

Risk-on trade boosts the rand - pg. 2

Omnia results impacted by environment, but positive about future - pg. 3

### Market moves

Performance: 05/07/2016 to 11/07/2016	Return (Cumulative)
<b>Local Markets</b>	
All Share TR ZAR	-0.54
Ind/Financials TR ZAR	-0.30
Ind/Industrials TR ZAR	-0.61
Financials&Indl 30 TR ZAR	-1.28
Ind/Basic Materials TR ZAR	1.65
Gold Mining TR ZAR	7.57
SA Listed Property TR ZAR	0.11
Beassa ALBI TR ZAR	0.78
<b>Commodities</b>	
Oil Price Brent Crude PR	-7.68
LBMA Platinum AM PR USD	3.60
Gold London AM Fixing PR USD	0.70

### The week ahead

#### Domestic

**13** Retail sales

**14** Mining production

#### International

**14** UK: BoE Interest rate decision

**15** China: GDP growth rate

### Macro

#### China

The Chinese inflation rate is at a five-month low. Consumer prices went up 1.9% YoY in June, slowing from a 2% rise in May. Although inflation was slightly above market expectations of 1.8%, it remained well below government's 3% target for 2016.

#### UK

Their 10-year bond yield hit a new low this week. Yields dropped 3 basis points to 0.71% on Monday morning, touching a fresh record low, as concerns about Britain's economic resilience led investors to look for safe-haven assets such as gilts. Meanwhile, markets expect that the Bank of England will ease monetary policy this week

#### Japan

Producer prices decreased by 4.2% YoY in June, the same pace as in the previous two months and matching market forecasts. Export price index dropped by 4.4% from a year earlier while import price index was down by 12.9%.

### Markets\*

#### Best performer

For the week was Pan African Resources with a return of 12%. Harmony Gold was second with a 9% return for the week.

#### Worst performer

Brait SE, a holding company for amongst others Virgin Active, was the worst performer for the week with a loss of 13%. Followed by Tradehold with a 10% drop for the same period.

#### Sectors

The best performing sector for the second consecutive week was industrial metals, which includes companies like ArcelorMittal, with a return of 5.6% for this sector for the week. The sector representing food and drug retailers like Clicks was the worst performing sector for the week with a 4.2% loss.

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

## Macro note

### Risk-on trade boosts the rand

The effects after Brexit might not have been positive for most in the UK or Europe, but for once it benefitted our South African currency.

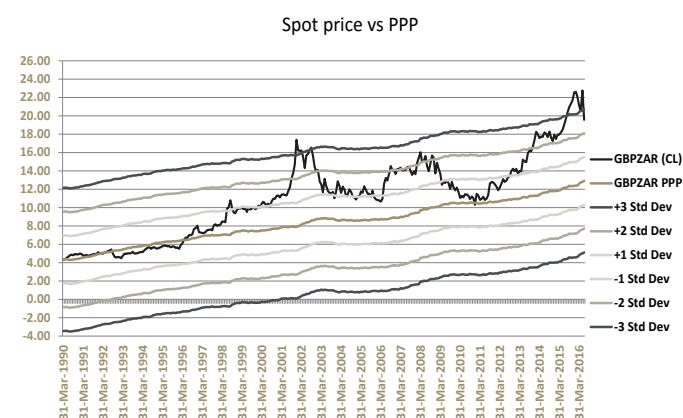
Exchange rates show that since the hammering the rand took in late 2015, 'risk-on' trade firmly came back into focus, especially during March and April this year. First when the US Federal Reserve did not normalise their interest rates as quickly as previously expected, and then again when Britons voted to exit the European Union (EU) in June.

The rand gained 17.4% against a weak pound in the first six months of 2016, after declining by 22% in 2015. During the same period the rand strengthened by 5.7% against the US dollar, after weakening by 25.4% in 2015. The rand rose modestly against the euro in 2016, gaining only 3.1%, after losing 17.2% in 2015.

Although the gains made in 2016 is impressive, it still does not mean that economic conditions in

the country are improving. The local currency remains volatile due to global investor sentiment which impacts capital in and out flows in the country.

### Purchasing Power Parity between ZAR and GBP



Source: S&P Global Ratings 30 June 2016

## Bottom line

South African investors are spoiled with very attractive returns on their offshore investments, mostly due to the continuous weakening of the rand against currencies such as the dollar, pound and euro. Any asset, even a currency, can reach an extreme oversold or overbought position, and it does not take much to reverse this.

Compared to the fair value of about R13/GBP1 (as reflected in the Purchasing Power Parity of the two currencies), the rand weakened to very low levels at the end of 2015 – mainly due to a series of sovereign

economic blunders. The reality, however, is that it is not a one-way bet that South-Africa will always be the diciest asset in an economic equation. The large sell-off in the GBP after the Brexit vote is only one example.

