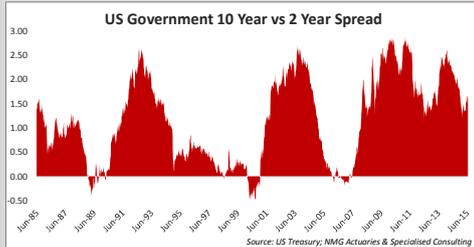
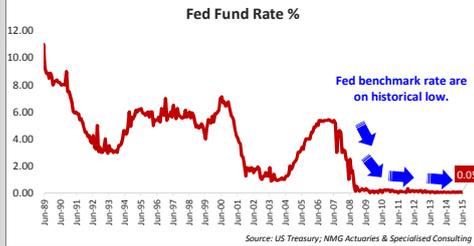


TOPICAL NEWS



FED

The Federal Reserve confirmed last week that they will not raise interest rates this month. The chairwoman of the Fed, Janet Yellen, stated that the central bank does plan to act as soon as possible, however she did not offer clear guidance of the path for US interest rate hikes. The Fed also released its latest economic projections which indicate that there could be two interest rate hikes this year. The bank has maintained their inflation outlook, whilst they trimmed their forecast of growth. It is also expected that the economy will not hit full employment during 2015. Economic activity suggests that the economy is moving at a moderate pace, with most Federal Open Market Committee (FOMC) members having lowered their rate expectations for the current year. When the Federal Reserve eventually does increase interest rates, rates are expected to move by a mere 0.25% and further increases will occur on a slow and incremental basis. The “dot plot” which forms part of the FOMC’s economic projections, provides further insight about the possible monetary and economic conditions in the upcoming months. The dot plot shows that all the 17 members feel that interest rates will sit between 0.5% and 0.75% as at the end of the year.

THE WEEK AHEAD

- **Producer Price Index (PPI), May 2015** – PPI is expected to climb to 3.3% from 3% in April. Higher production costs are likely to push PPI up in the coming months.
- **Developments in the Eurozone** – The situation in Greece is also causing turmoil in Europe and this could add pressure to the Rand.
- **Tourist accommodation, April 2015**
- **Land transport survey, April 2015**
- **Food and beverages, April 2015**
- **Statistics of Liquidations and insolvencies, May 2015**
- **Selected building statistics of the private sector as reported by local government institutions, 2014**
- **Export and import unit value indices, April 2015**
- **Contract Price Adjustment Provisions Work Group Indices (CPAP), May 2015**

LOCAL ECONOMY

Inflation came in higher than expected in May, with CPI rising to 4.6%. Core inflation also ticked higher to 5.7%. In the upcoming months, inflation is expected to rise as increasing electricity prices, higher wage settlements and a depreciating rand continue to weigh. Some economists believe that inflation could move as high as 8% during the first quarter of 2016. Retail sales climbed by 3.4% on a year-on-year basis in April, after rising by 2.5% in the previous month. General dealers, textiles, footwear, leather goods and clothing contributed the most towards the rise. South Africa has seen a decline in the number of tourists visiting its shores, as the new visa regulations begin to take its toll. Tourism figures dropped by more than 7% on a YoY basis in February, with the number of tourists from China seeing the largest decline. These figures do not show the effect of the new requirements for minors. As a result of the new laws, South Africa is expected to lose 270,000 prospective tourists and 21,000 jobs.

GLOBAL ECONOMY

Last week the ECB raised the maximum amount of emergency funding that Greek banks can access by €1.1 billion to €84.1 billion. After that, the Bank of Greece requested a further increase of more than €3 billion in Emergency Liquidity Assistance (ELA) from the ECB. Greek deposit and withdrawals have exceeded 4 billion euros in June 2015, with the pace of outflows markedly accelerating this week as people get their salaries. With Greece cut off from global markets, its financial system now depends on central-bank liquidity to replace deposits withdrawn amid the political uncertainty over Greece’s place in the euro. The total level of available ELA has risen from less than €60 billion in February 2015, when the ECB effectively locked Greek banks out of regular refinancing operations. The Fed’s “dot-plot” that was released last week showed seven officials projected one rate increases, five officials projected two increases and another five projected three this year. The Fed has cut its median estimate for the federal funds rate for the end of 2016 to 1.625%, compared with 1.875% in March, and lowered their 2017 outlook during the June 16-17 policy meeting. The Environment Protection Agency (EPA) in the US proposed a 24% increase in fuel economy of trucks by 2027 to cut emissions that add to climate change.

