

# Ferra Asset Management

## March 2010 report

### Market overview

The market staged an impressive recovery, with the JSE Top 40 index up 7.7% for the month of March. The best close was seen on the 18<sup>th</sup> – well before the South African Reserve Bank announced an unexpected 50 basis point cut to the repo rate, taking the same down to a new historical low of 6.5%.



Globally, interest rates are at very low levels and this promises more good returns from equity markets. The US Federal Reserve of course leads the pack with its “low for long” package to help the market and the economy out of recession. The Top 40 index is now up 3.3% thus far in 2010 and a dizzy 40% since a year ago. While the recession arguably eroded more than its fair share of the market, current levels are expensive and entry is risky.

Globally risk aversion remains a hot topic and with emerging markets a popular source and the US dollar a popular destination for those piling into a safe haven, the greenback continues to gain.



The dollar index gained 0.4% against a trade weighted basket, helped again by sovereign debt worries in especially Greece. The dollar is, however, losing some steam and March's figure pales against February's 2.4% or January's 1.4% increases.

Investing in US government paper runs along with investing in the greenback and avoiding risk. While the figures lag somewhat, foreigners bought a net of \$56bn of US government securities in January which compares favourably with the average monthly purchase of \$44bn for 2009. In the same month, however, net investment into the US came in at a dismal \$19bn from an average of \$37bn seen in 2009. These figures, though dated, reveals the appetite for low risk investments seen at the beginning of the year.

Low interest rates, a less aggressive dollar and less risk aversion helped commodities to consolidate during March. Spot gold fell by 0.3% - in line with the 0.2% drop seen in a basket of liquid commodities as compiled by Deutsche Bank. The nearby light crude oil contract rose by a beefy 5.1%. Despite the appeal of equities, commodities offer great value at present and remains a Ferra favourite.



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