



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS US MARKETS TAKE A KNOCK, BUSINESS IMPROVES IN JAPAN

The big story of the week was S&P's downgrade of South Africa's local and foreign currency ratings to junk status. This follows the cabinet reshuffle last week and the ratings agency's concerns of potential change in policy. SA's long-term foreign currency rating was lowered from to BB+ from BBB- and the long-term local currency rating was lowered to BBB- from BBB. The outlook remained the same at negative on heightened political risk. Fellow ratings agency Moody's announced on Monday that it also intends to put SA on review for a downgrade, but deferred its review meeting to 11 August 2017. SA's Moody's rating is currently two notches above sub-investment grade at Baa2.

OIL: A VOLATILE WEEK

After initial gains, oil prices fell sharply following the most recent EIA data which showed that crude inventories rose to another record high the previous week. The commodity has since rebounded after Friday's news of the US attack on Syria, with Brent crude ending 3.19% higher for the week at \$55.38 a barrel.

EUROPE: FASTER GROWTH EXPECTED FOR Q1

The euro region's PPI for February increased 4.5% year-on-year (YoY), which exceeded expectations of 4.2%YoY and grew from 3.9% YoY in January. March's manufacturing PMI data was flat from the previous estimate at 54.2 pts, while unemployment for February fell to 9.5%, down from 9.6% in January, its lowest since May 2009. Altogether, data suggests growth of 0.6% to 0.7% quarter-on-quarter for Q1, versus original estimates of 0.3% to 0.4%.

JAPAN: BUSINESS CONDITIONS IMPROVE ACROSS INDUSTRIES

The final revision of the Japanese Nikkei manufacturing PMI for March was slightly lower at 52.4 pts, from 52.6 pts in the previous estimate. The services PMI for March rose to 52.9 pts, from 51.3 pts in February. The growing demand for services boosted the composite PMI reading for March, which came in at 52.9 pts (from 52.2 pts in February), the strongest composite PMI reading since August 2015. Business conditions improved for both small and large manufacturers across all industries, including the non-manufacturing sector, in the first quarter of 2017.

AUSTRALIA: RESERVE BANK KEEPS INTEREST RATES UNCHANGED

This week the Australian Reserve Bank announced that it would leave interest rates the same at 1.5%. This was coupled with a warning on lending to risky house buyers, noting that although employment is still rising, wage growth continues to be low.

US: FOMC MINUTES RAISE VALUATION CONCERNS

US markets took a knock during the week after FOMC minutes reported that "some participants viewed equity prices as quite high relative to standard valuation measures" and also that "prices of other risk assets, such as emerging market stocks, high yield corporate bonds, and commercial real estate, had also risen significantly in recent months". In addition, Friday's employment data disappointed, with 98,000 jobs added in March instead of the 180,000 jobs expected, and a decline from February's revised figure of 219,000. Unemployment improved to 4.5% in March from 4.7% in Feb, but average hourly earnings were slightly lower at 2.7% YoY in March from 2.8% YoY in Feb.

DOMESTIC MARKETS

DOWNGRADE DOMINATES, SWIFT REACTION FROM MARKETS

WEEKLYWRAP 07 April 2017

S&P DOWNGRADES SA CURRENCY RATINGS

After S&P downgraded SA's local and foreign currency ratings to junk status, inflation-linked bonds, financial services and long bonds suffered the most. Counterpoint expects other rating agencies to follow suit in downgrading SA's ratings, and note that it requires two agencies to downgrade SA for the country to be excluded from the various international bond indices, such as the Bloomberg, Citigroup and JP Morgan global bond indices.

RAND WEAKENS AFTER S&P DOWNGRADE

The rand fell following the S&P downgrade, but later steadied between R13.50 and R13.80 to the US dollar. The rand is holding up better than during 'Nene-gate' in 2015, but has still been the weakest performer amongst other EM currencies over the past 10 days. Continued political risk and uncertainty are likely to result in further volatility, though supportive global and local economic conditions may help to slow or limit losses in the rand. At Friday's close, the rand was trading at R13.85 to the US dollar, down 2.57% for the week.

BARCLAYS MANUFACTURING PMI FALLS SLIGHTLY

The Barclays manufacturing PMI slipped in March to 52.2 pts from 52.5 pts in February, but still remained above 50.

STANDARD BANK SA PMI HOLDS STEADY

The March Standard Bank South Africa PMI held steady above the 50-benchmark for seven months in a row, increasing slightly to 50.7 pts in March from 50.5 pts in February. The four sub-categories which improved included: output, new orders, stocks of purchases and suppliers' delivery times. The positive PMI has likely been driven by the rise in commodity prices since the middle of 2016 and the end of the drought. However, the increased political risk and S&P downgrade is likely to have a negative impact on business and investor confidence, and could slow economic growth as a result.

INCREASE IN EMPLOYMENT FOR Q4:2016

Stats SA reported that non-farm employment for Q4:16 increased by 18,000 jobs or 0.2% quarter-on-quarter, from 9,672,000 jobs in September 2016 to 9,690,000 jobs in December 2016. The growth in employment is mainly attributable to expansion in the trade (3.3%), business services (1.6%) and manufacturing (1.1%) industries.

VEHICLE SALES UP 2.1% YEAR-ON-YEAR

Naamsa vehicle sales growth came in at 2.1% year-on-year in March, from -0.1% YoY in February. 48,534 vehicles were sold in March, an increase from 48,097 vehicles sold in February and 47,514 vehicles sold in the comparative month in 2016.

