



THE POWER OF INDEPENDENT ADVICE

## GLOBAL MARKETS FED LOOKING AT FASTER PACE FOR HIKING INTEREST RATES

**Gold closed the week 0.08% higher, trading at USD1233/ounce. The dollar traded weaker against most major currencies, ending at CHF0.99/USD (-0.17%) and EUR1.06/USD (-0.25%). Brent crude oil had another volatile week and closed -1.57% lower at USD56/bbl.**

Fed Chair Janet Yellen struck a hawkish tone last week, which surprised markets somewhat. Yellen, who is normally very dovish, said it would be unwise for the Fed to increase rates too slowly. However, she did not commit to a time period but mentioned that every Fed meeting is live, meaning interest rates could be hiked as soon as next month. Richmond Fed President Lacker echoed Janet Yellen's sentiment saying the Fed should raise rates sooner than the market is currently expecting owing to an increase in inflation and tightness in the labour market. He went on to mention that increasing interest rates soon at a gradual pace would be superior to increasing rates later on at an accelerated pace. US Fed official Fisher and Boston Fed Chair Rosengren had similar sentiment in their speeches last week.

In economic news, US CPI for January was higher than market expectations coming in at 2.5% y/y, up from 2.1% in December.

An increase in retail sales prices was the main contributor to the higher inflation figure, which increases the probability of an interest rate hike sooner rather than later. US PPI for January also beat market expectations returning 1.6% y/y, against consensus of 1.5%.

In Europe, the Bank of Greece warned about the consequences that the new round of debt required to bail Greece out of their debt crisis would have. Fitch ratings agency then cautioned that Greece is at risk of being downgraded from their already junk status (CCC) if they do not resolve their differences with creditors. Greece's next payment is due in July and talks will resume this week between the parties. The Greece 10y bond, seen as a proxy for the development of the bailout plan, saw a yield spike to 7.71% (increase of 45bps) as risk increased.

Inflation in China for January rose to 2.5% y/y. This was above the December figure of 2.1% y/y and is the fastest increase since August 2011. The figure was mainly driven by low base effects and an increase in food prices but price increases in China are expected to slow down due to tighter monetary policy and a slowdown in property prices. **The MSCI World index closed the week 1.20% up whilst the MSCI Emerging Markets index also closed higher at 0.95%.**

# DOMESTIC MARKETS

## LOCAL CURRENCY AT BEST LEVEL SINCE OCTOBER 2015

WEEKLYWRAP 17 February 2017

The rand closed the week at 13.12/USD, an appreciation of 2.24%. The last time the rand was at these levels was in October 2015. Year to date, the top three emerging market currencies versus the dollar is the rand (appreciation of 4.74%), the Russian rouble (appreciation of 2.46%) and the Brazilian real (appreciation of 0.19%), while the Turkish lira was the worst performer losing 2.85%.

Unemployment figures released by Statistics SA for Q4 2016 surprised markets on the upside. Markets expected the unemployment rate to have contracted to 27.0% from 27.1% in Q3 2016. In the event, the unemployment rate came lower at 26.5% for Q4 2016, meaning 235k more jobs were created last quarter. The majority of new jobs created emanated from formal sector employment.

Statistics SA then released January inflation statistics. Markets were expecting inflation to have moderated to 6.7% y/y from 6.8% in December. In the event, CPI dropped to 6.6% y/y owing to lower price increases from tobacco and alcoholic beverages, recreation and culture as well as from restaurants and hotels. Negative contributions came from food and non-alcoholic products (+11.4% y/y) and transport (+6.7%y/y).

Retail sales for December, also released by Statistics SA, came in at 0.9% y/y. This was below the 3.8% y/y seen in November and disappointed the market, which was expecting a figure of 2.2%. The main culprits for the drop in retail sales were lower sales of textiles, clothing and footwear products.

The JSE All Share index closed the week 0.88% down. The largest detractors emanated from the resource and industrial boards, closing 2.65% and 1.46% down respectively. In the week ahead, focus will be on the release of PPI data on Thursday. Markets are anticipating a figure of 7.0% in January, a slightly lower number than 7.1% from the month before so the jury is out to see if the market is disappointed with the actual print or not.



## TAX FREE INVESTMENTS & RETIREMENT ANNUITIES

**REMINDER:** As the 2017 tax year draws to a close on the 28 February 2017, there is still time to take advantage of the TAX FREE INVESTMENTS AND RETIREMENT ANNUITY CONTRIBUTIONS.

