



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS SENTIMENT IMPROVES BUT RISKS LOOM

POSITIVE GLOBAL SENTIMENT DROVE RISKY ASSETS HIGHER THIS PAST WEEK LARGELY INFLUENCED BY A GROWING CONSENSUS THAT INTEREST RATES WILL REMAIN LOWER FOR LONGER IN THE US AND THAT THE SLOWDOWN IN CHINA MAY NOT BE AS SEVERE AS ORIGINALLY THOUGHT.

However, one must caution against how long this sentiment will last. Just this past week, the IMF once again downgraded its forecast for global growth to 3.2% for 2016 (down from 3.4%), claiming that the deceleration in China, low oil prices and slow growth in developing countries are all hindering growth.

The IMF also warned that the impact of a Brexit poses a serious risk. This risk is not limited only to the UK but also to many other economies across the globe. In an environment where growth remains at risk, we are likely to experience more volatility before a rally in risky assets becomes sustainable.

In China, a host of better than expected data was released, fueling the positive global sentiment.

Foreign trade data improved significantly in March and far exceeded expectations. After contracting for eight months in a row, exports rose 11.5% y/y, a marked improvement from the -25.3% decline in February. Imports fell -7.6% y/y, better than the -13.8% decline the previous month. Q1 GDP growth was also released, indicating the economy grew 6.7% y/y.

While slightly lower than the 6.8% recorded for Q4 2015, the Q1 number has been positively received as it suggests that the Chinese economy is stabilising and not all of the positive growth momentum is gone. Reinforcing this view, retail sales came in better than expected, up 10.5% y/y in March (up from 10.2% in February).

The recent rally in the oil price is unlikely to continue as the belief that an agreement would be reached between major oil producers to limit output proved futile. At an OPEC meeting in Doha, members failed to agree that average daily crude oil production in the coming months be limited to levels recorded in Jan.

One of the main reasons a deal could not be reached was that not all OPEC members were present, including Iran. Iran, which has been ramping up production since sanctions were lifted, indicated it would not agree to a production cap until it had recovered the market share lost during the sanctions period.

Most markets ended the week positive, with EM's outperforming DM's, the MSCI EM and World Indices up 3.7% and 2.3% respectively. European indices were among the top performers, the German Dax up 4.5% w/w.

DOMESTIC MARKETS

LOCAL MARKET AND RAND HAD GOOD WEEK

IN LINE WITH OTHER EM ECONOMIES THAT HAVE RALLIED IN THE RISK-ON TRADE ENVIRONMENT, LOCAL MARKETS AND THE RAND HAVE HAD ANOTHER SOLID WEEK.

In addition to the positive global sentiment, the strong performance has been further aided by a growing belief that President Zuma's popularity is diminishing as well as some local data results, which indicate that conditions in South Africa may not be as bad as originally thought.

The Rand has been one of the top performing EM currencies both month-to-date and year-to-date. The Rand strengthened 2.8% over the week to close at ZAR/USD 14.66.

The BER consumer confidence index was released, indicating a confidence has improved after the index plunged to a low of -14 in Q4 2015. The index rose to -9 in Q1 2016. While the improvement is positive, confidence still remains below the long-term average and below the lowest reading experienced during the financial crisis.

In line with the improved confidence, February retail sales far outperformed consensus expectations, rising 4.1% y/y, up from 3.6% in January.

Together, these data prints suggest that while conditions are tough, the consumer is not in a crisis. However, one should view these improvements with caution as in the short term, rising interest rates, further inflationary pressures and higher tax rates should still contribute to additional strain on the average consumer.

IN ITS AFRICA PULSE REPORT, THE WORLD BANK LOWERED ITS FORECASTS FOR SA'S GDP GROWTH TO 0.8% FOR 2016 AND TO 1.4% FOR 2017.

The report stated that political tensions were weighing on the country's growth as were the drought and lower commodity prices.

Positively, however, it noted that growth in both SA and sub-Saharan Africa should pick up next year as commodity prices stabilise and the drought subsides. Sub-Saharan Africa is forecast to grow at 3.3% and 4.5% for 2016 and 2017 respectively.

The IMF also published its April World Economic Outlook report. It is slightly more pessimistic than the World Bank with regards to South Africa's growth over the next two years.

The IMF lowered its growth forecast for 2016 from 0.7% (expected in January) to 0.6%, citing lower export prices, elevated policy uncertainty and tighter monetary and fiscal policy as the main headwinds. However, it is also expecting commodity prices to improve and expects growth to improve to 1.2% in 2017.

After a rocky start to the year, most indices have now recovered after the recent rally in risky assets and are positive year-to-date. This past week, the All Share Index closed 3.2% higher with resources leading the pack. The JSE Resource Index was up 9.9% w/w.



