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acsis' weekly market briefing

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international economic news

global manufacturing PMI increases

The JPMorgan Global Manufacturing Purchasing Managers Index increased to 56.1 points in January from 54.6 in December, the highest reading in five-and-a-half years. Manufacturing production increased for the eighth consecutive month in January, with the rate of expansion reaching a 69-month high. The US index surged to a five-year high of 58.4. The UK index at 56.7 is at a 15-year high. Rates of expansion reached 69-month highs in China. The only bleak spot is that while the eurozone index was up (52.4) it showed a contrast between strong growth in Germany (53.7), France (55.4) and Italy (51.7) but deteriorating contractions in Spain (45.3), Ireland (48.1) and Greece (46.8).

central banks keep rates unchanged

The Bank of England (BoE) decided to keep the interest rate at 0.5% and maintain the stock of asset purchases at £200bn financed by the issuance of central bank reserves. The European Central Bank (ECB) also voted that the current level of the key rate remains appropriate at 1%. The Reserve Bank of Australia (RBA) surprised the market by leaving their cash rate unchanged at 3.75%, following three rate hikes in 2H09. The pause comes despite optimistic expectations of the continued recovery, benefits of stronger Asian growth and improving house prices. This highlights the significant uncertainty in the timing and pace of normalisation in global monetary policy.

US jobless rate declines

The US unemployment rate declined from 10% to 9.7% in January bringing the number of unemployed persons down to 14.8 million. On revised data, 8.4 million jobs have been lost since November 2007. The significance of this can be seen when compared to the 2.1 million jobs that were lost in 2001-2002, 1.7 million in 1990-1991, 2 million in 1981-1982 and 2 million in 1974-1975. The reality is that US unemployment is setting new post-war records in scope and duration. Things do not appear to be improving significantly despite the return of economic growth in 4Q09.

international market news

international equities decline

Oil and metals declined on concerns that the deficits in Europe will reduce economic growth and demand for commodities. There was a slight rebound on Friday on speculation that the European Union may come up with a solution for budget deficits in Greece and Spain. In the US, the Dow Jones (-0.5%), S&P500 (-0.7%) and Nasdaq (-0.3%) all posted losses. Japan's Nikkei (-1.4%), the UK's FTSE (-2.5%), Europe's DAX (-.1%) and Hong Kong's Hang Seng (-2.3%) all ended the week in the red.

South African economic news

manufacturing output continues to improve

The Kagiso Purchasing Managers Index improved by 1.1 points to 53.6 in January, its highest level in 21 months. This is the third consecutive month the index has been above the key 50 mark, which indicates that the factory sector recovery continues to gain momentum. The employment component which has lagged the recovery in the headline index, also increased above 50 in January, a possible indication of a stabilisation in the manufacturing jobs market. Another positive development was the expected business conditions index

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which soared to 73.3 points, indicating that purchasing managers expect the factory revival to be sustained.

SA vehicle sales increase

South African vehicle sales increased by 12% y-o-y in January, starting the year on a positive note. Of the total the National Association of Automobile Manufacturers of South Africa (NAAMSA) reported industry sales of 34 113 vehicles, 80.8% represented dealer sales, 10.2% represented sales to the car rental industry, 5.4% industry corporate fleet sales and 3.5% sales to Government. The improved momentum can be ascribed to the very low base, better affordability, easing credit standards and the seasonal increase in demand for new year model registration. Sales in the medium and heavy commercial vehicle segments had however registered substantial declines compared to the corresponding month last year, suggesting continued subdued levels of economic activity. According to NAAMSA, aggregate domestic sales could increase by between 7% and 10% in 2010.

South African market news

The ALSI follow global markets lower

Negative global sentiment weighed on the local market. The ALSI ended the week 3.3% lower, with resources (-4.4%) leading the decline. Financials (-3.7%) and industrials (-1.9%) lost ground during the week. The oil price declined by US\$1.23 to close the week at US\$69.84/barrel. The rand weakened by 1.8% against the US dollar to end the week at R7.76/dollar.

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