



# INSIGHT

Investment perspectives from the Harvard House Group

## MARKET UPDATE:

### Making sense of unfolding events

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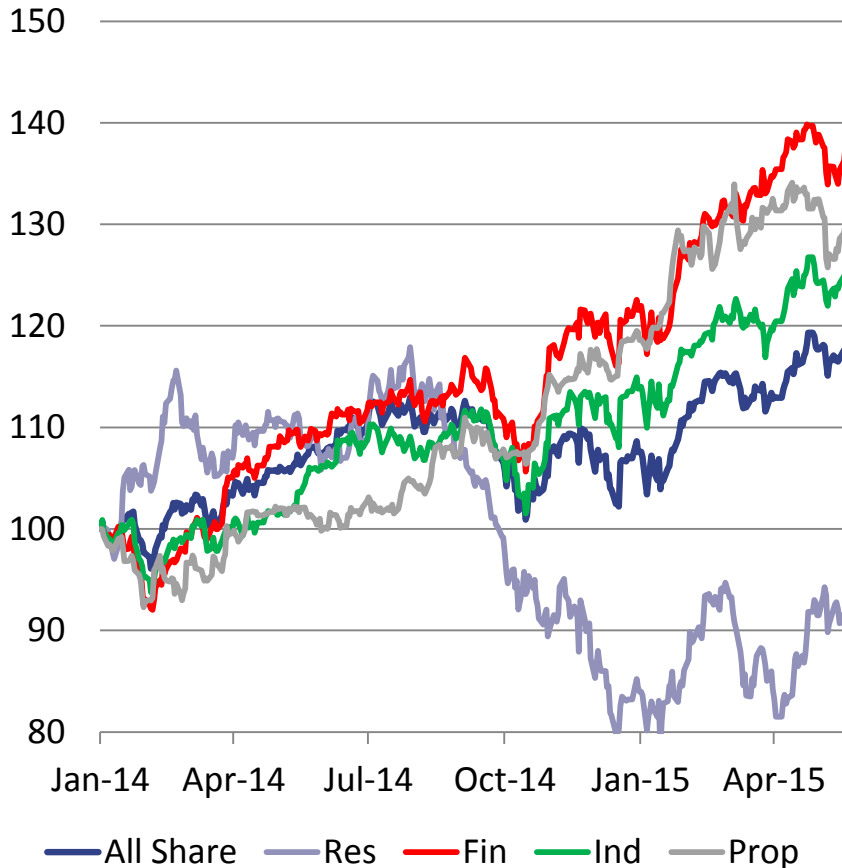
May 2015



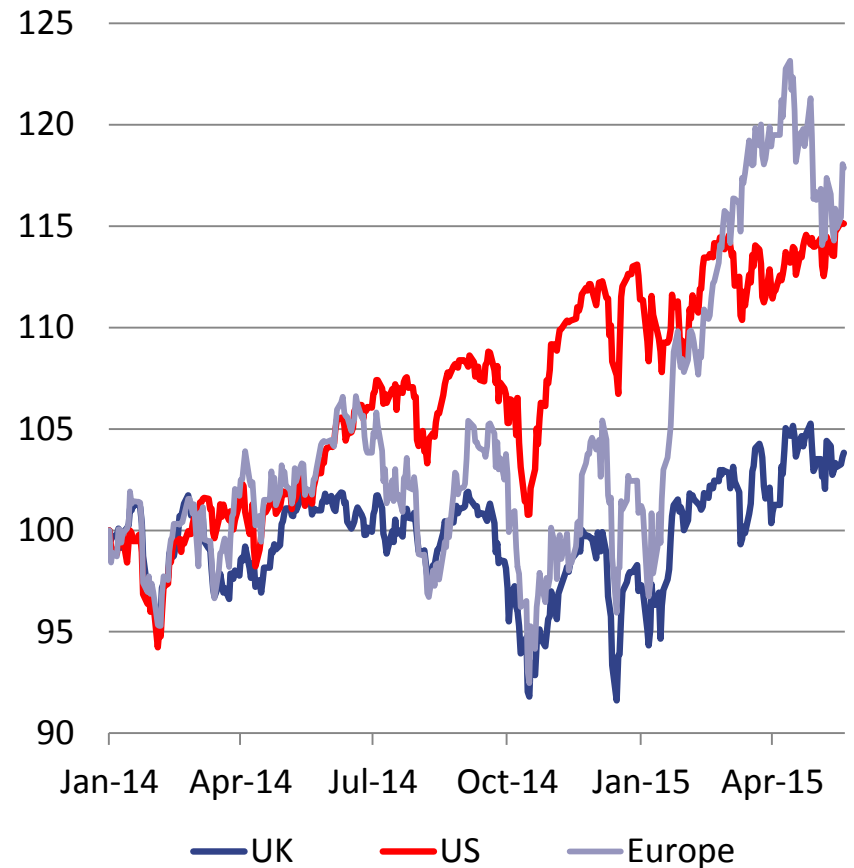
# Market performance:

