Weekly Investment Update

15 February 2017

PSG Wealth

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Market moves

Performance: 03/02/2017 to 09/02/2017	Return (Cumulative)
Local Markets	
All Share TR ZAR	-1.55
Ind/Financials TR ZAR	0.19
Ind/Industrials TR ZAR	-1.07
Financials&Indl 30 TR ZAR	-0.67
Ind/Basic Materials TR ZAR	-4.34
Gold Mining TR ZAR	0.90
SA Listed Property TR ZAR	-0.48
Beassa ALBI TR ZAR	0.59
Commodities	
Oil Price Brent Crude PR	-1.64
LBMA Platinum AM PR USD	1.69
Gold London AM Fixing PR USD	1.45

The week ahead

Domestic

15 Feb Inflation rate

22 Feb Budget speech

International

17 Feb EA: Current account DEC

21 Feb China: Balance of trade

Macro

South Africa

Manufacturing production relapsed in December, shrinking by 2% y/y after a 2% growth in December. The decline in annual mining production slowed to 1.9% in December from a 4.5% decrease in November.

China

Producer prices rise the most in 65 months in China. It rose by 6.9% y/y in January 2017, following a 5.5% rise in December. This figure beat market consensus of a 6.3% gain. It was the fifth straight month of increases and the fastest since August 2011.

US

The US trade deficit narrowed to $44.3 billion in December, from an upwardly revised $45.7 billion ($45.0 billion previously) in November.

Markets*

Best performer

For the week was Kumba Iron Ore with a return of 15%. PPC was second, with an 11% return for the same period.

Worst performer

The Brimstone Investment Corporation was the worst performer for the week with a loss of 8%. Followed by Brait SE and Gold Fields Ltd., both with a 4% drop for the week.

Sectors

The best performing sector for the week was industrial metals with a return of 6.9% for the week. The industrial engineering sector was the worst performing sector with a 3.7% loss.

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

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Macro note

JSE rallies on Chinese data and Trump's 'phenomenal' tax plan

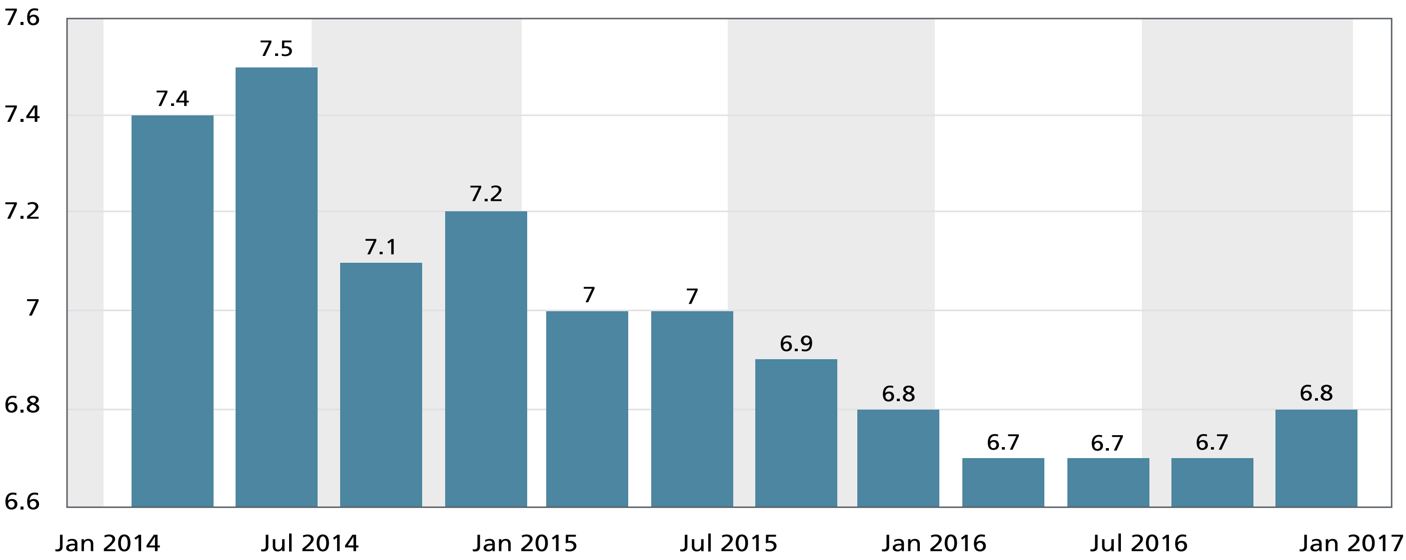
The FTSE/JSE All Share Index (ALSI) delivered a strong performance last week as positive data from China and promised tax cuts by President Donald Trump buoyed sentiment.

