



THE POWER OF INDEPENDENT ADVICE

## INTERNATIONAL MARKETS THE DOW JONES INDUSTRIAL CLOSED AT A RECORD HIGH

**In the US, February was a stellar month on the markets. The Dow Jones Industrial (DJI) closed at a record high for a 12th straight session on Monday 27 February (its longest streak of consecutive records since 1987), after US President Donald Trump said he would talk about his infrastructure spending plans in his first major policy address to Congress the next day. Hopes for tax cuts, a rollback on regulations and big federal infrastructure spending helped fuel the rally.**

However, ahead of Trump's speech on Tuesday the Dow halted its winning streak as caution set in and the DJI shed 0.1% on Tuesday to close slightly down on the day. Nevertheless, the index put in an impressive performance rising 4.77% for the month, while YTD the DJI is up 5.31%. The S&P 500 also performed well, recording a 3.72% gain for the month (+5.57% year to date), while the tech-heavy NASDAQ closed February 3.75% higher (+8.22% year to date).

Much like his inauguration speech, where expectations were high, but he didn't come up with any concrete details, Trump's speech on Tuesday failed to offer much in the way of further details on his overall plans to get the US economy pumping. Market strategists at the *Wells Fargo Investment Institute* summed it up as follows "investors had little to grasp, and market reaction during the speech was choppy and directionless".

In Europe, the UK's FTSE 100 Index gained 2.31% for the month (+1.69% year to date). Germany's DAX advanced by 2.59% in February (+3.08% year to date), while France's CAC was up 2.31% month on month but is down 0.08% year to date. In Asia, shares ended the month higher buoyed by gains on Wall Street. Japan's Nikkei also received a tailwind from the weaker yen and rose 0.4% in February, while year to date the index closed relatively unchanged (+0.02%). After a strong performance in

January, China's Shanghai Composite Index rose a further 2.61% in February (up 4.45% year to date), while Hong Kong's Hang Seng Index advanced 1.63% in February after rocketing 6.2% in January. The index is now up 7.91% for the year to date. In early February, China's central bank surprised markets by raising short-term interest rates.

Among commodities, crude oil prices were largely steady (-0.02% month on month), but expectations of higher US crude production offset reports of high compliance with OPEC's production cut agreement, according to *Reuters*. Meanwhile, the price of gold retreated from Monday's three-and-a-half month high on Tuesday but still ended the month 3.1% higher (the yellow metal is up 8.8% year to date). The platinum price dropped below the \$1,000/oz level several times during the month but ended February with a 3.0% gain for the month.

Sources:

- Anchor Capital • Fin24.com • Wheels24.com

# LOCAL MARKETS

## STRONGER RAND PERFORMED WELL AGAINST THE DOLLAR

MONTHLY UPDATE MARCH 2017

The local market stumbled last month after it started the year very well in January. The FTSE JSE All Share index closed 3.1% lower month on month at the end of February, although the market is still a little up (1%) year to date. The robust global markets had little impact thanks to a resource sell-off, a stronger rand which weighed on returns and the ever present political risk pushing the market down. The resources sector gave back January's gains with the Resi-20 retreating by 10.7% for the month. Industrial shares were 2% lower compared to January while financial shares remained under pressure and ended the month relatively unchanged (-0.1% compared to January). The rand again performed well against the dollar and was 2.6% stronger for the month, year to date has gained 4.5%. The stronger rand weighed on rand-hedge shares, which account for a large part of the overall market.

Unlike January when resource shares were the star performers, February's top performers were for the most part industrial shares. Construction Group, Murray & Roberts (M&R) surged 36.5% for the month - February's best-performing share by far. In second spot, Hudaco's share price rallied 22.7% for the month and in third spot was diversified industrial Group, KAP (+20.1% for the month). The month's worst performers were Impala Platinum (-17.6% for the month), African Rainbow Minerals (15.8%) and BHP Billiton PCL (-14.6%).

President Jacob Zuma's State of the Nation address disappointed in terms of content as little to no information was provided about ways to stimulate the struggling economy. Political risk remains an issue as speculation persists that a cabinet shuffle is imminent, which could see Finance Minister Pravin Gordhan lose his position. On the local economic data front, the January trade deficit widened materially more than had been expected, with a deficit of R10.8bn. While this figure reflected a year on year improvement on the back of a 15.8% year on year export expansion, exports were still weaker than forecast.

January CPI retreated to 6.6% year on year, following December's 6.8% spike. Food and transport costs continued to be the main culprits driving inflation, rising by 11.4% year on year and 6.7% year on year, respectively. January's private sector credit extension (PSCE) growth accelerated to 5.6% year on year from 5.1% in December with the upside surprise almost entirely due to a larger-than-expected rise in corporate sector general loans and advances.

South Africa's Purchasing Manager's Index (PMI) fell from December's 21-month high of 51.6 to 50.5, showing only marginal growth in business activities. On the positive side though, the PMI remained above 50.0 for the sixth month running in February – the longest sequence of growth in nearly five years, Standard Bank said in a statement, signalling an ongoing improvement in the private sector's operating conditions.

Another bit of positive news was figures for new vehicle sales. The National Association of Automobile Manufacturers (Naamsa) called the 48 113 units sold in February a 'positive trend'. "The positive trend in new vehicle sales had been maintained during the month, characterised by noteworthy gains in light commercial vehicle, as well as medium and heavy commercial vehicle sales," Naamsa said in a statement after the release of the figures.

The property market (Western Cape excluded) remains under pressure. The FNB House Price Index showed slightly slower year-on-year growth compared with the revised January rate, and at 0.8% continues to 'bump along the bottom'. This is slightly lower than the revised 0.9% rate recorded in January. According to FNB's John Loos since December 2015, the average house price has declined by -5.6% in real terms and the extent of this house price deflation in real terms is starting to represent a noticeable house price "correction".

### JOHANNESBURG (FOURWAYS)

Tel: +27 (0)11 799 8100  
Fax: +27 (0)11 799 8101

Unit 2B, Cedar Office Estate,  
Cedar Road, Fourways, SA

### JOHANNESBURG (SANDTON)

Tel: +27 (0)10 035 1391  
Fax: +27 (0)86 775 7089

The Business Exchange,  
150 Rivonia Road, Sandton, SA

### PRETORIA (ERASMUSKLOOF)

Tel: +27 (0)12 347 8240  
Fax: +27 (0)12 347 0601

494A Lois Avenue, Erasmuskloof X3,  
Pretoria, SA

### CAPE TOWN (DE WATERKANT)

Tel: +27 (0) 21 418 1236  
Fax: +27 (0) 21 418 1304

29 Chiappini Street, De Waterkant,  
Cape Town, SA

### BELLVILLE (TYGERVALLEY)

Tel: +27 (0)21 914 9646  
Fax: +27 (0)21 914 6515

Tyger Waterfront Terraces 2,  
Carl Cronje Drive, Bellville, SA

### STELLENBOSCH (CENTRAL)

Tel: +27 (0)21 882 8706  
Fax: +27 (0)21 882 8799

97 Dorp Street, Unit 3,  
La Gratitude, Stellenbosch, SA