
March 2016

World Economy

The Fed decided not to increase the interest rate, even after a positive monthly jobs report (an increase of 215 000 jobs in the private industry). Janet Yellen, the Fed chair also indicated not to do so in the near future, which helped the share markets in general. The MSCI World Index recouped their sharp losses in January and February with only -0.7% down since January 1st 2016. March was the best month for Emerging Market equities in over 4.5 years, with the MSCI Emerging Markets Index up 13% in dollar terms and the MSCI South African Index up 17.5% (in dollar terms 13.1%), although the one-year return is still negative -19.5% in dollars. The latest Purchasing Managers Index (PMI) numbers for China and the US improved, which is good news for the global economy 2nd quarter and may cause an increase in demand for commodities.

SA Economy

Inflation increased in February to 7% year on year, the Production Price Index (PPI) increased to 8.1%, the repo rate was increased with 25 basis points and the petrol price is expected to increase with 7.5%. This indicate a difficult year for the consumer. March new vehicle sales dropped 14% and exports was down 18.5%. Luckily there was some good news. The rand is making a comeback closing at around R14.75 to the US\$. The rand has gained 4.4% against the US dollar, 7.3% against the pound and 0.3% against the euro in 2016. The trade deficit narrowed to R1.07 billion in February from a R17.96 billion short fall in January. The Purchasing Managers Index (PMI) rose to 50.5, for the first time above the neutral 50 since July 2015. More good news; the Ingula pump storage scheme 2nd unit was synchronised to the national grid ahead of time and South Africa's budget deficit target is seemingly achievable as the South African Revenue Service's (SARS) revenue collection for the 2015/16 financial year surpassed the February-revised projections by R2-billion.

SA Asset class returns in 2016 are 10.4% for SA Listed Property Index total return, 6.3% for the All Bond Index, 2.5% for the JSE All Share Index and 1.69% for Cash.

Initiatives and trends to follow

- The repo rate with another two possible increases during 2016.
- Less interest rate hikes by the FED during 2016 as indicated by Yellen.
- An increase in the inflation rate due to the draught, the increase in electricity cost and an increase in the fuel cost.
- The exchange rate due to the political turmoil.

The volatility in the share market, during the past quarter, was used by portfolio managers to reposition their client's portfolios.

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