



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS IMPROVED MANUFACTURING BOOSTS CHINESE MARKET

The key news this week came from South Africa itself, with President Zuma's removal of Finance Minister Pravin Gordhan and his deputy Mcebisi Jonas, as well as six other government ministers, in a shock cabinet reshuffle announced at midnight on Thursday. Gordhan and Jonas were accused of undermining the country and the economy while overseas on a foreign investment roadshow, on the basis of a rather questionable intelligence report. After the announcement, the rand fell to near its worst weekly loss since 2015, trading at R13.60 to the US dollar on Friday morning. Home Affairs Minister Malusi Gigaba was sworn in on Friday night as replacement for Gordhan, with ANC MP Sifiso Buthelezi as his deputy.

VOLATILITY FALLS IN Q1

SA drama aside, analysts are noting a very calm start to the year from a global perspective, with the VIX down from 14.04 at the end of the last quarter to 12.59 at the close of Q1. In addition, the highest point reached by the VIX in Q1 this year ranks as the sixth lowest out of all the Q1's for the last decade.

US: GLOBAL GROWTH DATA LIKELY TO 'TRUMP' POLITICS AS DRIVER

Despite the failure of President Trump's healthcare bill last Friday, US markets still ended higher this week as investors set more store in positive global growth data than in the vagaries of politics. Consumer confidence rose +9.5 points to 125.6 in March, its highest since December 2000 - however, this data was collected before the failure of the healthcare bill. In its third and final revision, Q4 GDP was revised up to +2.1% quarter-on-quarter, annualised from +1.9%. Bullish sentiment seems to be changing though, due to remaining uncertainty around the inflation outlook, fiscal policy and Trump's tax reform bill.

EUROPE: MANUFACTURING AND SERVICES BOOST PMI

Europe's composite PMI for March climbed to its highest in six years at 56.7 points, exceeding expectations of 55.8 points, thanks to stronger manufacturing and services PMI's. Helping to lead the upward move were France and Germany, though the latter also released a lower-than-expected CPI this week of +0.2% MoM instead of +0.4% MoM.

UK: BREXIT CLOCK STARTS

PM Theresa May triggered Article 50 this week, starting the clock on the two-year period for Brexit negotiations. The UK wants to reach agreement on a new deal with the EU27 alongside the terms of the exit as early as March 2019. However, limiting the fallout of the Brexit seems to be the main goal of the EU27, so negotiations are likely to be long and difficult as the two sides try to reach a compromise.

ASIA: CHINA'S PMI'S RISE, JAPAN'S RETAIL SALES FALL

In China, the manufacturing PMI for March rose to 51.8 (51.7 expected), its highest since April 2012. The non-manufacturing PMI also rose from 55.1 to 54.2, reaching its highest since May 2014. The positive PMI's helped to boost Chinese stock markets. In contrast, February retail sales in Japan came in at 0.1% YoY, lower than the 0.7% YoY expected. Japanese supermarket and department store sales fell a further -2.7% YoY in February (-1.8% YoY expected) down from -1.1% in January.

DOMESTIC MARKETS

RAND, BONDS WEAKER IN WAKE OF CABINET RESHUFFLE

RAND IS ROCKED BY POLITICAL UPHEAVAL

After a strong start due to weakness in the US dollar, the rand was beaten down in its worst weekly slide since 2015 following the sudden recall of Finance Minister Pravin Gordhan on Monday from an investment roadshow overseas, and his subsequent dismissal, along with his deputy and six other ministers, on Thursday night. Though the rand has since regained some ground, trading at R13.45 at close of play on Friday after touching R13.60 against the dollar, political uncertainty continues to plague the local currency. SA bonds, especially longer-dated bonds, weakened under the pressure, as investors worried about how the changes to the Finance Minister would affect the running of the National Treasury. New Finance Minister, Malusi Gigaba, has since promised to make no changes to the administrative leadership of the Treasury, and to remain on the government's path of fiscal consolidation. The political upheaval has added a risk premium to the rand and to bonds, though local and international contexts are still positive.

SARB LEAVES INTEREST RATE UNCHANGED

On Thursday the SARB announced that they would leave the repo rate unchanged at 7%, in line with Bloomberg consensus. M3 money supply grew 6.63% YoY in February, less than the 7.9% YoY expected. Annual private sector credit grew 5.26%, after a rise of 5.52% in January, and missing expectations of 5.30% YoY growth.

After the week's political events, the FRA market is no longer pricing in a rate cut in 2017. Some analysts suggest that the Reserve Bank may continue to keep rates unchanged for some time, or even raise them, if US real interest rates and SA's risk increase too much, as this would lead to greater weakness in the rand.

STATS SA ANNOUNCES AN INCREASE IN PPI

Stats SA reported the annual percentage change in the PPI for final manufactured goods as 5.6% in February, in line with Bloomberg consensus, and up 0.6% from January 2017 (vs. 0.5% expected).

SARS REPORTS A TRADE BALANCE SURPLUS FOR FEBRUARY

SARS released the February trade balance figures, reporting a surplus of R5.22 billion. The year-to-date trade balance deficit (1 January to 28 February 2017) is R6 billion, which is an improvement on a deficit of R23.62 billion for the comparable period last year. Exports totalled R87.79 billion for February, and exports year-to-date grew 7% to R168 billion, from R156.98 billion in the comparable period in 2016. February imports came to R82.57 billion, while imports year-to-date declined 3.7% to R174 billion, from R180.60 billion in the comparable period in 2016.

