



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS TRUMP FAILS TO GET SUPPORT FOR NEW HEALTHCARE BILL

Markets kept an eye on the healthcare debate in the US this week, which climaxed in the withdrawal of the AHCA, Trump's bill to replace Obamacare, on Friday. The new president struggled to gather sufficient support for the bill, and tried to force reticent Republicans to pass it by issuing an ultimatum. Just a few hours later, House Republicans withdrew the bill before the scheduled vote, still lacking the required support. Investors are concerned by the failure of the bill, seeing it as a proxy for the success of Trump's upcoming tax reform plans.

US: ON TRACK FOR GDP GROWTH IN Q1

Besides the uncertainty created by the healthcare debate, US markets also suffered from stretched valuations, and bank stocks fell on lower bond yields. Industrial production for February showed no change, after analysts anticipated a +0.2% rise month-on-month (MoM). In contrast, manufacturing production met expectations, rising +0.5% MoM. Recent economic data have left the Atlanta Fed's GDP tracker for the first quarter unaltered at 0.9%, though the New York Fed's model still predicts a 2.8% growth rate.

UK: BREXIT NEGOTIATIONS CAN BEGIN

Making headlines in the UK this week was the terrorist attack outside Parliament on Wednesday. The FTSE 100 ended 0.73% lower that day, but the pound recovered initial losses to close relatively unchanged. In other news, PM Theresa May will trigger Article 50 on March 29th to officially begin Brexit negotiations, and headline CPI was higher than expected, rising +0.7% MoM in February.

EUROPE: ATTENTION TURNS TO ITALY

Although the political focus has been predominantly on the upcoming French elections, the anti-establishment 5-Star movement in Italy seems to be gaining support, according to recent polls. Most February polls indicated that the Democratic Party still has a marginal lead, but one poll puts the 5-Star 5.5% ahead of the Democrats.

CHINA: HOUSE PRICES CONTINUE TO RISE

China reported that 56 out of 70 major cities saw rising house prices for new homes (excluding subsidized housing). This is up from 45 cities in January. The municipal government of Beijing has tried to cool prices by raising the deposit on second homes by 10%, while reducing the max mortgage length from 30 to 25 yrs.

JAPAN: TRADE SURPLUS GROWS

Meanwhile in Japan, February's exports were up +11.3% YoY (+10.1% expected), from +1.3% in January. Imports fell to +1.2% YoY from 8.5% YoY.

BOND MARKETS: ONE-OFF HIKE LOOMING

The pattern of the ECB's easing decisions since the beginning of QE has led analysts to suspect that a one-off hike in the deposit facility rate is looming. Global bond yields were slightly lower this week, led by US bonds.

WORLD MARKETS DOWN FOR THE WEEK

Global equities fell this week, with the MSCI World index down -0.93%. The S&P 500 lost 1.42%, the FTSE 100 gave up 1.19%, and the Nikkei declined 1.33%. However, EM equities were up slightly, with the MSCI EM index rising 0.37%.

DOMESTIC MARKETS

NOT A GOOD WEEK FOR RESOURCES ON JSE

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SARB: CURRENT ACCOUNT DEFICIT DECLINES

On the local front, this week's main news came from the SARB, who released the current account deficit (CAD) figures for the fourth quarter of 2016. The Bloomberg consensus expected a compression to -3.4% of GDP from -4.1% of GDP in the third quarter; however, data showed the CAD compressed to -1.7% of GDP in the fourth quarter of 2016. Looking at 2016 overall, the CAD compressed to -3.3% of GDP, compared to -4.4% of GDP the previous year.

CPI IN LINE WITH EXPECTATIONS

Another key release came from Stats SA, who announced the CPI for February as 6.3% YoY, with core CPI moderating to 5.2% YoY. These figures were in line with Bloomberg consensus. The slowing of inflation has been attributed to decelerating food and alcoholic beverage inflation, and to some extent various CPI constituents such as goods and services.

RAND CONTINUES TO STRENGTHEN

At close of trade on Friday, the rand was trading 2.31% stronger for the week at R12.33 to the US dollar. EM currencies have benefitted from weakness in the trade-weighted dollar following the US rate hike last week, and the rand is now decisively below 12.80.

INCREASE IN FIXED-RATE BOND COMPETITIVE AUCTION LEVELS

On Friday afternoon, the National Treasury announced an increase in the weekly fixed-rate competitive bond auction levels from R2,350 million to R2,650 million, as indicated in the 2017 Budget Review. The increase will take effect from 4th April 2017.

HARMONY STRIKE BEGINS AND ENDS

Another mining strike disrupted production this week, though it only lasted a day before successful negotiations returned the situation to normal. Harmony Gold Mining Company reported an illegal strike on Thursday at its Kusasaletu mine, as employees reacted to the suspension of the Association of Mineworkers and Construction Union's (AMCU) branch leadership. The leadership had been suspended after inciting a go-slow at the mine, in response to disciplinary procedures against 40 employees after an illegal sit-in at the mine.

JSE ENDS WEEK LOWER

The JSE All Share index fell -1.19% this week. Resources declined the most, giving up -3.71%, while industrials retreated -0.31%, and financials lost -0.78%.

