

Fitch second ratings agency to downgrade SA

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Bidcorp wants to acquire Spanish foodservice

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Market moves

Performance: 31/03/2017 to 06/04/2017	Return (Cumulative)
Local Markets	
All Share TR ZAR	1.39
Ind/Financials TR ZAR	-5.01
Ind/Industrials TR ZAR	1.54
Financials&Indl 30 TR ZAR	-0.54
Ind/Basic Materials TR ZAR	8.36
Gold Mining TR ZAR	16.65
SA Listed Property TR ZAR	-3.32
Beassa ALBI TR ZAR	-3.38
Commodities	
Oil Price Brent Crude PR	3.64
LBMA Platinum AM PR USD	0.21
Gold London AM Fixing PR USD	0.23

The week ahead

Domestic

13 Apr Mining production

19 Apr Inflation rate

International

14 Apr US: Core inflation rate

17 Apr China: GDP growth rate

Macro

South Africa

Gross reserves declined to \$46 588 million in March from \$46 722 million in February. The international liquidity position declined by \$86 million to \$41 419 million in March.

Greece

The 10-year government bond in Greece decreased by 0.14% or to 6.73 on 11 April from 6.86 in the previous trading session. Historically, the Greek government bond reached an all-time high of 48.60 in March 2012 and a record low of 3.21 in June 2005.

US

The yield of the US 10-year bond hit a six-week low this week. The 10-year government bond yield decreased to a low of 2.3427% on 11 April.

Markets*

Best performer

For the week was Lonmin which returned 27% for the week. Anglo American Platinum was second, with a 14% return for the same period.

Worst performer

Life Healthcare was the worst performer for the week with a loss of 12%. Followed by Wilson Bayly Holmes with a 10% drop for the week.

Sectors

The mining sector was the best performing sector for the week with a return of 7.6%. The industrial engineering sector was the worst performer with an 8.5% loss.

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

Macro note

Fitch second ratings agency to downgrade SA

Fitch was the second ratings agency which downgraded SA's sovereign credit rating to sub-investment grade in a week. Fitch's rating was harsher than S&P Global Ratings' downgrade last Monday in that it cut both rand and foreign currency debt to 'BB+', whereas S&P kept SA's rand-denominated debt at 'BBB-', one level above junk.

Some good news in Fitch's statement was that it gave SA a stable outlook whereas S&P kept its outlook negative, possibly a hint that S&P may also cut SA's rand-denominated debt to junk soon. The slight movements in the JSE and the rand would suggest that financial markets (especially the currency and bond markets) had largely priced in the Fitch rating's decision, as well as the looming decision by Moody's.

Echoing S&P, which cut Eskom's credit rating into the deep junk territory of 'single Bs' on Thursday night, Fitch said it was concerned about cost implications of the government's intention to further develop nuclear energy.

Bottom line

As the probability of a specific incident increases, markets act as discounting mechanisms that adjust according to the proposed good or bad news in circulation. This is the main reason why the reaction of the market is often less than what is anticipated at the moment that the actual incident takes place.

Fitch argued that Eskom had already issued a request for information for nuclear suppliers and that Eskom was expected to issue a request for proposals for nuclear power stations later in 2017. Moody's has SA's ratings at two above junk, but last week put the ratings on watch for a downgrade.

South Africa's current credit rating

Agency	Foreign currency rating	Local currency rating	Outlook
Fitch	BB+	BB+	Stable
S&P	BB+	BBB-	Negative
Moody's	Baa2	A1	Negative watch

Source: I-Net, PSG Wealth research team

Therefore, to benefit from these incidents, one requires insight and timely prudent actions from good active managers, such as those in the PSG Wealth Solutions. These managers know how to reduce any negative consequences, or how to maximize the positive consequences, for their clients.