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

WEEK AHEAD

UPCOMING ECONOMIC EVENTS

WEEKLYWRAP 15 APRIL 2016

DATE	EVENT	PERIOD	SURVEY	PRIOR
SOUTH AFRICA				
20-Apr	CPI YoY	Mar	6.5%	7.0%
20-Apr	CPI Core YoY	Mar	5.8%	5.7%
UNITED STATES				
20-Apr	Existing Home Sales	Mar	5.26m	5.08m
22-Apr	Markit US Manufacturing PMI	Apr	52	51.5
EURO AREA				
19-Apr	ZEW Survey Expectations	Apr		10.6
21-Apr	ECB Main Refinancing Rate	21-Apr	0.0%	0.0%
21-Apr	ECB Deposit Facility Rate	21-Apr	-0.4%	-0.4%
21-Apr	ECB Marginal Lending Facility	21-Apr	0.3%	0.3%
21-Apr	Consumer Confidence	Apr	-9.3	-9.7
22-Apr	Markit Eurozone Manufacturing PMI	Apr	51.9	51.6
JAPAN				
20-Apr	Trade Balance	Mar	¥834.6b	¥242.8b
20-Apr	Trade Balance Adjusted	Mar	¥450.0b	¥166.1b
20-Apr	Exports YoY	Mar	-7.0%	-4.0%
20-Apr	Imports YoY	Mar	-16.6%	-14.2%
22-Apr	Japan Manufacturing PMI	Apr	49.5	49.1

WEEKLY TICKER

WEEKLYWRAP 15 APRIL 2016

CURRENCIES						
Description	Classification	Currency	Exchange Rate	Week	MTD	YTD
ZAR/USD	ZAR/USD	ZAR	14.66	2.84%	8.61%	5.51%
ZAR/Pound	ZAR/GBP	ZAR	20.77	2.29%	8.21%	9.78%
ZAR/Euro	ZAR/EUR	ZAR	16.55	3.79%	7.15%	1.64%
Dollar/Euro**	USD/EUR	USD	1.13	-1.01%	-1.58%	3.91%
Yen/Dollar	YEN/USD	YEN	107.99	-0.64%	3.91%	11.33%

COMMODITIES						
Description	Classification	Currency	Price	Week	MTD	YTD
Gold	Gold Spot	USD	1236.15	-0.54%	0.13%	16.50%
Brent Crude Oil	ICE Brent Futures	USD	41.29	2.77%	9.42%	2.56%
Platinum	Platinum Spot	USD	982.90	1.67%	2.74%	10.25%
Copper	LME 3 month Copper	USD	4807.50	3.39%	-2.86%	2.18%
Silver	Silver Spot	USD	16.18	5.67%	6.26%	16.84%
Wheat	Generic active future	USD	466.75	-0.11%	-3.67%	-0.69%
Yellow Maize	Generic active future	USD	379.00	4.49%	2.71%	5.64%
Soy	Generic active future	USD	960.75	4.28%	7.17%	10.27%

GLOBAL EQUITY INDEXES (TOTAL RETURN)						
Description	Index	Currency	Index Value	Week	MTD	YTD
Global	MSCI World*	USD	1670.47	2.34%	3.17%	1.33%
United States	S&P 500	USD	3916.17	1.65%	3.37%	2.47%
Europe	Euro Stoxx 50	EUR	5845.04	4.89%	-0.19%	-6.12%
Britain	FTSE 100	GBP	5037.78	2.30%	3.74%	3.00%
Germany	DAX	EUR	10051.57	4.46%	1.19%	-6.44%
Japan	Nikkei 225	JPY	25442.84	6.49%	-0.83%	-10.75%
Emerging Markets	MSCI Emerging Markets*	USD	846.70	3.66%	7.09%	7.08%

SA EQUITY INDEXES (TOTAL RETURN)						
Description	Index	Currency	Index Value	Week	MTD	YTD
All Share	ISE All Share	ZAR	1670.47	2.34%	3.17%	1.33%
Top 40	ISE Top 40	ZAR	3916.17	1.65%	3.37%	2.47%
Shareholder Weighted	ISE SWIX	ZAR	5845.04	4.89%	-0.19%	-6.12%
Small Companies	ISE Small Cap*	ZAR	5037.78	2.30%	3.74%	3.00%
Resources	ISE Resource 20	ZAR	10051.57	4.46%	1.19%	-6.44%
Industrials	ISE Industrial 25	ZAR	25442.84	6.49%	-0.83%	-10.75%
Financials	ISE Financial 15	ZAR	846.70	3.66%	7.09%	7.08%
SA Listed Property	ISE SA Listed Property	ZAR				
Preference Shares	ISE Pref Shares	ZAR				

SOUTH AFRICAN FIXED INTEREST						
Description	Index	Currency	Index Value	Week	MTD	YTD
All Bond	BESA ALBI Index	ZAR	497.60	1.45%	3.46%	7.69%
Inflation Linked Bonds	BESA CILI	ZAR	241.01	0.69%	2.52%	4.05%
Cash	STEFI Composite*	ZAR	338.16	0.13%	0.59%	0.13%

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

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