

Dovish stance from Fed for 2017 and 2018 rates  
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### Market moves

Performance: 17/09/2016 to 23/09/2016	Return (Cumulative)
<b>Local Markets</b>	
All Share TR ZAR	0.55
Ind/Financials TR ZAR	2.36
Ind/Industrials TR ZAR	-1.08
Financials&Indl 30 TR ZAR	-0.17
Ind/Basic Materials TR ZAR	3.66
Gold Mining TR ZAR	3.89
SA Listed Property TR ZAR	2.29
Beassa ALBI TR ZAR	1.07
<b>Commodities</b>	
Oil Price Brent Crude PR	0.26
LBMA Platinum AM PR USD	2.73
Gold London AM Fixing PR USD	1.65

### The week ahead

#### Domestic

29 Sep PPI

30 Sep M3 money supply

#### International

30 Sep Japan: Inflation rate

30 Sep UK: GDP growth rate

## Macro

### South Africa

Consumer prices in South Africa went up 5.9% YoY in August 2016, following a 6% gain in the previous period. This was in line with consensus. It is the lowest reading since December as transport prices went up at a slower pace.

### Euro area

Loans to households in the Eurozone increased 1.8% YoY in August, the same pace as in the previous two months and the biggest gain since September 2011. Credit to non-financial corporations went up 1.9%, the same as in July.

### Hong Kong

The Hong Kong trade gap rose to HKD 32 billion in August 2016 from HKD a 25.1 billion shortfall a year earlier. Exports went up 0.8% to HKD 309.7 billion and imports rose at a faster 2.8% to HKD 341.8 billion.

## Markets\*

### Best performer

For the week was Niveus Investments with a return of 9%. Pan African Resources was second with an 8% return for the week.

### Worst performer

The cement producer PPC was the worst performer for the week with a loss of 13%. Followed by Balwin Properties with a 10% drop for the same period.

### Sectors

The best performing sector for the week was personal goods with a return of 6.2% for the week. The sector representing construction and materials was the worst performing sector for the week with a 5.4% loss.

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

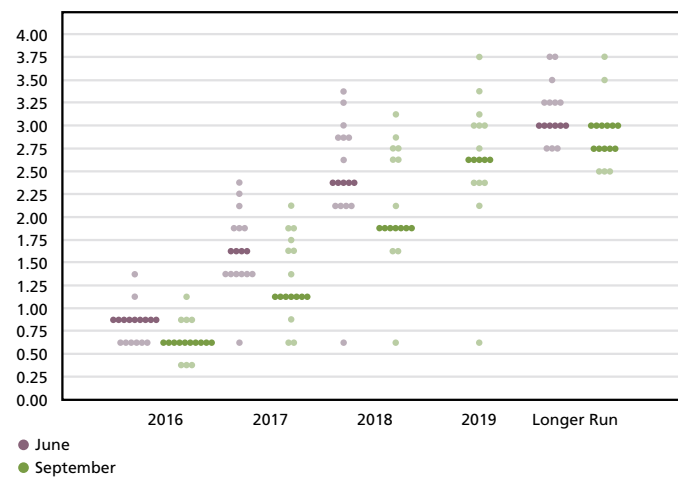
## Macro headline

### Dovish stance from Fed for 2017 and 2018 rates

The US Federal Reserve (Fed) is expecting interest rates to rise at a more subdued pace in the next few years. Last week the Fed and the South African Reserve bank left interest rates unchanged in their respective countries. The 'dot plot' used by the Fed released along with the policy decision statement, shows where each participant in the meeting thinks the fed funds rate should be at the end of the year for the next few years and in the longer run. In the release after June's meeting, the dots indicated a dovish path for rates moving forward. The median FOMC member saw rates between 0.75% and 1% at the end of 2016, suggesting two more rate hikes this year, and then rates eventually rising to around 3% in the longer term.

The new plot is even more dovish. The median of FOMC member predict rates between 0.5% and 0.75% at the end of this year, suggesting only one more hike in 2016. In the longer term, Fed members see rates around 2.75% or 3%, and the median dots suggest a slower course of raising rates than the June projections. Here's the new dot plot, along with June's projections. The darker dots illustrate the median FOMC member.

