchases) and launched a new 4 year lending program that aims to promote credit extension to the economy. This unprecedented round of monetary stimulus finally did justice to his commitment from 2012 that the European Central Bank will do what it takes to reflate the European economy and prevent it from spiralling into a deflationary environment. It was only President Draghi's forward guidance that poured cold water over further rate cut expectations that disappointed market participants, causing the euro to strengthen again.

Locally, a host of different economic data all disappointed, but the impact on the currency was limited as it took its cue from global developments that were in favour of emerging markets. The current account deficit ballooned to 5.1% in the final quarter of last year from an upwardly revised 4.3% the previous quarter. The large deficit will continue to put pressure on the rand to depreciate. Business confidence for the quarter remained at depressed levels and both mining and manufacturing production numbers disappointed as the monthly and yearly numbers showed that activity in these two sectors contracted.

News that Chinese exports slowed by 25% year on year kicked the week off on the back foot for global markets as concern grew that China's slowdown will dampen global growth, but Chinese officials made the right moves during the remainder of the week to quell some of these fears.

DOMESTIC EQUITY		WEEK CHANGE	YTD CHANGE
JSE ALL SHARE	51,429.22	-1.48%	1.45%
JSE FIN 15	14,892.29	-1.15%	-2.25%
JSE IND 25	69,974.08	-0.80%	-2.48%
JSE RES 20	29,295.13	-5.56%	15.36%
JSE GOLD	2,089.14	-3.68%	97.59%
JSE ALL SHARE 40	45,438.40	-1.70%	-0.78%
INTERNATIONAL EQUITY			
DOW JONES (USA)	16,995.13	-0.07%	-2.47%
NASDAQ (TECH USA)	4,662.16	-1.16%	-6.89%
FTSE (LONDON)	6,120.04	-1.28%	-1.96%
NIKKEI (TOKYO)	16,938.87	-0.45%	-11.01%
GLOBAL EQUITY	1,597.09	-0.68%	-3.95%
EMERGING MARKET EQUITY	790.75	-0.03%	-0.43%
OTHER			
ALL BOND INDEX	488.04	1.00%	5.62%
3 MONTH NCD YIELD	7.10	0.00%	4.41%
R/DOLLAR	15.21	-0.10%	-1.62%
R/EURO	16.88	-0.08%	0.50%
R/POUND	21.74	0.60%	-3.58%
GOLD	1,264.20	-1.04%	19.01%
OIL (BRENT)	40.76	5.27%	9.33%

Financial markets consolidated this past week, following the previous two weeks' strong gains. Investors took some time to digest the ECB's stimulus measures, but the result was that markets rebounded firmly today. The FTSE/JSE All Share Index still ended the week 1.5% lower as the resources shares fell by 5.6%. Industrial shares were only 0.8% lower. The biggest moves took place in currency markets. The euro initially weakened against the dollar, but appreciated following President Draghi's comment that interest rates won't be cut further. The pound appreciated against both the dollar and the euro following robust UK manufacturing numbers. The price of oil rose for a 3rd straight week on signs of rising US fuel demand and easing production.

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.