



THE POWER OF INDEPENDENT ADVICE

## GLOBAL MARKETS UK LEANING TOWARDS LEAVING THE EUROZONE

**Risk-off trade once again dominated the week, largely as a result of fears over Brexit with the referendum date on Thursday 23 June looming closer and further polls indicating that the UK is leaning towards leaving the Eurozone.**

However, following the murder of Labour lawmaker Jo Cox and the halting of some campaigns, it seems sentiment may have turned back to the 'stay' camp so whichever the outcome; it is likely to be close.

Monetary policy decisions in the US, Japan and the U.K over the week also added to the risk-off environment but all three central banks decided to keep interest rates unchanged, highlighting the impact from Brexit as a significant concern. In reaction, safe haven assets and developed market bond yields benefitted with both the Japanese and German 10 year bonds now trading around zero at -0.14% and 0.05% respectively. The US 10 year is also sitting near record lows, at 1.6%.

As mentioned, in the US the Fed kept rates on hold, noting that the jobs market has slowed (apparent in the recent poor non-farm payroll number) and that inflation expectations have also come down. While the median Fed forecast still indicates there will be two rate hikes this year, the market is pricing in much less of a chance.

If Britain decides to leave the Eurozone, this should have downward pressure on both US and global growth, making the likelihood of further rate hikes even lower.

In their monetary policy statement, The Bank of Japan also cited lowered inflation expectations as a concern as well as uncertainty surrounding EM and commodity currencies. They however made it clear that further easing could occur in the future and believe the economy "is likely to be on a moderate expanding trend."

**The Bank of England cited the possibility of Brexit as the "largest immediate risk facing the UK financial markets, and possibly also global financial markets." Seven out of the ten most recent polls have indicated the 'leave' camp is in the lead but news flow over the weekend indicates this sentiment may have changed.**

With risk-off trade dominating, DM's outperformed EM's over the week, the MSCI World and MSCI EM indices down -1.8% and -2.1% respectively. This upcoming week, all attention will be on the UK referendum and volatility can be expected.

# DOMESTIC MARKETS

## RAND EXPECTED TO BE REACTIVE TO OUTCOME

WEEKLYWRAP 17 June 2016

In line with other EM and commodity based currencies, the Rand was once again on the back foot this past week as risk-off trade dominated. However, Friday saw a rebound in the currency as sentiment surrounding Brexit turned, with investors determining the likelihood of a leave probability lower than originally thought. After reaching a low of ZAR/USD15.32, the Rand closed the week 0.5% stronger at ZAR/USD 15.00.

The SARB released its Q1 2016 Quarterly Bulletin with the Q1 current account data coming in significantly worse than expectations. Consensus was for a narrowing of the deficit to -4.1% of GDP from -5.1% the previous quarter. In the event, the deficit instead came in at -5.0% of GDP. The underlying data indicated that the deterioration was largely due to invisibles account which offset a marginal improvement in the merchandise trade balance. The trade deficit narrowed from -R41bn in Q4 2015 to -R38bn in Q1 2016.

April retail sales were also released, coming in worse than expected. Consensus was for April retail sales to have moderated to 2.5% y/y from 2.8% in March. Instead, retail sales came in at 1.5% y/y. With inflationary pressures from a weaker Rand, higher interest rates and slow GDP growth, the consumer is likely to remain under pressure for some time.

Most local indices closed the week negative, with resources and listed property being the worst hit, the JSE Resource 20 and JSE Listed Property indices both down -2.3%.

In line with global markets, which will be focused on the upcoming UK referendum, the Rand and local markets can be expected to be highly reactive to whatever the outcome may be.

