



BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

INFLUENCES ON WEEKLY GLOBAL MARKET MOVEMENTS

WEEKLYWRAP 29 June 2018

► **Global markets continued to sell-off last week with the Nasdaq and the Dow Jones Industrial Average indices losing -2.37% and -1.26% respectively.** Trade war concerns between the US and China was once again the key theme. Last week saw the US draft plans to limit Chinese ownership of US companies to 25%, in an attempt to protect intellectual property rights. As we know, China has retaliated with tariffs on US imports, which are due to come into effect early in July. In the meanwhile, President Trump also threatened to place tariffs on EU car exports. However, independent research reports revealed that this could result in one hundred thousand US job losses. More specifically, tariffs on imported vehicles means that cars become more expensive, which is likely to directly impact the US automobile sector as US consumers cut back on spending. Chinese equities were also hard hit by this nationalization rhetoric. The Shanghai Composite index ended the week trading -1.47% in the red. Safe haven asset demand rose with the US 10Y Treasury yield ending the week -0.03% down at 2.86%. Similarly, as cash moved back to the US, the dollar traded firmer against most major currencies as the week came to a close.

► **St. Louis Fed President James Bullard reiterated that the current US fiscal stimulus is only temporary and hence, the Fed should not keep raising interest rates.** Minneapolis Fed President Neel Kashkari echoed the dovish sentiment when he stated that interest rates should not rise above the US natural rate. Numerous other Fed officials gave statements last week and one thing all of them seem to be agreeing on is that the biggest risk faced by the US is the prospect of a full-blown global trade war. Fed President Jerome Powell's speech followed on from this. Mention that inflation is low and that the Fed are being rightfully cautious when hiking rates was the key take-away from his speech.

► **On the commodity front, the strong dollar has done the gold price no favours (negatively correlated).** Gold fell to a six month low last week and ended at USD1253/ounce (-1.35%). Brent crude oil on the other hand, rose back up towards levels not seen in the last three and a half years. The main reason for the rise in the price of oil was due to supply disruptions in Canada but Trump's mention that Iran's oil exports should be vetoed and uncertainty surrounding Libyan oil exports also created jitters and sent the oil price higher.

► **Economic news in the US was mixed last week.** On the one hand, new home sales for May rose from April and came in at the highest level since November last year. On the other hand, markets were expecting a GDP growth figure of 2.2% q/q for Q1 and were let down with the 2% posted. The main culprits were lower private inventory investment and a drop off in personal consumption expenditure. Two conflicting factors could influence US GDP growth going forward. Firstly, Trump's tax overhaul policy and the resulting tax cuts are likely to push growth higher. On the contrary, Trump's trade policy and the imposition of tariffs should have the opposite effect. It will be interesting to see which of these has the over-riding impact going forward.

► **The economic environment in the EU has been cooling down of late.** Business confidence for June was again evidence of this, coming in slightly below the May figure.

► **In the east, the Japanese unemployment rate came in ever lower and posted 2.2% in May compared to 2.5% in April.** Markets were caught off guard as they were expecting a May figure more or less in line with the figure posted in April. One wonders when this will translate into higher inflation.

INFLUENCES ON WEEKLY SA MARKET MOVEMENTS

► **After trading in negative territory for most of the week, the JSE All Share index fought back as the week neared an end.** As such, it ended 1.38% up in what was a topsy-turvy week. The JSE Financial 15 index ended flat whilst the industrial board added 1.37% and was mostly led higher by Naspers. Much the same, the JSE Resource 10 index rose by 3.89%.

► **Global markets and risk sentiment have been the driving force of the local market for most of this year.** Focusing only on domestic factors however, since “Ramaphoria” which occurred at the end of last year and the beginning of this year, some concerning factors have crept in and weighed on the SA growth outlook. For one, the debacle at Eskom, were an illegal strike over wage disputes have led to electricity load shedding. This is likely to hinder the growth outlook.

Secondly, aspects of the new Mining Charter were deemed to be “investment-negative”, which is also concerning considering the high unemployment rate and sluggish growth faced by SA.

Last, uncertainty surrounding the ANC’s land expropriation without compensation no doubt is adversely impacting foreign investment and poses further reason for concern.

