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BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

INFLUENCES ON WEEKLY GLOBAL MARKET MOVEMENTS

► Global markets had a tough week with the Dow Jones Industrial Average and the S&P500 indices losing -2.03% and -0.89% respectively. The key theme once again was fears of a global trade war erupting. The confrontation between the US and China and between the US and the EU intensified when the EU immediately retaliated by placing tariffs on US exports. In line with this, the EU quickly slapped tariffs on Harley-Davidson motorcycles, Levi's jeans and bourbon whiskey.

► At the same time, China stated that the first wave of tariffs will impact US exports to the value of USD34Bn from the sixth of July. Evidently, President Trump's "America First" stance targets protecting the rust belt (America's Midwest and North Eastern States). Needless to say, it is pretty clear that other US industries (as well as global growth) will suffer as a consequence. As such, risk aversion was very much the name of the game with cash moving to safe haven assets. Evidence of this was the US 10Y Treasury yield, which fell by 0.03% to end the week at 2.89%. The US dollar appreciated meaning emerging market currencies were on the back foot in general. In this type of environment, it was no surprise that the MSCI Emerging Market index (-2.31%) underperformed the MSCI Developed Market index (-0.90%) over the week.

► The European Central Bank (ECB) forum held last week provided a stage for numerous central bankers to provide key insights into monetary policy. ECB President Mario Draghi restated that quantitative easing in the EU will come to an end even though EU growth has been slowing down in recent times.

He went on to add that the greatest risk to global growth remains the threat of a global trade war. Regarding hiking rates however, he said interest rates are likely to remain where they are for the foreseeable future. On the contrary, Fed President Jerome Powell stated that he believes that interest rates in the US should rise but any movements will occur at a gradual pace.

► In the US, economic news continued on its merry way with housing starts for May jumping by 5% from April. This was the highest figure since July 2007. Looking ahead, the extremely tight labour market in the US should push wages higher and hence prices in the sector, which should moderate this statistic to some degree going forward. For the time being however, the outlook remains positive.

► In the East, Japan's trade balance for May surprised on the down side. Markets were expecting a deficit of -JPY235bn and were taken back with he actual print of -JPY578bn. The main culprit was imports in the month coming in significantly above consensus. Staying with Japan, inflation finally started ticking higher. As we know, price levels have been stubbornly low making it difficult on the Bank of Japan to taper quantitative easing.

Expectations were for an inflation figure of 0.3% y/y in May, which was slightly below the 0.6% posted in April. In the event, the May figure of 0.7% caught markets off guard to some degree with costs of food and transports rising more than expected.

Brenthurst Wealth Management (PTY) LTD FSP No. 7833

INFLUENCES ON WEEKLY SA MARKET MOVEMENTS

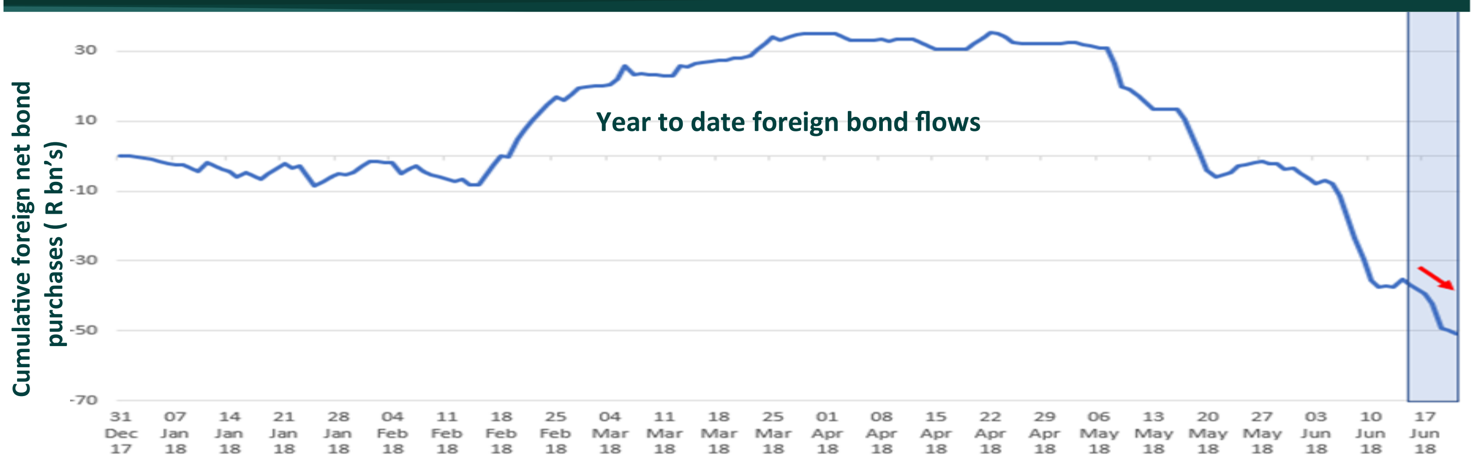
► **The JSE All Share index could not escape the global emerging market sell off and ended the week -1.30% in the red.** The JSE Resource 10 index lost -1.71% and was the main detractor. However, the industrial and financial boards fell by -1.12% and -1.06% respectively and also made a negative impact. The R186 bond yield opened last week at 9.01% and traded in a volatile fashion. As global trade war fears resulted in risk off sentiment, foreign sellers pushed the yield as high as 9.16% at one point. Since then, an element of calm resulted in the yield ending the week at 8.87%. Nevertheless, foreigners continue to be net sellers of SA bonds amidst all the geopolitical uncertainty (chart of the week). With US yields rising and likely to continue to do so, this should put pressure on the R186's yield and hence push it higher in time to come.