A quick snap shot

## JSE: Performance



## Foreign: Performance



# Analysing returns for 2015

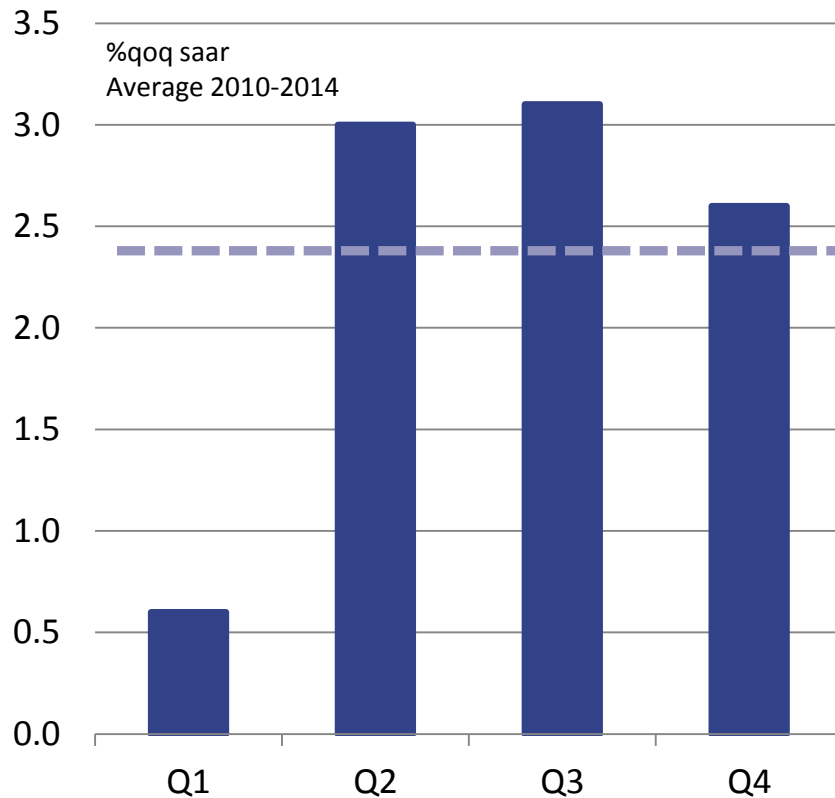
Returns have been driven by rising valuations and dividends

All values in %	JSE	UK	US	Europe	S'pore	MSCI
Total return (YTD)	10.6	8.5	4.2	18.2	3.9	9.5
Proportion of Return from:						
- Rising profits	-3.3	8.6	0.3	5.2	-1.9	-3.7
- Rising PE Ratio	12.4	-2.0	3.0	11.3	4.1	12.5
- Dividends	1.4	1.8	0.8	1.7	1.6	0.6

