

Fuel price impact on investments - pg. 2

Surprising increase in BAT - cigarette volumes sold- pg. 3

## Market moves

Performance: 26/04/2016 to 03/05/2016	Return (Cumulative)
<b>Local Markets</b>	
All Share TR ZAR	-3.35
Ind/Financials TR ZAR	-5.34
Ind/Industrials TR ZAR	-3.86
Financials&Indl 30 TR ZAR	-3.76
Ind/Basic Materials TR ZAR	-2.15
Gold Mining TR ZAR	7.72
SA Listed Property TR ZAR	-2.56
Beassa ALBI TR ZAR	-1.17
<b>Commodities</b>	
Oil Price Brent Crude PR	-1.68
LBMA Platinum AM PR USD	7.22
Gold London AM Fixing PR USD	5.02

## The week ahead

### Domestic

**5** Standard Bank PMI

**9** Foreign exchange reserves

### International

**5** UK: Local elections

**6** US: Non-farm payrolls

## Macro

### ZA

Annual growth in money supply (M3) was steady for a third consecutive month at 10.3% in March. On a monthly basis it rose by 2.5%, driven by strong increases in net claims on the private sector and government sectors, which rose by R34.4bn and R22.2bn respectively, as well as on other assets and liabilities, which increased by R61.8bn.

### US

The US economy expanded an annualized 0.5% in Q1, according to the advanced estimate released by the Bureau of Economic Analysis. It is the weakest performance since Q1 2014 as consumer spending slowed, the drag from trade and business inventories worsened and business investment fell for the third straight quarter.

### EU

The Eurozone economy expanded 0.6% on quarter in the first three months of 2016 compared to a 0.3% growth rate in the previous period and market expectations of a 0.4% gain.

## Markets

### Best performer

For the week was Grindrod and Trustco, both with an 11% return. Followed by Group 5 with a 9% return for the week.

### Worst performer

Datatec was the worst performer with a loss of 14% for the week. Followed by Stenprop and Kumba Iron Ore, both with a negative 9% return for the same period.

## Sectors

The best performing sector was household goods, with includes companies like Richemont, had a return of 4.5% for this sector for the week. Industrial Metals, with companies like Kumba Iron Ore, was the worst performing sector for the week with an 8.9% loss.

## Macro note

### Fuel price impact on investments

The steady appreciation in international petroleum prices during April that pushed aside gains in the ZAR/USD exchange rate, was the main driver of this week's fuel price hike.

The Automobile Association (AA) noted "a 42 cents-a-litre increase in the landed price of petrol considerably outstripped the exchange rate's strength, meaning petrol users will now pay an extra 12 cents a litre".

There are winners and losers in the recent decline in the price of oil. The obvious winners are consumers at the gas pump. The obvious losers are the stock prices of energy companies. However, how does falling oil prices affect investors?

Analysts have various views on the subject. Senior vice president and chief financial analyst for Bankrate.com, Greg McBride believes that while lower oil prices are seen as a broad economic gain, "there will be pockets that experience pain".

"One man's spending is another man's income, so plenty of firms in related industries will experience less robust business given the current circumstances faced in the energy sector."

Others like the director of wealth strategies for women at Buckingham and The BAM Alliance, Manisha Thakor, states that unanticipated events caused by lower oil prices could be high-yield debt.

"A lot of the high-yield debt that has come to market around the globe has been energy related (think fracking). As individuals stretch for yield, they may find themselves with "bond allocations" that are significantly riskier than they anticipated."

Others simply believe that we are seeing the end of the "super-cycle" of commodity prices, including oil prices.

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## Bottom line

Rising fuel prices in South Africa could cause more upward pressure on inflation, with less relief on inflation when fuel prices drop – dubbing oil a sticky price. Protecting one's portfolio by truly evaluating your ability and need to take risks in uncertain times is

essential. The right amount of risk in your portfolio generally concerns hitting your long-term financial objectives with a great degree of certainty, while balancing the amount of risk you can stomach.