Import and export data from China reflected double-digit growth and so allayed some concerns about contracting Chinese GDP growth this year. This provided a boon for resource shares on the domestic bourse. S&P Global Ratings also recently affirmed the Republic of China's 'AA-/A-1+' sovereign credit ratings. S&P said China's reforms to its fiscal and monetary policies, coupled with its anti-corruption campaign, should help support its sovereign creditworthiness. S&P projects that China's economic growth over the next three years will remain at or above 5.5% annually.

President Jacob Zuma's state of the nation address appeared to have little effect on markets amid relief that he did not announce a Cabinet reshuffle. Although his speech was high on 'economic transformation' rhetoric, it did not contain anything new, analysts said.

Last week Trump described his tax reform plan as 'phenomenal', which lifted sentiment on Wall Street. His plan is set to be unveiled within the next few weeks. After closing at a record high on Thursday, the Dow was 0.31% higher by the JSE's close on Friday. The all share ended the week 0.81% higher and has now gained 4.02% this year. The all share's record high was on 24 April 2015, when it closed at 55 355.10.

The Chinese GDP growth rate since January 2014



Source: Trading Economics

Bottom line

China is not just important to the global economy, but also to emerging economies. Especially ones like South Africa who are huge exporters of commodities. China's economic and financial stability can contribute to stabilising the world economy and a recovery in commodity prices.

This is turn can contribute to our mining sector, protecting jobs and as such, an improvement in the growth of our domestic economy.

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Market note

Do value stocks have the scope to run further?

