



THE POWER OF INDEPENDENT ADVICE

## INTERNATIONAL MARKETS POLITICAL TENSION BETWEEN USA AND NORTH KOREA DOMINATES

MONTHLYUPDATE MONTH IN REVIEW AUGUST 2017

The spectre of a confrontation between the US and North Korea continued to loom large over markets in August, with global investors fleeing to safer assets such as gold and government bonds as world equity markets remained on the back foot. Despite this, US markets still ended the month higher with the Dow registering a +0.3% return (+11.1% year to date), while the S&P 500 ended 0.1% higher month on month (+10.4% year to date) and the tech-heavy Nasdaq advanced by 1.3% in August (+19.4% year to date). CNBC writes that this was the fifth consecutive month that the Dow and the S&P 500 closed higher, while the Nasdaq recorded its ninth positive month out of ten.

In terms of US economic releases, revised GDP data surprised on the upside with the economy showing 2Q17 growth of 3% year on year – its fastest pace in two years. At the same time, the private sector added 237 000 jobs in August, according to the latest release from ADP and Moody's Analytics - the fastest pace of private payrolls growth in five months. However, with US inflation remaining stubbornly low, financial markets have mixed feelings about the odds of another US Federal Reserve (Fed) rate hike this year.

European bourses, for the most part, put in a disappointing performance, closing the month broadly lower, with Germany's DAX down 0.5% month on month (+5.0% year to date), while France's CAC retreated by 0.2% month on month (+4.6% year to date), and the UK FTSE-100 Index advanced by 0.8% month on month (+4.0% year to date). August eurozone confidence surveys for the industrial and services sector came in above expectations, but remained negative in terms of consumer confidence, while inflation in the bloc rose to 1.5% year on year, narrowly beating analyst

expectations and edging closer to the European Central Bank (ECB) target. In the UK, mortgage approvals moved higher but consumer credit and economic sentiment slowed.

In Asia, Japan's Nikkei, which hasn't had a down month since March, ended August 1.4% lower month on month (+2.8% year to date). Earlier in the month, data showed that Japan's second quarter 2017 GDP grew at an annualised rate of 4%, significantly higher than forecast and the sixth-straight quarter of expansion. Meanwhile, in China, Hong Kong's Hang Seng Index continued its upward trajectory, ending August 2.4% (+27.1% year to date) higher. The Shanghai Composite closed 2.7% up MoM and has risen by 8.3% ytd.

## BRENTHURST WARRIOR KIDS FOUNDATION

Brenthurst is proud to announce its support for **Ride for Gabi** and the **Brenthurst Warrior Kids Foundation** in aid of children suffering from cystic fibrosis. We have a team of 26 cyclists who will participate in the Telkom 947 Cycle Challenge 2017 in support of this great cause. If you have already registered in the cycle challenge and would like to join "BRENTHURST WARRIOR KIDS" email Magda at [charity@brenthurstwealth.co.za](mailto:charity@brenthurstwealth.co.za) CLOSING DATE 29 SEP 2017

If you wish make a donation or sponsor a cyclist in our team to assist us in helping Gabi and other children please visit [www.quicket.co.za](http://www.quicket.co.za), search for 'Ride for Gabi' and choose donate.

The shirts for purchase option on our event page is for the cyclists in the Ride for Gabi Team. The donations option is for our supporters and sponsors. We appreciate your interest and contribution. The event takes place in JHB, Sunday 19 November 2017.

# LOCAL MARKETS

## INFLATION DOWN AND BUMPER MAIZE CROP EXPECTED

MONTHLY UPDATE MONTH IN REVIEW AUGUST 2017

As in July, bits of positive news emerged from markets and the economy in August. Consumer price inflation (CPI) slowed for the sixth month in a row, moderating from 5.1% in June to 4.6% year on year in July, marginally below the Reuters consensus forecast of 4.7%. The trade and industrial sectors improved and according to media reports this could mean that SA will move out of recession. It was also announced that a bumper maize crop is expected. "South African farmers will harvest 16.4-million tons of maize in 2017, marking it the largest crop on record, numbers by the crop estimates committee shows. The bumper harvest represented a 2.78% growth on the figures it provided in July and was more than double the crop that was produced in 2016," it was reported in Business Day.

The JSE also did well. A resources rally helped buoy the local market with the FTSE JSE All Share Index reaching a record high of 56 655.9 on 25 August, before retreating to end the month at 56 522.11 – 2.4% higher month on month (+11.6% year to date). For the second month running, mining companies were among the biggest gainers, with the Resi-10 ending the month 3.9% higher (the index is up 11.4% year to date). The Indi-25 and Fini-15 also posted month on month gains of 1.7% (+18.4% year to date) and 2.9% (+4.1% year to date), respectively.

Unlike in previous months, where Naspers accounted for most of the JSE's gains, the August rally in major resources stocks buoyed the local bourse as large commodity shares reached close to record levels on good news from the US and China. The broadly higher commodity prices, and a restructuring of the Chinese steel sector, boosted demand for better-quality ore, which resulted in the top-three performers on the JSE coming from the mining sector. Month on month Assore Ltd (+30.1%) was the best-performing share. In second spot, Sibanye Gold (+23.6% month on month) reported results for the first half of 2017, revealing that its revenue advanced 31.0% year on year to R19.21bn.

The market seemed to welcome Sibanye's forecast that the second half would be stronger while a robust gold price also provided support. Exxaro Resources (+20.2% month on month), the third-best performer, earlier last month revealed that its revenue for the first half of the year advanced by 9.9% year on year to R10.73bn.

Despite lower recent food inflation readings and SA retail sales in June growing by a higher-than-expected 2.9% year on year, Grand Parade Investments, that owns Burger King, was August's worst-performing share, dropping by 18.2% month on month. This as the outlook for consumer-facing businesses continued to be impacted by low consumer spending, political uncertainty, high unemployment and a recession. Embattled construction firm, Group Five's share price decreased by 17.7% month on month, making it the second-worst performing share in August. Energy and oil and gas company, Consolidated Infrastructure Group (CIG; -11.0% month) came in third place on the worst performers list. The company blamed the negative effect of subdued economic growth on its Consolidated Power Projects division, together with a slowdown in the Angolan oil sector which took its toll on the performance of Angola Environmental Services.

The improvement in the market for new vehicles continued. The National Association of Automobile Manufacturers of SA (Naamsa) reported that new vehicle sales registered 49 222 units in August 2017, an increase of 3 091 units or 6.7% compared to the 46 131 vehicles sold in August last year. The new car market reflected a further increase at 32 161 units, a gain of 1 654 units or 5.4% compared to the 30 507 new cars sold in August last year.

South Africa's budget balance for July recorded its largest deficit since 2004 – R92.2bn. This was down from a surplus of R15.4bn posted in June and is estimated to be approximately 3.3% of GDP. Expenditure had increased but revenue collection was the main culprit declining 1.8% year to date. This will put pressure on the global ratings agencies to downgrade South Africa further come the end of the year and in 2018.

### SOURCES:

Business Day  
Anchor Capital  
Wheels24.co.za  
Prescient Investment Management



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