### Fed dot plot\*



Source: Trading Economics

\* While the 'dot plot' is not an official policy tool, it provides some insight into how the committee members feel about economic and monetary conditions going forward.

## Bottom line

The changing trend of expected interest rates over the next two years, is in a sense, more significant than the next interest rate hike itself. The dots represents the view of the individual members who are perceived to be 'insiders' with a better understanding of current economic conditions. As such it indicates that members came to realise that:

- it could take longer than expected for the US economy to recovery to a healthy level; and
- it could take longer than expected for US inflation to reach a level where it becomes a concern.

This is a very good illustration of how difficult it is to forecast economic variables and conditions, even for those that are supposed to have access to the best available sources of information. The message to investors is that the lower-than-expected interest rates could result in a more stable world economy and international financial markets. Lower rates can also assist investors to withstand any irrational urge to deviate from their long-term financial plans and investment portfolios.

## Market headline

### SAB shareholders vote on InBev deal today

SABMiller shareholders will today (28 September) vote on Anheuser-Busch InBev's (AB InBev's) offer to take over one of the largest companies on the FTSE/JSE All Share Index (ALSI).

The JSE noted on Monday that if the vote goes through, then FTSE indices will adjust in the auction on Thursday, 29 September. Meaning that SAB will no longer be listed on this local bourse and its weighting will be added to other shares on the index.

According to the JSE, the FTSE/JSE will rank the companies on the reserve list of the indexes with a fixed number of constituents by investable market capitalisation as at close of business two days prior (27 September) to the deletion of SABMiller on 29 September. The highest ranking company on the reserve list will then be identified as an addition to the index.

If the vote goes through SAB will be deleted from all the FTSE/JSE Indices.

The JSE and the PSG Wealth Investment Division used data from Friday's close to estimate what certain indices would look like after SAB delisted.

The estimates show that Impala Platinum will go into the Top 40, however this could change in the next few days. Naspers's weighting in the Top 40 will move up to 18.96% from 16.67%. While Richemont will be the next biggest weighting at 7.85%.

See the table below for possible changes to the weightings of the top five largest stocks on the ALSI, CAPI and Top 40 indices.

### Estimated changes in weightings of the top five stocks

Stock	ALSI		CAPI		TOP 40	
	Old Weight	New Weight	Old Weight	New Weight	Old Weight	New Weight
Naspers	13.83%	15.46%	9.64%	10%	16.67%	18.96%
Richemont	5.73%	6.40%	6.13%	6.82%	6.91%	7.85%
BHP Billiton	5.62%	6.28%	6.01%	6.69%	6.77%	7.70%
British American Tobacco	3.40%	3.80%	3.64%	4.05%	4.10%	4.66%
Anglo American	3.05%	3.41%	3.26%	3.62%	3.67%	4.17%

Source: PSG Wealth Investment Division

## Previous publications

### Daily

28 Sep 2016



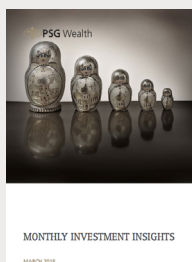
### Weekly

14 Sep	22 Jun	12 Apr	16 Nov
07 Sep	15 Jun	05 Apr	
31 Aug	08 Jun	30 Mar	
17 Aug	01 Jun	23 Mar	
10 Aug	25 May	16 Mar	
02 Aug	18 May	09 Mar	
27 Jul	11 May	01 Mar	
13 Jul	04 May	23 Feb	
06 Jul	26 Apr	11 Dec	
29 Jun	20 Apr	20 Nov	



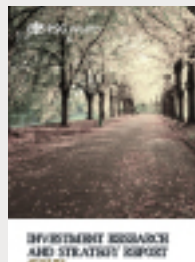
### Monthly

Sep 2016	Oct 2015
Aug 2016	Sep 2015
Jul 2016	Aug 2015
Jun 2016	July 2015
May 2016	Jun 2015
Apr 2016	May 2015
Mar 2016	
Feb 2016	
Dec 2015	
Nov 2015	



### Quarterly

Winter 2016
Autumn 2016
Summer 2015
Spring 2015



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