

Nedbank

Economic commentary

15 March 2010

WEEKLY MONITOR

Review of 8 to 12 March and preview of 15 to 19 March 2010

DOMESTIC

The **rand** traded in a narrow range against the US dollar last week, closing at R7,37 on Friday, up slightly from R7,40 at the end of the previous week. However, the local unit lost some ground against the euro and the British pound, mainly dragged down by the weaker gold price. The unit ended at R10,16 and R11,20 on Friday against the two currencies respectively, down from R10,09 and R11,15 a week earlier.

Bonds were generally steady. The yields on the **R157 2015** and on the **3-year BESA actuaries** closed the week at 8,18% and 7,90% respectively, almost unchanged from 8,17% and 7,91% at the previous week's closes. The yields on the **5-year BESA actuaries** edged up slightly to 8,28% from 8,24%, while the yields on the **10-year BESA actuaries** were unchanged 8,85%.

Money market rates were also steady, but ended the week mixed. On Friday, the **12-month JIBAR** was unchanged at the previous week's close of 7,07%, the **6-** and **9-month JIBAR** declined to 7,46% and 7,64% respectively from 7,48% and 7,66%, while the **12-month JIBAR** edged up to 7,94% from 7,93%.

Local equities were helped by firmer global markets, mainly following the release of stronger than expected US retail sales numbers on Friday. The **FTSE/JSE all share index** closed the week at 28 262,4, up by 1,3% for the week, with **industrials** and **basic materials** gaining 1,8% and 1% respectively to end at 26 995,8 and 28 100,8, while **financials** increased by a marginal 0,8% to 20 733,0.

Manufacturing production grew for the second successive month an annual basis in January, increasing by 3,7% following a 3,2% rise in December. Although the improvement reflects some base effects, it also points to continued recovery in both local and global conditions. The motor vehicles and parts industry remained the main driver of growth in manufacturing production, with its output rising by 34,2% over the year following a 32,3% increase in December. Production of basic iron and steel continued to increase (up by 13,1% y-o-y following a 10,3% growth in December) partly reflecting better demand from industrialized countries. In contrast, production in seven of the ten major industrial categories remained weak, with output in 'textiles, clothing and footwear', 'glass and non-metallic mineral products' and 'radio, television and professional equipment' falling by 15%, 10% and 8,6% respectively on an annual basis, following drops of 12%, 3,5% and 11,1% in December.

Mining production rose sharply in January, up by 7,7% y-o-y following a 2,3% decline in December with the year-on-year growth boosted mainly by a surge in chrome production off an extremely low base in early 2009. Chrome output increased by 179% y-o-y following an increase of 76% in December. Platinum, diamond and nickel production also recorded strong increases - helped by base consolidations - rising by 16,9% y-o-y, 58,9% y-o-y and 65,1% y-o-y respectively

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compared with declines of 0,2% y-o-y and 6,1% y-o-y for platinum and diamond, and a modest growth of 2,4% y-o-y for nickel in December. In contrast, gold production was disappointing, dropping by 18,2% y-o-y in January, its sharpest annual rate of decline since August 2008.

The **RMB/BER Business Confidence Index (BCI)** jumped by 15 points to 43 in the first quarter of 2010, its highest level since the second quarter of 2008 from 28 in the final quarter of 2009. All the sub-indices recorded improvement during the period, with new vehicle dealer's confidence jumping to 60 from 29, wholesaler's, retailer's and manufacturer's confidence rising to 50, 51 and 28 respectively from 27, 41 and 15, while contractor's confidence increased marginally from 23 to 26.

Preview of the week: 15 to 19 March 2010

Country	Release	Period	Consensus forecasts (Bloomberg)	Nedbank forecast	Previous
South Africa					
Monday	-	-	-	-	-
Tuesday	FNB/BER CCI	Q1 2010	-	-	6
Wednesday	Retail sales	Jan-10	-2,4% y-o-y	-	-3,7% y-o-y
Thursday	-	-	-	-	-
Friday	-	-	-	-	-

Retail sales for January is one of the key economic releases scheduled for this week. Sales are expected to have weakened on a monthly basis due to the normal seasonal factors, but to show some improvement on an annual basis as consumer confidence continued to improve compared with last year.

INTERNATIONAL

Positive US economic data helped to boost equity markets last week. In the US, the **Dow Jones**, the **NASDAQ** and the **S&P500** rose by 0,6%, 1,8% and 1% respectively, to end the week at 10 624,7, 2 367,7 and 1 149,9. In Europe, the **UK FTSE 100**, the **German DAX** and the **French CAC** rose by 0,3%, 1,2% and 0,4%, to end at 5 625,7, 5 945,4 and 3 927,4. In Japan, the **Nikkei 225** closed at 10 751,3, up by 3,7%.

Lingering concerns about sovereign risk helped support the US dollar, which ended stronger against both the euro and the British pound. The US unit closed at \$1,3785 and \$1,5209 against the euro and the British pound from \$1,3623 and \$1,5130. The Japanese yen closed slightly weaker against the dollar at ¥90,54 from ¥90,28.

Brent crude oil ended the week lower on concerns that fuel inventories may remain high as supply from OPEC continued to outpace demand. Crude oil fell by 0,7%, to end at \$78,49 per barrel. **Gold** closed at \$1 102,1 per ounce, down by 2%, while **platinum** ended 1,9% higher at \$1 608,5 per ounce.

