Weekly Investment Update

2 August 2016

PSG Wealth

US economy expands 1.2% in Q2 - pg. 2

Anti-smoking laws fail to impede BAT growth - pg. 3

Market moves

Performace: 26/07/2016 to 01/08/2016	Return (Cumulative)
Local Markets	
All Share TR ZAR	-0.28
Ind/Financials TR ZAR	1.02
Ind/Industrials TR ZAR	0.55
Financials&Indl 30 TR ZAR	-1.36
Ind/Basic Materials TR ZAR	2.98
Gold Mining TR ZAR	7.75
SA Listed Property TR ZAR	-0.04
Beassa ALBI TR ZAR	1.44
Commodities	
Oil Price Brent Crude PR	-5.77
LBMA Platinum AM PR USD	7.28
Gold London AM Fixing PR USD	2.57

Disclaimer: Cumulative weekly returns based on closing values from Monday to Monday, except for the Beassa ALBI TR ZAR return which is based on closing values from Monday to Friday.

The week ahead

Domestic

3 Local government elections

5 Foreign exchange reserves

International

3 EA: Retail sales

4 UK: BoE Interest rate decision

Macro

ZA

South Africa's factory activity expands for the fifth month. The seasonally adjusted Barclays PMI for South Africa stood at 52.5 in July, slowing from 53.7 in June. New orders slightly rose due to improved export performance (54.4 from 54.1 in June) and employment reached the highest level in more than six years (52.6 from 50.1) while business activity shrank (49.5 from 54.3).

EU

Eurozone manufacturing activity weakens in July with the final Markit Eurozone Manufacturing PMI coming in at 52 in July, from 52.8 in the previous month. New order growth slowed as incoming new businesses rose at a weaker pace than in June and job creation also ticked lower.

Japan

The Bank of Japan kept its pledge to increase the monetary base at an annual pace of about 80 trillion yen and left the interest rate unchanged at -0.1% at its July meeting. Policymakers also decided to increase the annual exchange-traded equity funds purchase target to JPY 6.0 trillion from the previous JPY 3.3 trillion.

Markets*

Best performer

For the week was Impala Platinum Holdings with a return of 18%. Anglo American Platinum was second with a 13% return for the week.

Worst performer

Net 1 UEPS Technologies was the worst performer for the week with a loss of 8%. Followed by Alexander Forbes Group Holdings, also with a 8% drop for the same period.

Sectors

The best performing sector for the week was the automobiles and parts sector with a return of 10% for the week. The chemicals sector was the worst performing sector for the week with a 6.8% loss.

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

Macro note

US economy expands 1.2% in Q2

The US economy advanced an annualised 1.2% QoQ in the three months to June 2016. This follows a downwardly revised 0.8% growth in the first three months of the year and well below market expectations of a 2.6% expansion, data from the Bureau of Economic Analysis showed.

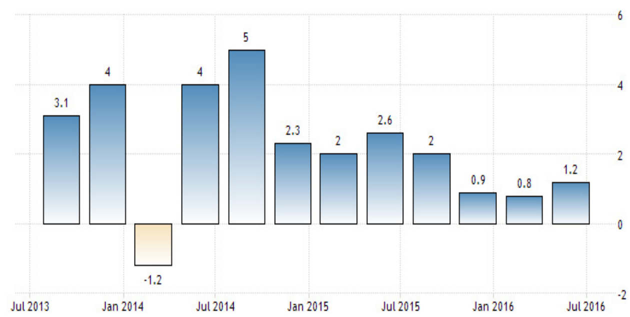
Consumer spending was the main driver of growth while investment slumped and inventories fell for the first time since 2011.

Personal consumption expenditure (PCE) contributed 2.83 percentage points to growth (1.11% in the previous period), the highest contribution in six quarters. It went up 4.2%, above 1.6% in the previous quarter and also the highest growth rate since the last quarter of 2014.

Fixed investment subtracted 0.52 percentage points to growth (-0.15% in the previous period) and shrank 3.2% (-0.9% in the first quarter).

Government spending and investment subtracted 0.23 percentage points to growth, after adding 0.28 percentage points in the previous period.

US GDP growth rate



Source: Trading Economics

Bottom line

One needs to remember that the 1.2% GDP growth rate for the US for the second quarter of 2016 can still be revised up or down. As new data becomes available these figures are usually revised.

