



BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

## INFLUENCES ON WEEKLY GLOBAL MARKET MOVEMENTS

WEEKLYWRAP 13 July 2018

► **With the US and China now fully engrossed in a trade war and global markets on edge over the past few weeks in the run up to this event, last week was somewhat subdued.** However, volatility surrounding news flow on this topic continued to move markets and it would not be surprising if this was the case for the foreseeable future. At one stage last week, the dollar weakened, taking pressure off emerging market currencies as practitioners were most likely assessing the full impact these policies will have on the global economy. This was unfortunately short lived as trade war concerns resurfaced when the Trump administration released a list of further Chinese imports that they would place tariffs on to the value of USD200Bn. All the while, China has kept their cards close to their chest. A distinctive strategy they may pursue in response to Trump's tariff mayhem could be to promote the Chinese economy as an attractive investment destination instead of aggressively placing tariffs on US imports. The jury is out how this will unfold. One thing for sure, markets (bond and currency) will continue to be volatile as news breaks.

► **European Central Bank (ECB) Governor Mario Draghi commented on monetary and quantitative easing when stating that inflation should move towards the target 2% level over the medium term.** He added that for inflation to remain on a sustained adjustment path, the ECB would need to be patient, persistent and prudent with implementing their policies. Markets should see this as a positive as unexpected interest rate movements are less likely.

► **In the UK, Brexit talks took a turn for the worst when high profile resignations forced UK Prime Minister Theresa May to reshuffle her cabinet.** As part of these resignation, Foreign Secretary Boris Johnson

and Brexit Secretary David Davis, who both played an integral role in Brexit negotiations with the EU, ended their tenure at the Houses of Parliament. Adding insult to injury, US President Trump is due for his first official visit to the UK. After Theresa May released her Brexit proposal, Trump allegedly retorted that the proposal would "kill" any bilateral agreements between the US and the UK. Trump has previously indicated that the UK would be ahead of the EU in the queue of bilateral trade agreements with the US. Theresa May now finds herself in a tough position when acting in UK's best interests by balancing trade deals between the US on one hand and the EU on the other (assuming the EU agree to her proposal, which is still very much up in the air).

► **US inflation for June rose to 2.9% y/y from 2.8% posted in May.** Despite matching market expectations, this was the highest inflation print since February 2012. The rising oil price was the primary reason for the pick up in the general price level. US inflation is steadily moving towards the Fed's 3% target level. Markets are pricing in another two more rate hikes this year.

► **Investor sentiment in the EU picked up in June.** This was rather surprising owing to uncertainty surrounding Brexit and the trade friction between the EU and the US.

► **In the east, Chinese inflation squared with market expectations in June coming in at 1.9%.** This was slightly above the 1.8% reported in May as food prices rose at a faster pace. China's trade balance followed this where a surplus of USD41.61Bn was reported. This surprised on the upside as markets were expecting a surplus closer to USD27.9Bn. Interestingly, Chinese exports continued to rise in the face of trade war concerns with the US.

# INFLUENCES ON WEEKLY SA MARKET MOVEMENTS

WEEKLYWRAP 13 July 2018

► **The JSE All Share index ended the week trading -1.65% lower.** The JSE Resource 10 index was the main detractor losing -2.70%. However, the industrial and financial boards both also gave back -1.57% and -0.76% respectively.

► **Wage negotiations between the unions and Eskom remain deadlocked.** Last week saw Eskom reject a wage increase offer of 7% for this year, 6.5% for next year and 6.2% for the following year. The unions, who initially wanted 9%, would come down to 8% for this year and then 8.5% for each of the following two years. Negotiations between the two parties have apparently reached a sensitive stage with unions having requested to meet with Finance Minister Nhlanhla Nene as part of the process. In the meantime, this will continue to be closely followed.

► **At his official visit to Nigeria, President Cyril Ramaphosa went directly against nationalist policies implemented by the Trump Administration when he pushed for globalisation and open market trade.** More specifically, after signing a free trade deal, he urged Nigeria to sign a continent-wide free trade deal allowing goods and services to move freely within Africa and creating a single continental market for the free movement of business people. If all goes according to plan, this stands to be the world's largest free trade area.