In the **US**, **initial jobless claims** fell by 6 000 to 462 000, compared with market expectations of a decline to 460 000. The four-week-moving average, which smoothed out weather-related noise in the data, increased by 5 000 to 475 000. The **University of Michigan consumer confidence index** declined for a second consecutive month, falling to 72,6 in February from 73,6 in January. The market had expected the index to increase to 74. In contrast, **retail sales** rose above market expectations, increasing by 0,3% m-o-m, following a 0,1% m-o-m gain in January. Over the year, sales rose by 3,9%. 10 out of the 12 sectors registered gains, with only car sales falling by 2% m-o-m and health and personal goods sales declining by 0,7%.

In the **UK**, **manufacturing production** increased on an annual basis for the first time since March 2009. Over the month, output fell by more than expected, declining by 0,9% m-o-m, against market expectations of a 0,3% gain. Output rose by 0,9% m-o-m in December. Although bad weather may have partly contributed towards the worse-than-expected figure, the consensus following the data's release was that the figure was still extremely weak. The number was also at odds with recent PMI data, which suggested that the recovery continued to gain momentum. The **trade deficit** increased to its widest level since August 2008, rising to £7,9 billion from £7 billion in December. The sharp increase was due to a 6,9% m-o-m fall in exports, as a result of a 12% m-o-m decline in non-EU exports. Imports declined more modestly, falling by 1,6% m-o-m.

In **Japan**, **fourth quarter gdp** was revised lower to an annualized 3,8% q-o-q from the initial estimate of 4,6% q-o-q. The revision was due to slightly lower business spending and a decline in inventories. **Core private sector machine tool orders**, a leading indicator of capital spending, fell by 3,7% m-o-m in January, following a 20,1% m-o-m gain in December. Orders from manufacturing firms rose by 3,3% m-o-m in January, while orders from non-manufacturers fell by 12,9% m-o-m,

Preview: 15 to 19 March 2010

Country	Release	Month	Forecast	Previous
United States				
Monday	Industrial production	February	0,1% m-o-m	0,9% m-o-m
Tuesday	Housing starts	February	-3,6% m-o-m	2,6% m-o-m
Wednesday	Producer inflation	February	5,1% y-o-y	4,6% y-o-y
Thursday	Consumer inflation	February	2,3% y-o-y	2,6% y-o-y
	Initial jobless claims	Week ending 12 March		462 000
Friday	Current account balance	2009 Q4	-\$119,8 billion	-\$108 billion
	Leading indicator	February	0,1% m-o-m	0,3% m-o-m
Eurozone				
Monday				
Tuesday	Consumer inflation	February	0,9% y-o-y	1% y-o-y
Wednesday				
Thursday	Trade balance	January		€4,4 billion
Friday				
United Kingdom				
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				
Japan				
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				

Overview: 8 to 12 March 2010

Figure 1: JSE All-share index

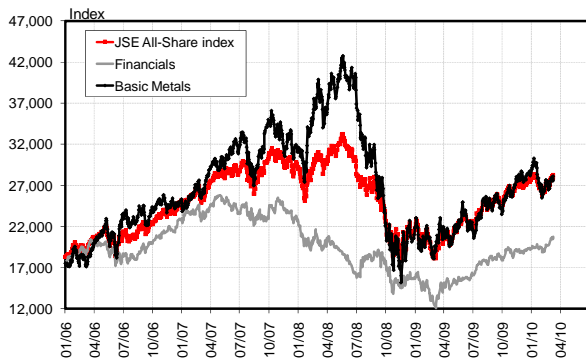


Figure 2: International equity markets

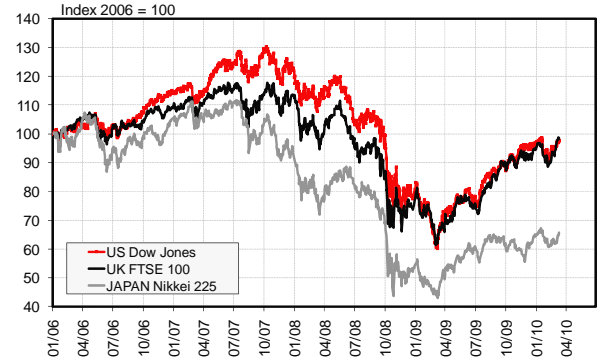


Figure 3: Currency markets

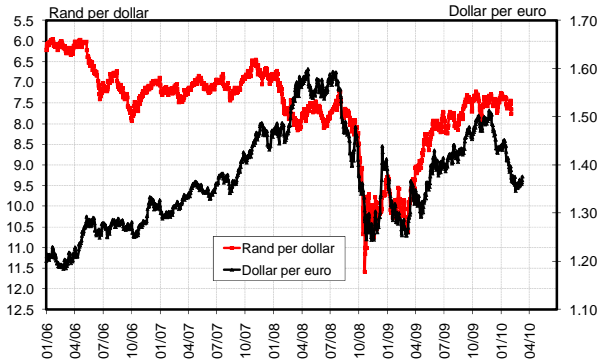
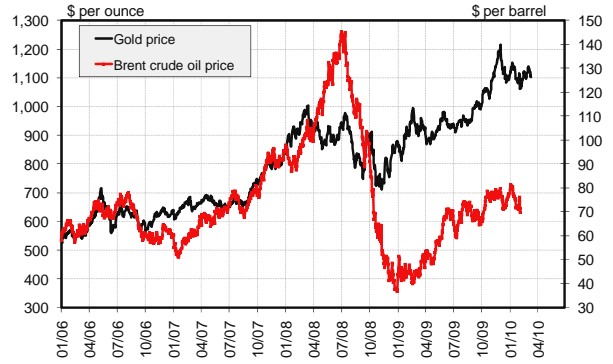


Figure 4: Commodity prices



(Source: Datastream, I-NET)

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