## Market note

### Surprising increase in BAT-cigarette volumes sold

For the first time in four years, the amount of cigarettes sold by BAT increased on a quarterly basis. In their recent trading update BAT said that cigarette volumes were up 3.6% for the first quarter of 2016, with a price mix increase of 4% in the same period. Data from previous financial statements show that this is also the best quarterly volumes sold in five years. (See tables below).

Nicandro Durante, BAT CEO, said: “This excellent volume performance reflects the strength of the business combined with the uplift from recent acquisitions and some benefit from inventory movements in the comparator period.”

Over the first three months of the year, the group’s revenue in constant currency was up by 7.5% and in current rates up with 1.7%. BAT further stated that their drive to grow the volumes of its top five brands showed an increase of 10.5% in the first quarter. Dunhill increased their volumes by 5.5%, Kent by 9.7%,

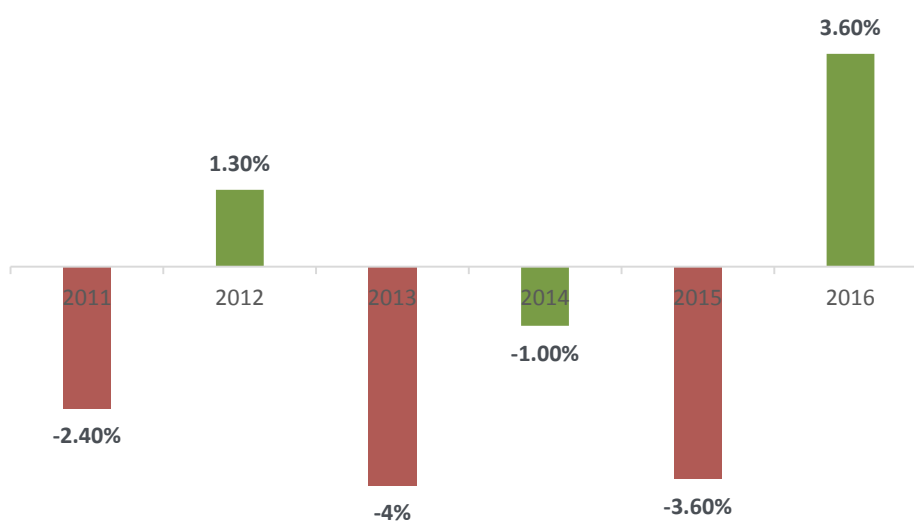
Lucky Strike is up with 12.6% and Rothmans by 49.4%. However, the 5.1% decrease in the Paul Mall volumes was due to lower volumes sold in Pakistan and the migration to Rothmans in Italy.

According to Durante their UK-based next generation products (NGP) continued to grow. They made good progress with the expansion of *Vype* to other markets and launched *glo iFUSE*, their first tobacco heating device, in Romania.

BAT also continues to see growth in their NGP’s, which includes their e-cigarette business Ten Motives in the UK and CHIC in Poland. They will also continue to invest in their new product designs.

“While profit growth will be weighted to the second half of the year, partly due to the impact of foreign exchange on our cost base, I remain confident that we will deliver another year of good earnings growth at constant rates of exchange,” Durante said.

Change in first quarter volumes ending 31 March



Source: BAT financial statements

## Previous publications

### Daily

Published on a daily basis



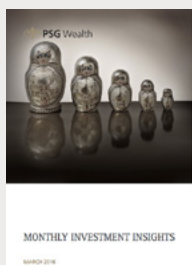
### Weekly



26 April 11 Dec  
20 April 20 Nov  
12 April 16 Nov  
5 April  
23 March  
16 March  
9 March  
1 March  
23 Feb

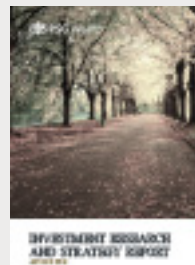
### Monthly

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



### Quarterly

Autumn 2016  
Summer 2015  
Spring 2015



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