Market note

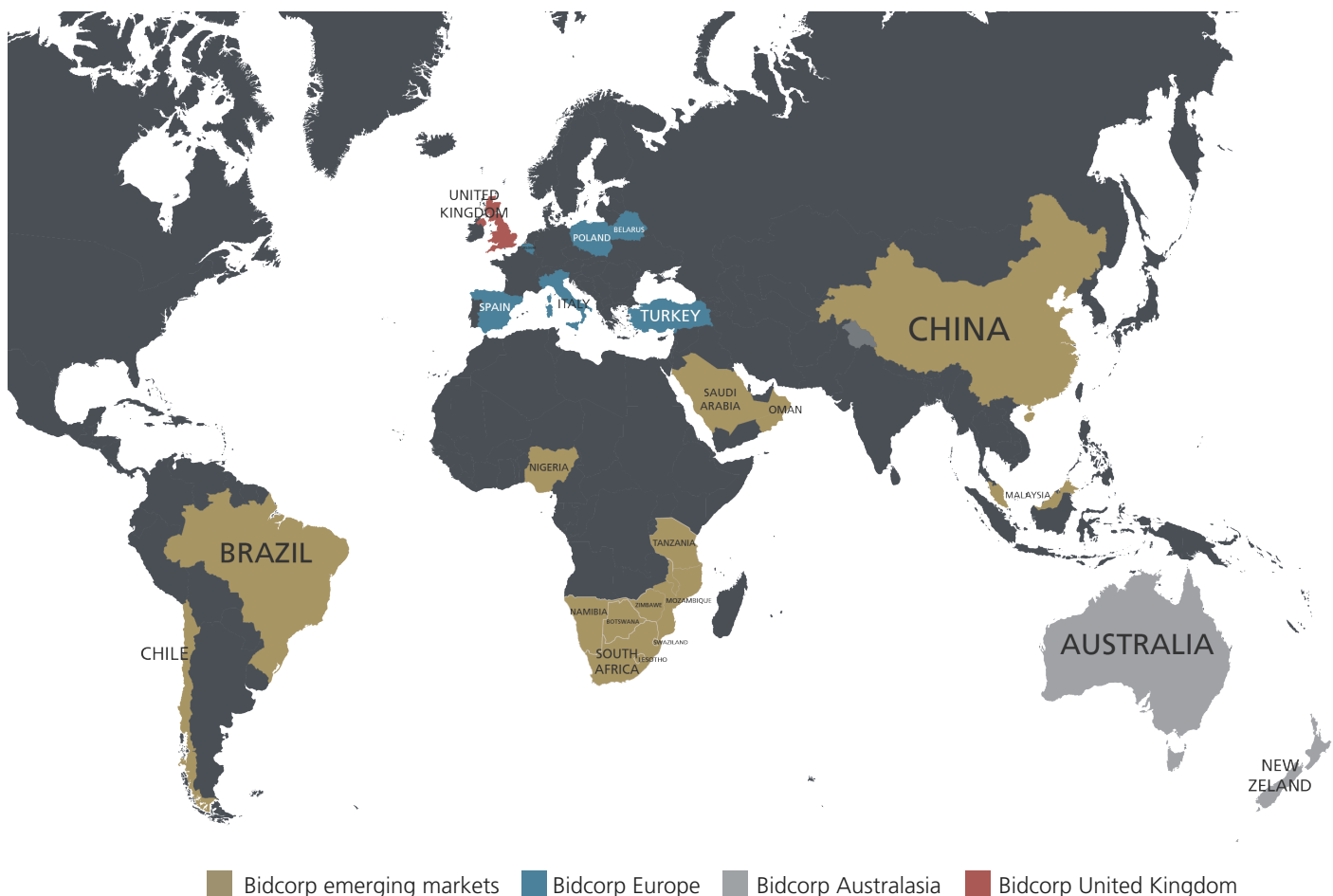
Bidcorp wants to acquire Spanish foodservice

Bidcorp announced its intention to acquire a 90% stake in Guzmán Gastronomía and Cuttings, a leading national Spanish multi-temperature foodservice company supplying hotels, restaurants, industrial caterers and other institutions.

The acquisition is in line with Bidcorp’s strategy to expand its footprint into geographies, which offer solid growth in the out- -of-home foodservice market. The acquisition of Guzmán, together with other opportunities in Spain and greater Iberia, will enable Bidcorp to position itself as one of the leading foodservice companies in south-west Europe.

Brian Joffe, who will step down as Bidcorp’s chairman, will now take on the role of non-executive chairman of Bidcorp. Joffe also informed the board that he will be launching a new listed JSE investment vehicle which will focus on activities that are not in competition with Bidcorp’s current foodservice business. Bernard Berson will continue in his role as Bidcorp chief executive.

Where Bidcorp operates



Source: PSG Wealth research team, Bidcorp

Previous publications

Daily

12 April 2017



Weekly



05 Apr	30 Nov	17 Aug	25 May
22 Mar	16 Nov	10 Aug	18 May
15 Mar	09 Nov	02 Aug	11 May
08 Mar	02 Nov	27 Jul	04 May
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

Monthly



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

Quarterly



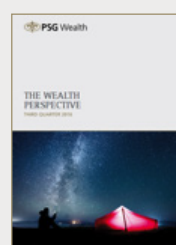
Summer 2017
Spring 2016
Winter 2016
Autumn 2016
Summer 2016
Spring 2015

Special Reports



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 Impact of political moves on investments
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 SARB hikes rates

Wealth Perspective



Mar 2017
Dec 2016
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Apr 2016
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Oct 2015
Jul 2015

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