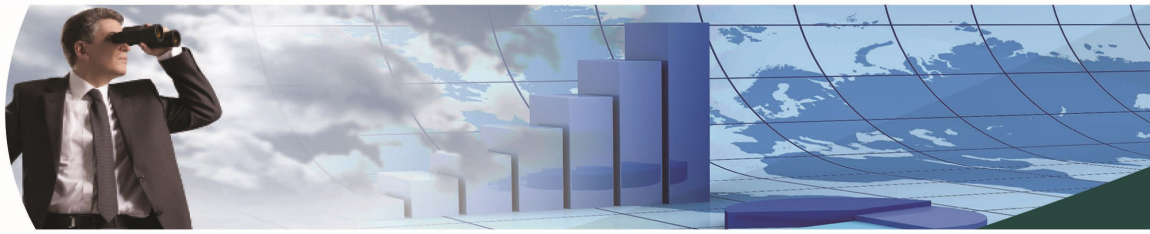
BRENTHURST
THE HOME OF WEALTH



THE POWER OF INDEPENDENT ADVICE

GLOBAL MARKETS

INVESTORS REMAIN CAUTIOUS AFTER TRUMP INAUGURATION

Last week saw the IMF release their World Economic Outlook report, in which they revised their economic growth higher in many countries. They expect global growth of 3.4% in 2017 due to an improved outlook on the growth in China as well as the anticipation of a stimulus injection that the new US President Donald Trump is expected to introduce. Brent crude traded -0.07% lower at USD55.47/bbl owing to global fears of increased shale production in the US.

The main focus however, was on the inauguration of the 45th US president, Donald Trump, which took place last Friday. With this increase in global political uncertainty, investors flocked into safe-haven assets evidenced by the 1.08% increase in the price of gold (closed at USD1216/ ounce).

Various Fed board members gave direction on future Fed policy. Philadelphia Fed President Patrick Harker said three rate hikes this year would be appropriate as the US economy is displaying considerable strength, confidence is strong and the labour market is near full health. Fed Governor Lael Brainard then mentioned that if fiscal stimulus (a US budget deficit) caused faster growth and inflationary pressure under the new Trump administration, the Fed would be more aggressive in hiking rates. The benefits of such a policy (an increase in fiscal spending) would be a more efficient workforce leading to faster future growth which will eventually lower the budget deficit.

In economic news, US CPI in December squared with expectations at 2.1% y/y, up from 1.7% y/y in November. This was a fifth consecutive increase in inflation. Industrial production also increased from -0.7% y/y in November to 0.8% y/y in December.

In EUROPE, the ECB kept interest rates unchanged at -0.4% as expected. ECB President Mario Draghi added that the ECB would react to policies and not statements made by the new US president and continued that he was not worried about the pick-up in inflation as it was mainly attributed to the increase in energy prices. The UK Prime Minister, Theresa May, then revealed her plans for when the UK leaves the EU single market. A restriction on immigration from Europe and setting up free trade deals with counties outside of Europe were the main ideas for the UK once Article 50 is triggered. UK inflation increased 1.6% y/y in December, beating market expectations of 1.4% and up from 1.2% y/y in November. Rising transport costs and increasing food and raw materials prices, owing to a weaker pound, were cited as reason for the increase in inflation.
JAPAN experienced its strongest growth since March 2014 when industrial production for November printed at 4.6% y/y. This matched market expectations and beat the October print of -1.4%, pointing to a healthier Japanese economy. In the meanwhile, the CHINESE economy expanded by 6.7% y/y in 2016 despite global fears of a severe slowdown in China about a year ago.

DOMESTIC MARKETS

RETAIL SALES SLIGHTLY UP, CONFIDENCE REMAINS LOW

In their World Economic Outlook report, the IMF also revised the growth forecasts for South Africa higher to 0.8% in 2017 and 1.6% in 2018, from 0.3% in 2016. The IMF noted that economic activity is expected to increase in emerging and developed economies in 2017 and 2018 (after low growth in 2016), but is heavily dependent on the policy stance in the US and how this spills over into the global economy.

In economic news, Statistics SA released mining production data for November. Markets were expecting mining production output to have contracted -0.9% y/y from -2.9% in October. In the event, the print of -4.2% y/y in November came in substantially below market expectations. The decline was driven by falling production in platinum group metals, iron ore and gold, while manganese ore made a positive contribution.

Statistics SA thereafter released December CPI figures. Market consensus was for CPI to have moderated from 6.6% y/y in November to 6.5% in December. The actual print for December overshot expectations with a print of 6.8% y/y. The primary contributors came from price increases in housing and utilities (5.6% y/y), recreation and culture (7.6% y/y) and from restaurant and hotels (7.1% y/y), while the transport component detracted from overall inflation.

