

Chair Yellen telegraphs March rate hike in latest speech - pg. 2

Anheuser-Busch CEO no bonus after disappointing Q4 results - pg. 3

## Market moves

Performance: 24/02/2017 to 02/03/2017	Return (Cumulative)
<b>Local Markets</b>	
All Share TR ZAR	-0.54
Ind/Financials TR ZAR	0.71
Ind/Industrials TR ZAR	-0.67
Financials&Indl 30 TR ZAR	-0.23
Ind/Basic Materials TR ZAR	-1.62
Gold Mining TR ZAR	-6.96
SA Listed Property TR ZAR	-0.85
Beassa ALBI TR ZAR	-0.33
<b>Commodities</b>	
Oil Price Brent Crude PR	-2.65
LBMA Platinum AM PR USD	1.61
Gold London AM Fixing PR USD	0.48

## The week ahead

### Domestic

14 Mar Gold production

14 Mar Mining production

### International

09 Mar China: Inflation rate

10 Mar US: Non-farm payrolls

## Macro

### South Africa

The economy contracted by an annualised 0.3% q/q in the three months to December 2016. This compares to an upwardly revised 0.4% growth in the previous quarter and missing market consensus of a 0.5% expansion. It was the first contraction since the March quarter of 2016 mainly due to the performances in the mining, quarrying and manufacturing industries.

### UK

House prices in the UK increased by 5.1% y/y in the three months to February 2017, following a 5.7% gain in the three months to January and missing market expectations of a 5.3% rise. It was the lowest annual rate since July 2013.

### China

China's foreign exchange reserves increased by \$7 billion to \$3.005 trillion in February 2017, from \$2.998 trillion in January, defying expectations of a fall to \$2.969 trillion. It was the first rise since June last year.

## Markets\*

### Best performer

For the week was the Brimstone Investment Corporation with a return of 13%. South32 Ltd. was second, with a 12% return for the same period.

### Worst performer

Lonmin was the worst performer for the week with a loss of 16%. Followed by Harmony Gold with a 13% drop for the week.

### Sectors

The best performing sector for the week was banks with a return of 4.9% for the week. The household goods sector was the worst performing sector with a 9.0% loss.

\*Disclaimer: Total weekly returns based on closing values from Monday to Monday.

## Macro note

### Chair Yellen telegraphs March rate hike in latest speech

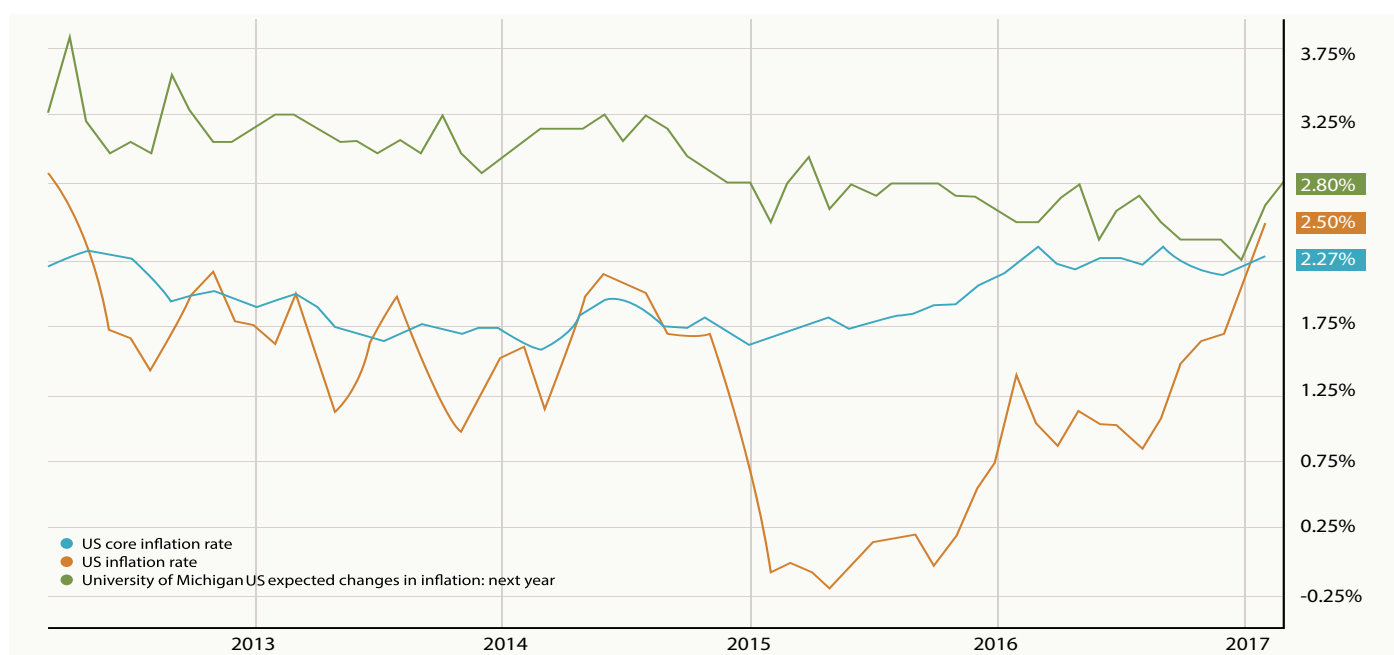
US Federal Reserve (Fed) Chair, Janet Yellen offered clear indications on Friday that a rate hike is probable later this month. In fact, Yellen had declared in mid-February, during her semi-annual congressional testimony on monetary policy, that as long as the economy evolved in line with the Fed's expectations, 'a further adjustment of the federal funds rate would likely be appropriate...at our upcoming meetings'.

