Weekly Investment Update

19 April 2017

PSG Wealth

Biggest drop in manufacturing production since 2014
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EM and DM indices show upsurge since start of year
- pg. 3

Market moves

Performance: 08/04/2017 to 14/04/2017	Return (Cumulative)
Local Markets	
All Share TR ZAR	1.26
Ind/Financials TR ZAR	3.55
Ind/Industrials TR ZAR	1.51
Financials&Indl 30 TR ZAR	2.13
Ind/Basic Materials TR ZAR	-1.63
Gold Mining TR ZAR	3.60
SA Listed Property TR ZAR	2.32
Beassa ALBI TR ZAR	0.83
Commodities	
Oil Price Brent Crude PR	1.12
LBMA Platinum AM PR USD	1.14
Gold London AM Fixing PR USD	1.72

The week ahead

Domestic

26 Apr PPI

28 Apr M3 money supply

International

26 Apr US: 30-year mortgage rate

27 Apr EA: ECB interest rate

Macro

South Africa

The latest Statistics SA data shows retail sales in February 2017 declined 1.7% compared with sales in February 2016. This comes after January's 2.3% y/y drop. Once again, retailers in textiles, clothing, footwear and leather goods recorded the sharpest decrease at 7.6% — worse than the 6.5% fall in sales of household furniture, appliances and equipment.

China

Average prices of new homes in 70 Chinese cities rose 11.3% y/y in March 2017, following an 11.8% rise in February and marked the slowest gain since September 2016. On a monthly basis, new home prices rose 0.6%, the most in four months.

US

Overseas investors bought $19.3 billion of US assets in February 2017, including short-dated instruments after buying an upwardly revised $121.2 billion in January. Meanwhile, foreigners bought $53.4 billion of long-term US securities.

Markets*

Best performer

For the week was the PSG Group which returned 14% for the week. Gold Fields was second, with an 11% return for the same period.

Worst performer

Kumba Iron Ore was the worst performer for the week with a loss of 17%. Followed by ArcelorMittal South Africa with a 15% drop for the week.

Sectors

The general retail sector was the best performing sector for the week with a return of 6.5%. The industrial engineering sector was the worst performer for a second consecutive week with a 9.7% loss.

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

Macro note

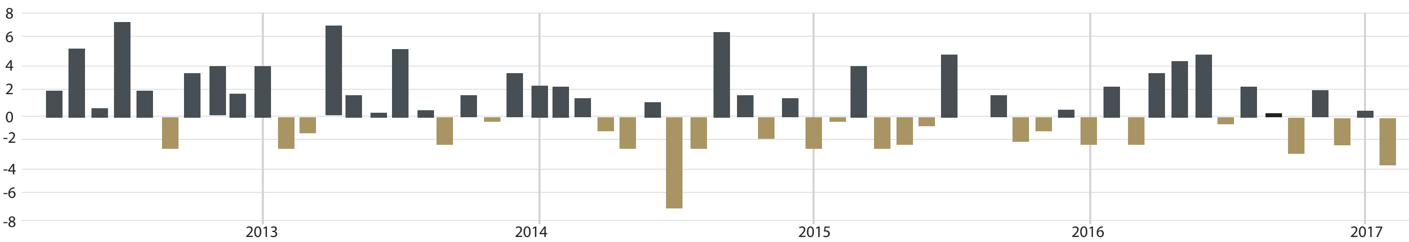
Biggest drop in manufacturing production since 2014

Manufacturing output plunged more than what was expected. It is the biggest drop since July 2014. In February manufacturing output in South Africa declined by 3.6% y/y. This is much worse than 0.4% increase recorded in January and the consensus market forecast of a marginal decline of 0.1%. The main drag came from a lower production in a variety of industries, including:

- petroleum, chemicals, rubber and plastics
- food and beverages
- glass and other non-metallic mineral products
- wood, paper, publishing and printing industries.

The sector is still expected to fare moderately better in 2017, with output rising off last year's low base as global growth accelerates moderately and international commodity prices continue to drift higher. Industrial production in South Africa averaged 0.97% from 1974 until 2017, reaching an all-time high of 18.50% in May and a record low of negative 23.20% in April 2009.

Manufacturing production since 2012



Source: Trading Economics

Bottom line

Manufacturing production is a volatile data set. It is usually difficult to discern a trend in its data as indicated in the graph above. This type of economic data is a weak indicator to use in investment decisions.

Active managers, like those used in the PSG Wealth Solutions, will take note of these indicators to keep up to date with economic developments. However, they will rather base their decisions on the fundamental values of individual companies.