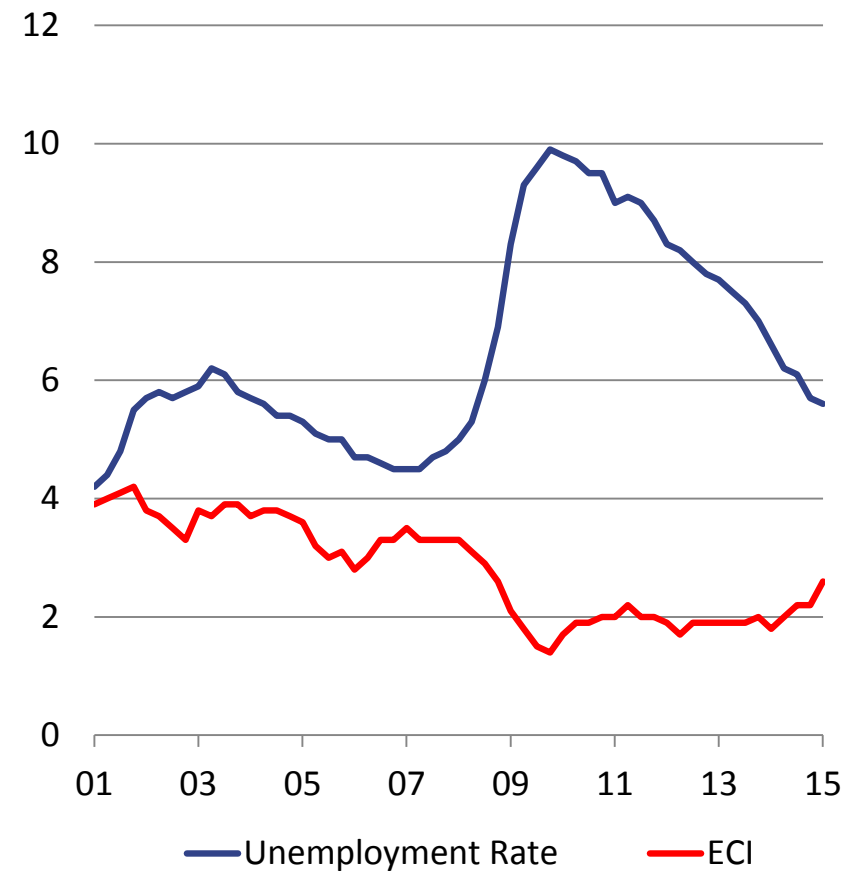
# USA:

