



BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

INFLUENCES ON WEEKLY GLOBAL MARKETS

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News of the meeting between Robert Lighthizer (the US Trade Representative) and Cecilia Malmstrom (the EU Commissioner for Trade) helped to boost risk sentiment, after a press release from the USTR confirmed the meeting as being “constructive” and that professional staff will next month “hold further discussions on identifying and reducing tariff and non-tariff barriers to trade”. This indicates that the trade war between the US and Europe is on hold for the moment. However, the US-China trade war situation seems to have regressed after President Trump hinted in a tweet that the next round of tariffs on imports from China could come soon, saying that “we will soon be taking in billions in tariffs”. Reuters then reported that China will not “surrender” to the US demands on trade talks, according to a state paper released on Friday.

US: PPI AND CPI DATA UNDERSHOOT EXPECTATIONS

In the US, headline PPI data for August came in at -0.1% MoM (vs. 0.2% expected) largely due to the trade component, which saw the annual reading fall to 2.8% YoY from 3.3%. However, the healthcare component rose 0.18% MoM (suggesting a solid read-through to PCE) and the ex-food, energy and trade reading rose one-tenth to 2.9% YoY. August CPI came in at an unrounded 0.0818% MoM, under the 0.20% expected. As a result, the annual rate dipped to 2.2% YoY, back to levels last seen in May. The details showed that a large drop in apparel inflation (the largest since the 1940s) was a big contributor to the soft print, while medical services inflation also fell by the second most since 1975. The 3-month annualised readings is now down to 1.96% and the 6-month annualised reading is down to 1.88% respectively.

UK: JULY GDP EXCEEDS CONSENSUS

The UK's real GDP grew 0.3% MoM in July, matching the fastest pace since 2016 and beating forecasts of 0.1% MoM. Trade data was positive and industrial production was slightly softer than expected, suggesting that the strong performance was driven by domestic demand. Regarding Brexit developments, the UK and EU are preparing to formally sign off on a Brexit withdrawal agreement, potentially in the second week of November.

CHINA: AUGUST DATA MIXED

China's August retail sales came in slightly better than expected 9.0% YoY (vs. +8.8% forecast), industrial production was in line at 6.1% YoY, and fixed asset investment came in lower than anticipated at 5.3% YoY (vs. 5.6% expected).

TURKEY: Q2 GROWTH LOWER THAN EXPECTED, REPO RATE HIKED

Turkey's second quarter GDP growth printed weaker than expected at 5.2% YoY, down from 7.3% in the first quarter. Analysts note that fiscal policy has turned less supportive, financial conditions have tightened, the services sector slowed, and construction came to almost a full stop. The latest data in Q3 suggest tougher times ahead as the 41% YTD lira depreciation is felt. 2018 and 2019 growth estimates have been adjusted to 3.1% and 1.5% respectively. The central bank then hiked up the one-week repo rate to 24%; the 625bp hike completely overshoot the consensus expectation for 21%. The overnight and late liquidity window lending rate were also hiked by 625bps to 25.5% and 27% respectively.

INFLUENCES ON WEEKLY SA MARKETS

The JSE fell 0.65% over the week, with industrials losing 1.35%. The rand strengthened by 2% to close at R14.94 to the US dollar on Friday. The MSCI global index rose 1.36% by the end of the week, and the MSCI EM index gained 0.54%.

HOUSE PRICE GROWTH WEAKENS IN AUGUST

The Standard Bank house price index (HPI) declined further in August, to 3.4% YoY (down from 3.9% in July, revised from 3.7% YoY). YTD average annual growth has been dragged down to 4.6%, flat from the annual average growth in 2017. However on a month-on-month basis, the HPI has risen by 0.5% for a third month, taking the national median price to R962k in August. Analysts note that the weaker house price growth is reflective of a weak labour market, cautious advancing of mortgages, tax hikes and record fuel prices.

BUSINESS CONFIDENCE FALLS IN Q3 AND AUGUST

The RMB/BER Business Confidence Index (BCI) fell to 38 points in the third quarter, from 39 points in Q2. Not a single sector in the third quarter scored above the neutral level of 50 – a concerning development. Elsewhere, the SACCI BCI fell in August to 90.5 pts from 94.7 pts in July, following lower merchandise export volumes, a weaker rand and higher inflation.

MANUFACTURING PRODUCTION INCREASES IN JULY

Stats SA revealed that manufacturing production increased by 2.9% in July, boosted by growth in vehicle and parts sales. Expectations were for a more modest 1% rise. Food and beverages added 5.8 and 1.5 percentage points respectively. Seasonally adjusted manufacturing production increased by 1.9% in the three months ended July 2018, compared with the previous three months. Petroleum, chemicals, metal products and machinery were some of the biggest contributors to growth. Seasonally adjusted manufacturing production increased by 1.6% in July 2018 compared to June 2018.

RETAIL SALES FOR JULY IN LINE WITH EXPECTATIONS

July's retail sales growth was in line with forecasts at 1.3% YoY. The highest annual growth rates were recorded in retailers of furniture, appliances and equipment, who saw sales growth of 6.9%, followed by clothing and footwear, which grew 3%. Sales of hardware, paint and glass declined 5.1%, while sales in specialised stores of food, beverages and tobacco fell 2.1%. Retail sales continue to be under pressure, some of it due to rising fuel costs and VAT increases that took effect in April.

MINING PRODUCTION FALLS IN JULY

Mining production fell 5.2% YoY in July, far below consensus. Iron ore fell 17.4%, gold 15% and platinum group metals 5.8%. Seasonally adjusted mining fell 8.6% in July, which followed month-on-month falls of 5.4% in June and 5.3% in May. The mining sector has been negatively impacted by the trade war between the US and China, the latter a major importer of commodities. A falling platinum price and volatile rand have also added to the pressure. Locally, policy uncertainty over the Mining Charter, declining productivity and rising costs, have also hampered the sector.



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