



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS SPECULATION THAT US IS READY FOR RATE HIKE

Gold opened the week trading at USD1316/ounce and ended at USD1257/ounce. The 4.42% fall was on the back of media reports surfacing that the ECB will start to taper their asset buying program sooner than the March 2017 closing date. Emerging market currencies traded mostly on the back foot as evidenced by the Chilean peso and Romanian leu closing the week at 667/USD (depreciation of 2.07%) and 4.04/USD (depreciation of 2.01%) respectively. Should the ECB start to cut back on their quantitative easing program, it would coincide with the Fed hiking rates (given their current hawkish rhetoric), which would be negative for emerging markets and could lead to a further depreciation of their currencies.

In the US, Cleveland Fed president Loretta Mester (who is a voting member of the board), said the US economy is currently ready for a rate hike and that the November Fed meeting should still be considered a “live” meeting even though there is no scheduled press briefing. Furthermore, US ISM manufacturing purchasing managers index (PMI) for September beat expectations of 50.4pts when it came in higher at 51.5pts. The change in the price index of US core personal consumption expenditure (PCE) in the meanwhile, which is the Fed’s preferred measure of inflation, was 1.7% y/y in August, up from 1.6% y/y in July, indicating that inflation has slowly been picking up in the US. Non-farm payrolls however, surprised on the downside at 156K vs expectations of 175K for September.

UK Prime Minister Theresa May said the UK would trigger Article 50 to leave the EU no later than March 2017, which put pressure on the pound sterling, which closed the week trading 3.8% lower at 1.24/USD and reaching lows last seen 31 years ago. Some of the pound’s weakness could also be owed to comments from French President Francois Hollande, when he said the EU should be tough in their Brexit negotiations with the UK. Despite all the uncertainty surrounding Brexit and the depreciating pound, UK manufacturing PMI for September came in at 55.4 pts, which was above expectations of 52.1 pts and up from 53.4 pts in August.

Chinese manufacturing PMI for September came in at 50.4pts, slightly below expectations of 50.5pts while Japanese manufacturing PMI for September came slightly above expectations, also at 50.4pts. This indicates that both countries are in expansionary territory (above the 50pt benchmark level). In the meanwhile, India’s central bank cut interest rates by 25bps to 6.25% owing to subdued inflation caused by the monsoon season. The MSCI World index fell -0.77% this week while the MSCI Emerging Markets index added 1.26%.

DOMESTIC MARKETS

IMF LOWERS ITS SA GROWTH FORECASTS FOR 2017

WEEKLYWRAP 07 October 2016

The IMF made news last week as they trimmed their 2017 GDP growth forecast for South Africa from 1.0% to 0.8%. Their 2016 GDP growth forecast however, remains unchanged at 0.1%. The decision to decrease the 2017 growth forecast was due to policy uncertainty and the impact of weaker terms of trade. The IMF added that future growth forecast depends on whether SA can improve efficiency and on the governance at State Owned Enterprises (SOE).

In economic news, the Barclays manufacturing PMI for September, released by the BER, rose by 3.2pts to 49.5pts. Falling production costs from subdued petrol and diesel prices and lower input costs due to the stronger rand were reasons for the higher number. The largest contributions came from an increase in business activity as well as from new sales orders, while negative contributions were owed to weak job creation. The number is unfortunately still below the 50-point mark in contractionary territory, which suggests a slowdown in q/q manufacturing production growth for Q3 2016 as consumers remain under pressure, evidenced by a slackening in demand conditions.

Thereafter, Naamsa released vehicle sales for September. Market consensus was for a contraction of -10% y/y but in the event, the actual number disappointed, coming in lower at -14% y/y equating to 7 904 less vehicles sold. Low growth, double-digit vehicle price increases, lower consumer and business confidence and a falling disposable income means that lower new vehicle sales could continue into the foreseeable future. Q2 2016 non-farm payrolls, released by Stats SA, came in at -0.7% q/q. This was lower than the Q1 2016 number of 0.0% q/q. Most job losses occurred in the community, social and personal services industry (-1.8% q/q) due to temporary jobs created during the election period.

The JSE All Share index shed -0.45% for the week. The industrial and the resource boards were the largest detractors, falling -1.07% and -0.42% respectively while the JSE Small Cap index rose 1.70% over the week.

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

CAPE TOWN SEMINAR: 20 OCTOBER 2016

OFFSHORE ASSETS – SHOULD I DECLARE OR NOT?