A tough start to the year

## US GDP Growth



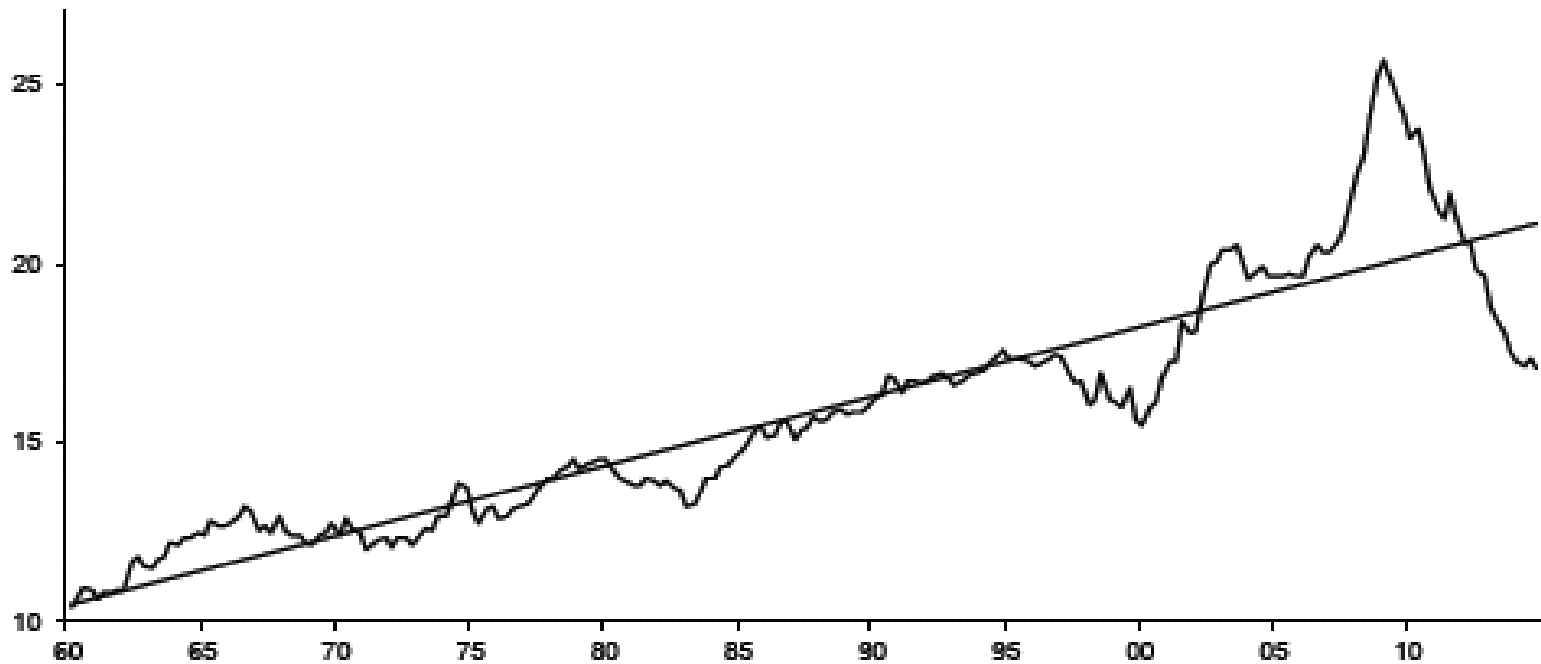
## US Unemployment & Wages



# USA:

Don't be too bearish on US growth though

## US household leverage (%)

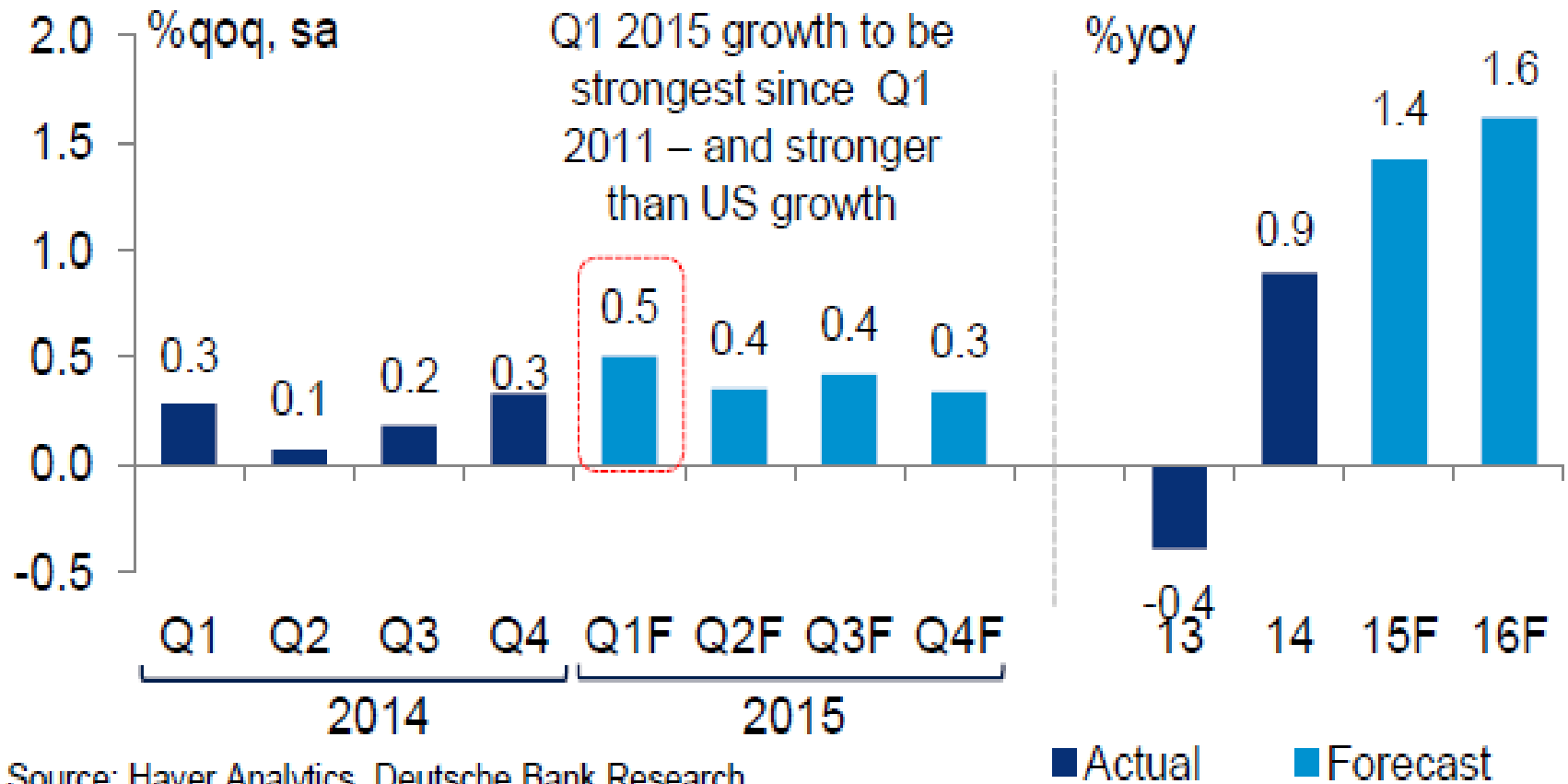


■ US Household Leverage, Ratio of liabilities to net wealth

Source: FRB

# Europe:

Recovery remains strong, supported by several tailwinds

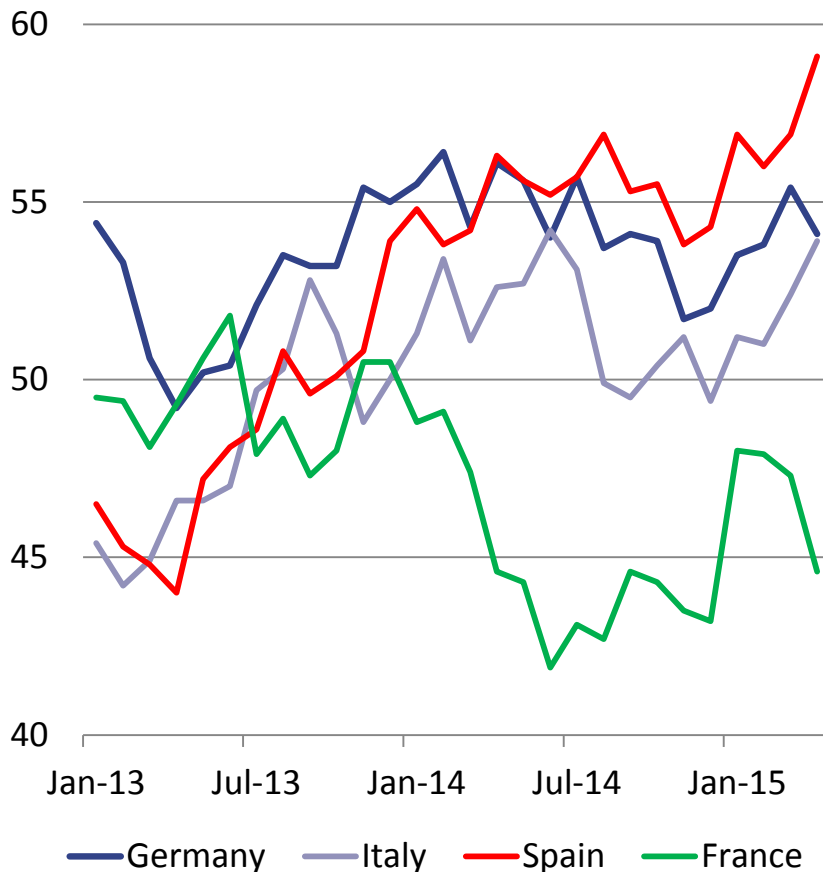


