



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS MOSTLY POSITIVE WEEK ON GLOBAL MARKETS

The week was mostly a positive one for global markets following the first round of the French presidential election, and optimism around the proposed US tax reforms in which large cuts in corporate tax are anticipated. Markets rallied, the dollar weakened, bond yields in general were higher, and global equity markets gained. Most markets are also continuing to see declining volatility, noted especially by the VIX index which is hovering around January lows.

RISK-ON DOMINATED EUROPEAN EQUITIES

After Emmanuel Macron (pro-European integration) was announced as the preliminary winner of the first round of the French presidential election, risk-on dominated markets as investor hopes were given a boost by the more market-friendly candidate. On the Monday after the results were announced, the euro strengthened to a 5-month high before returning to current levels. The STOXX 600 reached its highest levels since mid-August 2015, up 2.1%, and the CAC40 climbed 4.1%. European banks lead gains rising 4.8% on the day, and Eurozone banks rose 7.4% with French banks giving some of the best performances on the day. By Friday however the rally had turned into a slight decline, with the EuroSTOXX 50 down 0.35% for the week.

ECB NOT YET PARING BACK STIMULUS

The European Central Bank kept rates unchanged at its meeting this week as downside growth risk has eased, but noted in their press conference that inflationary pressures were as yet too weak to consider cutting back on stimulus. The results of the Q1 Bank Lending Survey were mostly positive with the relaxing of credit standards across the three main categories, as anticipated in the last survey.

US DATA WEAKENS SLIGHTLY

Initial March figures for durable goods orders were lower than expected at +0.7% (instead of +1.3% expected). Capital goods orders came in at +0.2% (vs. +0.5% expected) while wholesale inventories fell unexpectedly by -0.1% rather than the +0.2% expected. The US merchandise trade deficit widened by -\$64.8bn but still less than the expected -\$65.2 billion. Pending home sales fell by -0.8% MoM in March, after a +5.5% increase in February. Preliminary jobless claims rose to 257,000 vs. 245,000 expected. Despite the data, investors were cheered by news on the proposed tax reforms, and the Nasdaq managed to close above the 6,000-level for the first time on Tuesday, 17 years after first reaching 5,000.

MLIGHT SHED ON TRUMP'S TAX REFORMS

The tax principles that will begin negotiations were released on Wednesday, the highlights being: a reduction in tax brackets from 7 to 3 (10%, 25%, 35%) and cutting the top rate from 39.6%; a 15% business rate tax, a territorial tax to aid US companies; and a once-off repatriation tax. Costing details remain vague.

JAPANESE SERVICES PPI ABOVE EXPECTATIONS

Japanese services PPI for March came in above expectations at 0.8% YoY (0.7% YoY expected) and unchanged from February. Real estate and advertising contributed the most to the headline number, with leasing declining the most. The services PPI increased 0.6% MoM compared to February, to add a second month of inflation. The Bank of Japan kept policy unchanged at their meeting but lowered their inflation prediction, which means accommodative policy and asset purchasing are likely to continue for now.

DOMESTIC MARKETS

SARB LEADING INDICATOR HIGHEST IN THREE YEARS

SARB RELEASES THE FEBRUARY LEADING INDICATOR

The February leading business cycle indicator rose to 98.0 pts in February – its highest in three years – up from 96.9 pts in January, boosted by dollar-based commodity exports. Previously, the index increased to 97.1 pts in January from 96.2 pts in December 2016.

MARCH PPI LOWER THAN EXPECTED

Stats SA released the March PPI data on Wednesday. Bloomberg consensus was for the PPI to have moderated to 5.5% YoY in March from 5.6% YoY in February, while on a month-to-month basis the PPI was expected to have remained the same at 0.6% in March. However, the annual percentage change in the PPI for final manufactured goods was 5.2% in March 2017. From February 2017 to March 2017 the PPI for final manufactured goods increased by 0.3%.

M3 MONEY SUPPLY GROWTH FALLS

The SARB released money supply and private sector credit extension (PSCE) data on Friday. Growth in M3 money supply was expected to have slowed to 6.50% YoY in March from 6.63% y/y in February, but came in lower at 5.62% YoY in March. PSCE growth was also expected to have moderated slightly to 5.20% YoY in March from 5.26% YoY in February, but was reported as 4.95% in March.

SA TRADE SURPLUS WIDENS IN MARCH

The March trade account was reported as showing a R11.44 billion surplus, with exports up 16% and imports higher by 8.9%. Driving the surplus are commodity exports, which grew 33% in March as a result of strong global demand. Imports were predominantly machinery, electronics, vehicles, transport equipment, and photographic products. The actual figures were far better than expected: Bloomberg consensus was for the trade surplus to have only widened to R6.2 billion in March from the downwardly revised R4.78 billion in February, and from a record low of -ZAR11.2bn in January.

