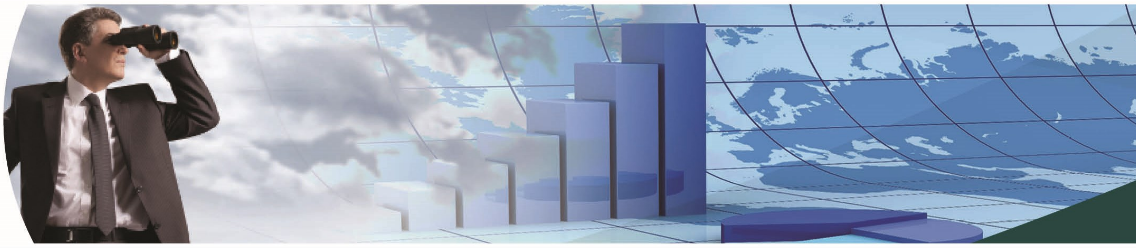
MARKET & ECONOMIC UPDATE
OCTOBER 2015

INVESTMENT PLANNING • RETIREMENT PLANNING • OFFSHORE INVESTMENTS
TAX PLANNING • ESTATE PLANNING • LIFE INSURANCE

BRENTHURST
THE HOME OF WEALTH



THE POWER OF INDEPENDENT ADVICE

TURBULENT CURRENCY CONTINUES TO MAKE HEADLINES

LOCAL MARKETS

Respected international news service Bloomberg reported at the end of September that '2015 is turning out to be a terrible year for investors'. Stocks and commodities were punished in a volatile third quarter and many analysts have revised their growth estimates downwards.

Despite this rather gloomy international outlook the JSE All Share index closed 0.95% higher (total returns, dividends included) on 50 088.86 at the end of September, compared to August this year, and is 3.39% higher year to date compared to 2014 (49 336.31 on 30 September 2014). The slightly higher monthly close was buoyed by strong performances in industrial and financial sector stocks.

The downward trend in the global commodity cycle is clearly evident in the JSE All Share Resources index, which ended September 9.96% lower (total returns, dividends included) compared to August and 22.01% lower year to date. Financials closed 1.74% lower compared to August but is up by 7.46% for the year to date. All Share Industrials closed at 4.12% higher compared to August and is up by 8.21% YTY.

The local currency made headlines almost every day in September and BDLive.co.za reported at the end of September that the rand has dropped about 15% to the dollar since the start of June and is on pace for the worst quarterly performance since 2011. Nagging fears of an interest rate hike in the USA and the recent bout of global risk aversion have affected the rand's performance. The rand closed at R13.82/$ on 30 September compared to R13.25/$ on 31 August. The currency also weakened against the euro (R15.42/€ at end September; R14.83/€ at end of August) and the pound (R20.88/£ end September and R20.36/£ end of August). However, the SA currency is not suffering alone. Emerging market currencies overall had a bruising third quarter following a sharp sell-off of risky assets on concerns of the timing of the expected rate increase in the US and as the slowdown in China's economy mounted.

Sales of new vehicles declined by 9% year on year in September to 55 322 units. Despite the declining sales in the local market the South African car manufacturing industry is doing well thanks to a year on year increase of 14.3% in vehicle exports. According to the National Association of Automobile Manufacturers (NAAMSA) this trend is likely to continue over the medium term, given the present difficult economic environment in South Africa.

Interest rates remained unchanged following the meeting of the Monetary Policy Committee in September but most commentators and analysts expect that this will change when the committee meets again in November.

Thanks to the continued market upheaval and many depressed economic indicators, South Africa's business confidence index fell to the lowest since 2011 in the third quarter of the year. IOL.co.za reported in September that sentiment was particularly low among retailers and wholesalers. Consumers are equally pessimistic and the FNB/BER Consumer Confidence Index plunged to a 14.5 year low in the third quarter of the year. "Most consumers believe South Africa's economic prospects will deteriorate further over the next year and that it is not a good time to buy durable goods," according to a statement released by FNB last week.

INTERNATIONAL MARKETS

GLOBAL MARKET WOES ARE CLEARLY EVIDENT IN THE NUMBERS FOR KEY INTERNATIONAL INDICES AT THE END OF SEPTEMBER. THE FTSE100 INDEX ENDED THE MONTH 4.33% (TOTAL RETURNS) DOWN COMPARED TO AUGUST AND IS 7.57% LOWER FOR THE YEAR TO DATE COMPARED TO 2014.

The German DAX closed at 9 660.44 on 30 September, 6.2% below August and 9.12% lower for the year to date. The S&P500 index – which reached a new record high in May this year – closed at 2.6% down compared to August and is 5.29% lower for the year to date. The troubles in the East are evident in the Hang Seng Index which closed 5.1% lower compared to the previous month and this index is 12.9% lower year to date. The MSCI China closed 1.9% lower than August and is now 11.20% lower for the year to date (total returns).

The biggest international company news in September was the revelation that the much admired vehicle company Volkswagen cheated with emissions tests of diesel cars in the USA. According to The Economist the world's largest carmaker by vehicles sold, lost nearly a fifth of its value on 21 September as investors rushed to rid themselves of the firm's toxic shares. By that date the decline wiped $26.2 billion from the company's market capitalisation.

The oil price experienced continued volatility in September with some ups and downs but according to MarketWatch.com is 17.5% lower year to date compared to last year. Despite this decline it is not the worst performing commodity. That honour goes to lumber (34.6% down year to date), followed by coffee (-28.8% year to date) and aluminium (-26.2% year to date). Best performing commodities are rough rice (up 13.6% year to date), cocoa (+11.1% YTD) and cotton (+0.7%). If this continues we are hoping South Africans can afford Starbucks coffee when the wildly successful global brand launches in the country in 2016, especially as chocolate is likely to cost more.

SOURCES: www.fin24.com / www.iol.co.za / www.marketwatch.com / www.anchorcapital.co.za www.bloomberg.com / www.economist.com / Stonehouse Capital