Greed is one of the biggest risks in investments, and investors should always guard against overexposure to any asset. The PSG Wealth Solutions are well-diversified, with an offshore exposure that is appropriate for its risk profile. Any additional offshore exposure should only be considered with special care.

## Market note

### Omnia results impacted by environment, but positive about future

A depressed mining sector has taken Omnia's full-year earnings down with it. The diversified chemical services provider reported revenue flat at R16.8 billion, while headline earnings per share (HEPS) slumped 29% to R10.33 in the year to March. Rod Humphris, MD of Omnia, told Business Day TV the impact of oversupply in the mining sector on their results was compounded by the agricultural sector which also experienced a tough year.

"There's been the worst drought in recorded history, 403mm of rain for the country as an average, which is about one-third down on the normal average rainfall. Nevertheless, I believe our agricultural team did very well, they managed to hold their sales volume."

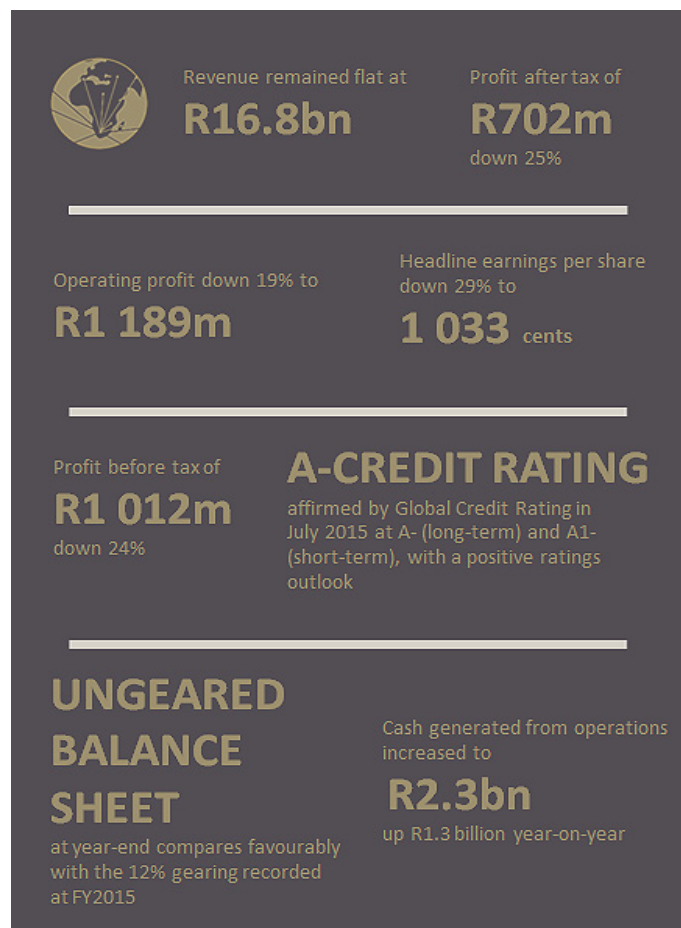
In their annual results Omnia stated, however, they are positive about their domestic and international agriculture divisions. "(These divisions) are poised for a good performance with record high agriculture produce prices and the prospect of the drought receding, favouring a normal planting season this coming year."

The group also believes that gains made in establishing new fertilizer markets in the course of last year are likely to drive volume growth. "The international mining sector has gone through very difficult times since late 2014, but the prices for commodities appear to be stabilising for the moment and showing modest signs of recovery. Going forward, with the prospect of a better balance between demand and supply for most commodities, the price recovery in the near term is more likely and the business is well placed to respond to the improvement in market conditions."

Further the group adds that its balance sheet is very strong with a positive cash position. This has positioned

the company to investigate a number of investment opportunities, of which a certain number are at an advanced stage of investigation and analysis.

### Omnia financial features



Source: Omnia March 2016 year end presentation

## Previous publications

### Daily



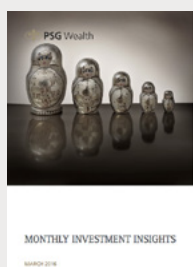
Published on a daily basis

### Weekly



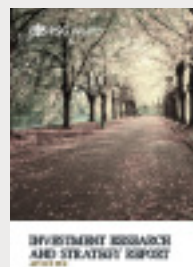
6 July	4 May	23 Feb
29 June	26 April	11 Dec
22 June	20 April	20 Nov
15 June	12 April	16 Nov
8 June	5 April	
1 June	23 March	
25 May	16 March	
18 May	9 March	
11 May	1 March	

### Monthly



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

### Quarterly



Autumn 2016
Summer 2015
Spring 2015

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