THE IMPACT ON INVESTMENT PORTFOLIOS

Brenthurst Wealth's investment portfolios have long been reflecting a more aggressive exposure to offshore assets combined with a conservative approach toward local asset classes.

Brenthurst's financial planners, who understand the long-term investment objectives of clients intimately, will be assessing portfolios on an individual basis and will, if within the risk-profile of clients, make strategic adjustments in order to reduce domestic risk and obtain larger exposure to offshore asset classes.

WEEK AHEAD

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DATE	EVENT	PERIOD	SURVEY	PRIOR
UNITED KINGDOM				
04/07/17	Industrial Production	Feb	3.70%	3.20%
04/07/17	Manufacturing Production	Feb	3.90%	2.70%
04/11/17	CPI	Mar	2.30%	2.30%
04/11/17	House Price Index	Feb	6.10%	6.20%
UNITED STATES				
04/07/17	Change in Nonfarm Payrolls	Mar	180k	235k
04/07/17	Unemployment Rate	Mar	4.70%	4.70%
04/07/17	Average Hourly Earnings	Mar	2.70%	2.80%
04/07/17	Labor Force Participation Rate	Mar		63.00%
04/13/17	PPI Final Demand	Mar	2.40%	2.20%
04/13/17	Initial Jobless Claims	Apr	245k	234k
04/14/17	CPI	Mar	2.60%	2.70%
EURO AREA				
04/11/17	Industrial Production WDA	Feb	1.90%	0.60%
04/11/17	ZEW Survey Expectations	Apr		25.6
CHINA				
04/10/17	Money Supply M2	Mar	11.10%	11.10%
04/12/17	CPI	Mar	1.00%	0.80%
04/12/17	PPI	Mar	7.50%	7.80%
04/13/17	Trade Balance	Mar	\$11.75b	-\$9.15b
JAPAN				
04/07/17	Leading Index CI	Feb	104.6	104.9
04/12/17	PPI	Mar	1.40%	1.00%
04/13/17	Money Stock M2	Mar	4.20%	4.20%
04/14/17	Industrial Production	Feb		4.80%
SOUTH AFRICA				
04/07/17	Net Reserves	Mar	\$41.60b	\$41.51b
04/11/17	Manufacturing Prod NSA	Feb	0.20%	0.80%
04/12/17	Retail Sales Constant	Feb	-1.60%	-2.30%
04/13/17	Mining Production	Feb	1.50%	1.30%

WEEKLY TICKER

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.85	-2.57%	-3.19%	-3.17%	-0.82%
ZAR/Pound	ZAR/GBP	ZAR	17.16	-1.20%	-5.08%	-1.85%	-1.26%
ZAR/Euro	ZAR/EUR	ZAR	14.66	-2.00%	-3.45%	-2.46%	-1.44%
Dollar/Euro**	USD/EUR	USD	1.06	-0.57%	-0.13%	-0.63%	0.65%
Yen/Dollar	YEN/USD	YEN	111.32	0.27%	3.36%	0.06%	5.07%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1254.55	0.43%	4.44%	0.43%	9.33%
Brent Crude Oil	ICE Brent Futures	USD	55.38	3.19%	5.30%	3.46%	-5.24%
Platinum	Platinum Spot	USD	952.84	0.45%	2.07%	0.26%	5.51%
Copper	LME 3 month Copper	USD	5834.00	-0.06%	2.53%	-0.06%	5.39%
Silver	Silver Spot	USD	17.95	-1.29%	6.27%	-1.75%	12.68%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1845.46	-0.44%	0.27%	-0.35%	6.15%
United States	S&P 500	USD	4527.20	-0.24%	-0.36%	-0.24%	5.81%
Europe	Euro Stoxx 50	EUR	6889.66	-0.12%	3.48%	-0.12%	6.69%
Britain	FTSE 100	GBP	6066.96	0.50%	0.62%	0.50%	4.17%
Germany	DAX	EUR	12225.06	-0.71%	2.16%	-0.71%	6.48%
Japan	Nikkei 225	JPY	28719.95	-1.29%	-2.84%	-1.29%	-1.60%
Emerging Markets	MSCI Emerging MKTS	USD	961.61	0.34%	2.68%	0.39%	11.88%

SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	7370.51	1.66%	3.80%	1.66%	5.50%
Top 40	JSE Top 40	ZAR	6423.86	2.17%	4.79%	2.17%	6.15%
Shareholder Weighted	JSE SWIX	ZAR	18944.82	1.15%	2.92%	1.15%	4.49%
Small Companies	JSE Small Cap*	ZAR	62845.67	-1.89%	-1.79%	-1.86%	2.68%
Resources	JSE Resource 20	ZAR	2110.51	5.76%	10.86%	5.76%	7.80%
Industrials	JSE Industrial 25	ZAR	13156.13	1.90%	5.85%	1.90%	9.15%
Financials	JSE Financial 15	ZAR	7512.64	-1.83%	-5.31%	-1.83%	-3.73%
SA Listed Property	JSE SA Listed Property	ZAR	2083.91	-2.25%	-3.59%	-2.25%	-0.91%
Preference Shares	JSE Pref Shares	ZAR	1929.61	-0.19%	-0.96%	-0.19%	0.83%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	544.10	-0.46%	-1.49%	-0.46%	2.02%
Inflation Linked Bonds	BESA CILI	ZAR	245.09	0.32%	-1.75%	0.32%	-0.22%
Cash	STEFI Composite*	ZAR	363.30	0.14%	0.61%	0.14%	2.00%

*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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