

Market Update

United States of America

The US economy grew by a stable 2.1% in the fourth quarter, unchanged from third quarter growth. The stagnant number indicates that American growth is slowing, and 2020 being an election year, economic growth will be on the forefront of Presidents Trump's agenda as he looks toward securing another term in office. Looking at the indicators we see some positive signs, with personal income rising by 0.6% in January, personal spending also rising by 0.2% month on month, and a slight uptick in the labour force participation rate increasing to 63.4% in Jan from 63.2% a month earlier. The annual inflation rate also climbed to 2.5% in January from 2.3% a month earlier. In contrast, The ISM Manufacturing PMI declined to 50.1 in February from 50.9 in January and below market expectations of 50.5. March 3rd saw the Federal Reserve lowering the target range by 50bps to 1-1.25 percent during an emergency move, reacting to fears that the COVID-19 virus poses evolving risks to economic activity. The Fed reiterated it's closely monitoring developments and their implications for the economic outlook and will use its tools appropriately to support the economy.

UK

Fourth quarter figures showed Britain's annual economic growth slowing to 1.1%. This was the weakest pace of expansion since the first three months of 2018 due mainly to a contraction in fixed investment and sluggish household consumption growth. Looking at the available indicators for 2020, the IHS Markit/CIPS UK Manufacturing PMI was revised slightly down to 51.7 in February of 2020 from a preliminary estimate of 51.9. Retail sales notched up 0.8% year on year in January, easing from a 0.9% increase the month earlier. Business and consumer confidence both increased, consumer confidence rose 2 points to -7 in February, climbing for the third consecutive month. This came as three of the five main indexes improved, namely: economic situation over the last 12 months, economic situation over the next 12 months and the big purchases climate. UK's business confidence climbed 1.2% in December as measured by the UK's economic activity index, albeit this was before coronavirus became a household name. Annual inflation jumped to

1.8% in January from 1.3 %. On the political front, the UK and EU began formal trade talks on 2 March. The talks are expected to prove difficult, with areas such as fishing rights and the UK's ability to diverge from EU regulations likely to be particular sticking points.

Europe

Estimates confirm that the Eurozone economy cooled markedly in the final quarter. Economic expansion is expected to come in at 0.9% for the fourth quarter, while weak data and the COVID-19 outbreak bode ill for the first quarter of this year. Both consumers and businesses remain downbeat, suggesting economic activity will stay feeble. Business confidence remained unchanged at -0.04 with consumer confidence static at -6.60%. The outbreak of COVID-19 in Italy and its spread to other Euro area countries look set to hit the manufacturing and tourism sectors. Inflation is expected to slow to 1.2% year on year for February as energy prices decline. On a positive note, the IHS Markit Manufacturing PMI for the Euro Area rose to 49.2 in February 2020 from January's 47.9. Retail Sales in the Euro Area increased 1.70% in January over the same month in the previous year. In politics, the resignation of Annegret Kramp-Karrenbauer, Merkel's obvious successor, highlights tensions between government coalition partners, stoking political uncertainty in Europe's largest economy.

China

January saw China's inflation rate jump to 5.4% in January from 4.5% in December, however this is set to change from the effects of the COVID-19. At the time of writing, Coronavirus COVID-19 Global Cases by Johns Hopkins CSSE, reported 107 671 confirmed cases globally of which 80 669 were in Mainland China. According to the statistics, new cases in Mainland China have slowed as China took swift action in its efforts to contain the virus, to the extent of building their COVID-19 hospital (Huoshenshan) in only 10 days. Despite their best efforts to contain the virus, COVID-19 still remains a threat. Economically speaking, China's economy is poised for its first contraction since the 1970s, as a government-mandated shutdown has left businesses struggling to reopen or hire workers. Output, new orders and employment fell the most on record. The Caixin China General Manufacturing PMI plunged to 40.3 in February 2020, the lowest level since the

survey began in April 2004 and well below market consensus of 45.7. The question on most economists minds will be how much China's GDP is likely to contract by, some are estimating 2.5% with others predicting as much as 3%. With China's GDP contributing 15.7% to world GDP - according to the IMF - containing the virus is essential to China's economic recovery.

South Africa

During February we saw President Ramaphosa deliver the state of the nation address, Finance Minister Mboweni present the budget, and South Africa slipping into a technical recession. During his state of the nation address President Ramaphosa will be allocating funds to reduce youth unemployment and he plans to make Eskom less of a drain on the economy (and our electricity). He gave the green light to municipalities, in good financial standing, to procure their own power from independent power sources. With climate change a main point of discussion on the global platform, President Ramaphosa will ensure SA moves towards a low carbon growth trajectory. In the annual budget Finance Minister Mboweni announced there will be no VAT increase, no tax bracket creep and no changes to corporate tax. The Tax-Free savings account limit is set to increase by R3000 to R36000, rounding out what was overall an austere but positive budget. Economically, South Africa suffered a contraction for the second quarter in a row, pushing South Africa's economy into a technical recession. Manufacturing PMI fell to 44.3 in February of 2020 from 45.2 in the previous month. Annual inflation rate in South Africa rose to 4.5% in January 2020 from 4% in the previous month. Unemployment rate held steady at 29.1% in the fourth quarter, unchanged from the previous month's 11-year high.

Sources: New York Times, Trading Economics, Bloomberg, Financial Times, Cinnabar Investment Management, The Economist