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## GLOBAL MARKETS YELLEN COMMENTS DOMINATE MARKETS

This past week, global sentiment was largely influenced by a surprisingly dovish statement by Fed Chairperson, Janet Yellen, which caused markets to decrease their interest rate hike expectations for the US. In her statement, Yellen indicated that global economic headwinds, in particular a slowing China and the oil price could have a significant effect on the US economic recovery and that the Fed would proceed very cautiously when raising rates. These comments were in contrast to other recent comments by FOMC members which implied that if employment numbers were good this month, rates might be raised sooner rather than later. As a result, the USD weakened against most currencies and bonds and equities have rallied. The market now sees no chance of a rate hike in April but a 25% chance in June still remains priced in.

US employment data for March was also released with 215k jobs being created. This was slightly above expectations of 205k. The unemployment rate rose to 5% from 4.9%, however the increase can largely be explained by an increase in the labour force participation rate.

Manufacturing PMI data was released for most of the major currencies but of importance was China. Chinese PMI for March is typically higher than February due to the Chinese New Year and had this been lower than the previous month, it would have been a clear indication of growth problems in China. Manufacturing PMI however increased to 50.2 from 49 in February and is once again above the desired 50 point level.

In Brazil, the Bovespa equity index has had one of its best months in 16 years, rising over 13% m/m. Brazilian bonds also rallied and are now pricing in a much smaller probability of default. While some of this can be attributed to emerging market gains on the Fed's dovish commentary, the rally is largely owing to speculation that Brazil is moving to a change in government. After a wave of protests against President Rousseff's government, amid the worst recession the country has experienced in a century, Brazil's largest party (PMDB) left Rousseff's governing coalition. Other parties are also expected to follow PMDB and leave the president, boosting speculation on an impeachment and hopefully an eventual improvement in economic policies as a result.

With risk-on trades dominating sentiment, EM markets (MSCI EM Index) had a stellar month, rising 9.7% m/m. EM's are now far ahead of DM's year-to-date, the MSCI World comparatively down 0.6%.

# DOMESTIC MARKETS

## RAND STRENGTHENED SIGNIFICANTLY

**THE RAND STRENGTHENED SIGNIFICANTLY OVER THE PAST WEEK, OUTPERFORMING ITS EM PEERS AND IS NOW ONE OF THE BEST PERFORMING EM CURRENCIES YEAR-TO-DATE.**

While some of the Rand strength can be attributed to dollar weakness and a more risk-on global sentiment, SA specific events have undoubtedly added to the currency's appreciation. Following a very promising ruling by the Constitutional Court on the Nkandla saga, which signaled the Court remains the guardian of our constitution and is still independent and intact, the Rand strengthened to "pre-Nenegate" levels, closing the week at ZAR/USD 14.73.

In addition to the Constitutional Court's ruling, which stated that both the President and the National Assembly had failed to uphold the constitution, Finance Minister Gordhan responded to some of the questions posed to him by the Hawks surrounding the so called "rogue" unit which was set up during Gordhan's time while head of SARS.

The Minister chose not to meet the initial deadline as this fell on the eve of the Budget speech and in a statement following his submission, Gordhan expressed that the approach taken by the Hawks in the timing of their questions was unlawful. In his statement, Gordhan tackled a number of issues including the legality of the unit which allegedly spied on the National Prosecuting Authority. He did however mention that his knowledge of the day-to-day operations of the unit were limited. Nonetheless, it seems the attempt to disempower the Finance Minister is futile for now.

**SA politics is likely to dominate news flow over the next few weeks as the ANC and NEC address the implications of the Constitutional Court's ruling and opposition parties call for an impeachment of the President. The performance of the Rand will certainly be affected by any significant outcome.**

Other positive news for the week included data for the trade balance which showed a narrowing of the trade deficit to -R1.1bn in February, stronger than expectations and much better than the -R18bn deficit recorded in January. The stronger than expected print is due to exports increasing relatively more than imports, up 18.4 y/y and 7.5% y/y respectively. However, it is worth noting that February's trade deficit does tend to outperform January's and the risk of a weak current account deficit and thereby pressure on the Rand remains.