Source: Haver Analytics, Deutsche Bank Research

# Europe:

The bright spot on the global economy ..... and improving

## Euro Composite PMI



## Euro Retail Sales Volumes



# UK:

Surprise election result has boosted markets

## Pound / Euro Exchange Rate



## UK Unemployment Rate

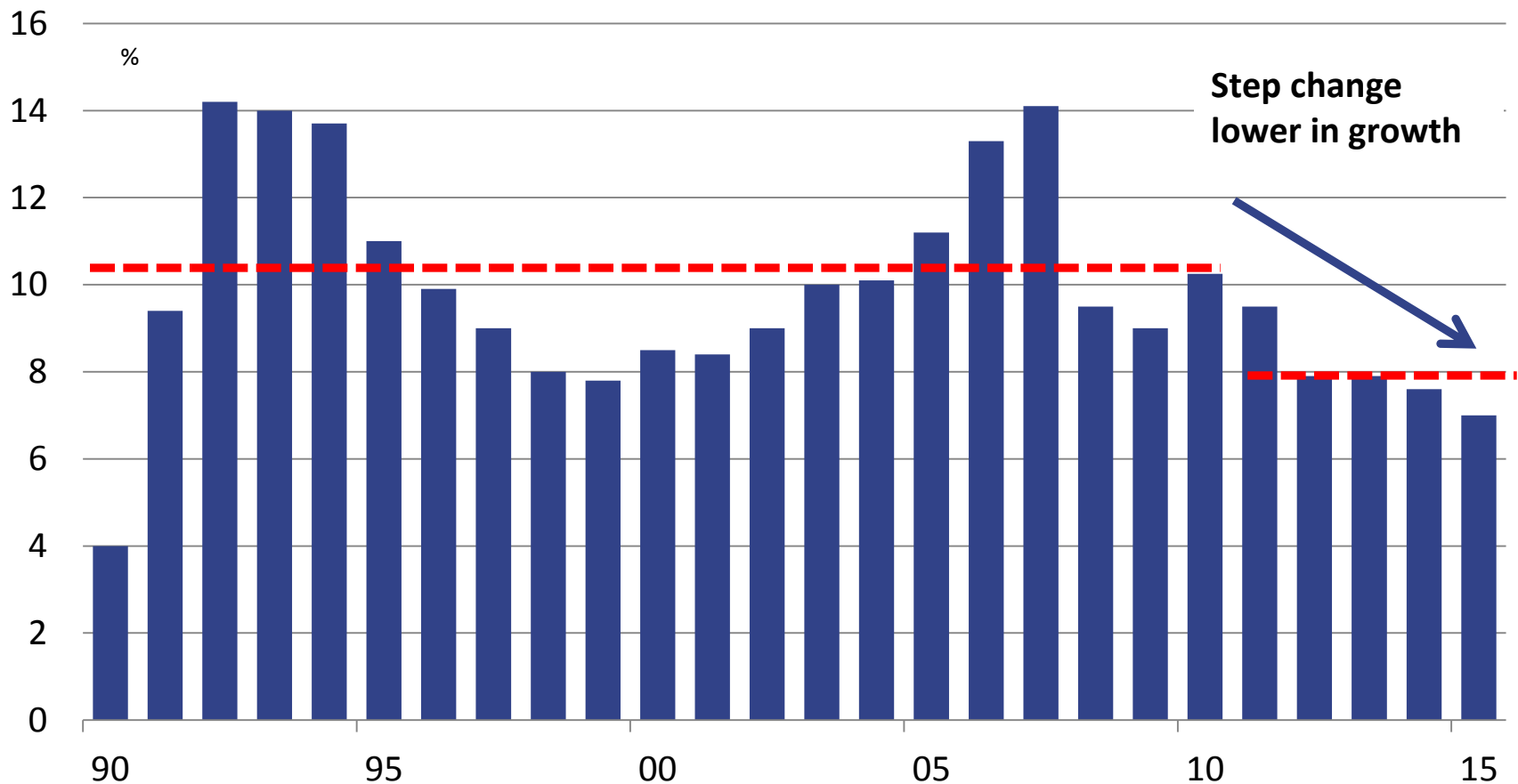




# China:

GDP annual growth rate slowing ..... But still enormous given size of the pie

