

February 2017

World Economy

A March Fed rate hike is likely, because Trump's promises to cut taxes and roll back regulation have led investors to expect the pick-up in the US economy to continue. Both the minutes of the Fed meeting and the recent speeches from Fed members indicate a March rate hike is likely, unless inflation and employment suddenly weaken. Job numbers in the US have been strong and CPI inflation is increasing as oil prices rise. Economic data on the US economy suggests that nominal GDP is accelerating in the first quarter of 2017. Global growth is accelerating and the ECB, Bank of England and the Bank of Japan continue to increase their balance sheets. Global short-term interest rates are still close to record lows and global money supply growth is solid. China is aiming to expand its economy by around 6.5 percent in 2017, Premier Li Keqiang said.

SA Economy

New-vehicle sales held steady in February, at 48 113 units, compared with the 48 144 units sold in the same month last year. This said, however, the new passenger car market declined by 4.4%, to 31 400 units. The seasonally adjusted Absa Purchasing Managers' Index (PMI) rose by a further 1.6 points to 52.5 in February, following a 4.2-point rise in January – lifting the PMI to its highest level since June 2016. Activity in South Africa's private sector remained in growth territory for a sixth straight month in February as businesses saw a small rise in new orders, leading them to increase output and employment, a survey showed. JSE ALSI is up only +1.98% (total return) in rands in 2017, but +7.8% in dollars, due to the influence of further rand strength on the market. The MSCI World Index is +5.4% in dollars (total return) and the MSCI Emerging Markets Index +9.5% in dollars, with the JSE ALSI in-between those two.

Trends and Opportunities

- A USA interest rate hike by the FED is expected in March 2017
- SA business is improving in the private sector.
- SA experienced a three year side-ways move in the market, which makes for cheaper valuations.

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