February PPI data was also released by Stats SA, which increased 8.1% y/y. The high number reiterates concerns about the increase in general inflation as producers pass on the costs to already struggling consumers. Unsurprisingly, the strong rise in PPI was largely driven by an increase in food prices, in particular meat and fish prices.

After a very poor start to the year, the JSE All Share Index had a strong month and is now up 2.6% year-to-date. Star performers for Q1 2016 include Small Caps (up 11%), Resources (up 10.9%) and SA Listed Property (up 10.4%).

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

# WEEK AHEAD

## UPCOMING ECONOMIC EVENTS

WEEKLYWRAP 01 APRIL 2016

| DATE                 | EVENT                          | PERIOD | SURVEY    | PRIOR     |
|----------------------|--------------------------------|--------|-----------|-----------|
| <b>SOUTH AFRICA</b>  |                                |        |           |           |
| 4-Apr                | BER Consumer Confidence        | IQ     |           | -14       |
| 5-Apr                | Standard Bank South Africa PMI | Mar    |           | 49.1      |
| 5-Apr                | SACCI Business Confidence      | Mar    |           | 80.1      |
| 7-Apr                | Manufacturing Prod NSA YoY     | Feb    |           | -2.50%    |
| <b>UNITED STATES</b> |                                |        |           |           |
| 5-Apr                | Trade Balance                  | Feb    | -\$45.00b | -\$45.68b |
| 5-Apr                | ISM Non-Manufacturing PMI      | Mar    | 54.2      | 53.4      |
| 6-Apr                | FOMC Minutes                   |        |           |           |
| <b>CHINA</b>         |                                |        |           |           |
| 8-Apr                | Trade Balance                  |        |           | \$43.9B   |
| 8-Apr                | Exports YoY                    |        |           | -25.4%    |
| 8-Apr                | Imports YoY                    |        |           | -0.138    |
| <b>EURO AREA</b>     |                                |        |           |           |
| 4-Apr                | Sentix Investor Confidence     | Apr    |           | 5.5       |
| 4-Apr                | PPI YoY                        | Feb    |           | -2.90%    |
| 5-Apr                | Markit Eurozone Composite PMI  | Mar    |           | 53.7      |
| 5-Apr                | Retail Sales YoY               | Feb    |           | 2.00%     |
| <b>JAPAN</b>         |                                |        |           |           |
| 6-Apr                | Leading Index                  | Feb    |           | 101.8     |
| 6-Apr                | Coincident Index               | Feb    |           | 113.5     |
| 8-Apr                | BoP Current Account Balance    | Feb    |           | ¥520.8b   |

# WEEKLY TICKER

WEEKLYWRAP 01 APRIL 2016

| CURRENCIES    |                |          |               |       |        |       |
|---------------|----------------|----------|---------------|-------|--------|-------|
| Description   | Classification | Currency | Exchange Rate | Week  | MTD    | YTD   |
| ZAR/USD       | ZAR/USD        | ZAR      | 14.73         | 4.88% | 5.67%  | 5.00% |
| ZAR/Pound     | ZAR/GBP        | ZAR      | 20.96         | 4.28% | 3.84%  | 8.83% |
| ZAR/Euro      | ZAR/EUR        | ZAR      | 16.78         | 3.13% | 1.24%  | 0.26% |
| Dollar/Euro** | USD/EUR        | USD      | 1.14          | 2.01% | -4.81% | 4.84% |
| Yen/Dollar    | YEN/USD        | YEN      | 111.38        | 1.23% | 2.03%  | 7.94% |

