



Wednesday 11th March, 2015:

The correction resumed last night in the US, at the start of the 7th year of the bull market, as the S&P 500 fell by 1.7% to 2,044, giving up year-to-date gains and the Nasdaq fell 1.7% to 4,859 (still up 2.5% in 2015). The strong dollar hurts the dollar earnings of many of the big US multinational companies, with some 40% of revenues non-dollar based. The technology companies have as much as 80% of revenues non-dollar based. With the dollar up from \$1.40 a year ago to \$1.07 today, it is a problem, although nice for European companies.

European shares lost 1.2% and London's FT100 Index lost 2.5%, quite hefty as the strong dollar knocked mining shares further.

Asian markets are mixed, slightly down for the 3rd day, although not by that much, with Aussie -0.5% (BHP -2.5% as the strong dollar hurts metal and oil prices), Shanghai +0.01%, Hong Kong -0.6% (Tencent +0.4%), India -0.1%... and the Japanese Nikkei +0.3% close to a new 15-year high. Chinese industrial output, investment and retail sales growth missed analyst forecasts in January and February, suggesting more stimulus may be needed to boost the economy. Factory production rose 6.8% yoy in the 2 month period, while retail sales gained 10.7% and fixed asset investment +13.9%.

The JSE ALSI gave up 525 points (-709 on Monday) or -1.0% yesterday, aggravated by Resources -1.6%,

despite the weaker rand, as the Financial & Industrial Index lost 0.9%. New highs included Workforce, Sekunjalo, Mondi, Mpact and Old Mutual, while new lows included Kumba, Lonmin, Assore, ARM, Aquarius and M&R. SA listed property gained 0.3% yesterday after falling over 3% in the previous 2 days from its record high last Thursday. Meanwhile, Firstrand did well, increasing its earnings by 15% yoy.

The US 10-year yield gave up 7 basis points to 2.13% as investors sold equities and bought bonds (flight to less risky investments), while the SA government R186 bond yield due in 11/12 years edged up another 2 basis points to 7.99% (lower price), on the weaker rand, despite the start of QE in Europe and the tumbling European yields.

The dollar gained further to another 12 year high v the euro at \$1.07 from \$1.08 yesterday, but was down a tad vs the pound at \$1.507 from \$1.509. The rand is down again at a 13-year low against the rampant dollar at 12.37 to the dollar from 1215, down too at 18.61 from 18.30 vs the pound, down at 13.22 to the euro from 13.12 and...down versus the Aussie at 9.40 from 9.30. The all-time low of the rand was over 13 years ago in December 2001 at 13.85 to the dollar and around 20 to the pound, at the time when Argentina was abandoning its dollar peg. I remember it acutely! Many emerging market currencies have tumbled of late, with Mexico's peso at a record low versus its northern neighbour and Brazilian and Turkish currencies at multi-year lows too on fears of capital flowing out once the US raises interest rates.

S&P 500 futures are up 0.2% this morning. Oil is down \$1.8 at \$56.81, although US crude stocks fell for the first time in 2 months, while Gold is up \$3 at \$1164, with Platinum down \$3 at \$1136 (stong \$ hurting despite pickup in European economy).



comic courtesy of Avior Capital Markets

[Kind Regards](#)

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