Retail sales for November came in at 3.8% y/y, beating market expectation of -0.4% and up from the October print of -0.2% y/y. The large increase in retail sales emanates from robust growth in general dealer sales (increased 4.7% y/y in November). Interestingly, as retail sales make up about 6% of total GDP, a print that is slightly positive for December would mean that retail sales could make a positive contribution to Q4 2016 GDP.

Q4 2016 consumer confidence data, released by the Bureau for Economic Research, printed -10pts, which was lower than the Q3 2016 print of -3pts and below market expectations of -2pts. The subcomponent of the index falling the most was the economic position of SA during the next twelve months (-23pts in Q4 2016 from -3pts in Q3 2016).

The JSE All Share Index closed the week -0.49% lower. The financial and listed property boards were the main detractors falling -1.69% and -1.04% respectively whilst the JSE Resources 20 index (0.24%) and the JSE Small Cap index (0.41%) both made positive contributions.

WEEK AHEAD

DATE	EVENT	PERIOD	SURVEY	PRIOR
SOUTH AFRICA				
01/24/17	SARB Announce Interest Rate	Jan	7.00%	7.00%
01/26/17	PPI YoY	Dec	6.90%	6.90%
UNITED STATES				
01/24/17	Existing Home Sales	Dec	5.55m	5.61m
01/26/17	New Home Sales	Dec	586k	592k
01/27/17	GDP Price Index	4Q	0.021	0.014
01/27/17	Durable Goods Orders	Dec	0.029	-0.045
EURO AREA				
01/23/17	Consumer Confidence	Jan	-5	-5.1
01/24/17	Markit Eurozone Manufacturing PMI	Jan	54.8	54.9
01/24/17	Markit Eurozone Services PMI	Jan	53.7	53.7
CHINA				
01/26/17	Industrial Profits YoY	Dec		0.145
JAPAN				
01/25/17	Trade Balance	Dec	¥266.2b	¥152.5b
01/25/17	Exports YoY	Dec	0.011	-0.004
01/25/17	Imports YoY	Dec	-0.008	-0.088
01/27/17	Natl CPI YoY	Dec	0.002	0.005

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	13.49	-0.61%	3.15%	1.88%	1.88%
ZAR/Pound	ZAR/GBP	ZAR	16.77	-2.15%	2.43%	1.03%	1.03%
ZAR/Euro	ZAR/EUR	ZAR	14.50	-1.13%	0.68%	-0.30%	-0.30%
Dollar/Euro**	USD/EUR	USD	1.07	0.56%	-2.55%	2.19%	2.19%
Yen/Dollar	YEN/USD	YEN	113.35	-0.11%	2.48%	3.18%	3.18%

COMMODITIES							
Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1216.75	1.08%	7.26%	6.03%	6.03%
Brent Crude Oil	ICE Brent Futures	USD	55.47	-0.07%	-0.54%	-2.38%	-2.38%
Platinum	Platinum Spot	USD	983.45	-0.68%	8.03%	8.90%	8.90%
Copper	LME 3 month Copper	USD	5748.00	-2.72%	4.17%	3.84%	3.84%
Silver	Silver Spot	USD	17.17	1.59%	8.21%	7.78%	7.78%

GLOBAL EQUITY INDEXES (TOTAL RETURN)							
Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	1776.02	-0.31%	1.21%	1.87%	1.87%
United States	S&P 500	USD	4344.67	-0.13%	0.17%	1.54%	1.54%
Europe	Euro Stoxx 50	EUR	6478.08	-0.75%	0.71%	0.32%	0.32%
Britain	FTSE 100	GBP	5871.75	-1.86%	2.27%	0.82%	0.82%
Germany	DAX	EUR	11630.13	0.01%	1.44%	1.30%	1.30%
Japan	Nikkei 225	JPY	29223.28	-0.77%	-1.69%	0.12%	0.12%
Emerging Markets	MSCI Emerging MKTS	USD	893.28	-0.30%	4.93%	3.62%	3.62%

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	1776.02	-0.31%	1.21%	1.87%	1.87%
Top 40	JSE Top 40	ZAR	4344.67	-0.13%	0.17%	1.54%	1.54%
Shareholder Weighted	JSE SWIX	ZAR	6478.08	-0.75%	0.71%	0.32%	0.32%
Small Companies	JSE Small Cap*	ZAR	5871.75	-1.86%	2.27%	0.82%	0.82%
Resources	JSE Resource 20	ZAR	11630.13	0.01%	1.44%	1.30%	1.30%
Industrials	JSE Industrial 25	ZAR	29223.28	-0.77%	-1.69%	0.12%	0.12%
Financials	JSE Financial 15	ZAR	893.28	-0.30%	4.93%	3.62%	3.62%
SA Listed Property	JSE SA Listed Property	ZAR	2134.17	-1.04%	4.03%	1.48%	1.48%
Preference Shares	JSE Pref Shares	ZAR	1941.28	-0.28%	1.22%	1.44%	1.44%