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# WEEK AHEAD

## UPCOMING ECONOMIC EVENTS

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DATE	EVENT	PERIOD	SURVEY	PRIOR
<b>SOUTH AFRICA</b>				
21-Jun	Leading Indicator	Apr		91.9
22-Jun	CPI YoY	May		6.20%
22-Jun	CPI Core YoY	May		5.50%
<b>UNITED STATES</b>				
22-Jun	Existing Home Sales	May	5.50m	5.45m
23-Jun	Markit US Manufacturing PMI	Jun		50.7
23-Jun	New Home Sales	May	565k	619k
24-Jun	Durable Goods Orders	May	-0.80%	3.40%
24-Jun	U. of Mich. Sentiment	Jun	94.3	94.3
<b>EURO AREA</b>				
20-Jun	Construction Output YoY	Apr		-0.50%
21-Jun	ZEW Survey Expectations	Jun		16.8
22-Jun	Consumer Confidence	Jun		-7
23-Jun	Markit Eurozone Manufacturing PMI	Jun		51.5
<b>JAPAN</b>				
20-Jun	Trade Balance	May		¥823.5b
20-Jun	Exports YoY	May		-10.1
20-Jun	Imports YoY	May		-23.3

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

WEEKLYWRAP 17 June 2016

## CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	15.00	0.53%	4.70%	3.1%
ZAR/Pound	ZAR/GBP	ZAR	21.89	-0.27%	3.94%	4.19%
ZAR/Euro	ZAR/EUR	ZAR	17.04	0.22%	2.65%	-1.26%
Dollar/Euro**	USD/EUR	USD	1.14	0.23%	-1.99%	4.56%
Yen/Dollar	YEN/USD	YEN	104.67	2.63%	5.79%	14.86%

## COMMODITIES

Description	Classification	Currency	Price	Week	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1285	1.92%	5.72%	21.08%
Brent Crude Oil	ICE Brent Futures	USD	50	-2.71%	-0.48%	-18.75%
Platinum	Platinum Spot	USD	970	-2.19%	-0.96%	8.80%
Copper	LME 3 month Copper	USD	4 552	0.93%	-2.55%	-3.25%
Silver	Silver Spot	USD	17	-4.95%	-5.12%	-6.09%

## GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1 636	-1.77%	-2.17%	-0.11%
United States	S&P 500	USD	3914	-1.12%	-1.11%	2.42%
Europe	Euro Stoxx 50	EUR	5555	2.09%	-6.77%	-10.77%
Britain	FTSE 100	GBP	4824	-1.53%	-3.12%	-1.37%
Germany	DAX	EUR	9631	-2.07%	-6.15%	-10.35%
Japan	Nikkei 225	JPY	23558	-6.03%	-9.49%	-17.36%
Emerging Markets	MSCI Emerging Markets*	USD	806	-2.14%	0.14%	2.48%

## SA EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month-to-Date	Year-to-Date
All Share	ISE All Share	ZAR	7087	-1.95%	-3.22%	4.11%
Top 40	ISE Top 40	ZAR	6268	-1.90%	-3.82%	1.91%
Shareholder Weighted	ISE SWIX	ZAR	18 369	-2.22%	-2.90%	5.50%
Small Companies	ISE Small Cap*	ZAR	59206	-0.56%	-0.27%	13.61%
Resources	ISE Resource 20	ZAR	1803	-2.33%	-4.79%	18.74%
Industrials	ISE Industrial 25	ZAR	13 183	-1.99%	-3.59%	0.11%
Financials	ISE Financial 15	ZAR	7498	-1.72%	-2.29%	-0.51%
SA Listed Property	ISE SA Listed Property	ZAR	2 043	-2.34%	-1.23%	7.02%
Preference Shares	ISE Pref Shares	ZAR	1 811	-2.07%	0.27%	12.44%

## SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month-to-Date	Month-to-Date
Description	BESA ALBI Index	ZAR	505	0.18%	2.16%	9.24%
All Bond	BESA CILI	ZAR	246	0.46%	1.60%	6.25%
Inflation Linked Bonds	STEFI Composite*	ZAR	342	0.14%	0.34%	0.14%

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

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