

# ***Economic and Market Analysis***

## *weekly report*

**WEEKLY REPORT: 12-16 JANUARY 2009**

**Table 1: Key Market Indicators**

	<b>Week ending 9 January 2009</b>	<b>Movement for the week</b>	<b>Expectations for this coming week</b>
ALSI	22224	+456(+2.10%)	Increase
Industrial index	21638	+231 (+1.08%)	Increase
Gold index	2236	-42(-1.84%)	Volatile
Financial index	16297	+650 (+4.15%)	Volatile
Rand/\$	R9.66/\$	+R0.63 (+3.81%)	R9.50-9.70/\$
Gold price	\$847	-\$27 (-3.12%)	\$830- \$870
Dow Jones	8599	-435 (-4.82%)	Volatile
Nikkei	8837	-23 (-0.26%)	Volatile
FTSE-100	4449	-113 (-2.48%)	Volatile
Hang Seng	14377	-665 (-4.42%)	Volatile
SA Property Index	311	-1 (-0.32%)	Increase
Capital market (ALBI)	295330	-6669(-2.21%)	Decrease

More of the same? World financial markets continued their volatility of last year as negative sentiment on recession and lost jobs across the large economies once again led to share prices moving down. News of another 500 000 job losses in the USA during December and that as much as 10 million Americans may be unemployed this year, harmed share markets at the end of last week. The Dow Jones industrial average index lost 4235 points or 4.82% during the week. Despite the cut in interest rates to the lowest level in the last 300 years by the Bank of England, the FTSE in London still lost 113 points or 2.48% for the week.

On the JSE, share prices moved in the opposite direction as international bourses. Commodity prices, although quite volatile, are moving upwards, with platinum again breaking through the \$1000 level. Prospects for much higher levels for gold and platinum have boosted resource share prices since the beginning of the year. The resource 20 index has already gained 2341 points or 6.08% from its opening level on 2 January. Resource blue-chip shares, such as BHP Billiton, have already increased with 5.53% for the year, Anglo American by 5.35% and SASOL by 11.6%. At the same time, given the low price/earnings ratio of financial shares, the prospects for further interest rate cuts also provide positive sentiment for banking shares. The financial index gained more than 4% last week and the banking index was up by 2.8%. The listed commercial property stayed flat last week, with the SA property index losing 1 point or a mere 0.32%. The index already gained 27.46% since 27 October 2008. On the bond market, the weaker rand contributed to a loss of 2.21% during last week (decrease in the All-Bond Index – ALBI).