However, the current growth rate is good news in more than one way:

- It is solid proof that the first rate hike by the US Federal Reserve (Fed) of 0.25% in October 2015, did not derail the fragile recovery of the US economy.
- It's also proof that the Fed won't increase interest rates without a definite need to do so, such as a higher than desired inflation rate.
- A solid recovery of the US economy will firstly stabilise world economic growth and eventually spill over to other countries still struggling with deflation and weak economic growth.

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Market note

Anti-smoking laws fail to impede BAT growth

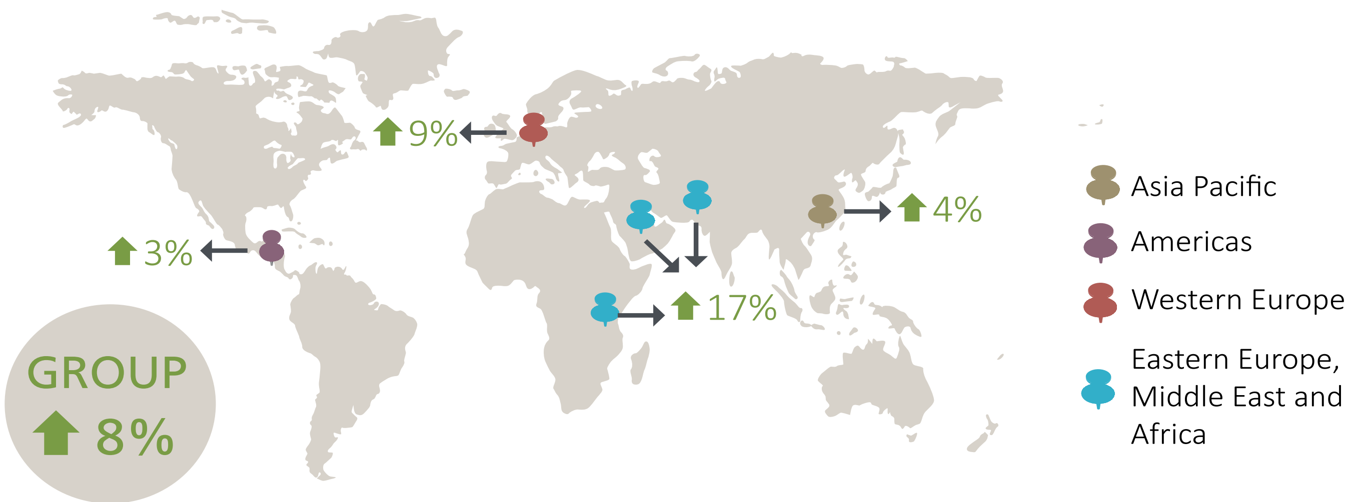
British American Tobacco (BAT) delivered a 7.8% rise in group revenue at constant currency, in the first half of its financial year.

In Malaysia authorities introduced a 40% excise duty hike in November 2015, which caused a steep decline in volume and earnings in the six months to end-June, Business Day reported. In Australia, plain packaging laws, along with higher taxes, also led to a decline in sales in the period under review, but market share for the Rothmans brand increased.

Despite efforts by governments to curb smoking, BAT sold 332-billion cigarettes in total during the period, a 3.4% rise compared to a year earlier.

According to a PSG Wealth equity analyst BAT delivered a 'good set of results for the interim period ending June 2016, supported by strong organic growth'. The group's market share in key markets grew by 0.3%, driven by the Global Drive Brands (GDB) which grew volumes by 11%. See the full company results analysis on the PSG Wealth trading and investment platform (PSG Online).

BAT regional performance 2016 H1



*All percentages represents profit at constant currency excluding transactional FX
Source: BAT interim results 2016 presentation

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Previous publications

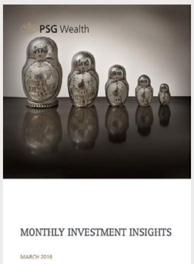
Daily

Published on a daily basis

Weekly

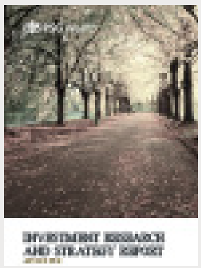
27 July
13 July
6 July
29 June
22 June
15 June
8 June
1 June
25 May
18 May
11 May
4 May
26 April
20 April
12 April
5 April
23 March
16 March
9 March
1 March
23 Feb
11 Dec
20 Nov
16 Nov

Monthly



July 2016
June 2016
May 2016
April 2016
March 2016
Feb 2016
Dec 2015
Nov 2015
Oct 2015
Sept 2015
Aug 2015
July 2015
June 2015
May 2015

Quarterly



Winter 2016
Autumn 2016
Summer 2015
Spring 2015

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