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

BRENTHURST
THE HOME OF WEALTH

BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

HEY, WHERE DID MY 15% RETURN GO?

ASK any investor what returns they expect from their equity-investments and the chances are very good that they will come up with a number of around 15% per year. This is a throwback to a time when inflation was much higher and hence the ongoing returns were in excess of 15% per annum for many years. Investors are finding it difficult to adjust their return-expectations to a much lower rate, of anything between 4 and 8%.

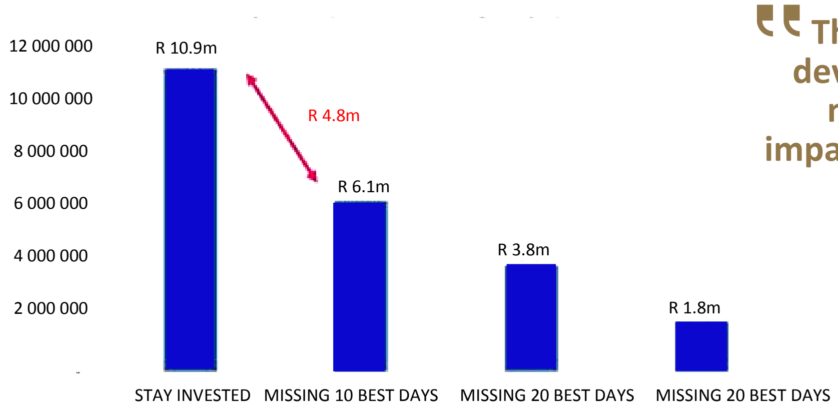
The key however is earning a real return on your investments. A return of 15% per annum compared to an inflation rate of 10% is exactly the same as a 9% return on an inflation rate of 4% per annum. Investors also experienced above-average returns in the period from 2002 to 2008 where returns in excess of 20% were often earned on certain types of investments.

We are currently in a low-inflation, low-return environment, especially on the SA market, which is also under-performing its peers in the emerging market environment. But hope springs as early signs are showing a return to higher growth for the SA economy. The IMF has just increased its growth expectations to 1,5% for 2018 and possibly 2% next year.

Business and consumer confidence is showing signs of reviving and president Cyril Ramaphosa has recently launched a global initiative to attract $100 billion of foreign investments to South Africa. Hopefully this be reflected in better investment returns going forward.

TIME IN THE MARKET IS MORE IMPORTANT THAN TRYING TO TIME THE MARKET

FTSE / JSE ALSI: 20 YEASR (5010 TRADING DAYS)



"The stock market is a device for transferring money from the impatient to the patient"

Warren Buffet

BRENTHURST WEALTH RANKED AS BEST BOUTIQUE WEALTH MANAGER IN SA 2017 INTELLIDEX WEALTH MANAGER AND PRIVATE BANKS AWARD

The 2018 Intellidex review of wealth managers and private banks is currently underway and appreciate your time to support us, by completing the Intellidex survey. Please click on the below link which shouldn't take more than 15 minutes of your time: https://bit.ly/2pESugU

ONE LUCKY SURVEY PARTICIPANT STANDS A CHANCE TO WIN R10,000 FOR THEIR SUBMISSION.

THANK YOU IN ADVANCE FOR YOUR SUPPORT!

GLOBAL MARKETS

INFLUENCES ON WEEKLY GLOBAL MARKET MOVEMENTS

RISK APPETITE RETURNED TO MARKETS LAST WEEK. Nevertheless, there are still three geopolitical uncertainties looming that could upset the apple cart and lead to a turn around in risk appetite going forward. Firstly, the spat between China and the US regarding the imposition of tariffs. Global growth stands to be adversely impacted by this, but not much additional news was reported last week. Secondly, there was no additional news flow on the Syrian front after the US, UK and France fired missiles at strategic targets.
However, there is still a sense that it may still lead to more uncertainty in the Middle East, which was reflected in the oil price. And finally, the US imposed additional sanctions on Russia, which resulted in significant selling pressure on some of their large shares. Any additional news on this could sour risk sentiment.

FOR THE TIME BEING, MARKETS TRADED HIGHER WITH THE S&P AND DOW JONES INDICES ENDING THE WEEK 0.52% AND 0.46% UP RESPECTIVELY. Brent crude oil meanwhile, ended the week 1.56% higher at USD73.66/bbl (highest price since 2014). As aforementioned, the potential for unrest in the Middle East was definitely a factor here. However, because the US will most likely place additional sanctions on Iran due to their stance on their nuclear program and Venezuela reporting lower oil production whilst at the same time, the American Petroleum Institute (API) showing a drop in US crude oil inventories, these all additionally pushed the oil price higher. Resources rallied on the back of the higher oil price. This was evident in nickel, iron ore and copper all closing the week 4.53%, 3.23% and 1.60% in the green respectively.

THE TUG OF WAR BETWEEN FED OFFICIALS CONTINUED WITH BOTH HAWKISH AND DOVISH RHETORIC TAKING CENTER STAGE. In summary, it would seem that expectations are for three interest rate hikes this year. Interestingly though, New York Fed President William Dudley noted that some US banks were overweight unfinished projects and as such, would struggle in a higher interest rate environment.

