



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS CENTRAL BANK POLICIES TAKE CENTRE STAGE

The focus of the week was once again on central banks, with both the Fed and the Bank of Japan (BoJ) reporting on their monetary policy stances. In line with expectations, the Fed kept rates on hold but the BoJ, who had been expected to cut, surprised the market by keeping rates on hold and introducing only a limited monetary stimulus plan.

In a statement released following the latest FOMC meeting, Fed chair Janet Yellen indicated that while they had decided to keep rates on hold, a hike could still be on the cards this year and possibly as early as September. However, she cautioned that while “near-term risks to the economic outlook have diminished” and that the labour market has somewhat improved, they remain on guard for renewed global turbulence. On inflation, they have a slightly more dovish stance, stating that survey measures have changed little and inflation remains below the desired 2% target level. US Q2 GDP numbers were also released, coming in significantly worse than expected at 1. The market is now only pricing in a small chance of a rate hike in December.

Contrary to expectations, UK Q2 GDP figures surprised to the upside at 0.6% q/q, above Q1’s growth of 0.4% q/q. In addition, EU confidence indices also came in ahead of consensus, surprising given the uncertainty stemming from the implications of Brexit on the region. However, the recently released UK manufacturing PMIs have slipped below the desired 50pt benchmark and business confidence in July fell significantly below June’s number.

This suggests that the UK is in for a tough time over the next few months and the economic consequences of Brexit on the economy will therefore likely only be visible in Q3 and Q4 this year. In the week to come, the BoE will meet to discuss their monetary policy. A rate cut from 0.5% to 0.25% is expected.

The results of the latest European Banking Authority (EBA) tests were published on Friday night and showed only Banca Monte di Paschi di Siena out of the 51 covered banks had a negative fully loaded Common Equity Tier 1 capital ratio (CET1) at year-end 2018 under the EBA’s adverse economic scenario. The good news is that 49 out of 51 banks were above 6% on this same CET1 measure. The fact that there were no nasty surprises came as a relief. There are also moves afoot to recapitalise Banca Monte di Paschi. Most banks were in the solvency region of where analysts had expected them with maybe a few micro surprises. However, the adverse stress test did not model the effects of Brexit on the European economy, neither did it account for a prolonged period of negative interest rates. We thus continue to watch this space with interest.

Despite the uncertainties surrounding Brexit which have dominated attention over the month, most markets have recovered any losses, ending the month significantly stronger. The MSCI EM index slightly outperformed the MSCI world over the week, up 0.9% and 0.5% respectively.

DOMESTIC MARKETS RAND BREAKS THROUGH R14 AGAINST DOLLAR

In line with other emerging market currencies, the Rand appreciated strongly against the USD over the week as the search for yield continues among a low yielding environment and expectations of a rate hike by the Fed remain lower for longer. The positive sentiment was further added to by the South African trade balance which came out significantly stronger than expectations. Trading at levels not seen since early November, the Rand has appreciated 11.5% against the USD year-to-date and breaking through the ZAR/USD 14 level, closed the week at ZAR/USD 13.88.

The SARB released its leading indicator for June which was dragged down for another consecutive month, further reinforcing the picture of a deteriorating environment with other indicators such as vehicle sales and business confidence also on the decline. Stats SA also released the Q2 unemployment rate which slipped marginally to 26.6% with 5.634mil people being unemployed.

On a more positive note, both June PPI and private sector credit extension (PSCE) numbers exceeded expectations. PPI rose 6.8% y/y up from 6.5% in May and PSCE credit extension rose 7.3% against expectations of 7.1%. However, while an improvement, PSCE still remains weak relative to the past three years.

While equity markets over the week were not particularly strong, most indices ended the week positive with resources (the JSE Resource 20 Index) up 3.3% and now up 24.6% year-to-date (total return). The JSE All Share Index closed the week slightly down -0.4% and is up 5.5% year-to-date. **Looking to the week ahead, all eyes will be on the results of the municipal elections.**

CONTACT ANY OF OUR FINANCIAL PLANNERS TO DISCUSS YOUR INVESTMENT STRATEGY.

All our Financial Planners are CFP® Professionals and members of the Financial Planning Institute of Southern Africa. They are highly qualified to give advice on all investment matters.

JHB SEMINAR: 14 SEPTEMBER 2016

OFFSHORE ASSETS – SHOULD I DECLARE OR NOT?

