

late on a friday

4 March 2016: "Markets leap higher!"

Domestic data was disappointing this past week. GDP growth for the final quarter of last year was lower than expected at 0.6% and full year growth of 1.3% was meagre at best. The agriculture and manufacturing sectors were the biggest detractors to growth, but the weakness was broad based. New vehicle sales slumped for another month in February as total industry sales dropped by 8.1% year-on-year. News of Barclays' plans to pull out of Absa dented sentiment as it caused uncertainty over foreign interest in the country, but political uncertainty and noise that there is a rift between Finance Minister Gordhan and some political leaders were of greater concern, even though the leading ANC moved to squash the speculation. Nersa, the energy regulator, announced that they granted Eskom a 9.4% tariff increase for this year. Initially it was thought that this was over and above the original increase granted, but it turned out to replace the previous tariff increase of 8%.

The eagerly awaited US job data for February provided to be a mixed bag. Non-farm payrolls rose by a stronger than expected 242,000 and the previous month's number was revised up to 172,000. The unemployment rate held steady at 4.9%, but wages declined for the first time in a year. The strong employment growth keeps a US rate hike on the table, but the weak underlying earnings will mean that the Fed still has time before lifting rates again.

Global equity markets experienced a strong week with many indices back at 8-week highs and having recovered more than half the losses since the start of this year. Renewed optimism has been as a result of the stabilisation in the oil price and speculation that the European Central bank will announce aggressive stimulus measures next week. The key OPEC producers intend to meet with other producers later this month to renew talks on an agreement to freeze output.

DOMESTIC EQUITY		WEEK CHANGE	YTD CHANGE
JSE ALL SHARE	52,091.47	7.69%	2.76%
JSE FIN 15	15,003.28	5.25%	-1.52%
JSE IND 25	70,549.49	6.36%	-1.68%
JSE RES 20	30,943.66	16.97%	21.85%
JSE GOLD	2,096.67	3.07%	98.30%
JSE ALL SHARE 40	46,229.13	8.16%	0.94%
INTERNATIONAL EQUITY			
DOW JONES (USA)	16,943.90	1.48%	-2.76%
NASDAQ (TECH USA)	4,707.42	2.73%	-5.99%
FTSE (LONDON)	6,178.38	2.75%	-1.02%
NIKKEI (TOKYO)	17,014.78	5.42%	-10.61%
GLOBAL EQUITY	1,598.26	2.85%	-3.88%
EMERGING MARKET EQUITY	780.19	6.10%	-1.76%
OTHER			
ALL BOND INDEX	480.71	-0.73%	4.03%
3 MONTH NCD YIELD	7.08	0.43%	4.12%
R/DOLLAR	15.62	0.35%	1.03%
R/EURO	17.05	-0.71%	1.51%
R/POUND	22.05	1.42%	-2.21%
GOLD	1,259.28	1.88%	18.55%
OIL (BRENT)	37.23	5.50%	-0.13%

The risk-on trade is back and equity markets globally soared this past week. The local FTSE/JSE All Share Index gained 7.7% amidst a strong rally across the board, but more so in resources shares that leaped 17% higher. The mining companies benefitted from an increase in the underlying commodity prices. Global equity markets also rose strongly with the outlier being the Japanese Nikkei Index with a 5.4% gain on the back of a weaker currency. Emerging market equities outperformed their developed market counterparts. The rand was stronger against the euro, but depreciated against the pound and the dollar. The price of oil gained 5.5% on speculation that a supply free will boost prices materially.

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