NEWSFLASH:

S&P GLOBAL SLASHES SA'S SOVERIGN CREDIT RATING TO JUNK STATUS

IN an unprecedented step the world's largest and most influential credit ratings agency S&P Global downgraded SA's international sovereign credit rating to below investment grade. Commonly known as "junk status", this could mean a wholesale flight out of SA's capital markets. The decision by S&P, originally scheduled for June this year, was brought forward following on the firing of finance minister Pravin Gordhan by pres. Jacob Zuma last week. Late last night (Sunday) the rand was trading at R13,80 to the US dollar, compared with R12,20 a week earlier.

WEEK AHEAD

WEEKLYWRAP 31 March 2017

DATE	EVENT	PERIOD	SURVEY	PRIOR
UNITED KINGDOM				
03/31/17	GDP	4Q	2.00%	2.00%
04/03/17	Markit UK PMI Manufacturing SA	Mar	55	54.6
04/07/17	Industrial Production	Feb	3.70%	3.20%
04/07/17	Manufacturing Production	Feb	3.90%	2.70%
UNITED STATES				
04/03/17	Markit US Manufacturing PMI	Mar	53.5	53.4
04/04/17	Durable Goods Orders	Feb	1.90%	1.70%
04/07/17	Change in Nonfarm Payrolls	Mar	175k	235k
04/07/17	Unemployment Rate	Mar	4.70%	4.70%
EURO AREA				
04/03/17	Unemployment Rate	Feb	9.50%	9.60%
04/04/17	Retail Sales	Feb	1.00%	1.20%
04/05/17	Markit Eurozone Composite PMI	Mar	56.7	56.7
CHINA				
03/31/17	Manufacturing PMI	Mar	51.7	51.6
03/31/17	Non-manufacturing PMI	Mar		54.2
JAPAN				
03/31/17	Jobless Rate	Feb	3.00%	3.00%
03/31/17	Natl CPI	Feb	0.20%	0.40%
03/31/17	Industrial Production	Feb	3.90%	3.70%
SOUTH AFRICA				
03/31/17	Trade Balance Rand	Feb	1.6b	-10.8b
04/03/17	Barclays Manufacturing PMI	Mar	51.8	52.5
04/03/17	Naamsa Vehicle Sales	Mar		-0.10%
04/05/17	SACCI Business Confidence	Mar		95.5

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	13.45	-7.88%	-1.95%	-0.24%	2.19%
ZAR/Pound	ZAR/GBP	ZAR	16.86	-8.59%	-4.38%	-0.08%	0.52%
ZAR/Euro	ZAR/EUR	ZAR	14.34	-6.44%	-3.47%	-0.24%	0.79%
Dollar/Euro**	USD/EUR	USD	1.07	-1.35%	-1.38%	0.11%	1.40%
Yen/Dollar	YEN/USD	YEN	111.56	-0.04%	2.64%	-0.15%	4.84%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1246.57	0.45%	1.21%	-0.21%	8.63%
Brent Crude Oil	ICE Brent Futures	USD	53.45	5.13%	-3.32%	-0.15%	-8.54%
Platinum	Platinum Spot	USD	952.75	-1.48%	-3.81%	0.25%	5.50%
Copper	LME 3 month Copper	USD	5837.50	0.58%	-1.56%	0.00%	5.46%
Silver	Silver Spot	USD	18.17	2.83%	2.79%	-0.52%	14.09%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1853.69	0.43%	0.82%	0.01%	6.53%
United States	S&P 500	USD	4538.21	0.82%	0.12%	0.00%	6.07%
Europe	Euro Stoxx 50	EUR	6897.74	1.77%	5.65%	0.00%	6.82%
Britain	FTSE 100	GBP	6036.73	-0.12%	-0.51%	0.00%	3.65%
Germany	DAX	EUR	12312.87	2.06%	4.04%	0.00%	7.25%
Japan	Nikkei 225	JPY	29096.37	-1.15%	-0.40%	0.00%	-0.31%
Emerging Markets	MSCI Emerging MKTS	USD	958.37	-1.11%	2.35%	0.01%	11.46%

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	7250.08	0.69%	1.60%	0.00%	3.78%
Top 40	JSE Top 40	ZAR	6287.65	1.37%	2.04%	0.00%	3.90%
Shareholder Weighted	JSE SWIX	ZAR	18728.84	-0.34%	1.43%	0.00%	3.30%
Small Companies	JSE Small Cap*	ZAR	64059.53	-1.03%	-0.05%	0.00%	4.62%
Resources	JSE Resource 20	ZAR	1995.61	5.96%	1.05%	0.00%	1.93%
Industrials	JSE Industrial 25	ZAR	12910.94	1.35%	3.76%	0.00%	7.12%
Financials	JSE Financial 15	ZAR	7652.65	-4.62%	-1.93%	0.00%	-1.94%
SA Listed Property	JSE SA Listed Property	ZAR	2131.86	-2.74%	0.12%	0.00%	1.37%
Preference Shares	JSE Pref Shares	ZAR	1933.36	-0.79%	1.19%	0.00%	1.03%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	546.60	-3.22%	0.40%	0.00%	2.49%
Inflation Linked Bonds	BESA CILI	ZAR	244.32	-2.38%	-2.17%	0.00%	-0.54%
Cash	STEFI Composite*	ZAR	362.78	0.14%	0.61%	0.00%	1.86%

*Price Index (not Total Return)

** Negative indicates Euro weakness

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

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