NEWSFLASH:

PRESIDENCY CONFIRMS ZUMA INSTRUCTS GORDHAN TO RETURN FROM LONDON

On Monday 27 March, it was announced that President Jacob Zuma 'instructed' Finance Minister, Pravin Gordhan, to return to SA immediately and not go ahead with his scheduled roadshow to boost confidence amongst international investors. The local market reacted swiftly and within minutes after the news broke the value of the rand declined with more than 30c against the dollar. This is an unfolding story and we will report the outcome in our weekly report of next week as well as our monthly market report to be published in early April.

WEEK AHEAD

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DATE	EVENT	PERIOD	SURVEY	PRIOR
UNITED KINGDOM				
03/31/17	GfK Consumer Confidence	Mar	-7	-6
03/31/17	Lloyds Business Barometer	Mar		40
03/31/17	Current Account Balance	4Q	-16.0b	-25.5b
03/31/17	GDP	4Q	2.00%	2.00%
UNITED STATES				
03/24/17	Markit US Manufacturing PMI	Mar	54.8	54.2
03/28/17	Conf. Board Consumer Confidence	Mar	114	114.8
03/30/17	GDP Annualized	4Q	2.00%	1.90%
03/30/17	Initial Jobless Claims	25-Mar	247k	261k
03/31/17	PCE Core	Feb	1.70%	1.70%
03/31/17	Chicago Purchasing Manager	Mar	56.9	57.4
EURO AREA				
03/24/17	Markit Eurozone Composite PMI	Mar	55.8	56
03/30/17	Economic Confidence	Mar	108.3	108
03/30/17	Consumer Confidence	Mar	-5	-5
03/31/17	CPI Core	Mar	0.80%	0.90%
CHINA				
03/30/17	BoP Current Account Balance	4Q		\$37.6b
03/31/17	Manufacturing PMI	Mar	51.7	51.6
JAPAN				
03/24/17	Nikkei Japan PMI Mfg	Mar		53.3
03/29/17	Retail Sales	Feb	0.30%	0.50%
03/31/17	Jobless Rate	Feb	3.00%	3.00%
03/31/17	Industrial Production	Feb	3.90%	3.70%
SOUTH AFRICA				
03/30/17	Private Sector Credit	Feb	5.30%	5.56%
03/30/17	PPI	Feb	5.60%	5.90%
03/30/17	Electricity Consumption	Feb		-0.60%
03/30/17	SARB Announce Interest Rate	30-Mar	7.00%	7.00%
03/31/17	Trade Balance Rand	Feb	-1.0b	-10.8b

WEEKLY TICKER

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	12.32	2.31%	3.41%	6.55%	11.52%
ZAR/Pound	ZAR/GBP	ZAR	15.49	1.73%	4.03%	4.93%	9.40%
ZAR/Euro	ZAR/EUR	ZAR	13.39	1.68%	1.35%	3.67%	7.90%
Dollar/Euro**	USD/EUR	USD	1.09	0.56%	-2.04%	2.78%	3.36%
Yen/Dollar	YEN/USD	YEN	110.22	1.21%	1.13%	2.31%	6.12%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1257.38	1.16%	-0.48%	0.72%	9.58%
Brent Crude Oil	ICE Brent Futures	USD	50.44	-1.85%	-10.59%	-10.74%	-13.09%
Platinum	Platinum Spot	USD	973.80	-0.03%	-4.45%	-4.93%	7.83%
Copper	LME 3 month Copper	USD	5804.00	-2.21%	-0.94%	-2.83%	4.85%
Silver	Silver Spot	USD	17.91	2.06%	-2.33%	-2.20%	12.45%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1845.81	-0.93%	0.15%	0.58%	5.94%
United States	S&P 500	USD	4501.11	-1.42%	-0.71%	-0.70%	5.20%
Europe	Euro Stoxx 50	EUR	6735.11	-0.08%	3.20%	3.16%	4.30%
Britain	FTSE 100	GBP	5998.18	-1.19%	1.06%	0.48%	2.99%
Germany	DAX	EUR	11972.91	-0.26%	0.81%	1.17%	4.28%
Japan	Nikkei 225	JPY	29011.46	-1.33%	-0.55%	-0.69%	-0.60%
Emerging Markets	MSCI Emerging MKTS	USD	969.13	0.37%	2.48%	3.64%	12.65%

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	7200.05	-1.19%	0.13%	1.97%	3.06%
Top 40	JSE Top 40	ZAR	6202.96	-1.21%	-0.22%	1.91%	2.50%
Shareholder Weighted	JSE SWIX	ZAR	18792.91	-0.81%	1.22%	2.59%	3.65%
Small Companies	JSE Small Cap*	ZAR	64788.24	-0.96%	0.01%	1.24%	5.67%
Resources	JSE Resource 20	ZAR	1883.28	-3.71%	-6.29%	-2.48%	-3.81%
Industrials	JSE Industrial 25	ZAR	12738.88	-0.31%	1.32%	3.27%	5.69%
Financials	JSE Financial 15	ZAR	8023.59	-0.78%	3.71%	3.94%	2.81%
SA Listed Property	JSE SA Listed Property	ZAR	2191.82	0.04%	1.23%	2.92%	4.22%
Preference Shares	JSE Pref Shares	ZAR	1948.80	-0.28%	0.79%	2.51%	1.84%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	564.78	0.91%	3.78%	3.74%	5.90%
Inflation Linked Bonds	BESA CILI	ZAR	250.29	0.17%	0.02%	0.24%	1.89%
Cash	STEFI Composite*	ZAR	362.27	0.14%	0.61%	0.49%	1.71%

*Price Index (not Total Return)

** Negative indicates Euro weakness

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

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