



THE POWER OF INDEPENDENT ADVICE

## GLOBAL MARKETS ALL EYES ON NEW UK PRIME MINISTER

**After the significant sell-off following the Brexit referendum, global markets continued to regain losses over the week with risk-on trades dominating on good numbers out of China and expectations of further monetary stimulus from central banks. The US also saw significant gains over the week, reaching record highs in the wake of the recent good labour data. As a result, US rate hike expectations have somewhat increased but the market is still only pricing in one rate hike this year.**

In the UK, focus remains on Brexit with Theresa May being sworn in as the new prime minister and on whose shoulders the negotiations with the EU now rest. Her cabinet consists of, amongst others, Boris Johnson as Foreign Secretary, David Davis as Secretary of State of Exiting the EU and Philip Hammond as Chancellor. The cabinet is now in a position to lead the UK's renegotiations with global trading partners.

At their monetary policy meeting, the BoE kept rates unchanged at 0.5%. This was in contrast to market expectations of a 25bp rate cut and in reaction, the GBP marginally regained some of its recent losses stemming from the Brexit referendum and the FTSE Index benefitted.

The market had expected the BoE to cut rates for the first time since 2009, largely based on comments from Mark Carney, the BoE Governor, who stated that "the economic outlook has deteriorated and some monetary policy easing will probably be required over the summer." It seems the BoE may be waiting for more data before embarking on further stimulus and further light on this will be shed at the next monetary policy meeting scheduled for 4 August. The FTSE Index ended the week 1.2% higher and the GBP closed the week at GBP/ZAR 18.94.

In China, a host of data was released, all surprising to the upside and adding further momentum to the positive global sentiment. Q2 2016 GDP numbers indicated growth of 6.7% y/y against expectations of 6.6% y/y and retail and industrial production numbers for June were also released.

Retail sales rose 10.6% y/y (above expectations of 9.9% y/y) and industrial production 6.2% y/y (above expectations of 5.9% y/y). These figures again suggest the Chinese economy is moving away from construction and heavy industry towards consumption and services. With risk-on trades dominating market performance, EM's outperformed DM's, the MSCI Emerging Market Index and MSCI World Index up 4.7% and 2.3% respectively.

# DOMESTIC MARKETS RESOURCES & FINANCIALS LEAD JSE HIGHER

WEEKLYWRAP 15 July 2016

**In line with other emerging market and commodity based currencies, the Rand strengthened over the week and was one of the top performing currencies amongst its EM peers. Appreciating 1.4%, the Rand closed the week at ZAR/USD 14.32.**

Possibly adding to the strong country specific performance, evidence is mounting that the Democratic Alliance (DA) may take three key metropolitan areas from the ANC ruling party in the upcoming municipal elections in August. The latest eNCA/IPSOS polls indicate that the DA is leading 34.7% to 31.0% in Johannesburg, 39.2% to 25.3% in Tshwane and 42.0% to 27.2% in Nelson Mandela Bay.

Mining and manufacturing production data for May was released. Whilst showing a slight improvement from the -6.9% y/y decline in April, mining production came out worse than expected at -4.4% y/y, marking the ninth consecutive month production has been in negative territory. Manufacturing production on the other hand came in better than expected; increasing 4% y/y, up from 3.1% in April and ahead of an expected 2.5% increase.

May retail sales were also released; coming in significantly stronger than expected. Retail sales increased 4.5% y/y against April's revised increase of 1.6% y/y and ahead of expectations of 1.5%. However, given the nature of retail sales which tend to be fairly volatile, this strong number should be read with caution as it stands in stark contrast to the recently released consumer-related data which illustrates a consumer under pressure and is not sustainable given the current headwinds such as rising interest rates and lower disposable income.

