



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS CONCERN ABOUT SLOW GLOBAL GROWTH

AS WE MOVED INTO THE NEW MONTH, FOCUS WAS ONCE AGAIN ON GLOBAL GROWTH WITH THE RELEASE OF MANUFACTURING AS WELL AS US PAYROLL NUMBERS DURING THE WEEK.

China and the US released disappointing manufacturing numbers. This fueled concerns of global growth and igniting a sell-off in risky, particularly commodity exposed assets. Equity markets have plummeted with bonds benefitting. The US 10yr is now trading at 1.7% and German Bund at 0.15%.

China's official manufacturing PMI for April came in at 50.1, slightly below expectations as well as March's print. The Caixin manufacturing PMI was also released, remaining below the 50 point level at 49.4. The official PMI is weighted towards large domestic and state owned firms. While this remains in an expansionary phase, the Caixin PMI, which is biased towards smaller and export-oriented firms, has been in contraction for some time now.

Non-manufacturing PMI for China however remains well above 50 at 53.5. These contrasting points reinforce the view that China's growth is being driven by the non-manufacturing, services sector of the economy.

The fundamentals, which the recent rally in commodities is supposedly built on, are therefore questionable, and it seems the rise in commodity prices may rather be a result of USD weakness.

In the US, ISM Manufacturing data showed a similar weakness to China, falling to 50.8 from 51.8 in March. These numbers remain consistent with the thought that the Fed will not raise rates soon. Adding to this, non-farm payrolls came out worse than expectations. Consensus was for 200k jobs to have been added in April and only 160k were added.

Markets sold off around the world, with EMs being the worst hit. The MSCI World and MSCI EM Index were down -1.65% w/w and -4.15% w/w respectively (total return).



DOMESTIC MARKETS

MOODY'S' CHANGES SA OUTLOOK TO NEGATIVE

IN LINE WITH OTHER EM AND COMMODITY BASED CURRENCIES, THE RAND HAS BEEN ON THE BACK FOOT THIS WEEK, WITH RISK-OFF TRADE AND USD STRENGTH IMPACTING NEGATIVELY.

IN COMPARISON TO ITS EM PEERS, THE RAND HAS BEEN AMONGST THE WORST PERFORMING CURRENCIES OVER THE WEEK, SUGGESTING COUNTRY SPECIFIC RISK MAY ALSO BE AT PLAY. THE RAND DEPRECIATED 4.6% OVER THE WEEK TO CLOSE AT ZAR/USD 14.83.

Rightly or wrongly, South Africa is often closely associated with Brazil and this past week Fitch downgraded Brazil's sovereign debt rating further into non-investment grade territory, from BB+ to BB with a negative outlook. Economic conditions, political uncertainty, poor domestic confidence and lack of action from the government were some of the reasons cited for the downgrade. Fitch also downgraded Brazil's growth forecast from -2.5% to -3.8% for 2016. This all sounds fairly close to home.

Following Brazil's downgrade, expectations weren't too optimistic as to what Moody's would have to say for SA. However, on Friday the Rating Agency unexpectedly left SA's local and foreign currency credit rating unchanged at Baa2 (with a negative outlook). Moody's cited its view that the country is likely approaching a turning point after several years of falling growth; and that the 2016/2017 budget plan will likely stabilise and eventually reduce government debt metrics. They also commented on the recent political developments and "while disruptive, testify to the underlying strength of South Africa's institutions."

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

Speaking in parliament, Finance Minister Gordhan is confident that the government is still able to meet its deficit reduction targets, despite the slowdown in economic growth. The 2016/2017 budget calls for a reduction in debt to 2.4% of GDP three years from now. The deficit is expected to be 3.2% of GDP this financial year.

NAAMSA vehicle sales were released, indicating domestic demand remains weak in SA with total domestic car sales falling by 9.2% y/y in April.

However, this was better than the -14% decline in March and in stark contrast to vehicle exports which grew 39.1% y/y to the strongest number of units ever. With low consumer confidence and rising interest rates, the negative trend in local sales is likely to persist but the strong export figure clearly indicates the benefits the weaker Rand is having on the vehicle industry.

ON A MORE POSITIVE NOTE, THE BER RELEASED THE BARCLAY'S MANUFACTURING PMI FOR APRIL, EXCEEDING MARKET EXPECTATIONS.

While the market had expected the index to have declined slightly to 50.2, instead it increased to 54.9, up from 50.5 in March. New sales orders have now increased for three months in a row, outpacing the rise in inventories. The Standard Bank PMIs for April was also released, indicating a slightly different picture but also outperforming expectations.

The Standard Bank PMI increased from a level of 47 in March to 47.9. However, this still remains below the desired 50 point level.

