

Overview of the Month

# DOLLAR HAMMERS CURRENCIES, COMMODITIES

Emerging market assets suffered a setback in March as investors braced themselves for a potential first rise in US interest rates in years.

The sell-off, mainly in mid-March, knocked the MSCI emerging market index to its lowest level since early January as investors sold stocks, currencies and bonds. "Interest rates globally have been low for such a long time that investors don't know how to deal with them normalising," says Old Mutual Wealth research and investor services head Avien Pillay.

Stock markets took a hit, with the JSE all share index losing 2%

within a week after a better US jobs report raised the prospect of a hike in US rates for the first time since December 2008.

Russia's Micex and Brazil's Bovespa were down more than 5% respectively on March 13.

The rand caught the sharp end of the stick as investors sold out of stocks and bonds, dropping to its weakest level to the dollar since 2002, at about R12,30/\$. The stronger greenback has had a negative effect on commodity prices. The JSE's platinum and gold indices dropped around 14% while resources shed 10%.

Lonmin lost 30% to slip below the R20/share mark.

The prospect of further gains for the dollar remains a major headwind for commodity prices, says Julian Jessop, head of commodities research at Capital Economics. "However, the dollar has already appreciated a long way and, if it continues to climb, much would depend on the reasons why." He adds that if the dollar rally is simply reflecting the relative strength of the US economy, then prices of oil and industrial metals should benefit from recovering global demand.

Mergence Investment Managers portfolio manager Brad Preston says the price action on the JSE is not only related to a

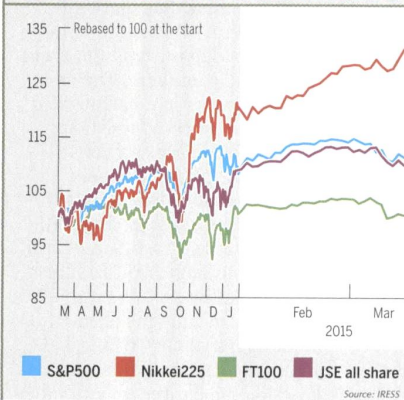
potential Fed rate hike and the related dollar strength.

"For example, SA retailers and interest rate-sensitive stocks staged a sharp rally in January, driven by the positive impact lower fuel prices were expected to have on the health of the SA consumer and the outlook for interest rates.

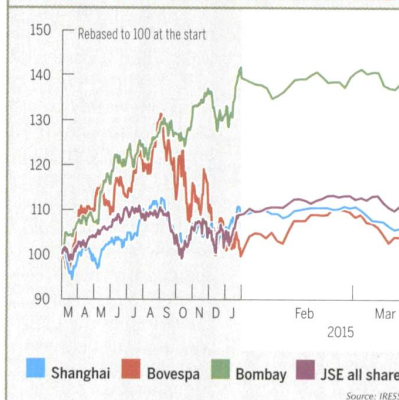
"Given the recovery off its lows in the oil price, the increases to the petrol price announced in the budget and the recent rand weakness, the outlook for domestic petrol prices has changed very quickly," Preston says.

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## DEVELOPED MARKETS INDICES



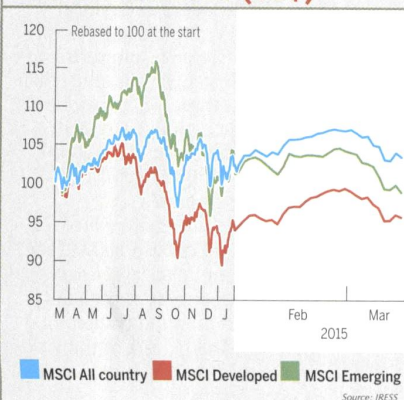
## EMERGING MARKETS INDICES



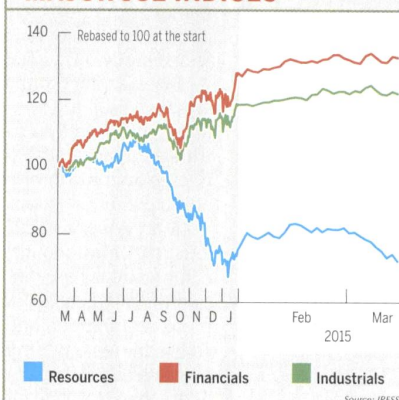
## COMMODITY PRICES



## GLOBAL INDICES (US\$)



## MAJOR JSE INDICES



## MINOR JSE INDICES