| COMMODITIES     |                       |          |         |        |        |        |
|-----------------|-----------------------|----------|---------|--------|--------|--------|
| Description     | Classification        | Currency | Price   | Week   | MTD    | YTD    |
| Gold            | Gold Spot             | USD      | 1219.10 | 0.46%  | -0.78% | 14.89% |
| Brent Crude Oil | ICE Brent Futures     | USD      | 38.27   | -5.75% | 3.20%  | -4.94% |
| Platinum        | Platinum Spot         | USD      | 951.50  | 0.97%  | 1.97%  | 6.72%  |
| Copper          | LME 3 month Copper    | USD      | 4835.00 | -2.22% | 2.52%  | 2.76%  |
| Silver          | Silver Spot           | USD      | 15.04   | -0.85% | 1.54%  | 8.58%  |
| Wheat           | Generic active future | USD      | 476.25  | 2.75%  | 8.49%  | 1.33%  |
| Yellow Maize    | Generic active future | USD      | 353.00  | -4.32% | 0.07%  | -1.60% |
| Soy             | Generic active future | USD      | 920.25  | 0.85%  | 7.93%  | 5.62%  |

| GLOBAL EQUITY INDEXES<br>(TOTAL RETURN) |                        |          |             |        |        |         |
|---|------------------------|----------|-------------|--------|--------|---------|
| Description                             | Index                  | Currency | Index Value | Week   | MTD    | YTD     |
| Global                                  | MSCI World*            | USD      | 1640.14     | 1.01%  | 4.12%  | -0.64%  |
| United States                           | S&P 500                | USD      | 3897.66     | 1.84%  | 4.95%  | 1.99%   |
| Europe                                  | Euro Stoxx 50          | EUR      | 5642.66     | -1.12% | -1.37% | -9.37%  |
| Britain                                 | FTSE 100               | GBP      | 4871.63     | 0.68%  | 0.39%  | -0.40%  |
| Germany                                 | DAX                    | EUR      | 9794.64     | -0.58% | 0.80%  | -8.83%  |
| Japan                                   | Nikkei 225             | JPY      | 24410.10    | -4.22% | 1.25%  | -14.37% |
| Emerging Markets                        | MSCI Emerging Markets* | USD      | 826.19      | 1.71%  | 9.73%  | 4.42%   |

| SA EQUITY INDEXES<br>(TOTAL RETURN) |                        |          |             |        |       |        |
|-------------------------------------|------------------------|----------|-------------|--------|-------|--------|
| Description                         | Index                  | Currency | Index Value | Week   | MTD   | YTD    |
| All Share                           | ISE All Share          | ZAR      | 6980.77     | -1.41% | 3.20% | 2.55%  |
| Top 40                              | ISE Top 40             | ZAR      | 6154.30     | -1.86% | 2.65% | 0.06%  |
| Shareholder Weighted                | ISE SWIX               | ZAR      | 18210.30    | -0.74% | 4.92% | 4.58%  |
| Small Companies                     | ISE Small Cap*         | ZAR      | 58613.82    | 0.78%  | 6.22% | 11.08% |
| Resources                           | ISE Resource 20        | ZAR      | 1684.17     | -3.23% | 0.67% | 10.91% |
| Industrials                         | ISE Industrial 25      | ZAR      | 12940.26    | -2.06% | 1.96% | -1.73% |
| Financials                          | ISE Financial 15       | ZAR      | 7795.47     | 0.98%  | 7.20% | 3.44%  |
| SA Listed Property                  | ISE SA Listed Property | ZAR      | 2107.05     | 1.34%  | 9.19% | 10.40% |
| Preference Shares                   | ISE Pref Shares        | ZAR      | 1684.24     | -0.15% | 2.63% | 4.57%  |

| SOUTH AFRICAN<br>FIXED INTEREST |                  |          |             |       |       |       |
|---------------------------------|------------------|----------|-------------|-------|-------|-------|
| Description                     | Index            | Currency | Index Value | Week  | MTD   | YTD   |
| All Bond                        | BESA ALBI Index  | ZAR      | 490.82      | 1.58% | 1.94% | 6.22% |
| Inflation Linked Bonds          | BESA CILI        | ZAR      | 236.95      | 0.41% | 1.20% | 2.30% |
| Cash                            | STEFI Composite* | ZAR      | 337.26      | 0.15% | 0.58% | 0.15% |

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

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