## China: Annual Real GDP Growth Rate



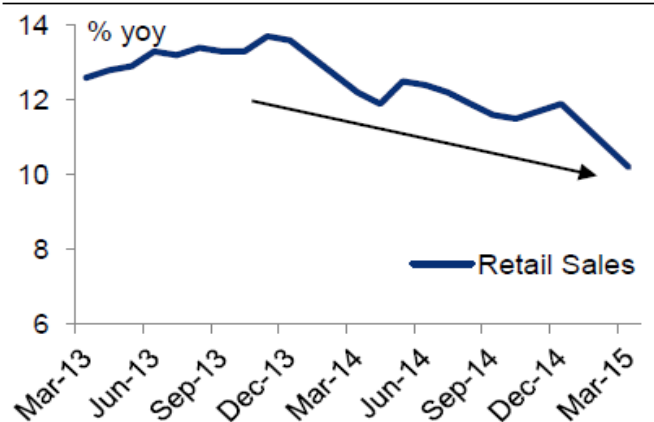
# China:

A tough trend – but a much higher base

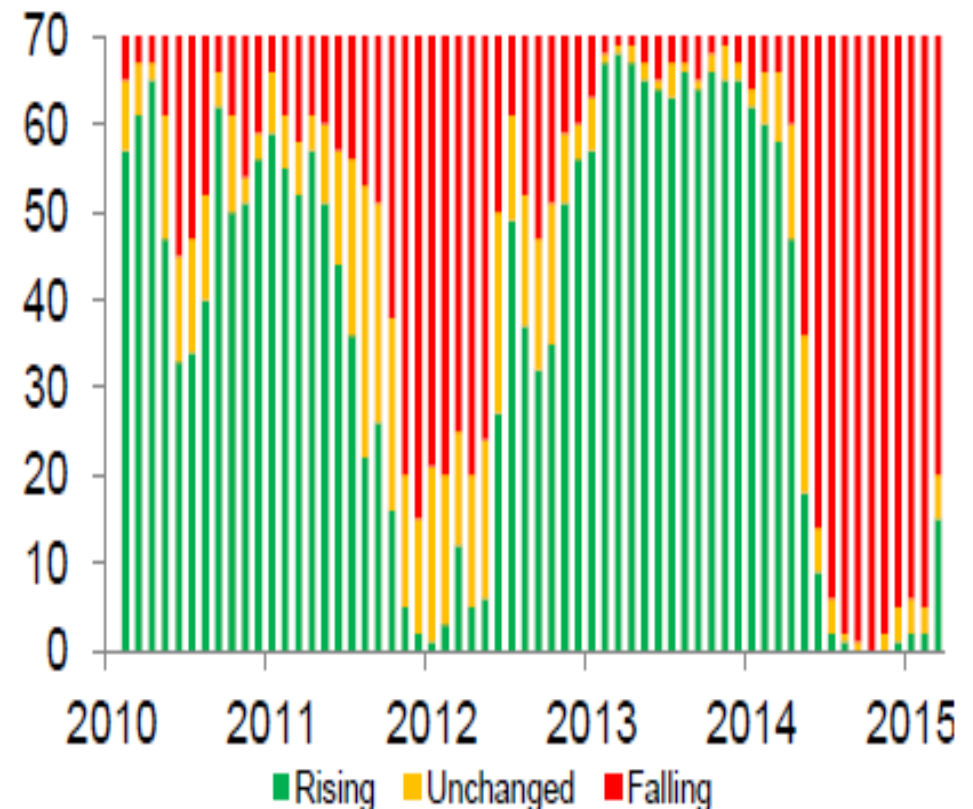
Slump in industrial production



Slump in retail sales



Mom change in home prices (count of cities)



# Commodities:

Supply discipline in the oil industry has arrested the decline

## Iron Ore (\$/ton)



## Brent Oil Price (\$/bl)








# SA: hard to stay positive



# Summing it up:

A summary of our views for the next six months

-  Moderate recovery in advanced economies
-  ECB QE and prospect of US Fed rate hikes to dominate markets
-  P/E's appear elevated
-  Falling oil price is a major stimulant
-  Key market risks





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## Q & A

Please feel free to ask questions

Thank you for listening