



THE POWER OF INDEPENDENT ADVICE

INTERNATIONAL MARKETS GLOBAL MARKETS UNDER PRESSURE

International markets came under pressure in September and in the US the S&P500 Index retreated 0.1% month on month, while the Dow Jones Industrial Average closed the month 0.5% in the red. The Nasdaq composite posted a gain of 1.7% compared to the previous month. The FTSE 100 Index gained 1.7% month on month while the DAX retreated 0.8% compared to August. The CAC ended September 0.2% higher month on month.

China's Shanghai Composite Index gave back most of August's gains ending September 2.6% in the red, while the Hang Seng rose 1.5% month on month. In Japan the Nikkei closed September 2.6% lower after weaker than expected consumption and inflation data and continued pressure on the Bank of Japan to further ease monetary conditions.

Generally softer US data in September saw the Fed decide not to increase US interest rates. The Fed last raised interest rates in December 2015, the first increase in almost a decade.

Concerns about the state of the global economy were expressed ahead of meetings of the International Monetary Fund and World Bank to take place early October.

Bloomberg reported that due to stagnant wages and diminishing job security, a populist uprising threatens to depress a world economy that International Monetary Fund Managing Director Christine Lagarde says is already "weak and fragile."

"I'm characterizing the global economy as something akin to a driverless car that's stuck in the slow lane," said David Stockton, a former Fed official and now chief economist at consultants LH Meyer Inc. *"Everybody feels like they're being taken for a ride but they're pretty nervous because they can't see anybody in control."*

Sources:

Anchor Capital, Bloomberg, Business Day, Stanlib

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**)

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LOCAL MARKETS

UNCERTAINTY CONTINUES BUT RAND IMPROVES

MONTHLY UPDATE OCTOBER 2016

The rand fared better in September and according to Deutsche Bank gained 7.4% against the dollar, was up by 8.5% against the pound and up by 6.6% versus the euro. It traded below R14/\$1, outperforming most emerging market currencies as some sense of calm developed in local politics. Media reports further indicated that ratings agency Moody's said that the odds were in favour of South Africa not being downgraded later this year. However, the agency reiterated that government delivery on policy reform promises and fiscal consolidation, increased labour market flexibility and the reform of state-owned enterprises (SOEs) were factors that could sway this decision.

The economic growth data released was ahead of consensus expectations at 3.3% QoQ, which eased concerns about SA plunging into a technical recession (two successive quarters of decline). Bloomberg reported that the GDP also marked SA's fastest pace of growth since 2014. Year on year GDP grew by 0.6%. The consumer price index (CPI) was at 5.9% in August and the SA Reserve Bank decided to keep the repo rate unchanged at 7%. The Reserve Bank also lifted its growth forecast for the country somewhat from 0% to 0.4% for 2016. The trade data release, however, did not bring happy news and a showed that the trade balance had swung from a surplus of R5bn in July to a deficit of R8.6bn in August.

The JSE ended the month lower amid lingering concerns about the position of Finance Minister Pravin Gordhan and while investors waited for some indication about the direction of interest rates in the US. The All Share index closed at 1.5% lower compared to August (YTD it is up by 2.5%). After a difficult trading period in August financial shares improved and ended the month 0.4% higher in September (YTD -3.3%). Higher commodity prices boosted resources with the Resi-10 gaining 4.4% for the month compared to August (YTD this index is up by 27.8%). Impala Platinum Holdings was the best performing share in September, soaring by 23.1% compared to August. Second best was EOH Holdings and this share recorded a gain of 16.6% compared to the previous month. The worst performing share was Mr Price Group after releasing a poor trading update end of August.

The company said in a statement that there was a fundamental shift in SA consumer spending as higher unemployment and low economic growth was dampening consumer confidence and spending.

It was with a sense of sadness in some quarters that the JSE said cheers to SAB. It was the first industrial company to list on the JSE in 1897. Almost 120 years later, its name will disappear from the JSE board as it is swallowed up by AB Inbev, whose £79bn acquisition of SAB-Miller was given the nod by shareholders. Business Day wrote an editorial about this and noted that South Africans have probably long forgotten the names of most of the other industrial and mining companies that listed on the JSE that far back. SAB has not only endured as an iconic SA company, but also as an African and global brewer. SAB had a dominant position in SA at least from the 1950s, when it took over a couple of its competitors, and as soon as SA started opening up to the world in the early 1990s, it took advantage and rapidly expanded beyond SA's borders.

The struggles of the motor industry continued in September. Business Day reported that major declines were registered in September. New vehicle sales were down 14.3% to 47 399 units compared to September last year. Sales of new passenger cars were down 14.4% in September, contributing to a year on year decline of 12.4%. September's figures represent an acceleration in the decline following a drop of 13.1% in August against the same month in 2015.

Numbers about manufacturing activity suggest the sector was not a big contributor to economic growth. The Barclays Purchasing Managers Index rose 3.2 points in September. However, at 49.5 index points the measure remained below 50 for a second consecutive month. A reading below 50 suggests a contraction in activity. Manufacturers are hoping for some support from the Minister of Finance when the medium term budget policy statement is presented.



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