A host of Fed officials have come out publicly in favour of a near-term rate hike. In some cases, officials have explicitly argued for a March move. Chair Yellen's speech on Friday provided the final nail in the coffin, as she tweaked her February comments to provide even clearer guidance with respect to March.

She noted that 'we currently judge that it will be appropriate to gradually increase the federal funds rate if the economic data continue to come in, as we expect. Indeed, at our meeting later this month, the Committee will evaluate whether employment and inflation are continuing to evolve in line with our expectations, in which case a further adjustment of the federal funds rate would likely be appropriate,' Yellen said.

The broader context of Chair Yellen's speech was also quite interesting. The bulk of her speech explained and defended the Fed's ultra-cautious strategy over the last three years, when, despite considerable improvement in the economy, the Fed only managed to raise rates twice. (Read her entire speech [here](#)).

Probability of rate hikes



Source: University of Michigan, BLS

## Bottom line

The US economy is leading other developed markets in its economic recovery. Further interest rate hikes by the US Fed should not come as a surprise to investors.

The biggest regional exposure in the offshore PSG Wealth Solutions is in the US economy. Investors in the global solutions will undoubtedly benefit from a strong economic recovery in the US.

## Market note

### Anheuser-Busch CEO no bonus after disappointing Q4 results

The CEO of the world's largest brewer, Anheuser-Busch InBev NV, will not receive a bonus this year. Carlos Brito will miss out on a bonus for the first time since 2008 after earnings at the Budweiser maker missed analysts' estimates for a seventh straight quarter. Chief financial officer Luis Dutra will also get nothing from the bonus pool, the Belgium-based company said on Thursday as it announced an increase to its cost-saving target that left some analysts disappointed.

Fourth-quarter results missed estimates at almost all levels as the brewer continues to struggle with a slump in its key market of Brazil. The figures provide a reminder of why it paid \$103 billion for main rival SABMiller. AB InBev on Thursday raised its target for savings from the acquisition by \$350 million to \$2.8 billion within three to four years, although some analysts had expected an increase of \$600 million.

Adjusted fourth-quarter earnings before interest, tax, depreciation and amortization fell to \$5.25 billion, the Budweiser maker said in a statement. Analysts expected \$5.64 billion. AB InBev also said it expects to incur costs of \$900 million over three years to achieve the savings goals.

#### Other highlights

**Brewer:**

Cut capex to about \$3.7 billion in 2017.

2016: Spent \$4.8 billion

**Cost of sales per hectoliter forecast:**

to increase by low single digits on constant geographic basis

**Synergies from SABMiller merger:**

Increase from \$2.45 billion to \$2.8 billion

Source: PSG Wealth research team

Brito pledged for a better performance in 2017 as revenue growth accelerates.

"If you own a bakery and don't make any money one year, you don't get a bonus — this is the same thing," he said at a press conference in Leuven. "After a bad year, that's when you see leaders rising to the occasion."

Spending power in Brazil, AB InBev's largest market after the US, is nosediving amid record rates of unemployment, bedeviling consumer-goods makers including Nestle and Unilever. Lower shipments and a decline in AB InBev's market share led to a 33% drop in earnings in that country. The maker of Stella Artois also warned that dividend growth will be modest as it reins in its \$108 billion debt.

"Brazil is probably one of the most competitive markets we operate in," Dutra said on a call with reporters. Incomes in the country should rise in 2017, which will be positive for beer consumption, the CFO said. Still, the brewer forecast headwinds from Brazil's weak currency to weigh on first-half results.

## Previous publications

### Daily

08 March 2017



### Weekly

01 Mar	26 Oct	13 Jul	26 Apr
15 Feb	12 Oct	06 Jul	20 Apr
06 Feb	05 Oct	29 Jun	12 Apr
18 Jan	28 Sep	22 Jun	05 Apr
11 Jan	14 Sep	15 Jun	30 Mar
14 Dec	07 Sep	08 Jun	23 Mar
07 Dec	31 Aug	01 Jun	16 Mar
30 Nov	17 Aug	25 May	09 Mar
16 Nov	10 Aug	18 May	01 Mar
09 Nov	02 Aug	11 May	23 Feb
02 Nov	27 Jul	04 May	11 Dec



### Monthly

Feb 2017	Feb 2016
Jan 2017	Dec 2015
Nov 2016	Nov 2015
Oct 2016	Oct 2015
Sep 2016	Sep 2015
Aug 2016	Aug 2015
Jul 2016	July 2015
Jun 2016	Jun 2015
May 2016	May 2015
Apr 2016	
Mar 2016	



### Quarterly

Summer 2017
Spring 2016
Winter 2016
Autumn 2016
Summer 2016
Spring 2015



### Special Reports

- Research provided
- Fed hike inevitable?
- S&P 2 Dec review
- US election
- Market PE's
- Domestic local government elections
- Brexit vote
- Cash vs Long-term instruments
- S&P June 2016 rating decision explained
- Fed Dec 2015 interest rate hike
- Impact of political moves on investments
- FoF fees small compared to actual gains
- SARB hikes rates
- Weak PMI support foreign diversification



### Wealth Perspective

Dec 2016
Sep 2016
Jul 2016
Apr 2016
Jan 2016
Oct 2015
Jul 2015



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