

10-Year bond sales a positive message? - pg. 2

Rough diamond sales shine for Anglo - pg. 3

Market moves

Performance: 09/04/2016 to 15/04/2016	Return (Cumulative)
Local Markets	
All Share TR ZAR	5.43
Ind/Financials TR ZAR	4.58
Ind/Industrials TR ZAR	5.33
Financials&Indl 30 TR ZAR	4.04
Ind/Basic Materials TR ZAR	11.56
Gold Mining TR ZAR	1.31
SA Listed Property TR ZAR	2.82
Beassa ALBI TR ZAR	3.64
Commodities	
Oil Price Brent Crude PR	2.77
LBMA Platinum AM PR USD	3.35
Gold London AM Fixing PR USD	-0.43

The week ahead

Domestic

20 Inflation Rate

20 Core Inflation Rate

International

22 EU: Markit Manufacturing PMI

25 US: New Home Sales

Macro

US

Overseas investors bought \$33.5 billion US assets, including short-dated instruments in February 2016, after buying a downwardly revised \$116.6 billion in January. Foreigners bought \$72 billion long-term US securities, including government and corporate, after selling a downwardly revised \$11.9 billion in the previous month.

China

The Chinese economy expanded 1.1% QoQ in the first quarter of 2016, slowing from a downwardly revised 1.5% growth in the previous quarter, data from the National Bureau of Statistics showed. It is the weakest figure since the data collection began in 2010 and missing market consensus of a 1.5% growth.

India

The wholesale price index (WPI), India's main measure of inflation, fell by 0.85% YoY in March. Compared to a 0.91% drop in February, missing market consensus of a 0.77% fall. The wholesale inflation has been in negative territory since November 2014.

Markets

Best performer

For the week was Lonmim with a 25% return. Followed by Anglo American with a 22% return for the week.

Worst performer

Harmony Gold Mining Company Ltd. was the worst performer with a loss of 8% for the week. Followed by the furniture and household goods manufacturer and retailer, Steinhoff International who had a negative 6% return for same period.

Sectors

Industrial Metals, with companies Kumba Iron Ore, was the best performing sector for the third consecutive week with a 14.9% return for the week. The worst performing sector was household goods with a loss of 6.3% for the week.

Macro note

10-Year bond sales a positive message?

The recent oversubscription of South Africa's 10-year foreign bond could send a positive message to ratings agencies. South Africa issued \$1.25 billion in 10-year bonds in the international capital market to help finance its foreign currency commitments over the medium term, the Treasury said.

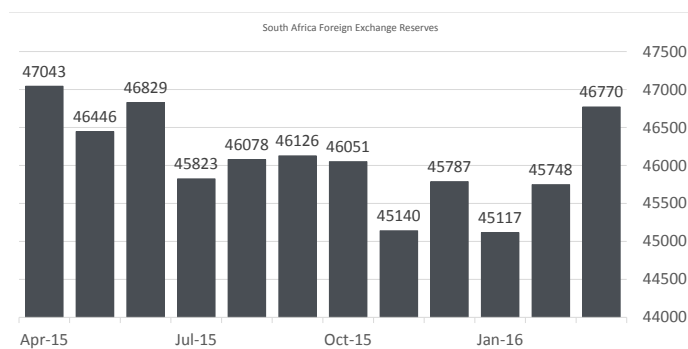
Treasury indicated the dollar bond, with a coupon of 4.875%, had been more than two times oversubscribed, with the investor base primarily located in Europe and the United States.

"The South African government sees the success of this transaction as an expression of investor confidence in the country's sound macro-economic policy framework and prudent fiscal management," the Treasury said.

In a presentation in April, ratings agency Standard & Poor said a downgrade of a country to junk status is primarily based on its foreign currency risk, rather than on its domestic currency risk.

According to Trading Economics, gross gold and foreign exchange reserves in South Africa rose to 46,770 USD million in March from 45,748 USD million the previous month. It is the largest reserves

since July 2015, mainly due to a depreciation of the US dollar and maturing foreign exchange swaps. This successful bond issue should improve South Africa's foreign reserves further, and should also reduce its foreign currency risk.



Foreign Exchange Reserves in South Africa averaged 26681.85 USD Million from 1998 until 2015, reaching an all-time high of 51889 USD Million in February 2012 and a record low of 5316 USD Million in September 1998.

Source: Trading Economics

Bottom line

There is still a real possibility that we will see a downgrade of South Africa's foreign currency rating to junk status, as early as June 2016. However, there is clear evidence that foreigners find our yields, which are well above the yields of develop markets, very

attractive. This will definitively provide a buffer against a sharp increase in yields and a sharp decrease in the value of the rand, if and when a downgrade eventually happens.

Market note

Rough diamond sales shine for Anglo

Stronger commodity prices and an improved sentiment around economic conditions are starting to shine on Anglo American. The mining giant, which grew from gold fields near Johannesburg to dominate the diamond- and platinum markets, was one of many miners who struggled when commodity prices started to fall. To survive Anglo announced in 2015 that it would sell off its stakes in various buildings materials- and coal companies as well as copper- and platinum mines around the world. This was part of the restructuring of their business to focus only on three minerals, namely diamonds (De Beers); the six platinum group metals (PGMs) through Amplats and copper. In a recent statement, the mining giant said their rough diamond sales for the third sales cycle of 2016 was ahead of market expectations.

“Rough diamonds continued their reasonably positive trend to \$660 million, compared with the \$617 million value of the second sales cycle of 2016,” the group said. This strong performance came on the back improving conditions in diamond sales.

Philippe Mellier, De Beers Group CEO, did however warn that the group would continue to adopt a prudent mind-set. “So far, 2016 has seen a significantly stronger rough diamond demand than what was experienced at the end of 2015. However, we are now moving into a part of the year where rough diamond demand has historically been lower as a result of seasonality.”

The group previously announced that it would streamline the business to focus more on the consumer-driven side of demand as opposed to the usual infrastructure side of demand.

The group’s key targets for the 2016 financial year includes a positive free cash flow generation at current commodity prices and exchange rates, and reducing their net debt to less than \$10 billion. The group plans to achieve these targets by generating cash from asset disposals of between \$3- to \$4 billion, and by saving \$1.9 billion on cost and productivity improvements.



Previous publications

Daily



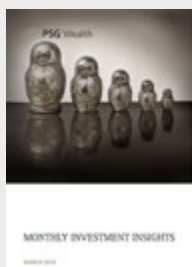
Published on a daily basis

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Monthly



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