GLOBAL MARKETS

GOLD AT LEVELS LAST SEEN IN NOVEMBER 2016

The price of gold reached levels last seen in November 2016 closing the week 1.83% higher at $1257/ounce. Brent crude oil closed the week 0.32% higher at USD56/bbl with the US Department of Energy releasing data indicating that US crude oil inventories for the week ending 17 February increased by 0.6m barrels from an increase of 9.5m barrels the week before.

This was substantially lower than market expectations of a 3.4m barrel increase. In Brazil, the c entral bank cut interest rates by 75bps to 12.25% for the second time this year and noted that despite economic indicators revealing mixed signals, it has started to see signs of short term economic stability. The Mexican peso meanwhile reached similar levels prior to the election of US President Donald Trump and it closed at 19.91/ USD , an appreciation of 2.66% for the week.

The February Federal Open Market Committee meeting minutes were released last week. In general, markets saw this as less hawkish than expected, which helped emerging market currencies. However, there was a clear signal that a rate hike would happen fairly soon due to robust employment and increasing inflation in the US. In his speech, Fed Governor Jerome Powell indicated that a March rate hike was definitely possible and added that he would prefer to see a stable Fed balance sheet until interest rates are high enough to allow easing in the next economic downturn.

In Europe, February Eurozone consumer confidence disappointed at -6.2pts versus market expectations of -4.9pts. Higher energy prices, inflation and a general increase in the cost of living were all culprits for the lower figure.

In other economic news, despite political uncertainty in France, healthy growth in Germany and France led to Eurozone Markit PMI for manufacturing increasing to 55.5pts in February from 55.2pts in January.

In the east, Japan's January trade balance disappointed with a contraction of –JPY1.09tr. Markets were expecting a figure of –JPY625bn from a surplus of JPY640bn the month before. Growth in exports dropped to 1.3% y/y in January from 5.4% in December whilst imports rose 8.5% y/y in January from a drop of -2.6% y/y in December. China's property prices increased 12.2% y/y in January, slightly slower than the December increase of 12.4% y/y, with the majority of cities in China experiencing price increases.

The MSCI World index closed the week 2.81% higher but was beaten by the MSCI Emerging Markets index, which closed up 3.84%.

DOMESTIC MARKETS

BUDGET ADDRESS DOMINATES MARKET NEWS

The main focus last week was on Finance Minister Pravin Gordan's 2017 Budget Speech. Markets were expecting further fiscal tightening through higher taxes and were not surprised.

In his speech, Pravin Gordan stressed that fiscal conditions continue to tighten (especially for consumers) and this is being compounded by tighter monetary policy. Gross Domestic Expenditure (GDE) is predicted to fall as is the current account balance through a decrease in imports.

A commitment to lower the budget deficit was still stressed in the budget speech. The budget deficit target for 2017/2018 is estimated to fall to -3.1% of GDP, squaring with the target set in last year's budget speech. However, the deficit is expected to drop to -2.8% of GDP in 2018/2019 and to -2.6% of GDP in 2019/2020.

South Africa's primary budget balance is expected to remain in surplus in 2017/2018 at 0.4% of GDP and is expected to widen to 0.9% of GDP in 2018/2019 and 1.1% of GDP in 2019/2020.

This is vital for South Africa to maintain its investment grade sovereign rating. On the expenditure front, Treasury is expected to cut expenditure by ZAR26bn in 2017 from a cut of ZAR3.3bn in 2016. The government's target for the expenditure ceiling is however still intact. Total issuance of domestic debt is expected to increase to ZAR36.5bn in 2017, which should increase the supply of South African government bonds.

In economic news, market consensus was for PPI inflation in January to have dropped to 6.6% y/y from 7.1% y/y in December. In the event, markets were pleasantly surprised with the January figure of 5.9% y/y. The main contributions were from food products, beverages, tobacco and petroleum.

The JSE All Share Index closed the week down 1.18%. The main detractors were the JSE Resource 20 and the JSE Small Cap indices, both falling 4.65% and 1.62% respectively, whilst the JSE Financial 15 index lost 0.25%.

TAX RATES FOR INDIVIDUALS: 2017/2018 TAX YEAR

Taxable income (R)	Tax rate
R0 - R189 880	18% of each R1
R189 881 - R296 540	R34 178 + 26% of the amount above R189 880
R296 541 - R410 460	R61 910 + 31% of the amount above R296 540
R410 461 - R555 600	R97 225 + 36% of the amount above R410 460
R555 601 - R708 310	R149 475 + 39% of the amount above R555 600
R708 311 - R1 500 000	R209 032 + 41% of the amount above R708 310
R1 500 001 and above	R533 625 + 45% of the amount above R1 500 000

Tax Rebates	
Primary	R13 635
Secondary (Persons 65 - 75)	R7 479
Tertiary (Persons 75 and older)	R2 493

Tax Threshold	
Below age 65	R75 750
Age 65 and over	R117 300
Age 75 and over	R131 150