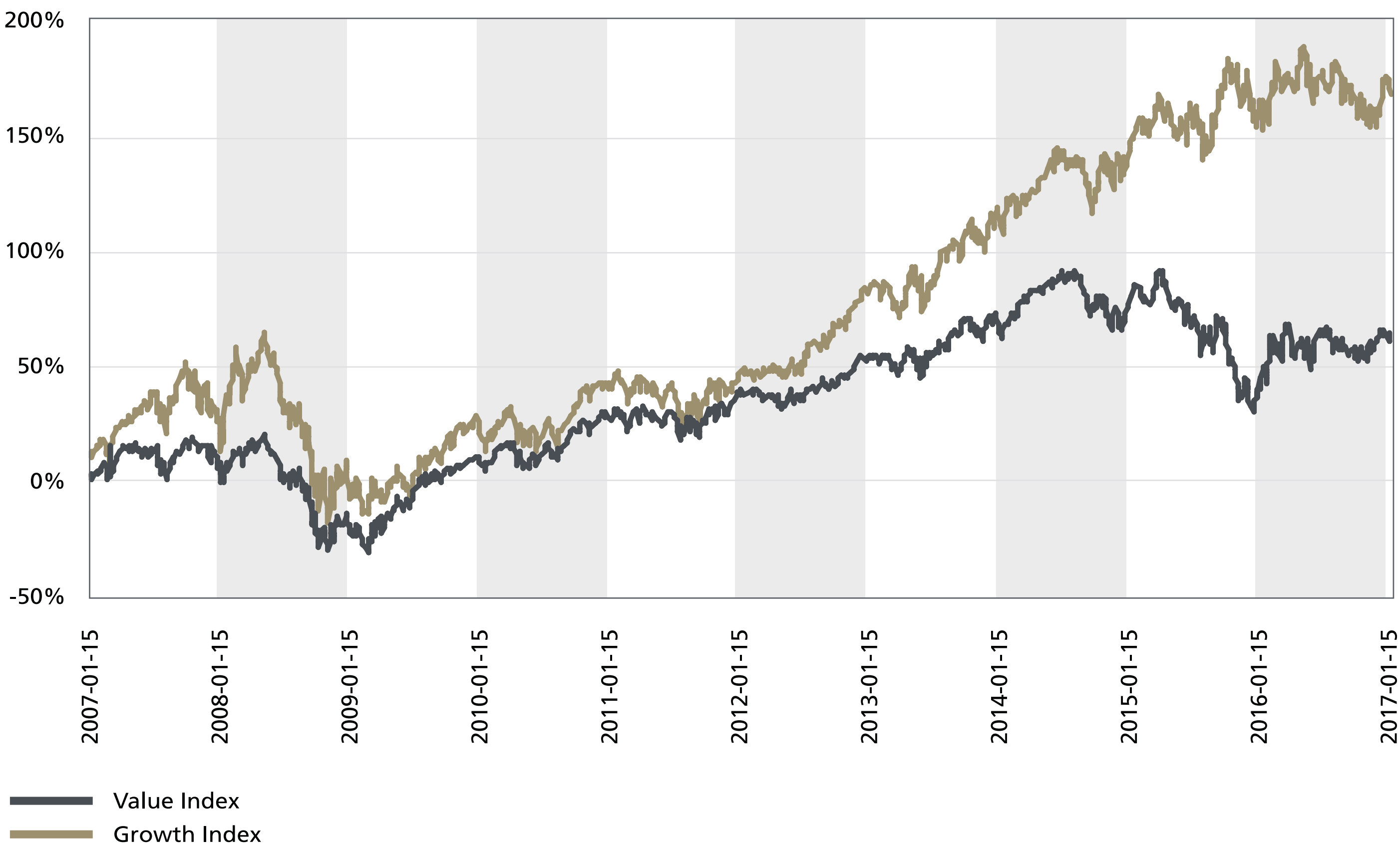
Growth and value are two fundamentals styles of investing. Growth investors seek companies that offer strong earnings growth, while value investors seek stocks that appear to be undervalued by the marketplace. The performance of these different styles can be tracked through the JSE Growth Index and the JSE Value Index.

The Value Index is designed to imitate portfolios that focus on the price and value characteristics of securities. These portfolios are usually weighted towards those companies with identifiable value characteristics. The value measures which are considered include: the book to price, sales to price, dividend yield and its cash flow to price.

The Growth Index is designed to mirror portfolios that focus on earnings and revenue growth. These portfolios are usually weighted towards those companies with identifiable growth characteristics. Measures used to calculate growth are: historic earnings per share growth, historic sales growth, forward earnings per share growth and forward sales growth.

Our research shows that the two styles were highly correlated from 2007 till about 2012. However since then the JSE Growth Index started to outperform the JSE Value Index by 106%. This trend did, however, reverse at the start of 2016 when investors started to favour value stocks. From the start of 2016 the JSE Value Index outperformed the JSE Growth Index by about 17%. However, if these indexes start to converge again, value stocks could have the upside.

Performance of JSE Growth Index versus JSE Value Index



Source: PSG Wealth research team

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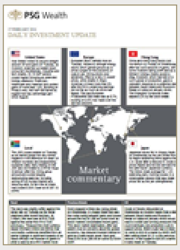
Previous publications

Daily



15 February 2017

Weekly

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
26 Oct	13 Jul	26 Apr	20 Nov
12 Oct	06 Jul	20 Apr	16 Nov

Monthly

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	Jun	2015
Apr	2016	May	2015
Mar	2016		

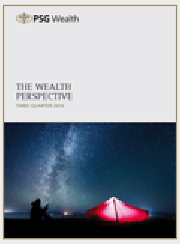
Quarterly

Summer 2017
Spring 2016
Winter 2016
Autumn 2016
Summer 2015
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