Market note

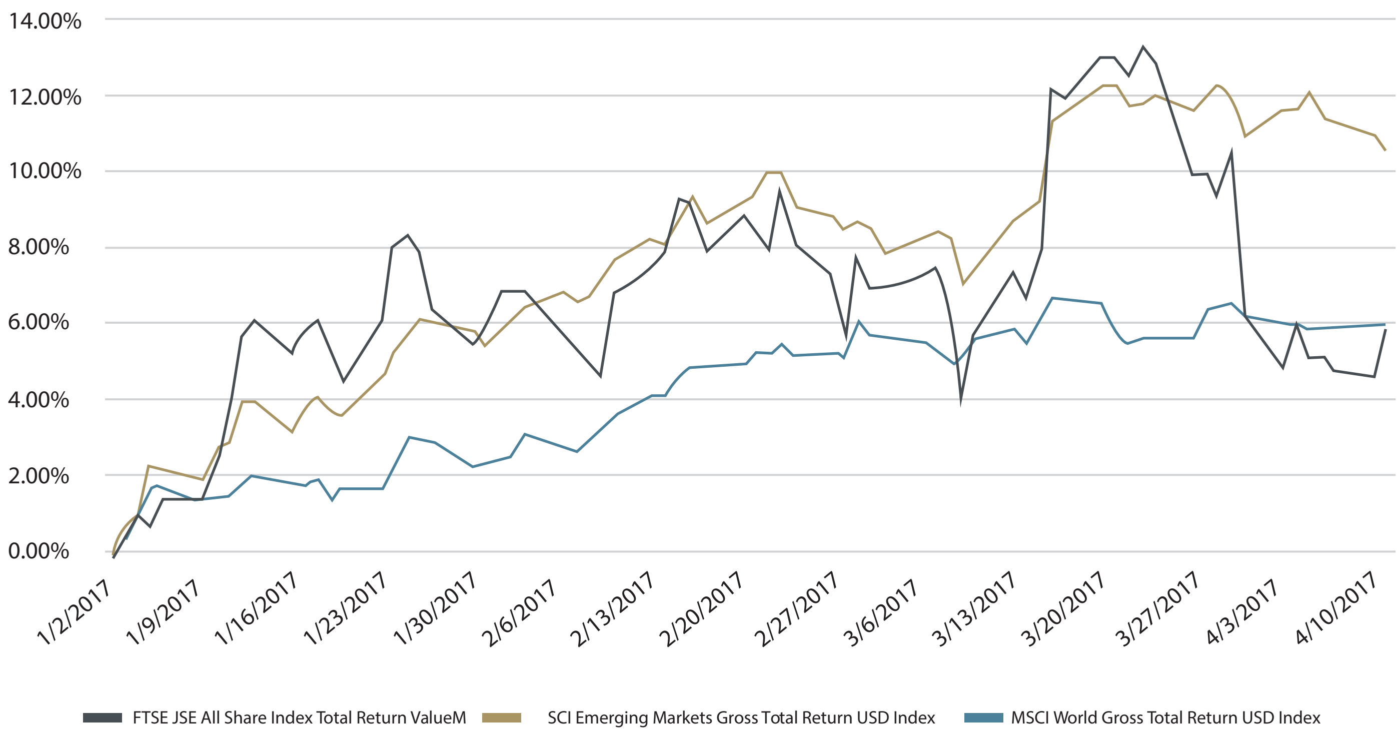
EM and DM indices show upsurge since start of year

Despite the recent political volatility, South African markets are still performing in line with developed markets (DMs). The total returns of both emerging markets (EMs), including South Africa and DMs in USD have steadily increased since the start of this year. This is partly due to a fragile recovery in global markets in the past few months.

The graph below indicates that the MSCI Emerging Markets Index has outpaced the MSCI World Index, which represents DMs, by about 4.6%. The recent bull run in commodities have benefitted emerging markets. Since the start of the year, the FTSE/JSE All Share Index (ALSI) generally tracked the MSCI Emerging Markets Index. However, after President Jacob Zuma reshuffled the Cabinet and replaced former Finance Minister Pravin Gordhan, the ALSI started to underperform this index.

A significant deviation in performance between the two indexes can be seen since the end of March. Despite this fall-off in performance, the ALSI is still in line with the MSCI World Index for the period under review.

EM and DM indices show upsurge since start of year



Source: Bloomberg

PSG Wealth

Previous publications

Daily

19 April 2017

Weekly

12 Apr	07 Dec	31 Aug	01 Jun
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

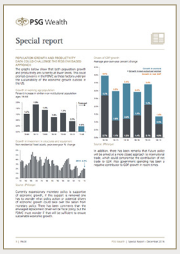
Monthly

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

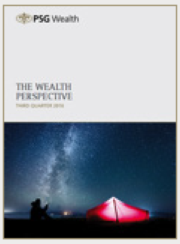
Summer 2017
Spring 2016
Winter 2016
Autumn 2016
Summer 2016
Spring 2015

Special Reports



Distributions explained
S&P junk status
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

Wealth Perspective



Mar 2017
Dec 2016
Sep 2016
Jul 2016
Apr 2016
Jan 2016
Oct 2015
Jul 2015