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acsis' weekly market briefing

5 March 2010

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## international economic news

### US employment data better than expected

The US economy lost 36 000 jobs in February, significantly lower than the consensus forecast of 68 000. This follows January's loss of 26 000 jobs. The unemployment rate remained steady at 9.7%, which was considered a positive result since the workforce expanded. The unemployment rate reached a 26-year high of 10.1% in October 2009 but has since improved, sparking hopes that the US labour market is starting to recover. According to economists, there is evidence that job growth is slowly gathering momentum in the US, but that the labour market still has a long way to go before it is stable.

### US existing home sales plummet

Pending sales of previously-owned homes in the US declined by 7.6% m-o-m in January, in contrast to the 1.7% increase forecast by economists. The decline in January follows December's 0.8% increase. Although sales were still higher than January last year, economists were disappointed by the result. Despite an extension of tax credits to encourage buyers, the housing market is clearly still at the centre of its worst recession since 1930.

### global PMI improves

The Global Purchasing Managers Index for Services and Manufacturing improved to 53.6 in February (its highest level since October 2009) from 53.2 in January. The index has now remained above the neutral 50 point mark for seven successive months. The latest reading is consistent with a global GDP growth rate of between 3% and 4% per annum. The Global Services Index increased to 52.6 (from 51.2 in January), its highest reading since December 2007. However, overall growth is still centred on manufacturing, despite a slightly lower Manufacturing Index (from 56.1 in January to 55.2 in February). According to analysts, the figures bode well for global economic growth but sustainability would only be reinforced once the labour market has recovered.

## international market news

### international equities in the black

Developed markets across the globe ended the week in positive territory. The S&P500 (+3.1%), Dow Jones (+2.3%) and Nasdaq (+3.9%) all posted significant gains due to growing optimism in the labour market and preliminary reports from retailers that suggest sales may have picked up significantly in February. European markets were boosted by their US counterparts and positive reactions to Greece's announcement of a plan that would cut its deficit by US\$6.5 billion in 2010. The FTSE 100 (+4.6%), CAC40 (+5.4%) and DAX (+5.0%) made significant gains during the week. The Nikkei (+2.4%) and Hang Seng (+0.9%) also ended the week in the black.

## South African economic news

### SA PMI increases to highest level in nearly 3 years

South Africa's Purchasing Managers Index increased to 60.4 in February from 53.6 in January and reached its highest level since March 2007. This is the fourth consecutive month that PMI has remained in expansionary territory. One of the highlights of the report was that the employment sub-index remained above the 50-point level for two consecutive months for the first time since January 2008. According to economists, the report reinforced the view that the local economic recovery was gaining momentum and that inventories were

## developed equity markets

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## SA equity sectors

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## SA vehicle sales

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being replenished in anticipation of higher consumer demand.

#### **new vehicle sales surge for the second consecutive month**

New vehicle sales increased by 16.2% m-o-m in February, accelerating from the 12% m-o-m increase in January. According to analysts, the release supports evidence that consumer spending is starting to recover. While new vehicle sales have declined for three consecutive years, some analysts are now predicting that the National Association of Automobile Manufacturers of SA's forecast of 7% - 10% sales growth in 2010 will be surpassed. Economists also believe that the latest figures could persuade the SARB not to cut rates at its next MPC meeting later this month.

#### **South African market news**

##### **ALSI follows global equities**

The ALSI, following the lead of global markets and boosted by positive PMI and vehicle sales data, gained 4.3% over the week. Resources (+5%) made the largest gain, closely followed by financials (4.6%) and then industrials (+3.8%). The rand gained 4% against the US dollar to end the week at R7.40/US dollar.

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