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BRENTHURST
THE HOME OF WEALTH

THE POWER OF INDEPENDENT ADVICE

GLOBAL VOLATILITY CONTINUES

LOCAL MARKETS

⇒ **Although the month of July was a volatile one for almost all emerging markets, the JSE All Share Index did manage to produce at least a positive +0.5% return and is still positive by 6.2% for the YTD. The best monthly asset class return came from the SA Listed Property Index, up by 5.1% in July and +12.1% YTD, the best of the SA Asset classes so far in 2015.**

⇒ **Mining/Resources lost -8.5% in July, despite the weak rand (-12.1% YTD), while the Financial & Industrial Index gained +1.9% in July (and still positive by 10.6% YTD). Palladium fell -9.9%, Platinum down -9.2%, Copper -9.3%, Nickel -7.8%, Gold -6.4%, Aluminium -4.2% and Zinc -4.2%; and Brent Crude Oil fell -8.4% (-18.5% so far in 2015).**

⇒ **Due to an expectation of an interest rate hike next month in the United States, which could potentially make US yields bit more attractive, almost all emerging market currencies declined sharply over the course of July, our local currency being no exception. The rand fell -3.8% against the dollar (-9.5% YTD, is down -3% against the pound (-8.7% YTD) and also down -2.8% against the euro (+0.5% YTD).**

⇒ **The fall in the currency was aggravated by the sharp fall in commodity prices due to conditions of over-supply, concerns about the US hike and the sharp fall in the Chinese stock market, which led to worries about the slowdown in China's economy leading to less demand for commodities.**

⇒ **In economic news, the South African unemployment rate is reported to have eased to 25.0% in the 2nd Quarter of 2015. The economy has reportedly created 563 000 over the past year, mostly in the informal sector as well as agriculture. Unfortunately, informal sector jobs as well as agricultural employment are paid significantly less than the equivalent number of people employed in the formal sector. South African needs more jobs in the formal sector which would do more to boost the economy. Our unemployment rate for youth (younger than 25) is still at an appallingly high 63.1%.**

⇒ **In June 2015, South Africa's trade balance recorded another surplus of R5.80billion, which compares favourably with a surplus R4.94bn in May 2015 and is more than what the market had anticipated. Over the past year, South Africa's imports have increased by 5.0% year on year in rands.**

⇒ Although the current situation sees import growth slumping as the South African economy stagnates, the last two months' trade data is encouraging from the perspective of helping to meaningfully reduce South Africa's deficit on the current account. This should help to ease some of the pressure on the rand. It will also make the Reserve Bank less anxious about South Africa's vulnerability to a hike in US interest rates. However, the fall-off in imports signals sluggish domestic economic activity and a lack of fixed investment spending, which is not really a good sign.

⇒ On Friday, 31 July 2015, the Department of Energy announced that the petrol price will decrease by 51c/litre with effect from Wednesday, 5 August 2015. Encouragingly, the daily over recovery on the petrol price on 30 July 2015 was a massive 82c/l. This means that at this stage it is entirely possible that the petrol will decline again in September 2015. Clearly, though a lot can happen to the exchange rate and oil price in a month. The petrol price increase in August 2015 will reduce the monthly consumer inflation rate by 0.2 percentage points, which is meaningful. Unfortunately, other cost pressures are still likely to push SA consumer inflation over 6% in early 2016. These include electricity, water, education and insurance fees. Consequently, consumer spending is expected to slump further in the months ahead, aggravated by a further hike in interest rates.

GLOBAL MARKETS

July was a volatile month for global equities, fuelled by seesawing Chinese shares and uncertainty over Greek debt negotiations, the MSCI China Index ended down 10.8%, (but still up 2.5% YTD), the MSCI SA Index was down by 5.8% in dollars and the MSCI Emerging Markets Index down -6.9% in dollars in July (-4% YTD). By the end of the month however, the S&P 500 Index gained +2.1% in July (+3.4% YTD), while the Nasdaq 100 Index gained +4.5% (+9.2% YTD).

⇒ The top 50 shares in Europe (Dow Jones Eurostoxx 50 Index) gained +4.3% in July in dollars (+6.6% YTD in dollars). The Japanese Nikkei 225 Index gained +0.5% in dollars in July (+15.2% YTD in dollars.) The MSCI World Free Index gained +1.8% in dollars in July (+4.8% YTD in dollars).

⇒ Because of some disappointing economic issues, such as the fear of China's economy slowing down sharper than expected, the situation in Greece, and the employment cost index in the US (+0.2% month-on-month, a record low), bond yields actually declined in July in the developed markets, with the US 10-year yield down 14 basis points to 2.2% and Germany's 10-year down 15 basis point to 0.64%. In other words, bond prices rose.

⇒ Due to poor economic data from China, almost all emerging market currencies took a knock over the last month. Brazil's real is down a massive -21% so far in 2015, despite raising interest rates five times this year alone, only causing severe damage to their economy. The commodity currencies including Russia, Brazil, SA and Chile, were the hardest hit, with the Aussie and New Zeeland currencies at 6-year lows versus the dollar and the Canadian currency at an 11-year low.

⇒ Some market commentators remain positive on the Chinese economy in the near-term, believing that their government policy support will ensure that the economy holds up fine over the coming months. Others, again, feel that any reliance on the Chinese economy, which has been in recession for several years, is a dangerous game.

⇒ **After a long wait, the US$560 billion Saudi Arabian equity market opened up to foreign investors for direct investment on 15 June 2015. Estimates of current foreign ownership levels range between 2% and 5% of overall market value, and this is expected to increase in the coming months. Saudi Arabia's inclusion in one or more MSCI indices (Frontier and/or Emerging Markets) is another potential area of development, one MSCI suggests is likely to take place between 2017 and 2018. Such a move would put this market on the maps of several international asset managers and attract more significant equity flows into the country.**

SMART TIP

In celebration of WOMEN'S MONTH we offer a first consultation free of charge for any women investors contacting Brenthurst in August as well as reduced fees for investments.
CONTACT ANY OF BRENTHURST'S OFFICES TO CONSULT WITH OUR EXPERT FINANCIAL ADVISORS.

BRENTHURST WEALTH BLOG

Some advances have been made, but women and their finances are still not ideally served as the financial services industry remains male dominated. Read more about this on the Brenthurst blog at:
https://brenthurstwealthblog.wordpress.com

UPCOMING CPT SEMINAR: 14 SEP 2015
SOUTH AFRICA QUO~VADIS?

ARE YOU CONCERNED ABOUT HOW THE CURRENT POLITICAL CLIMATE IN SOUTH AFRICA AND THE IMPACT OF THIS ON MARKETS WILL AFFECT YOUR INVESTMENTS?

Date: 14 September
Time: 16:00 to 17:45
Venue: Crystal Towers Hotel, Century Blvd & Rialto Road, Century City, CAPE TOWN
RSVP: 011 - 799 8100 or jougeld@brenthurstwealth.co.za
BOOK HERE: **https://goo.gl/C2ZptV**

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