TIME: 16:00 to 18:00

VENUE: THE WESTIN CAPE TOWN (Convention Square, Lower Long Street)

INFO: Daleen 011 799 8100 or pr@brenthurstwealth.co.za

PRESENTERS: Magnus Heystek (**Brenthurst Wealth**)
Charles van Staden (**Hogan Lovells**)

CLICK HERE TO REGISTER ONLINE: <http://goo.gl/R5BsQY>

PREFERENCE WILL BE GIVEN TO BRENTHURST CLIENTS

WEEK AHEAD

WEEKLYWRAP 07 October 2016

DATE	EVENT	PERIOD	SURVEY	PRIOR
SOUTH AFRICA				
10/11/16	Manufacturing Prod NSA YoY	Aug	1.20%	0.40%
10/13/16	Gold Production YoY	Aug		2.00%
10/13/16	Platinum Production YoY	Aug		-9.60%
10/13/16	Mining Production YoY	Aug		-5.40%
UNITED STATES				
10/12/16	FOMC Meeting Minutes	Sep		
10/13/16	Initial Jobless Claims	Sep	254k	249k
10/14/16	Retail Sales Advance MoM	Sep	0.60%	-0.30%
10/14/16	U. of Mich. Sentiment	Oct	92	91.2
EURO AREA				
10/11/16	ZEW Survey Expectations	Oct		5.4
10/12/16	Industrial Production SA MoM	Aug	1.20%	-1.10%
10/14/16	Trade Balance SA	Aug	20.4b	20.0b
CHINA				
10/13/16	Trade Balance	Sep	\$53.00b	\$52.05b
10/13/16	Exports YoY	Sep	-3.30%	-2.80%
10/13/16	Imports YoY	Sep	0.70%	1.50%
10/14/16	CPI YoY	Sep	1.60%	1.30%
JAPAN				
10/11/16	BoP Current Account Balance	Aug	¥1502.7b	¥1938.2b
10/12/16	Machine Orders YoY	Aug	7.90%	5.20%
10/14/16	PPI YoY	Sep	-3.20%	-3.60%

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 07 October 2016

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.80	-1.09%	-0.55%	12.11%
ZAR/Pound	ZAR/GBP	ZAR	17.08	3.14%	4.24%	33.52%
ZAR/Euro	ZAR/EUR	ZAR	15.42	-0.72%	0.08%	9.08%
Dollar/Euro**	USD/EUR	USD	1.12	-0.30%	-0.53%	2.89%
Yen/Dollar	YEN/USD	YEN	103.12	-1.61%	-1.72%	16.58%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1264.66	-4.47%	-3.89%	19.18%
Brent Crude Oil	ICE Brent Futures	USD	51.50	3.47%	2.61%	15.99%
Platinum	Platinum Spot	USD	972.70	-5.78%	-5.32%	9.10%
Copper	LME 3 month Copper	USD	4778.00	-1.79%	-1.79%	1.55%
Silver	Silver Spot	USD	17.72	-8.49%	-7.58%	27.96%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1712.40	-0.77%	-0.72%	5.30%
United States	S&P 500	USD	4096.25	-0.60%	-0.60%	7.19%
Europe	Euro Stoxx 50	EUR	5872.02	-0.03%	-0.03%	-5.69%
Britain	FTSE 100	GBP	5703.48	2.16%	2.16%	16.61%
Germany	DAX	EUR	10490.86	-0.19%	-0.19%	-2.35%
Japan	Nikkei 225	JPY	25703.82	2.49%	2.49%	-9.84%
Emerging Markets	MSCI Emerging MKTS	USD	914.81	1.26%	1.30%	17.80%

SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	7103.32	-0.45%	-0.45%	4.35%
Top 40	JSE Top 40	ZAR	6202.85	-0.58%	-0.58%	0.85%
Shareholder Weighted	JSE SWIX	ZAR	18613.68	-0.64%	-0.64%	6.90%
Small Companies	JSE Small Cap*	ZAR	63067.64	1.70%	1.78%	22.47%
Resources	JSE Resource 20	ZAR	1970.71	-0.42%	-0.42%	29.78%
Industrials	JSE Industrial 25	ZAR	12604.14	-1.07%	-1.07%	-4.29%
Financials	JSE Financial 15	ZAR	7586.79	0.31%	0.31%	0.67%
SA Listed Property	JSE SA Listed Property	ZAR	2087.97	0.53%	0.53%	9.40%
Preference Shares	JSE Pref Shares	ZAR	1902.32	1.37%	1.37%	18.11%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	533.23	0.30%	0.30%	15.40%
Inflation Linked Bonds	BESA CILI	ZAR	248.84	0.37%	0.37%	7.43%
Cash	STEFI Composite*	ZAR	350.33	0.22%	0.22%	0.22%

*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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