► **Moodys released updated commentary last week.** To put things in perspective, Moodys is the only global ratings agency that have SA sovereign rating at investment grade and a downgrade would trigger significant foreign cash out flows and a further depreciation of the rand. Their commentary is therefore vital and closely followed. In their commentary, they alarming pointed out that President Ramaphosa’s support for land expropriation without compensation and the uncertainty surrounding this policy continues to limit near-term investment and could potentially lead to a pronounced fall in investment should the final terms of land reform be onerous to businesses. They are scheduled to update their rating for SA in October, so this will keep market practitioners sitting at the edge of their seats until then.

► **Y/y PPI returned 4.6% for May. This was above both the 4.4% reported in April and as well as market consensus.** The primary driver emanated from the rising oil price and more specifically, the weaker rand resulting in an even higher rand oil price. The rand oil price is now 60% higher over the last year and added to this, above inflation wage settlements should push general price levels higher.

► **South Africa’s trade surplus for May came in at ZAR3.52Bn from ZAR1.14Bn reported in April.** Exports rose by more than expected as demand for SA vegetables, food stuff and vehicles rose.

CHART OF THE WEEK: GOLD FELL TO SIX MONTH LOW LEVELS LAST WEEK



WEEKLY TICKER

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.81	-2.14%	-9.61%	-0.61%	-10.33%
ZAR/Pound	ZAR/GBP	ZAR	18.20	-1.69%	-8.99%	-0.39%	-8.13%
ZAR/Euro	ZAR/EUR	ZAR	16.09	-2.40%	-9.80%	-0.35%	-7.69%
Dollar/Euro**	USD/EUR	USD	1.17	0.28%	-0.16%	-0.27%	-2.93%
Yen/Dollar	YEN/USD	YEN	110.68	-0.72%	-1.70%	0.07%	1.82%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1249.36	-1.41%	3.75%	-0.26%	-4.10%
Brent Crude Oil	ICE Brent Futures	USD	78.29	5.19%	-2.36%	-1.19%	20.89%
Platinum	Platinum Spot	USD	843.05	-2.74%	6.15%	-1.20%	-9.18%
Copper	LME 3 month Copper	USD	6626.00	-2.40%	3.13%	0.00%	-8.57%
Silver	Silver Spot	USD	15.99	-2.07%	2.35%	-0.82%	-5.62%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	2089.30	-1.21%	0.53%	0.00%	0.74%
United States	S&P 500	USD	5350.83	-1.31%	0.05%	0.00%	2.65%
Europe	Euro Stoxx 50	EUR	6979.38	-1.34%	1.17%	0.00%	-0.98%
Britain	FTSE 100	GBP	6629.24	-0.51%	0.30%	0.00%	1.68%
Germany	DAX	EUR	12306.00	-2.18%	3.74%	0.00%	-4.73%
Japan	Nikkei 225	JPY	35050.37	0.02%	-1.49%	0.00%	-1.03%
Emerging Markets	MSCI Emerging Markets*	USD	1069.52	-1.70%	3.88%	0.01%	-6.59%

SA EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share*	ZAR	8306.34	1.38%	-3.81%	0.00%	-1.70%
Top 40	JSE Top 40*	ZAR	7409.42	1.82%	-4.66%	0.00%	-0.52%
Shareholder Weighted	JSE SWIX*	ZAR	20917.81	1.40%	-3.65%	0.00%	-4.82%
Small Companies	JSE Small Cap*	ZAR	56276.35	-0.17%	3.35%	0.00%	-5.71%
Resources	JSE Resource 20*	ZAR	2709.18	3.89%	-8.40%	0.00%	18.50%
Industrials	JSE Industrial 25*	ZAR	14524.46	1.37%	-5.53%	0.00%	-3.91%
Financials	JSE Financial 15*	ZAR	8965.74	-0.07%	1.86%	0.00%	-7.63%
SA Listed Property	JSE SA Listed Property	ZAR	1937.43	0.56%	2.77%	0.00%	-21.37%
Preference Shares	JSE Pref Shares	ZAR	1993.37	0.39%	-1.32%	0.00%	7.71%

SA FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	611.15	0.32%	1.22%	0.00%	3.99%
Inflation Linked Bonds	BESA CILI	ZAR	251.24	-0.21%	1.73%	0.00%	-0.54%
Cash	STEFI Composite*	ZAR	396.60	0.13%	-0.57%	0.00%	3.56%

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