TIME: 16:00 to 18:00
VENUE: Da Vinci Hotel and Suites, Nelson Mandela Square, 5th Street, Sandton
INFO: Daleen 011 799 8100 or pr@brenthurstwealth.co.za
PRESENTERS: Magnus Heystek, Charles van Staden & Ernie Lai King, Hogan Lovells

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WEEK AHEAD

UPCOMING ECONOMIC EVENTS

WEEKLYWRAP 29 July 2016

DATE	EVENT	PERIOD	SURVEY	PRIOR
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SOUTH AFRICA

08/01/16	Barclays Manufacturing PMI	Jul	53.7	
08/01/16	Naamsa Vehicle Sales YoY	Jul	-10.60%	
08/02/16	Standard Bank South Africa PMI	Jul	49.6	

UNITED STATES

08/01/16	Markit US Manufacturing PMI	Jul	52.9	52.9
08/03/16	ADP Employment Change	Jul	170k	172k
08/03/16	ISM Non-Manf. Composite	Jul	56	56.5
08/05/16	Trade Balance	Jun	-\$43.0b	-\$41.1b
08/05/16	Change in Nonfarm Payrolls	Jul	175k	287k
08/05/16	Unemployment Rate	Jul	4.80%	4.90%

EURO AREA

08/01/16	Markit Eurozone Manufacturing PMI	Jul	51.9	51.9
08/03/16	Retail Sales YoY	Jun	1.80%	1.60%
08/03/16	EU Commission Publishes Economic Forecasts			

JAPAN

08/01/16	Nikkei Japan Manufacturing PMI	Jul	49	
08/02/16	Consumer Confidence Index	Jul	42	41.8

CHINA

08/01/16	Manufacturing PMI	Jul	50	50
08/01/16	Caixin China Manufacturing PMI	Jul	48.8	48.6

COMMON ABBREVIATIONS USED FOR ECONOMIC INDICATOR TERMS

PPI	Producer price index (shows trends within the wholesale markets which feed through into inflation)
PMI	Purchasing managers index (indication of the economic health of the manufacturing sector)
GDP	Gross domestic product
ECB	European Central Bank
CI	Confidence Index
MoM	Month-on-month
YoY	Year-on-year
QoQ	Quarter-on-quarter
SA	Seasonally adjusted
NSA	Non-seasonally adjusted

WEEKLY TICKER

WEEKLYWRAP 29 July 2016

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.88	2.89%	5.76%	11.48%
ZAR/Pound	ZAR/GBP	ZAR	18.40	2.02%	6.41%	23.97%
ZAR/Euro	ZAR/EUR	ZAR	15.49	1.13%	5.05%	8.58%
Dollar/Euro**	USD/EUR	USD	1.12	1.79%	-0.61%	2.78%
Yen/Dollar	YEN/USD	YEN	102.54	3.83%	1.10%	17.24%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1347.85	2.16%	2.22%	27.02%
Brent Crude Oil	ICE Brent Futures	USD	43.71	-5.55%	-13.22%	1.30%
Platinum	Platinum Spot	USD	1150.75	6.14%	12.12%	29.07%
Copper	LME 3 month Copper	USD	4925.00	0.10%	1.65%	4.68%
Silver	Silver Spot	USD	20.52	3.58%	8.66%	48.17%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1721.79	0.87%	7.67%	5.31%
United States	S&P 500	USD	4114.51	-0.05%	6.90%	7.66%
Europe	Euro Stoxx 50	EUR	5842.57	0.66%	8.53%	-6.16%
Britain	FTSE 100	GBP	5393.88	-0.05%	9.60%	10.28%
Germany	DAX	EUR	10337.50	1.87%	9.42%	-3.77%
Japan	Nikkei 225	JPY	25068.29	-0.34%	8.15%	-12.07%
Emerging Markets	MSCI Emerging Markets	USD	873.47	0.48%	8.47%	11.98%

SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Share	ISE All Share	ZAR	7184.25	-0.36%	3.29%	5.54%
Top 40	ISE Top 40	ZAR	6243.95	-0.76%	1.84%	1.52%
Shareholder Weighted	ISE SWIX	ZAR	19027.23	-0.46%	4.83%	9.28%
Small Companies	ISE Small Cap*	ZAR	60771.27	0.99%	4.46%	16.90%
Resources	ISE Resource 20	ZAR	1891.55	0.72%	6.26%	24.57%
Industrials	ISE Industrial 25	ZAR	13014.18	-1.28%	0.67%	-1.17%
Financials	ISE Financial 15	ZAR	7671.21	0.37%	5.46%	1.79%
SA Listed Property	ISE SA Listed Property	ZAR	2160.32	0.42%	6.47%	13.19%
Preference Shares	ISE Pref Shares	ZAR	1848.43	0.13%	1.75%	14.76%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	525.26	1.44%	2.48%	13.67%
Inflation Linked Bonds	BESA CILI	ZAR	247.02	0.07%	0.15%	6.65%
Cash	STEFI Composite*	ZAR	345.19	0.14%	0.62%	0.14%

*Price Index (not Total Return) ** Negative indicates Euro weakness

This report was compiled in association with Counterpoint Asset Management. www.cpam.co.za

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