SA'S BUDGET BALANCE FOR MARCH RECORDS DEFICIT

The South African monthly budget balance for March recorded a deficit of R3.851 billion. In comparison, February enjoyed a budget surplus of R13.78 billion, while January experienced a budget deficit of R38.69 billion.

JSE ENDS WEEK HIGHER, BUT RAND WEAKENS AGAINST USD

The rand weakened 3.05% against the US dollar, trading at R13.31 to the USD by the end of the week. The JSE All Share climbed 1.69% led by 2.47% gains in industrial shares. The MSCI EM Index ended the week 0.86% higher, while the MSCI World Index rose 0.58%.

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WEEK AHEAD

WEEKLYWRAP 28 April 2017

DATE	EVENT	PERIOD	SURVEY	PRIOR
UNITED KINGDOM				
04/28/17	GDP	1Q	2.20%	1.90%
05/04/17	Mortgage Approvals	Mar	67.2k	68.3k
EURO AREA				
04/28/17	CPI Core	Apr	1.00%	0.70%
05/02/17	Unemployment Rate	Mar	9.40%	9.50%
05/03/17	GDP SA	1Q	1.70%	1.70%
05/04/17	Retail Sales	Mar	2.10%	1.80%
JAPAN				
04/28/17	Natl CPI	Mar	0.30%	0.30%
04/28/17	Industrial Production	Mar	3.90%	4.70%
UNITED STATES				
04/28/17	GDP Annualized	1Q	1.00%	2.10%
04/28/17	Personal Consumption	1Q	0.90%	3.50%
05/01/17	ISM Manufacturing	Apr	56.5	57.2
SOUTH AFRICA				
04/28/17	Private Sector Credit	Mar	5.20%	5.26%
05/02/17	Naamsa Vehicle Sales	Apr	1.50%	2.10%

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

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.31	-3.05%	0.01%	0.48%	3.26%
ZAR/Pound	ZAR/GBP	ZAR	17.14	-3.79%	-2.61%	1.04%	-1.14%
ZAR/Euro	ZAR/EUR	ZAR	14.52	-3.39%	-2.23%	0.31%	-0.46%
Dollar/Euro**	USD/EUR	USD	1.09	0.29%	-2.32%	0.14%	3.74%
Yen/Dollar	YEN/USD	YEN	112.11	-1.89%	-0.40%	-0.55%	4.33%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1256.31	-1.55%	0.59%	-0.94%	9.48%
Brent Crude Oil	ICE Brent Futures	USD	51.41	-1.17%	-4.22%	-1.23%	-12.42%
Platinum	Platinum Spot	USD	933.41	-3.11%	-1.99%	-1.35%	3.36%
Copper	LME 3 month Copper	USD	5735.50	1.42%	-1.75%	0.00%	3.61%
Silver	Silver Spot	USD	16.96	-6.03%	-7.72%	-1.50%	6.47%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1882.49	0.58%	1.39%	0.25%	8.43%
United States	S&P 500	USD	4592.78	0.61%	1.27%	0.17%	7.34%
Europe	Euro Stoxx 50	EUR	7033.08	-0.35%	2.82%	0.00%	8.91%
Britain	FTSE 100	GBP	5956.51	-0.77%	-1.95%	0.00%	2.28%
Germany	DAX	EUR	12438.01	-0.14%	1.93%	0.00%	8.34%
Japan	Nikkei 225	JPY	29713.89	2.30%	0.49%	0.59%	1.80%
Emerging Markets	MSCI Emerging MKTS	USD	979.76	0.86%	0.81%	0.20%	14.17%

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	7514.33	1.69%	3.24%	0.00%	7.56%
Top 40	JSE Top 40	ZAR	6568.81	1.91%	4.35%	0.00%	8.54%
Shareholder Weighted	JSE SWIX	ZAR	19488.76	1.46%	2.99%	0.00%	7.49%
Small Companies	JSE Small Cap*	ZAR	62269.08	0.80%	-3.80%	0.00%	1.96%
Resources	JSE Resource 20	ZAR	2001.65	0.86%	1.99%	0.00%	2.24%
Industrials	JSE Industrial 25	ZAR	13680.67	2.47%	6.23%	0.00%	13.51%
Financials	JSE Financial 15	ZAR	7965.87	0.99%	0.28%	0.00%	2.07%
SA Listed Property	JSE SA Listed Property	ZAR	2142.63	0.76%	-0.89%	0.00%	1.88%
Preference Shares	JSE Pref Shares	ZAR	1922.08	-0.80%	-0.86%	0.00%	0.44%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	554.35	-0.27%	0.32%	0.00%	3.94%
Inflation Linked Bonds	BESA CILI	ZAR	247.12	#VALUE!	-0.35%	0.00%	0.61%
Cash	STEFI Composite*	ZAR	364.84	#VALUE!	0.59%	0.00%	2.44%

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

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