MARKET SNAPSHOT

	CLOSE PRICE	WEEKLY % CHANGE	YTD 19 JUN 2015		CLOSE PRICE	WEEKLY % CHANGE	YTD 19 JUN 2015
FTSE/JSE Indices				Currencies			
All Share Index	51806.7	0.0%	5.6%	Rand/Dollar	12.13	-1.6%	5.9%
Top 40 Index	46170.6	0.1%	6.5%	Rand/Pound	19.27	0.5%	7.4%
Resources Index	22814.6	-0.5%	1.3%	Rand/Euro	13.80	-1.0%	-1.4%
Industrials Index	74391.3	0.6%	6.6%	Japanese Yen/Rand	10.09	1.3%	-2.4%
Financials 15 Index	16123.2	-1.8%	5.1%	Dollar/Pound	1.59	2.1%	2.0%
Interest Bearing Indices				Commodities			
BEASSA All Bond Index	485.6	0.0%	0.9%	Gold (Rand)	14686.8	0.3%	6.1%
STFI 12 Month Index	339.0	0.1%	3.2%	Platinum (US\$)	1085.5	-1.0%	-10.2%
Inflation-Linked Bond Index	612.1	0.4%	1.3%	Brent Crude Oil (US\$)	63.0	-1.5%	9.9%
World Indices				Major Economies Indices			
MSCI World Index	1,774.9	0.3%	3.8%	S&P 500 (United States)	2,110.0	0.8%	2.5%
MSCI Europe Index	1,687.0	-0.4%	4.9%	FTSE 100 (United Kingdom)	6,710.5	-1.1%	2.2%
MSCI Emerging Index	974.6	-0.5%	1.9%	Nikkei 225 (Japan)	20,174.2	-1.1%	15.6%

LOCAL MARKETS

South African equities closed the week off in the red, as markets remained concerned over the possibility of a Greek default. At Friday’s close, the All Share and Top 40 declined by 0.2% and 0.1%, however the gold and platinum indices showed some gains for the day. Sasol stocks dropped by 1.5% as a result of the lower oil price and a stronger local currency. The rand gained after the Federal Reserve’s meeting as the US postponed hiking interest rates. The rand rose 1.6% against the US dollar for the week, whilst bond markets were mostly flat over the same period. On a weekly basis, local stock markets only showed small changes.

GLOBAL MARKETS

The US currency dropped for a third week against the euro by 0.8% to 1.14 per euro. The dollar dropped by 2.1% against the pound and reached a seven-month low of US\$1.59 per pound before economic reports expected this week that are forecast to show halting growth. UK government bonds fell in the week by two basis points, pushing the 10-year yield higher to 2.01% last week, hence trading 125 basis points higher than the 10-year German bunds. Yields for major economies in the Euro region such as Germany, Italy and Spain did not increase by more than 0.1% reflecting that contagion risks from the Greeks can be managed. The Stoxx Europe 600 Index fell 1.0% last week to 385.59 as talks between Greece and its creditors intensifies. The S&P 500 Index rose 0.8% last week, the most since April 24, 2015, as the Fed signalled that it will not be raising rates quickly as officials hold out for more decisive evidence of an economic rebound. The Dow Jones Industrial Average rose 0.7% to 18 016 and the Nasdaq Composite Index gained 1.3% to 5 117. The UK’s FTSE 100 Index lost 1.1% as investors considered the impact of a possible Greek default. US investors poured US\$10.8 billion to equity funds last week while pulling US\$10.3 billion from fixed income investments. This is the fourth-largest bond-to-equity rotation in six years. US investors have added US\$1.2 trillion to bond portfolios since 2009 whilst the equity portfolios have received US\$573 billion. The Shanghai Composite Index sank 13.3%. This might be a bubble warning after the Chinese market jumped by more than US12 trillion in the past 12 months.

TOP PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 19 JUN 2015
Life Healthcare Group Holdings Ltd	3791.0	5.7%	-11.3%
British American Tobacco	68407.0	4.4%	8.2%
Anglogold Ashanti Limited	11778.0	4.1%	15.8%

WORST PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 19 JUN 2015
Kumba Iron Ore Limited	15360.0	-9.2%	-34.8%
Investec Limited	10677.0	-3.5%	9.5%
Barclays Africa Group Limited	17384.0	-3.2%	-4.5%

COMMODITIES

US oil explorers idled four drilling rigs to 631. The oilrigs have declined for the 28th straight week, prolonging the steepest and most protracted decline in drilling on record as OPEC battle for market share. The retreat from US oil fields have slowed in recent weeks, suggesting the end of the drilling route is near. Last week, US oil output slipped by 21 000 to 9.59 million barrels a day. Last week, Saudi Arabia, which currently has spare capacity of between 1.5 – 2 million barrels a day, indicated its readiness to increase output if demand rises but currently global supply has exceeded demand by 1.8 million barrels a day. Should Saudi increase, it will force higher-cost operators to cut supply. Crude steel output in China is expected to shrink by 2% this year and this would be the first contraction since 1990. This is attributed to excess capacity as a property-led slowdown is crimping demand steel demand. Iron ore swung from a bear to bull market this year as the top producers boosted low-cost supply and port stockpiles in China. Iron ore sunk 5.8% last week to US\$61.36 a dry tonne, the biggest drop since April 03, 2015. However, iron ore is up 19% this quarter and has rallied 30% from a decade low recorded on April 03, 2015.

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