WEEK AHEAD

DATE	EVENT	PERIOD	SURVEY	PRIOR
SOUTH AFRICA				
02/28/17	South Africa Budget	Jan		22.7b
03/01/17	Barclays Manufacturing PMI	Feb		50.9
03/01/17	Naamsa Vehicle Sales YoY	Feb		3.70%
UNITED STATES				
02/27/17	Durable Goods Orders	Jan	0.016	-0.005
02/27/17	Pending Home Sales MoM	Jan	0.01	0.016
02/28/17	GDP Annualized QoQ	4Q	0.021	0.019
03/01/17	ISM Manufacturing	Feb	56	56
EURO AREA				
02/27/17	Business Climate Indicator	Feb	0.79	0.77
03/02/17	Unemployment Rate	Jan	0.096	0.096
03/02/17	CPI Core YoY	Feb	0.009	0.009
CHINA				
03/01/17	Manufacturing PMI	Feb	51.2	51.3
03/03/17	Caixin China PMI Composite	Feb		52.2
JAPAN				
03/03/17	Jobless Rate	Jan	0.03	0.031
03/03/17	National CPI YoY	Jan	0.004	0.003
03/03/17	Consumer Confidence Index	Feb	43.5	43.2

COMMON ABBREVIATIONS USED FOR ECONOMIC INDICATOR TERMS

PPI Producer price index (shows trends within the wholesale markets which feed through into inflation)

PMI Purchasing managers index (indication of the economic health of the manufacturing sector)

GDP Gross domestic product

ECB European Central Bank

CI Confidence Index

MoM Month-on-month

YoY Year-on-year

QoQ Quarter-on-quarter

SA Seasonally adjusted

NSA Non-seasonally adjusted

WEEKLY TICKER

CURRENCIES

Description	Classification	Currency	Exchange	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	12.95	0.66%	3.05%	4.03%	6.07%
ZAR/Pound	ZAR/GBP	ZAR	16.10	0.45%	4.05%	5.26%	5.22%
ZAR/Euro	ZAR/EUR	ZAR	13.69	1.24%	4.14%	6.31%	5.59%
Dollar/Euro**	USD/EUR	USD	1.06	-0.50%	1.11%	-2.14%	0.48%
Yen/Dollar	YEN/USD	YEN	112.14	0.64%	2.10%	0.59%	4.30%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1257.67	1.83%	5.78%	3.88%	9.60%
Brent Crude Oil	ICE Brent Futures	USD	56.31	0.32%	-0.89%	1.31%	-2.05%
Platinum	Platinum Spot	USD	1028.55	2.41%	5.05%	3.37%	13.89%
Copper	LME 3 month Copper	USD	5928.00	-0.54%	1.21%	-1.05%	7.09%
Silver	Silver Spot	USD	18.39	2.07%	9.30%	4.76%	15.46%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1840.80	0.23%	2.81%	2.93%	5.44%
United States	S&P 500	USD	4539.25	0.73%	4.07%	4.12%	6.09%
Europe	Euro Stoxx 50	EUR	6498.54	-0.14%	0.84%	2.40%	0.64%
Britain	FTSE 100	GBP	5953.56	-0.42%	1.87%	2.81%	2.23%
Germany	DAX	EUR	11804.03	0.40%	1.80%	2.33%	2.81%
Japan	Nikkei 225	JPY	29465.89	0.32%	2.71%	1.33%	0.95%
Emerging Markets	MSCI Emerging MKTS	USD	943.52	0.48%	3.84%	3.83%	9.52%

SOUTH AFRICAN EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share	ZAR	7124.68	-1.18%	-3.08%	-2.23%	1.98%
Top 40	JSE Top 40	ZAR	6148.55	-1.10%	-3.85%	-2.94%	1.60%
Shareholder Weighted	JSE SWIX	ZAR	18488.49	-0.62%	-1.67%	-0.58%	1.97%
Small Companies	JSE Small Cap*	ZAR	64328.68	-1.62%	2.62%	2.05%	4.52%
Resources	JSE Resource 20	ZAR	1950.00	-4.65%	-10.48%	-9.84%	-0.40%
Industrials	JSE Industrial 25	ZAR	12453.65	0.11%	-1.56%	-1.02%	3.33%
Financials	JSE Financial 15	ZAR	7825.80	-0.25%	-1.07%	1.28%	0.28%
SA Listed Property	JSE SA Listed Property	ZAR	2159.94	-1.09%	0.53%	1.05%	2.70%
Preference Shares	JSE Pref Shares	ZAR	1910.11	-1.22%	-0.87%	-0.69%	-0.19%

SOUTH AFRICAN FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	547.25	-0.15%	0.31%	1.23%	2.61%
Inflation Linked Bonds	BESA CILI	ZAR	249.73	-0.25%	0.28%	0.10%	1.67%
Cash	STEFI Composite*	ZAR	360.23	0.14%	0.61%	0.49%	0.14%

*Price Index (not Total Return)

** Negative indicates Euro weakness

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