



THE POWER OF INDEPENDENT ADVICE

INTERNATIONAL MARKETS US INTEREST RATE DECISION AND ELECTION DRIVING SENTIMENT

It was a mixed performance on global markets in October, with the timing of the next US interest rate hike, the upcoming US presidential election and a drop in sterling taking centre stage. US markets wobbled towards the end of the month on news that the FBI was investigating more emails linked to Presidential candidate Hillary Clinton's use of a private server while she was Secretary of State. Concerns were that this could increase the chances of a Donald Trump win, after weeks during which Clinton led in most of the polls. On the US economic data front official figures showed that the US economy grew at a better-than-expected 2.9% in 3Q16, while the Institute for Supply Management's (ISM's) latest manufacturing index bounced to 51.5 for September, up from a seven-month low of 49.4 in August. US employment data was also positive as the number of new jobs created stood at 156 000 – increasing chances of a December rate hike.

Markets experienced a shaky time in Europe where the weakest retail sales in two years were announced in Germany and bond markets had one of the toughest months in years. Global sentiment remains fragile ahead of policy announcements to follow from the Bank of England, US Federal Reserve and Bank of Japan.

In the US, the Nasdaq Composite dropped 2.3% compared to September, while the S&P 500 retreated 1.9% and the Dow Jones Industrial Average (DJIA) closed October 0.9% in the red. Elsewhere, the FTSE 100 Index ended October 0.8% higher, while Germany's DAX rose 1.5% and the French closed 1.4% up for the month.

China's Shanghai Composite Index reversed September's 2.6% decline to close 3.2% higher at end October, while the Hang Seng fell 1.6% in October, ending a three-month winning streak. Although data released in China showed a sharp decline in exports, reviving worries about the health of the world's second-biggest economy, a better-than-expected inflation number managed to ease some concerns around the health of China's economy. In Japan, the Nikkei closed 5.9% higher in October.

OFFSHORE DISCLOSURE PROGRAM DEVELOPMENT

South Africans with undeclared offshore assets can make use of the Government's Voluntary Disclosure (VDP) programme to regularise their affairs until June 2017. As with most tax matters each individual's situation is unique and different details apply depending on circumstances.

Under the current VDP project individuals and companies may apply for tax relief, but it is not available to trusts.

SHOULD YOU REQUIRE ANY ASSISTANCE OR ARE UNSURE OF YOUR SPECIFIC CIRCUMSTANCES, WHETHER YOU SHOULD BE APPLYING FOR THE SVDP OR NOT, PLEASE FEEL FREE TO CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS .

MONTHLYUPDATE NOVEMBER 2016

LOCAL MARKETS

FURTHER POLITICAL UPSETS WEIGH ON MARKETS

October was a busy month in South Africa with many political events making headlines and the announcement of the mid-term budget. The National Prosecuting Authority (NPA) summoned the Minister of Finance, Pravin Gordhan to appear in court on fraud charges which many saw as politically motivated. However, the NPA decided on the last day of the month to drop the charges which immediately affected the currency and strong gains were recorded. The rand ended the month 1.6% higher for the month and year to date has gained 12.8% against the dollar. This latest development and the Minister's budget address raised the hope that a downgrade by agencies S&P Global Ratings, Fitch and Moody's could be averted. Analysts warned that such optimism may be misplaced as the country's economic situation has not improved significantly and the direction of the country's fiscal policies as outlined in the budget was not particularly inspiring.

The JSE All share closed 2.6% down (-0.2% for the year to date) compared to September. Pressure on commodity prices, especially gold and platinum, weighed heavily on the resources shares and the Resi-10 Index closed 3.8% lower for the month (year to date +22.9%). The Indi-25, which includes a number of dual-listed UK shares and other rand hedges was down for the second consecutive month and closed 3.1% lower compared to the previous month (year to date at -7.9%). Financial shares suffered because of the drama around the Finance Minister and the Fini-15 closed 1.8% lower for the month after it advanced somewhat in September (year to date -5.1%).

The best performing shares in October were Net 1 UEPS Technologies, which closed 23.7% higher compared to September and Assore which closed 22.9% higher. In third place for the month was Trustco Group Holdings (+18.4%) followed by African Rainbow Minerals (+18.4%) and Exxaro Resources (+17.2%). Worst performers for the month were Sibanye Gold (-25.7%), Impala Platinum Holdings (-22%), Royal Bafokeng Platinum (-20%), Brait SE (-18.9%) and AngloGold Ashanti (-18.5%). For the year to date the top performers are Kumba Iron Ore (+231.7%), Assore (+193.8%), Anglo American PLC (+168.7%), Harmony Gold Mining (+163.5%) and Exxaro Resources (+125.2%).

On the SA economic data front, the country continues to face headwinds and the local economy is forecast to grow at its slowest pace this year since the global recession of 2009. In his budget address the Minister of Finance announced an expected growth figure of 0.5% for the year, down from the 0.9% announced earlier. CPI rose to 6.1% in September. On the positive side the trade balance unexpectedly swung to a surplus of R6.7bn in September from the R8.9bn deficit of August.

The economic strain is also evident in the higher number of business liquidations. Business Day reported that the total number of companies liquidated rose 15.4% to 172 in September, compared to a year ago. Vehicle sales also continued to decline. Total New Vehicle Sales in South Africa was 10.1% lower year-on-year at 48 745 in October. Total Vehicle Sales in South Africa averaged 39 707 from 1994 until 2016, reaching an all-time high of 65 689 in August of 2006 and a record low of 18 482 in September of 1994.

Slower growth in property prices were recorded for the sixth consecutive month in October, the lowest growth in five years. According to the FNB Home Price Index home prices nationwide grew by only 2.4% compared to a year ago, which means that growth is not beating inflation for some time now. According to FNB's John Loos, the slowest growth in prices is recorded in smaller provinces and in small towns where mining and agriculture industries are the biggest job creators. In the larger cities home prices are rising by 4%.

Although large parts of the country were gripped by a heat wave at the end of October and reports about serious water shortages and low dam levels are commonplace, Reuters reported that SA farmers intend to plant 25% more hectares of maize this season in the hope that decent rainfall will ease the hardship caused by the scorching drought of last year. The drought turned SA from a net exporter of grain to a net importer for the 2015-16 year. "Another poor maize harvest would have serious implications for Africa's most industrialised economy after white maize, the staple food, doubled in price last year, fuelling inflation," Reuters noted.

Sources:

Anchor Capital • Netwerk24.com • Business Day • Reuters • Tradingeconomics.com



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