THE BANK OF CANADA MATCHED MARKET EXPECTATIONS AND KEPT INTEREST RATES ON HOLD. Markets were slightly taken back by the level of hawkishness from the meeting. Moreover, mention that interest rate hikes later this year with the aim of stalling inflation would most likely occur, which sent the Canadian dollar -1.21% lower vs the US dollar to close the week at 1.28/USD

MARKETS WERE CAUGHT OFF GUARD WHEN THE PEOPLES BANK OF CHINA UNEXPECTEDLY ANNOUNCED THAT THEY WERE DROPPING THE RESERVE REQUIREMENT OF BANKS. This should add liquidity to the market whilst at the same time, aid small businesses and buoy the growth outlook in the medium term.

THE IMF MAINTAINED THE GLOBAL GROWTH FORECAST AT 3.9% FOR THIS YEAR AND 2019 AMIDST A STRONG GLOBAL GROWTH BACKDROP. They mentioned that 2020 should see lower growth as a consequence of the impacts that global central banks' fading fiscal stimulus would have, as well as potential for nationalization policies (US and China initially, but this could spill over into global economy) hindering global trade and investment.

EU INFLATION FOR MARCH CAME IN AT 1.3% Y/Y, UP FROM 1.1% REPORTED IN FEBRUARY. It was slightly below consensus of 1.4% as prices of food, alcohol and tobacco products rose less than expected. UK inflation for March of 2.5% also surprised on the downside and came in below the February print of 2.7%. Despite still being above the Bank of England's (BOE) target inflation rate of 2.0%, it is at least moving in the right direction. Lower than expected price rises in clothing and footwear as well as in housing and utilities products were the main reasons for the lower inflation figure. UK retail sales then came in below expectations. The pound traded lower on the back of this and ended the week at 1.40/USD (depreciation of -1.69%) and 1.14/EUR (depreciation of -1.32%). This makes it trickier for the BOE to raise interest rates, although a hike is generally expected at their next meeting in May.

GLOBAL ECONOMIC NEWS

IN THE EAST, BANK OF JAPAN'S (BOJ) AMBITIONS OF TAPERING QUANTITATIVE EASING WAS DEALT A HEFTY BLOW. Japanese inflation for March returned 1.1% y/y from 1.5% in February. The BOJ have a target inflation rate of 2.0% and with inflation moving lower, it makes it more likely that the current extremely loose monetary policy will be around for a while still.

Q1 2018 GDP FOR CHINA SQUARED WITH MARKET EXPECTATIONS AND CAME IN AT 6.8% Y/Y. For now, growth in the Chinese economy remains strong. However, trade policies between China and the US is most likely the biggest risk that China faces as the US is one of its largest export partners. Chinese retail sales also beat expectations for March, which shows

DOMESTIC MARKETS

INFLUENCES ON WEEKLY SA MARKET MOVEMENTS

THE JSE ALL SHARE INDEX ENDED THE WEEK 1.87% UP. The JSE Resource 10 index, benefiting from the global resource rally, ended the week 2.35% higher and made a strong positive contribution to the JSE All Share index. The financial (+2.69%) and industrial (+1.55%) boards both also made decent contributions whilst the South African Property index continued with its rebound by adding 2.58% over the week.

PRESIDENT RAMAPHOSA'S ANNOUNCEMENT THAT HE INTENDS TO ATTRACT OVER USD100BN IN NEW INVESTMENT TO BOOST THE SA ECONOMY. This had a positive impact on the JSE All Share index. In attempting to achieve this, Ramaphosa appointed a team of business and finance experts to hunt for investments around the globe. This team consists of ex-Finance Minister Trevor Manuel, ex Deputy-Finance Minister Mcebisi Jonas and ex-Chief Executive of Standard Bank, Jacko Maree, to name just a few. When asked about the land redistribution without compensation policy, Ramaphosa retorted that any policy measure would be pro-growth and inclusive. In a speech last week, SARB Governor Lesetja Kganyago reiterated that the SARB would only react to a weaker rand if it influences the inflation trajectory. This transmission mechanism (whereby a weaker currency feeds through to higher inflation) according to him, faces one specific.

As such, with prices likely to start rising globally and with central banks tightening or likely to tighten monetary policy on the back of this, it could result in a repatriation of cash back to the developed world and away from emerging markets like SA. The rand in these conditions stands to weaken significantly. The inflation target of 4.5% (mid-way between to 3-6% inflation target range) was maintained.

INFLATION FOR MARCH CONTINUED ON A DOWNWARD SPIRAL AND CAME IN A 3.8% Y/Y. This was below expectations for 4.1% as well as below the 4.0% posted in February. Surprisingly, it was the lowest print since February 2011 as price declines in food and non-alcoholic beverages as well as in transport led the general price index lower. This increases the probability of another rate cut from the SARB when they next meet as inflation is now below the aforementioned 4.5% mid-point target. However, Eskom is in the process of trying to recoup about ZAR66.6bn through its regulatory clearing account via Nersa. If this gets passed, electricity tariffs will rise, and this should lead to a pick up in the general price level.

RETAIL SALES BEAT MARKET EXPECTATIONS IN FEB. This is a promising sign as the South African consumer stands to drive GDP growth higher looking ahead.

CHART OF THE WEEK:

SA INFLATION CAME IN BELOW EXPECTATIONS AND HAS BEEN ON A DOWNWARD SPIRAL.