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BRENTHURST RANKED BEST BOUTIQUE WEALTH MANAGER IN SA 2017

GLOBAL MARKETS

► TRADE WAR CONCERNS BETWEEN THE US AND CHINA CONTINUED TO PLAGUE GLOBAL MARKETS LAST WEEK. After China retaliated by placing tariffs on US imports, they announced at the beginning of last week that they would increase these tariffs by a mammoth 25% on 128 US products including imports of pork, wine, nuts and seamless steel pipes. Global markets thus came out of the Easter break on the back foot. This was followed by a strong rebound when US Economic Adviser Larry Kudlow mentioned that the US was still in negotiations with China over tariffs, leading markets to believe that Trump and the US had taken a softer stance. This was short lived as Trump then upped the ante in the already high stakes trade confrontation by directing trade officials in the US to identify USD100Bn worth of tariffs to place on Chinese imports. A sell off quickly ensued. The Dow Jones Industrial Average and S&P indices ended the week -0.67% and -1.46% lower and were rather volatile based on news flow.

► CONFLICTING RHETORIC FROM FED OFFICIALS LAST WEEK SHOWED THE EXTENT TO WHICH THERE IS NO CLEAR CUT WAY FORWARD REGARDING THE FED'S HIKING CYCLE. In a speech, President of the Atlanta Fed Raphael Bostic said that the Fed should raise interest rates up until the neutral rate is reached and then adopt a wait and see approach. Dovish sentiment from the St. Louis Fed President James Bullard preceded this when he mentioned no additional hikes should take place as the neutral interest rate has already been achieved.

► GOLD ENDED THE WEEK AT USD1334/OUNCE. The precious metal rose 0.66% over the period as fears of a global trade war escalated resulting in risk-off sentiment and cash flowing to safe haven assets. Brent crude oil, in the meanwhile, closed the week -3.43% down at USD67.03/bbl. Of late, tension between Saudi Arabia and Yemen has been heightened with Yemen's Houthis attacking a Saudi super tanker. The battle between the two nations is deemed as a proxy war between Saudi Arabia and Iran (who is seen to back Yemen) and if this war were to break out, OPEC stands to unbundle and oil supply could then significantly rise. This spells potential risk for the oil industry down the line, however, last week's sell off came on the back of reports revealing that the US was exporting oil at a record pace, which counteracts OPEC's attempts to restrict supply.

► ECONOMIC NEWS OUT OF THE US WAS MIXED LAST WEEK. On the one hand, both ISM manufacturing and non-manufacturing PMI's for March disappointed by coming in below the February figures. New orders, employment and output rose at a slower than expected pace for the manufacturing PMI whilst rising price pressure and production slowdowns in the non-manufacturing PMI were the main culprits. On the other hand, consensus was that private businesses in the US would add 208k jobs for March. The ADP employment change print overshot this figure coming in at 241k. US non-farm payrolls undershot expectations with 103k jobs being added in March compared to expectations of 193k. Employment increased the most in mining and manufacturing sectors.

► THE EUROZONE PMI FOR MARCH SQUARED WITH MARKET EXPECTATIONS AND WAS IN LINE WITH THE FEB FIGURE OF 56.6PTS. The overall picture for the EU therefore remains promising as the PMI readings from all the EU countries remained robust. The EU services PMI for March returned 54.9pts, which is very much still in expansionary territory. At the same time, the EU unemployment rate for February of 8.5% fell from 8.6% reported in January. With EU unemployment at these low levels, it was not surprising to see the inflation print for March rising slightly to 1.4% y/y. This is unlikely to have much impact on the pace of tapering quantitative easing by the ECB as inflation is still pretty low compared to historical levels.

► IN THE EAST, CHINA'S CAIXIN MANUFACTURING PMI (FOCUSING ON SMALLER PRIVATELY OWNED BUSINESSES) FELL TO A FOUR MONTH LOW. A slow down in export demand by foreigners was blamed for the disappointing print. It would be interesting to see how Trump's tariffs impact this statistic going forward.

DOMESTIC MARKETS

► **NOT MUCH NEWS MADE HEADLINES IN THE SHORTENED WORK WEEK.** As the week came to an end, the JSE All Share index was trading 0.88% up. Of its sub-indices, the resource and industrial boards added 0.65% and 1.51% respectively whilst the JSE Financial 15 index closed the week at -0.30% in the red. The South African Property index, which was hard hit so far this year (-18.03% year to date) bounced back and added 4.38% over the week as appetite for the sector returned and short selling speculative activity disappeared.

► **ATTENTION NEXT WEEK WILL BE ON THE PRODUCTION SIDE OF THE ECONOMY WITH THE RELEASE OF VITAL MINING AND MANUFACTURING PRODUCTION FIGURES.** Consensus is for improvements in these prints, so it will be intriguing to see if it pans out.

► **ABSA MANUFACTURING PMI FOR MARCH RTURNED TO CONTRACTIONARY TERRITORY COMING IN AT 46.9PTS FROM THE 50.8PTS POSTED IN FEB**. Upon further investigation, the stronger rand led to a drop in exports, resulting in a contraction in factory activity as new orders, inventory and business activity all decreased.

► **NAAMSA VEHICLE SALES SHOWED THAT A TOTAL OF 49233 NEW VEHICLES WERE SOLD IN MARCH**. This was the fourth month of expansion. A potential reason for the rise in vehicle sales is because VAT rose from 14% to 15% from the beginning of this month and buyers therefore wanted to save on VAT in March. Worth noting, the 0.25% interest rate cut should have a positive impact on vehicle sales going forward.

► **THE STANDARD BANK PMI FOR MARCH CAME IN AT 51.1PTS, WHICH WAS SLIGHTLY LOWER THAN 51.4PTS POSTED IN FEBRUARY.** This indicates a slight tapering in growth of private sector activity. Nonetheless, the print is still in expansionary territory meaning local business conditions are improving. Moody's keeping SA one notch above sub investment grade and increasing the outlook from negative to stable would no doubt have made an impact here.

► SACCI business confidence for March disappointed coming in slightly below the February figure.

CHART OF THE WEEK:

VOLATILITY HAS SPIKED THIS YEAR. FEARS OF A GLOBAL TRADE WAR ARE NO DOUBT PART OF THE CAUSE