WEEK AHEAD

UPCOMING ECONOMIC EVENTS

WEEKLYWRAP 06 May 2016

DATE	EVENT	PERIOD	SURVEY	PRIOR
SOUTH AFRICA				
9-May	Unemployment	IQ	25.70%	24.50%
12-May	Gold Production YoY	Mar		11.10%
12-May	Platinum Production YoY	Mar		-18.10%
12-May	Mining Production YoY	Mar	-12.20%	-8.70%
12-May	Manufacturing Prod NSA YoY	Mar	-0.60%	1.90%
UNITED STATES				
13-May	Retail Sales Control Group	Apr	0.30%	0.10%
13-May	PPI Final Demand YoY	Apr	0.20%	-0.10%
13-May	U. of Mich. Sentiment	May	89.5	89
EURO AREA				
9-May	Sentix Investor Confidence	May	6	5.7
12-May	Industrial Production YoY	Mar	1.10%	0.80%
13-May	GDP SA YoY	IQ	1.60%	1.60%
CHINA				
8-May	Trade Balance	Apr	\$40.00b	\$29.86b
8-May	Exports YoY	Apr	0.00%	11.50%
8-May	Imports YoY	Apr	-4.00%	-7.60%
10-May	CPI YoY	Apr	2.30%	2.30%
10-May	PPI YoY	Apr	-3.70%	-4.30%
14-May	Retail Sales YoY	Apr	10.60%	10.50%

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WEEKLY TICKER

WEEKLYWRAP 06 May 2016

CURRENCIES						
Description	Classification	Currency	Exchange Rate	Week	MTD	YTD
ZAR/USD	ZAR/USD	ZAR	14.83	-4.59%	-4.03%	4.33%
ZAR/Pound	ZAR/GBP	ZAR	21.39	-3.10%	-2.80%	6.61%
ZAR/Euro	ZAR/EUR	ZAR	16.91	-4.03%	-3.65%	-0.53%
Dollar/Euro**	USD/EUR	USD	1.14	-0.41%	-0.40%	5.00%
Yen/Dollar	YEN/USD	YEN	107.54	-0.58%	-0.97%	11.79%

COMMODITIES						
Description	Classification	Currency	Price	Week	MTD	YTD
Gold	Gold Spot	USD	1283.34	-0.35%	-0.79%	20.94%
Brent Crude Oil	ICE Brent Futures	USD	45.97	-4.22%	-2.96%	11.93%
Platinum	Platinum Spot	USD	1070.85	0.33%	-0.52%	20.11%
Copper	LME 3 month Copper	USD	4810.00	-4.75%	-4.75%	2.23%
Silver	Silver Spot	USD	17.41	-2.10%	-2.45%	25.72%
Wheat	Generic active future	USD	454.75	-5.18%	-4.86%	-3.24%
Yellow Maize	Generic active future	USD	378.25	-3.65%	-3.07%	5.44%
Soy	Generic active future	USD	1026.50	0.51%	0.54%	17.82%

GLOBAL EQUITY INDEXES (TOTAL RETURN)						
Description	Index	Currency	Index Value	Week	MTD	YTD
Global	MSCI World*	USD	1643.19	-1.65%	-1.51%	-0.08%
United States	S&P 500	USD	3875.18	-0.33%	-0.33%	1.40%
Europe	Euro Stoxx 50	EUR	5671.52	-2.49%	-2.49%	-8.91%
Britain	FTSE 100	GBP	4876.44	-1.77%	-1.77%	-0.30%
Germany	DAX	EUR	9869.95	-1.68%	-1.68%	-8.13%
Japan	Nikkei 225	JPY	24323.36	#VALUE!	-3.36%	-14.68%
Emerging Markets	MSCI Emerging Markets*	USD	805.34	-4.15%	-4.08%	1.94%

SA EQUITY INDEXES (TOTAL RETURN)						
Description	Index	Currency	Index Value	Week	MTD	YTD
All Share	ISE All Share	ZAR	6981.78	-2.91%	-2.91%	2.56%
Top 40	ISE Top 40	ZAR	6125.10	-2.95%	-2.95%	-0.41%
Shareholder Weighted	ISE SWIX	ZAR	18018.71	-3.47%	-3.47%	3.48%
Small Companies	ISE Small Cap*	ZAR	60528.94	-2.54%	-2.41%	15.27%
Resources	ISE Resource 20	ZAR	1850.95	-4.85%	-4.85%	21.90%
Industrials	ISE Industrial 25	ZAR	12743.22	-1.28%	-1.28%	-3.23%
Financials	ISE Financial 15	ZAR	7360.72	-6.16%	-6.16%	-2.33%
SA Listed Property	ISE SA Listed Property	ZAR	2054.97	-4.07%	-4.07%	7.67%
Preference Shares	ISE Pref Shares	ZAR	1831.08	1.10%	1.10%	13.68%

SOUTH AFRICAN FIXED INTEREST						
Description	Index	Currency	Index Value	Week	MTD	YTD
All Bond	BESA ALBI Index	ZAR	496.93	-0.90%	-0.90%	7.54%
Inflation Linked Bonds	BESA CILI	ZAR	243.77	0.08%	0.08%	5.24%
Cash	STEFI Composite*	ZAR	339.53	0.14%	0.14%	0.14%

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

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