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acsis' weekly market briefing

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international economic news

US retail sales rise unexpectedly

US retail sales increased by 0.3% m-o-m in February after being revised from the previously reported 0.5% to 0.1% in January. This comes as a surprise as most analysts had forecast a 0.3% decline for February due to three major snowstorms in the east of America. The level of sales for the two months combined is still in line with expectations that consumer spending would rise at a 3% annualised pace in 1Q10, the highest quarterly growth in three years. According to analysts, the overall report bodes well for the US economy, which relies heavily on consumer spending for growth.

US weekly unemployment report mixed

The number of Americans filing first-time claims for jobless benefits during the week ending 6 March fell by 6000 to 462 000. The consensus forecast was for initial claims to fall to 460 000. During the same week last year, initial jobless claims were at 657 000. However, continuing jobless claims rose by 37 000 to 4.558 million during the week. Economist had forecast no change in this number. At the same time last year, continuing claims were at 5.253 million. Analysts said further improvement in the labour market was crucial to the economy as it would boost consumer spending, which accounts for 70% of US GDP.

eurozone industrial output posts record increase

Industrial production in the 16-nation eurozone increased by a higher-than-expected 1.7% m-o-m in January, the largest monthly gain since 1990. January's output increase was led by energy production, which increased by 2.6%. On a year-on-year basis, output increased by 1.4%, the first y-o-y increase since April 2008. According to analysts, the report provides further evidence that the eurozone's economic recovery continues to be focused on manufacturing, which is driven by international demand. This is in contrast with local demand and consumer data, which remain subdued.

China's CPI higher than expected

China's CPI rose by 2.7% y-o-y in February, 1.2% higher than in January. The increase was mainly driven by a 6.2% rise in food prices and the effects of the Lunar New Year holiday falling in February this year. China's CPI ended nine months of decline in November last year, but has now risen for four consecutive months, triggering concerns that the economy may be overheating. Analysts said that core Chinese inflation, which excludes volatile food prices, remain well contained. Nevertheless, some economists are now calling for the Chinese financial authorities to start tightening its policy.

international market news

international equities in the black

US equities posted small gains this week, taking the Nasdaq (+1.8%) and S&P500 (+1.0%) to 18 month highs. These indices as well as the Dow Jones (+0.6%) have ended the last four weeks in the black. In Europe, the CAC40 (+0.4%) and DAX (+1.2%) posted gains and were aided by news of record industrial output figures. In Asia, Japan's Nikkei 225 (+3.7%) and Hong Kong's Hang Seng also ended the week higher.

South African economic news

SA asset class performance

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SA manufacturing production

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developed vs emerging equity markets

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SA manufacturing output disappoints

Local manufacturing output increased by 3.7% y-o-y in January, following December's 3.2% increase. The consensus forecast for January was a 5.5% increase. On a month-on-month basis, output declined by 0.6% in January. Vehicle sales were the largest contributors to the annual increase, while textiles, clothing, leather, footwear, wood, paper, publishing and printing were the largest detractors. Analysts said the disappointment in the January number served as a reminder of the structural challenges still faced by manufacturing.

South African market news

ALSI ends week in the black

The ALSI ended the week with a gain of 1.3%. With very little economic data released during the week, local equities followed the lead of positive global markets. Resources (+1.0%), financials (+0.9%) and industrials (+1.8%) all registered small gains. The rand gained 0.4% against the US dollar to end the week at R7.37/US dollar.

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