

Construction prices edge up 0.4 points

Construction costs went up by 0.4 points during the fourth quarter of 2013, figures released last week by Statistics Mauritius showed. The Construction Price Index went from 111.1 at the end of September 2013 to reach 111.5 in December. In October 2013, construction costs were pushed up by a 1.1 per cent rise in the costs of electrical

installation, a 1.5 per cent rise in the prices of paint and a 0.2 per cent rise in timber prices. In November 2013, rises in paint prices were offset by reductions in the costs of sanitary installations. By December, however, overall construction costs were pushed up by price increases in block cement, paint and sanitary installations.



[BOURSE AFRICA MARKET RECAP (JANUARY 29 - FEBRUARY 04, 2014)]

Cautious tone in global markets ahead of the US non-farm payrolls data

Global markets succumbed to a risk-off sentiment last week. The sense of jittery in financial markets left participants seeking safety in assets considered as safe haven.

1. Economic data releases showed further weakness in China as downbeat manufacturing and services data confirmed that the economy continued to lose momentum in January. Additionally, the Institute for Supply Management's factory index showed a sharp slowing in the pace of US manufacturing sector expansion.

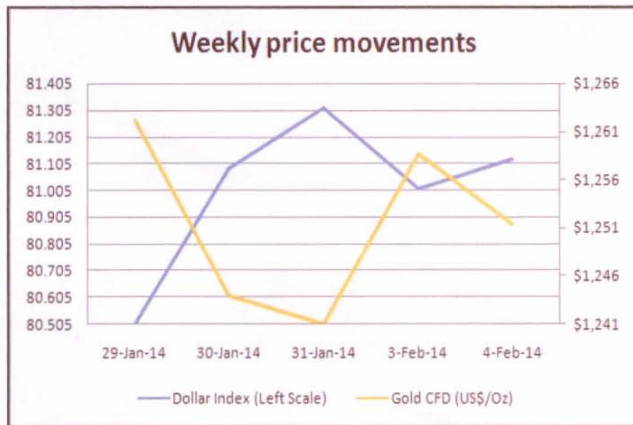
2. Moreover, the sell-off in emerging markets continued to weigh on investors' mood. Emerging market equity outflows rose to \$6.3bn in the week up to January 29, the biggest weekly withdrawal since August 2011. Economists believe that the correlation between emerging markets' assets and Chinese data has been very high for some time and the slowdown in China may actually be the main reason for the renewed turmoil.

3. Additionally, growth-sensitive assets took another hit amid the Federal Reserve's continued withdrawal of liquidity. The US Central Bank announced, last Wednesday, a further \$10bn reduction of its monthly asset purchases to \$65bn. The Central Bank also added that despite the weak payroll growth in December, the labour market indicators on balance showed further improvement.

This global sentiment was reflected in Bourse Africa's product prices in the past week.

COMMODITIES

The latest bout of market jitters did little to bolster Gold Fu-



"An increase in the US weekly crude supplies kept the lid on rising prices."

tures and Gold CFD. The yellow metal initially rose as investors piled into the safe haven metal amid steep losses in global equities, and the Chinese lunar New Year also played its part for physical metal demand. However, gold suffered losses amid a strong US dollar and the Federal Open Market Committee decided to make a further measured reduction in the pace of its asset purchases.

The correlation between gold and the dollar Index for the prior week is depicted in the graph above.

WTI Crude Oil prices traded in tight ranges last week. Upbeat US GDP data and freezing weather conditions in the world's largest oil consuming country, buoyed demand for heating fuel. But, an increase in the US weekly crude supplies kept the lid on rising prices.

CURRENCIES

EUR/USD Futures and EUR/USD CFD tumbled below \$1.36, weighed down by speculation that the European Central Bank could cut interest rates

Bourse Africa currency Futures Contract and	Denomination	Contract Expiry	Closing Prices*					Weekly Change (%)
			Wednesday	Thursday	Friday	Monday	Tuesday	
EUR/USD	USD per Euro	17-Mar-14	1.3662	1.3551	1.3506	1.3517	1.3522	-1.03
GBP/USD	USD per British pound	17-Mar-14	1.6558	1.6481	1.6454	1.6306	1.6318	-1.46
USD/MUR	MUR per US dollar	17-Feb-14	30.21	30.25	30.25	30.38	30.41	0.66
USD/MURW	MUR per US dollar	8-Feb-14	30.19	30.22	30.22	30.30	30.39	0.66
JPY/USD	USD cents/100 Yen	17-Mar-14	97.94	97.31	97.84	98.82	98.42	0.49
EURUSD CFD	USD per Euro	No expiry date for CFDs	1.3662	1.3552	1.3505	1.3516	1.3516	-1.07
GBPUSD CFD	USD per British pound	No expiry date for CFDs	1.6570	1.6482	1.6459	1.6302	1.6323	-1.50

again after an unexpected drop in the Eurozone inflation rate. Further, data last Friday showed that retail sales in Germany fell sharply in December, dropping by 2.5%. But, the shared currency trimmed weekly losses on Monday after Markit's Eurozone Manufacturing Purchasing Managers' Index reported that the manufacturing sector grew strongly in January amid new orders.

GBP/USD Futures and GBP/USD CFD dropped below \$1.64. The British Pound weakened against the dollar as the Bank of England Governor, Mark Carney, said that the Central Bank is not ready to alter its monetary policy of low interest

rates. In addition, the UK manufacturing sector grew at a slower pace than economists' forecast in January, according to the Markit/CIPS Purchasing Managers' Index (PMI).

USD/MUR Futures edged 0.66% higher as the US dollar gained momentum. The Bank of Mauritius Monetary Policy Committee decided by majority vote to keep the Key Repo Rate unchanged at 4.65% per annum.

This Friday sets the critical US non-farm payroll figures for January, which market participants will be watching for further direction in gold and the US dollar. ■

Source: Bourse Africa

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