**Benefitting from the risk-on environment, the JSE All Share Index closed the week 3.5% higher. The main sectors contributing to the large weekly move were Resources, the JSE Resource 20 gaining 5.5%, and Financials, the JSE Financial 15 closing 4.6% higher.**



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# WEEK AHEAD UPCOMING ECONOMIC EVENTS

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DATE	EVENT	PERIOD	SURVEY	PRIOR
<b>SOUTH AFRICA</b>				
07/20/16	CPI YoY	Jun	6.30%	6.10%
07/20/16	CPI Core YoY	Jun	5.60%	5.50%
07/21/16	SARB Announce Interest Rate	Jul	7.00%	7.00%
<b>UNITED STATES</b>				
07/18/16	NAHB Housing Market Index	Jul	60	60
07/18/16	Net Long-term TIC Flows	May	-\$79.6b	
07/19/16	Housing Starts	Jun	1170k	1164k
07/21/16	Existing Home Sales	Jun	5.47m	5.53m
<b>EURO AREA</b>				
07/19/16	Construction Output YoY	May	-0	
07/20/16	Consumer Confidence	Jul	-8	-7.3
07/21/16	ECB Main Refinancing Rate	Jul	0	0
07/22/16	Markit Eurozone Manufacturing PMI	Jul	52	52.8
<b>CHINA</b>				
07/18/16	China June Property Prices	Jun		
<b>JAPAN</b>				
07/22/16	Nikkei Japan PMI Mfg	Jul	48.1	

This report was compiled in association with Counterpoint Asset Management. [www.cpam.co.za](http://www.cpam.co.za)

## COMMON ABBREVIATIONS USED FOR ECONOMIC INDICATOR TERMS

<b>PPI</b>	Producer price index (shows trends within the wholesale markets which feed through into inflation)
<b>PMI</b>	Purchasing managers index (indication of the economic health of the manufacturing sector)
<b>GDP</b>	Gross domestic product
<b>ECB</b>	European Central Bank
<b>CI</b>	Confidence Index
<b>MoM</b>	Month-on-month
<b>YoY</b>	Year-on-year
<b>QoQ</b>	Quarter-on-quarter
<b>SA</b>	Seasonally adjusted
<b>NSA</b>	Non-seasonally adjusted

# WEEKLY TICKER

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## CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	14.32	1.37%	2.88%	8.06%
ZAR/Pound	ZAR/GBP	ZAR	18.94	-0.61%	3.58%	20.43%
ZAR/Euro	ZAR/EUR	ZAR	15.83	1.41%	3.22%	6.27%
Dollar/Euro**	USD/EUR	USD	1.11	-0.14%	-0.44%	1.80%
Yen/Dollar	YEN/USD	YEN	105.61	-4.32%	-2.28%	13.83%

## COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1 329	-2.11%	0.57%	25.29%
Brent Crude Oil	ICE Brent Futures	USD	48	1.82%	-4.16%	12.07%
Platinum	Platinum Spot	USD	1 088	-0.50%	6.17%	21.99%
Copper	LME 3 month Copper	USD	4 918	4.41%	1.51%	4.53%
Silver	Silver Spot	USD	20	-0.21%	6.81%	44.35%

## GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1 701	2.30%	2.93%	3.98%
United States	S&P 500	USD	4 090	1.51%	3.08%	7.04%
Europe	Euro Stoxx 50	EUR	5 778	4.25%	3.36%	-7.20%
Britain	FTSE 100	GBP	5 348	1.19%	2.55%	9.34%
Germany	DAX	EUR	10 067	4.54%	4.00%	-6.29%
Japan	Nikkei 225	JPY	24 958	9.21%	5.92%	-12.45%
Emerging Markets	MSCI Emerging Markets	USD	868	4.71%	4.29%	11.09%

## SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	7 221	3.53%	1.68%	6.07%
Top 40	JSE Top 40	ZAR	6 315	3.41%	1.05%	2.67%
Shareholder Weighted	JSE SWIX	ZAR	18 991	3.67%	1.68%	9.07%
Small Companies	JSE Small Cap*	ZAR	59 884	1.43%	0.79%	14.91%
Resources	JSE Resource 20	ZAR	1 956	5.50%	6.85%	28.80%
Industrials	JSE Industrial 25	ZAR	13 152	2.69%	0.17%	-0.13%
Financials	JSE Financial 15	ZAR	7 503	4.64%	0.59%	-0.44%
SA Listed Property	JSE SA Listed Property	ZAR	2 115	2.86%	1.08%	10.80%
Preference Shares	JSE Pref Shares	ZAR	1 835	-0.63%	-0.01%	13.95%

## SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	520	0.14%	1.19%	12.57%
Inflation Linked Bonds	BESA CILI	ZAR	247	0.09%	0.14%	6.71%
Cash	STEFI Composite*	ZAR	344	0.14%	0.30%	0.14%

\*Price Index (not Total Return) \*\* Negative indicates Euro weakness

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