► **SACCI business confidence in June continued to slide and has been on a downward trend since Jan this year.** The main culprit was weaker than expected business sentiment whilst the weaker rand exchange rate also did no favours to the index.

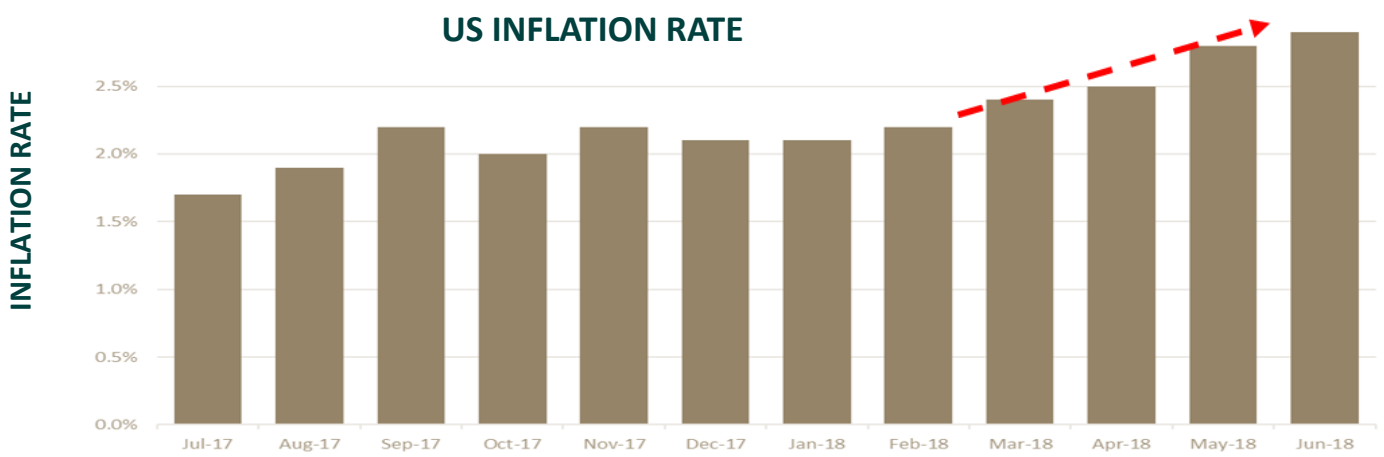
► **Despite contracting, mining production came in slightly higher than expected for May.** This was the third month in a row that the sector was in contraction. Risks to the sector that are most likely dampening foreign investment remain the unresolved Mining Charter as well as land expropriation without compensation.

► **Manufacturing production also beat expectations for May.** The manufacturing sector has a significant weight in the total GDP calculation, so this is a promising sign for Q2 2018 GDP growth.

## GLOBAL EQUITY FROM MODERATELY UNDERWEIGHT TO NEUTRAL

**Asset Allocation to EU equities back to neutral.** Our labour market indicator shows that even though EU unemployment is low and falling, it is still above the natural rate of unemployment in the region meaning there is still scope for unemployment to fall further. This is positive for EU equities. At the same time, data has revealed the profit margins, despite being high, have not yet peaked meaning there is still room for improve-

## CHART OF THE WEEK: INFLATION IN THE US IS ON THE RISE AND FAST APPROACHING 3%



# WEEKLY TICKER

WEEKLYWRAP 13 July 2018

## CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.26	1.48%	0.27%	3.50%	-6.63%
ZAR/Pound	ZAR/GBP	ZAR	17.56	1.93%	1.42%	3.27%	-4.75%
ZAR/Euro	ZAR/EUR	ZAR	15.50	2.02%	1.13%	3.43%	-4.19%
Dollar/Euro**	USD/EUR	USD	1.17	-0.52%	0.90%	0.06%	-2.62%
Yen/Dollar	YEN/USD	YEN	112.51	-1.73%	-1.85%	-1.56%	0.16%

## COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	13.26	1.48%	0.27%	3.50%	-6.63%
Brent Crude Oil	ICE Brent Futures	USD	17.56	1.93%	1.42%	3.27%	-4.75%
Platinum	Platinum Spot	USD	15.50	2.02%	1.13%	3.43%	-4.19%
Copper	LME 3 month Copper	USD	1.17	-0.52%	0.90%	0.06%	-2.62%
Silver	Silver Spot	USD	112.51	-1.73%	-1.85%	-1.56%	0.16%

## GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	2134.60	0.99%	0.26%	2.23%	2.98%
United States	S&P 500	USD	5518.33	1.55%	-1.08%	3.13%	5.86%
Europe	Euro Stoxx 50	EUR	7118.17	0.21%	0.68%	1.99%	0.99%
Britain	FTSE 100	GBP	6649.86	0.58%	0.36%	0.31%	1.99%
Germany	DAX	EUR	12590.58	0.36%	2.71%	2.31%	-2.53%
Japan	Nikkei 225	JPY	35510.57	2.47%	1.42%	1.31%	0.27%
Emerging Markets	MSCI Emerging Markets*	USD	1075.64	1.48%	5.29%	1.02%	-5.64%

## SA EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	8127.74	-1.65%	3.40%	-2.15%	-3.82%
Top 40	JSE Top 40	ZAR	7227.23	-1.72%	3.61%	-2.46%	-2.97%
Shareholder Weighted	JSE SWIX	ZAR	20619.91	-1.46%	2.26%	-1.42%	-6.18%
Small Companies	JSE Small Cap*	ZAR	56222.70	-0.90%	1.82%	-0.04%	-5.75%
Resources	JSE Resource 20	ZAR	2579.29	-2.70%	4.97%	-4.79%	12.82%
Industrials	JSE Industrial 25	ZAR	14180.60	-1.57%	3.18%	-2.37%	-6.19%
Financials	JSE Financial 15	ZAR	8995.03	-0.76%	2.84%	0.33%	-7.33%
SA Listed Property	JSE SA Listed Property	ZAR	1936.50	-1.17%	3.19%	-0.05%	-21.40%
Preference Shares	JSE Pref Shares	ZAR	2027.86	0.60%	-2.18%	1.73%	9.57%

## SA FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	616.12	-0.46%	-2.32%	0.81%	4.84%
Inflation Linked Bonds	BESA CILI	ZAR	249.90	-0.36%	1.39%	-0.53%	-1.07%
Cash	STEFI Composite*	ZAR	397.65	0.13%	-0.57%	0.27%	3.84%

Disclaimer: The document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment advice before investing. Investors should be aware that investing in a financial product entails a level of risk which depends on the nature of the investment. The merits of any investment should be considered together with the investor's specific risk profile and investment objectives. Past performance is not necessarily a guide to future performance. Fluctuations in exchange rates and underlying investments may cause the value of international investments or underlying investments, if included in the mandate, to go up or down. Illustrations are not guaranteed but are for illustrative purposes only. Counterpoint Asset Management is an Authorised Financial Service Provider (FSP44508).

**JOHANNESBURG**  
(FOURWAYS)

**JOHANNESBURG**  
(SANDTON)

**PRETORIA**  
(ERASMUSKLOOF)

**CAPE TOWN**  
(NEWLANDS)

**BELLVILLE**  
(TYGERVALLEY)

**STELLENBOSCH**  
(CENTRAL)

Tel: +27 (0) 11 799 8100

Tel: +27 (0) 10 035 1391

Tel: +27 (0) 12 347 8240

Tel: +27 (0) 21 418 1236

Tel: +27 (0) 21 914 9646

Tel: +27 (0) 21 882 8706

BRENTHURST RANKED AS BEST BOUTIQUE WEALTH MANAGER IN SA 2017 INTELLIDEX WEALTH MANAGER AND PRIVATE BANKS AWARD

The WEEKLY TICKER report was compiled in association with Counterpoint Asset Management. www.cpoint.co.za