► **Wage negotiations between Eskom and trade unions are still ongoing.** In the aftermath of the illegal strike that took place, load shedding was a direct result. Eskom offered a 0% wage increase whilst unions were demanding a 15% increase. One wonders at what level the actual agreement will take place and more importantly, how long it will take.

► **Markets were expecting inflation in May to have risen from 4.5% y/y posted in April to 4.6%.** As it happened however, the print of 4.4% for May undershot both market expectations and the April figure. The slowdown in general prices was blamed on lower prices of food and non-alcoholic beverages. To some extent, this places the South African Reserve Bank between a rock and a hard place. With global interest rates in the rise, they no doubt would like to follow suit by raising domestic interest rates. However, hiking interest rates in the absence of inflation is very difficult to do.

► **South Africa's current account deficit for Q1 2018 surprised on the downside by coming in larger than expected.** The deficit posted was the widest since Q1 2016. Larger than expected dividends paid to foreigners was the main detractor.

CHART OF THE WEEK: FOREIGNERS CONTINUED TO SELL SA BONDS LAST WEEK



DEVELOPED MARKET EQUITIES FROM NEUTRAL TO MODERATELY UNDERWEIGHT

Despite remaining moderately underweight US equities primarily due to overvaluation and liquidity concerns we have changed our allocation to EU equities from moderately overweight to neutral. This has resulted in a moderately underweight allocation to global equities from previously neutral. As far as EU equities are concerned, the recently weaker data has moved the economic indicator from positive to neutral. The Prescient Economic Indicator, as well as the PMIs are now high and downward sloping (high and upward sloping previously), which we interpret as moderately negative. Other factors we look at for the European economy are profit margins, the slope of the EU curve, as well as employment. The economic section now balances out to neutral, risk to the downside. This moves our previously positive view on European equities in total to a neutral.

WEEKLY TICKER

CURRENCIES

Description	Classification	Currency	Exchange Rate	Week	Month	Month-to-Date	Year-to-Date
ZAR/USD	ZAR/USD	ZAR	13.46	-0.05%	-7.89%	-5.68%	-8.03%
ZAR/Pound	ZAR/GBP	ZAR	17.84	-0.01%	-7.25%	-5.33%	-6.27%
ZAR/Euro	ZAR/EUR	ZAR	15.68	-0.39%	-7.51%	-5.28%	-5.25%
Dollar/Euro**	USD/EUR	USD	1.16	0.35%	0.39%	-0.41%	-3.00%
Yen/Dollar	YEN/USD	YEN	109.51	0.62%	0.10%	-0.63%	2.90%

COMMODITIES

Description	Classification	Currency	Commodity Price	Week	Month	Month-to-Date	Year-to-Date
Gold	Gold Spot	USD	1265.41	-0.66%	1.77%	-2.55%	-2.87%
Brent Crude Oil	ICE Brent Futures	USD	74.25	2.87%	5.37%	-4.27%	14.02%
Platinum	Platinum Spot	USD	873.97	-1.22%	2.90%	-3.64%	-5.85%
Copper	LME 3 month Copper	USD	6789.00	-3.29%	1.14%	-0.92%	-6.32%
Silver	Silver Spot	USD	16.32	-0.65%	-0.03%	-0.64%	-3.63%

GLOBAL EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
Global	MSCI World*	USD	2114.90	-0.90%	0.38%	1.17%	1.93%
United States	S&P 500	USD	5421.63	-0.87%	-0.96%	1.95%	4.01%
Europe	Euro Stoxx 50	EUR	7073.93	-1.81%	2.39%	1.15%	0.36%
Britain	FTSE 100	GBP	6663.13	0.67%	1.02%	0.28%	2.20%
Germany	DAX	EUR	12579.72	-3.31%	3.06%	-0.20%	-2.62%
Japan	Nikkei 225	JPY	35322.98	-0.71%	0.75%	1.43%	-0.26%
Emerging Markets	MSCI Emerging Markets*	USD	1088.00	-2.31%	3.98%	-2.56%	-5.06%

SA EQUITY INDEXES (TOTAL RETURN)

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Share	JSE All Share*	ZAR	2114.90	-0.90%	0.38%	1.17%	1.93%
Top 40	JSE Top 40*	ZAR	5421.63	-0.87%	-0.96%	1.95%	4.01%
Shareholder Weighted	JSE SWIX*	ZAR	7073.93	-1.81%	2.39%	1.15%	0.36%
Small Companies	JSE Small Cap*	ZAR	6663.13	0.67%	1.02%	0.28%	2.20%
Resources	JSE Resource 20*	ZAR	12579.72	-3.31%	3.06%	-0.20%	-2.62%
Industrials	JSE Industrial 25*	ZAR	35322.98	-0.71%	0.75%	1.43%	-0.26%
Financials	JSE Financial 15*	ZAR	1088.00	-2.31%	3.98%	-2.56%	-5.06%
SA Listed Property	JSE SA Listed Property	ZAR	2114.90	-0.90%	0.38%	1.17%	1.93%
Preference Shares	JSE Pref Shares	ZAR	5421.63	-0.87%	-0.96%	1.95%	4.01%

SA FIXED INTEREST

Description	Index	Currency	Index Value	Week	Month	Month-to-Date	Year-to-Date
All Bond	BESA ALBI Index	ZAR	609.20	1.36%	1.50%	-1.51%	3.66%
Inflation Linked Bonds	BESA CILI	ZAR	251.77	-0.44%	0.90%	-1.81%	-0.33%
Cash	STEFI Composite*	ZAR	396.07	0.13%	-0.57%	0.42%	3.43%

The WEEKLY TICKER report was compiled in association with Counterpoint Asset Management. www.cpam.co.za

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