



Market watch

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An old adage says that the performance of banks usually reflects the health of the economy. That may not be as true today as it was a couple of decades ago, considering the growth in these groups' investment banking activities, which tend to be linked to the financial markets.

Nonetheless, the strong year-end results from Absa, with headline earnings rising 21% (albeit achieved partly by restraining retail advances) and the positive trading statement from Nedbank, indicating 2011 earnings up more than 23%, must be taken as good news about business conditions. Investors seem to think so. The JSE banks index has risen 17% since late November.

Another item of good news was the excellent results from Kumba Iron Ore. It not only gained from buoyant market conditions, but also brought a large new mine to production five months early. The share has continued to trade at new highs (see page 63).

However, the equity market also had several items of negative news in the past week. One was the grim results from ArcelorMittal SA (see page 58). That was expected, as its production setbacks last year were known. It will recover; but there are questions about its longer-term competitiveness and margins. The results from Anglo Platinum were mixed (see page 60). It has restructured and cut costs, partly by shedding 27 000 employees and contractors since 2008, but has lowered its production target for 2012 and remains concerned about costs and aspects of the market outlook.

In the construction sector, Group Five's results were weak, with impairments and losses, and continuing uncertainty about elusive public-sector contracts.

Despite the improvement in the banking sector, these announcements, taken together, underline the unevenness of SA's growth pattern and also raise some questions about the earnings momentum. ■