SOUTH AFRICAN FIXED INTEREST							
Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	542.66	-0.54%	2.40%	1.75%	1.75%
Inflation Linked Bonds	BESA CILI	ZAR	247.99	0.93%	1.02%	0.96%	0.96%
Cash	STEFI Composite*	ZAR	357.68	0.14%	0.63%	0.43%	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

Seven new financial bills signed

1. Taxation Laws Amendment Act

► INTEREST-FREE OR LOW-INTEREST LOANS TO TRUSTS

The Davis Tax Committee, has focused on Trust structures and have issued a report making certain recommendations to the taxation of trusts.

Based on the above the Taxation Laws Amendment Act introduced a new section (section 7C), which aims to limit the ability of taxpayers to transfer wealth to their trusts without being subject to tax.

The section applies to a natural person (or a company which is a 'connected person' in relation to that natural person) who makes a low-interest or an interest-free loan.

This section is set to target family trusts, which have been funded via interest-free or low -interest loans. As from 1 March 2017, the amount of interest charged on the loan to the trust must be deemed to be a continuing donation made by the trust, which is subject to 20% verse the current interest rate of 8%.

► SHARE INCENTIVE SCHEMES

The Taxation Laws Amendment Act also deals with the tax treatment of employees on the dividend proceeds received from the disposal or redemption of the underlying equity shares in a company.

Any amounts received by the employees (whether in the form of cash or shares) in respect of services provided by employees will be taxed at their marginal tax rate.

Preference share funding will also be re-characterised and deemed to be income, which will be taxed in the hands of the holder of the shares.

► EMPLOYMENT TAX INCENTIVE ACT (ETI)

In the Taxation Laws Amendment Act, the Employment Tax Incentive (ETI) Act will encourage employers to hire young people by reducing the amount of Pay As You Earn tax payable to the South African Revenue Service (SARS), thereby, reducing the cost of employment to the employer while leaving the employee's earnings unaffected.

2. Finance Act, 2016

The Act seeks to provide provisions for the approval of unauthorised public expenditure, the recovery of unauthorised expenditure and to provide for matters connected therewith.

3. Rates and Monetary Amounts & Amendment of Revenue Laws (Administration) Act, 2016

The Act deals with applications made under the Special Voluntary Disclosure Programme (SVDP) with submissions from 1 October 2016 to no later than 31 August 2017, for assets not been disclosed to SARS situated outside South Africa and held by an individual between 1 March 2010 and 28 February 2015.

It is important to note the SVDP does not apply to trusts.

SVDP allows for relief of penalties and criminal prosecution provided the application is successful.

4. Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2016

The Act also introduced the common reporting standards (CRS) which will allow foreign governments to share financial and other information going forward.

5. Tax Administration Laws Amendment Act, 2016

Various corrections pertaining to the administration act have been amended. Which includes the Income Tax Act, of 1962 to provide for the delegation of power to disclose certain information and to remove an obligation to submit a return for a dividend derived from a tax-free investment.

6. Adjustments Appropriation Act, 2016

The bill seeks to effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2016/17 financial year and to provide for incidental matters.

7. Unemployment Insurance Amendment Act, 2016

The amended to the Unemployment Insurance Act, 2001, provides for the extension of the unemployment insurance benefits to learners who are undergoing learner ship training and civil servants.

The amendments have also adjusted the accrual rate of a contributor's entitlement to unemployment insurance benefits and to provide for the process of application for maternity benefits.

TAX FREE INVESTMENTS and Retirement annuities

AS THE 2017 TAX YEAR DRAWS TO A CLOSE ON THE **28 FEBRUARY 2017**, THERE IS STILL TIME TO TAKE ADVANTAGE OF THE TAX FREE INVESTMENTS AND RETIREMENT ANNUITY CONTRIBUTIONS.

TAX FREE INVESTMENTS

A maximum investment of **R30 000 per tax year** (annual limit) is allowed, with a life time limit of R500 000 per person. No income tax, dividends tax or capital gains tax is payable on the returns from these investments.

It is important not to exceed the above limits, as SARS will levy a hefty penalty of 40% on the excess amount. The penalty is added to the normal tax payable on assessment.

RETIREMENT ANNUITY CONTRIBUTIONS

Contributions to pension, provident and retirement annuity funds are tax deductible, but limited to 27.5% per annum of your income or remuneration capped at R 350 000 per annum.

Please feel free to contact Gavin Butchart at Brenthurst **(011) 799 8100** gavinb@brenthurstwealth.co.za or alternatively contact any of our financial planners should you wish to invest in the Tax Free Investment or Retirement Annuity fund— deadline ending 28 February 2017.