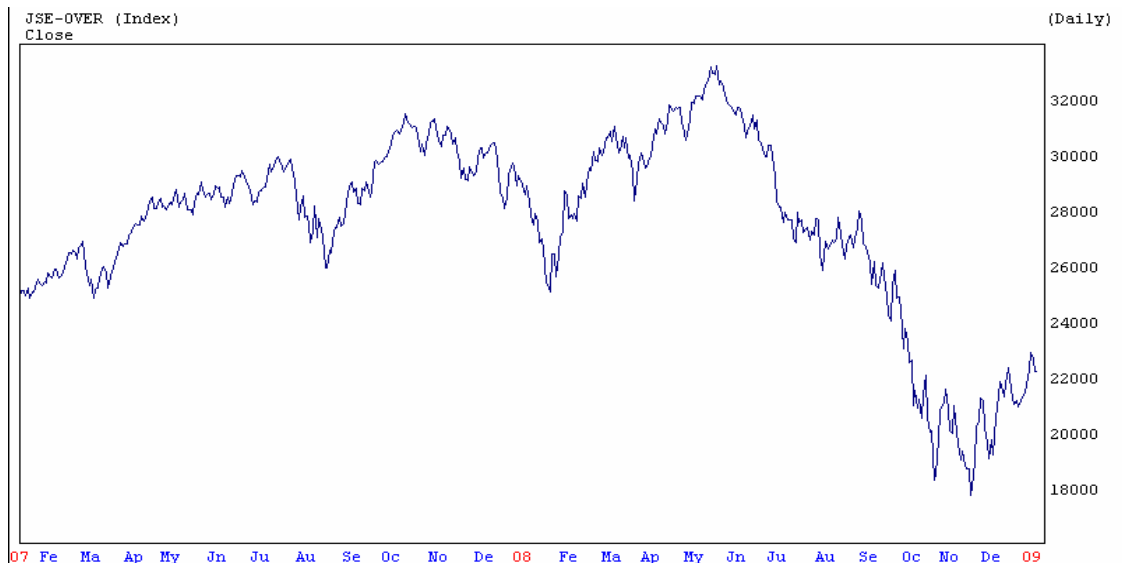


Castle Walk Corporate Park Block B • Cnr Swakop & Nossob Street • Erasmuskloof • 0048  
Tel +27 (0) 12 484 2000 • Fax +27 (0) 12 484 2001/2 • [www.dynamic.co.za](http://www.dynamic.co.za)

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**Figure 1: The JSE ALSI – Will the recovery continue?**



Despite negative prospects for international economies, there remains optimism that the South African economy will withstand recession woes. Key economic events over the next month may lead to a strong recovery on South African financial markets:

- The inflation data for December that will be announced at the end of the month is expected to show a sharp decrease in the inflation rate to less than 10%, with a prospect of further sharp declines in months to come.
- It is also expected that the petrol price may decrease by another 20 to 50 cents per litre at the beginning of February. This certainly will help to push the inflation rate down quickly towards the 6% level within the next six months.
- The effect of the new inflation basket (to be implemented in January) on the overall inflation and therefore interest rate.
- The Monetary Policy Committee may decrease the repo rate by another 0.5% with their next meeting at the beginning of February.
- The Minister of Finance may announce an economic stimulation package during his budget speech during the middle of February.

This week all eyes will be the release of SACOB's Business Confidence Index as well as Investec's Purchases Managers Index (PMI). It is expected that both have improved due to the decrease in fuel prices and in interest rates. Therefore we expect that share markets will react positively on the news. International as well as domestic share markets will also react on almost all the data that will be released for the USA (see Table 2). The effect thereof on international sentiment will influence commodity prices, international buying and selling of SA shares and therefore the rand exchange rate. We believe that the data will lead to mixed results and therefore uncertainty, and hence we expect that international share markets will move volatile once again.



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**Table 2: Release schedule for selected economic indicators this week**

Date	Country	Indicator	Period	Expected	Prior
Jan 13	RSA	SACOB Business Confidence	Dec	87.5	86.7
Jan 13	USA	Trade Balance	Nov	-\$52bn	-\$57.2bn
Jan 13	USA	Treasury Budget	Dec	-\$32bn	\$48.3bn
Jan 14	USA	Retail Sales	Dec	-1.3%	-1.8%
Jan 14	USA	Retail Sales ex-auto	Dec	-1.2%	-1.6%
Jan 14	RSA	Business Inventories	Dec	-0.6%	-0.6%
Jan 15	RSA	Mining Production and Sales (Physical Production)	Nov	4.5%	3.5%
Jan 15	RSA	Investec PMI	Dec	42.5	39.5
Jan 15	USA	Producer Price Index	Dec	-1.9%	-2.2%
Jan 15	USA	Producer Prices	Dec		0.4%
Jan 15	USA	Empire State Index	Jan	-24	-2.57
Jan 15	USA	Weekly Initial Jobless Claims	Jan		
Jan 15	USA	Philadelphia Fed Index	Jan	-34.5	-32.9
Jan 16	USA	Consumer Price Index	Dec	-0.9%	-1.7%
Jan 16	USA	Industrial Production	Dec	0.8%	-0.6%
Jan 16	USA	Capacity Utilization	Dec	74.7%	75.4%

**Prof Chris Harmse**  
**12 January 2009**

Note: The above is a fundamental analysis. From time to time the fundamental and technical analysis on the expected movement in share and other market prices may be in conflict, due to the difference in analysis techniques. However, it does not mean that they are not in correlation over the medium to longer term. This report, due to the time constraint is the opinion and sole responsibility of the author.



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