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acsis' weekly market briefing

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international economic news

euro area recovery slows

The euro area's GDP grew by 0.1% in 4Q09, lower than the 0.4% growth in 3Q09. During 2009, GDP declined by 4% in the euro area. Germany, the area's largest economy, and Portugal both registered 0% growth in 4Q09. France, the zone's second-largest economy, grew by a better-than-expected 0.6%. The other large economies, Italy and Spain, contracted by 0.2% and 0.1% respectively. Growth in Ireland, Greece and Cyprus continued to decline. These latest figures could discourage the ECB from raising interest rates and place pressure on governments to maintain the fiscal stimulus programmes to strengthen their economies.

China becomes world's top exporter

In 2009, China rose through the ranks and overtook Germany to become the world's top exporter and reported a balance of trade surplus equivalent to US\$14.2bn in January. The export of goods and services constitute 39.7% of China's GDP and export growth continued to support China's rapid economic growth. China's major exports are apparel and clothing, office machines and data processing equipment, telecommunications equipment and electrical machinery. Commodities such as iron and steel, oil and mineral fuels, machinery and equipment, plastics, optical and medical equipment and organic chemicals are the country's major imports.

US retail sales increase

US retail trade sales increased by a higher-than-expected 0.5% m-o-m and 5.3% y-o-y in January. Nine of the 13 categories showed gains in sales during the month, led by general merchandise stores, grocery stores and non-store retailers. The increase suggests that consumers are feeling more comfortable to spend and improves the prospects for 1Q10 economic growth. Retail sales are being anxiously watched to gauge whether households are healthy enough to take over from the government in driving the economic recovery. While consumer spending usually accounts for more than two-thirds of US economic activity, high unemployment has constrained households' capacity to spend. However, there are signs that the labour market is close to turning.

international market news

international equities end week higher

The possible European Union bailout for Greece has improved global sentiment. In the US, the Dow Jones (0.9%), S&P500 (0.9%) and Nasdaq (2%) all posted gains. Japan's Nikkei (0.3%), the UK's FTSE (1.6%), Europe's DAX (1.2%) and Hong Kong's Hang Seng (3.1%) also ended the week higher.

South African economic news

SA job creation improves

Employment increased significantly in 4Q09 with the formal and informal sectors creating 41 000 and 116 000 jobs respectively. However, over the same period, agriculture and private households shed 38 000 and 31 000 jobs respectively. While there is a slight improvement in terms of job creation from 3Q09, this did not translate in to a big decrease in the number of unemployed persons (27 000). Instead there has been a slight increase in the number of discouraged work-seekers (54 000). This resulted in the unemployment rate remaining virtually unchanged between 3Q09 (24.5%) and 4Q09 (24.3%). This

global vs local equity markets

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SA unemployment

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rand relative to developed world currencies

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data should make the market more optimistic about a consumer recovery and should also temper concerns about the downside risk to growth.

manufacturing production improves

Manufacturing production increased by 3.2% y-o-y in December, the only positive annual growth in 2009. This increase was mainly due to higher production in the motor vehicle, parts and accessories and other transport equipment division (34.6%), the basic iron and steel, non-ferrous metal products, metal products and machinery division (9.9%), the petroleum, chemical products, rubber and plastic products division (5.6%) and the food and beverages division (4%). The global efforts to rebuild inventory remains the driving force behind the improving data.

South African market news

ALSI driven higher by resources

Resource stocks (2.6%) were driven by rising commodity prices and as a result, the ALSI ended the week 1.8% higher. Financials (0.6%) and industrials (1.6%) also ended the week in the black. Gold recovered 2.3% to close the week at US\$1082/ounce. The rand strengthened by 1.1% against the US dollar to end the week at R7.67/dollar.

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