



Morning Market Commentary

Friday 22nd May, 2015

The S&P 500 Index gained 0.2% to 2,131, another quiet new record, without any fanfare or excitement (we prefer it that way, because as Sir John Templeton said all those years ago "...bull markets mature on optimism and die on euphoria", so euphoria, stay away!), while the Nasdaq gained 0.4% to 5,090, close to its record high too. The Index of leading economic indicators in the US rose in April by the most in 9 months. Our Economist Kevin Lings always advises us that this is an accurate forecaster of the next 6 months.

The European market gained 0.1%, and London gained 0.09%. The US (Memorial Day), Hong Kong and London are all closed on Monday. The MSCI World Index is up 1.8% so far in May...having its second good month in a row. The MSCI Emerging Market Index is -1.4% after a gangbuster April.

Asian markets are mostly firmer. Aussie has been struggling of late. Apparently the Aussie banks have corrected by around 15%. The Aussie market is +0.03% (BHP +0.3%), Shanghai +2.2% (its 4th up-day, best level in 7 years and +7% this week), the Hang Seng +1.6%, the H Index of Chinese shares listed in HK +1.5%, India +0.6% and the Nikkei at a new 15 year high, up 0.3% at 20,264. Chinese investor sentiment has been buoyed by a new wave of government-funded infrastructure projects, like railways, to stabilise growth.

The SA Reserve Bank kept interest rates unchanged yesterday at 5.75% (Prime 9.25%), but warned that this may change in coming months as inflation perks up, partly depending on whether Eskom gets another hike. Two of the six members favoured a 0.25% increase. The JSE ALSI lost 68 points of -0.1% to 54,123 (-0.6% so far in May). Not much happened, although construction firm Stefanuti Stocks added 15.8% on good results and PPC gained another 8%, while Resources gained 0.5%. Maybe there is actually some life in some dead-in-the-water construction shares. New highs included Nepi, Hudaco, Investec, Woolies, Village and Tower.

The US 10-year yield is down 6 basis point at 2.19% (price up), while our SA government R186 bond yield due in 11/12 years is down 1 basis point at 7.95%. German 10-year yields are quiet at 0.63%.

The dollar is down a bit from yesterday at \$1.114 to the euro from \$1.110 (from a recent peak of \$1.045), down vs the pound at \$1.567 from \$1.558. The rand is up at 11.79 to the strong dollar from 11.85, down v the pound at 18.50 from 18.39, up slightly though at 13.14 to the euro from 13.15 and...flat versus the Aussie at 9.35.

S&P 500 futures are +011% this morning. Oil is up \$1.20 at \$66.40, while Gold is down \$4 at \$1207, with Platinum down \$3 at \$1155. Sad to see some history bowing out: De Beers has put its Kimberley Mines in SA up for sale. They actually produced 722,000 carats of diamonds in 2014. Interesting to see Sanlam paying \$11.6m for R136m for a 40% stake in a Zimbabwean insurance firm called Masawara Investments Mauritius. Meanwhile, Investec did well to report full year profit to end March up 10.2% in pounds sterling terms, although the rand did only lose 2.3% versus the pound in the year to end March.



comic courtesy of Avior Capital

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