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# WEEK AHEAD

WEEKLYWRAP 17 February 2017

DATE	EVENT	PERIOD	SURVEY	PRIOR
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## SOUTH AFRICA

02/21/17	Leading Indicator	Dec		95.6
02/23/17	PPI YoY	Jan	6.60%	7.10%

## UNITED STATES

02/21/17	Markit US Manufacturing PMI	Feb	54.7	55
02/22/17	Existing Home Sales	Jan	5.55m	5.49m
02/22/17	FOMC Meeting Minutes	Feb		
02/23/17	Initial Jobless Claims	18-Feb		239k
02/24/17	New Home Sales	Jan	575k	536k

## EURO AREA

02/20/17	Consumer Confidence	Feb	-4.9	-4.9
02/21/17	Markit Eurozone Manufacturing PMI	Feb	55	55.2
02/21/17	Markit Eurozone Services PMI	Feb	53.7	53.7
02/22/17	CPI YoY	Jan	1.80%	1.80%

## CHINA

02/23/17	Swift Global Payments CNY	Jan		0.0168
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## JAPAN

02/20/17	Trade Balance	Jan	-¥625.9b	¥641.4b
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## 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

## CURRENCIES

Description	Classification	Currency	Exchange	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.12	2.24%	3.85%	2.73%	4.74%
ZAR/Pound	ZAR/GBP	ZAR	16.30	3.01%	3.09%	4.00%	3.97%
ZAR/Euro	ZAR/EUR	ZAR	13.91	2.70%	4.18%	4.56%	3.86%
Dollar/Euro**	USD/EUR	USD	1.06	-0.25%	0.45%	-1.76%	0.87%
Yen/Dollar	YEN/USD	YEN	113.19	0.34%	1.76%	-0.34%	3.33%

## COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1233.40	0.08%	2.47%	1.87%	7.49%
Brent Crude Oil	ICE Brent Futures	USD	55.98	-1.57%	2.05%	0.72%	-2.63%
Platinum	Platinum Spot	USD	1000.55	-0.81%	4.57%	0.56%	10.79%
Copper	LME 3 month Copper	USD	5960.00	-2.13%	3.84%	-0.52%	7.67%
Silver	Silver Spot	USD	17.96	0.27%	5.74%	2.29%	12.75%

## GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1836.50	1.20%	3.01%	2.61%	5.12%
United States	S&P 500	USD	4506.20	1.60%	3.90%	3.36%	5.32%
Europe	Euro Stoxx 50	EUR	6507.83	1.16%	0.90%	2.54%	0.78%
Britain	FTSE 100	GBP	5978.70	0.95%	1.17%	3.25%	2.66%
Germany	DAX	EUR	11757.02	0.77%	1.88%	1.92%	2.40%
Japan	Nikkei 225	JPY	29373.35	-0.74%	2.25%	1.02%	0.64%
Emerging Markets	MSCI Emerging MKTS	USD	939.03	0.95%	4.93%	3.31%	8.96%

## SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	ISE All Share	ZAR	7209.40	-0.88%	-1.31%	-1.07%	3.19%
Top 40	ISE Top 40	ZAR	6216.70	-1.49%	-2.24%	-1.86%	2.72%
Shareholder Weighted	ISE SWIX	ZAR	18603.41	-0.54%	-0.71%	0.04%	2.61%
Small Companies	ISE Small Cap*	ZAR	65387.74	2.16%	5.44%	3.73%	6.24%
Resources	ISE Resource 20	ZAR	2045.20	-2.65%	-4.32%	-5.44%	4.46%
Industrials	ISE Industrial 25	ZAR	12440.10	-1.46%	-1.57%	-1.13%	3.21%
Financials	ISE Financial 15	ZAR	7845.75	0.80%	-0.42%	1.54%	0.53%
SA Listed Property	ISE SA Listed Property	ZAR	2183.65	1.93%	1.69%	2.16%	3.83%
Preference Shares	ISE Pref Shares	ZAR	1933.78	-0.25%	-1.13%	0.54%	1.05%

## SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	548.06	0.72%	0.44%	1.38%	2.76%
Inflation Linked Bonds	BESA CILI	ZAR	250.36	0.03%	1.60%	0.35%	1.93%
Cash	STEFI Composite*	ZAR	359.72	0.14%	0.61%	0.34%	0.14%

\*Price Index (not Total Return)

\*\* Negative indicates Euro weakness

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

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