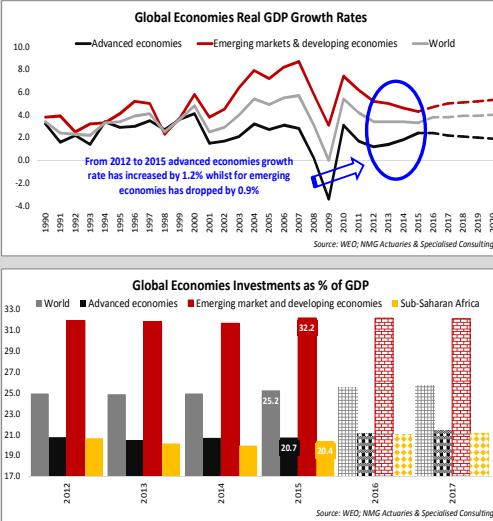


The NMG Mercado

Week 29

TOPICAL NEWS



GLOBAL GROWTH CUT

The International Monetary Fund has cut its global growth forecast for 2015, as weaker US growth weighed. The growth forecast has been trimmed from 3.5% to 3.3%, however the growth prediction for 2016 hasn't changed from 3.8%. Negative first quarter US growth has been blamed for the fall in world growth. The predictions for US growth has declined by 0.6% to 2.5% for the current year, after a colder-than-expected winter, strong dollar and strike action at the coast caused the quarter one growth to fall. Worse-than-expected US growth numbers have also had ripple effects on Mexico and Canada. Lower commodity prices and the situation in China has also had a negative effect on emerging market growth. Chinese stock markets have seen a large dip over the last month and the economy is experiencing difficulties as it tries to move from an investment led economy to a consumption economy. Despite the situation in Greece, the IMF has not cut the growth forecast for 2016, as they believe even if Greece does leave the Eurozone, it should not affect global growth. However volatility in financial markets and possible asset price shifts could perhaps change the IMF's forecast.

THE WEEK AHEAD

- **Retail trade sales, May 2015** - The Retail sales figure will be closely watched, as retail sales has been one of the main drivers of GDP growth. However, with weaker consumer confidence and higher electricity and petrol prices - this could drag retail sales lower.
- **Statistics of civil cases for debt, May 2015**
- **Wholesale trade sales, May 2015**
- **Motor trade sales, May 2015**
- **Selected building statistics of the private sector as reported by local government institutions, May 2015**

LOCAL ECONOMY

South African business confidence plummeted to a 16-and-a-half-year low during June, with the index moving to 84.6 from 86.9 which was achieved in the previous month. Both consumer and business confidence have seen sharp declines, and the indices currently sitting below the levels seen during the global financial crisis. Manufacturing production fell by 1.4% on a year-on-year basis during May, as electricity shortages weigh. This marks the second month of declines. The SARB has stated that the increasing inflation level will soon force them to increase interest rates despite the fact that economic growth is trending lower. However the decision still remains dependent on data. The weakening Rand and higher electricity prices pose the highest risk to inflation. Moving away from negative news, the Reserve Bank has signed a memorandum of understanding for the clearing and settlement of renminbi in SA – this will seek to facilitate trade between the two countries. The BRICS countries have also finished their summit which took place in Russia. They have pledged to integrate the economies and create jobs.

GLOBAL ECONOMY

Greece sought a three-year bail out loan of about €53.5 billion in order to keep the country in the euro. In exchange, it offered a package of reforms and spending cuts, including pension savings and tax increases, similar to the ones presented by creditors in June 2015. This loan will be mainly used to cover debt repayments between 2015 and 2018, mostly to the IMF and ECB. It will then be left with debt owed only to European Union institutions. This may bring confidence to the Greeks capital markets and we may start seeing the estimated €40 billion of money stashed in 'mattresses' should flow back into deposits. India's industrial production increased by 2.7% in May 2015. This was less than the market estimate of 4.0%. Manufacturing output was up 2.2%, electricity up 6.0% and consumer goods fell 1.6%. Canadian unemployment rate remained at 6.8% in June 2015, for a fifth month in a row. It lost 6 400 jobs on decline in part-time work that fell 71 200 while full-time rose 64 800. Private companies cut 26 300 workers and public-sector employment rose by 42 200 in June 2015. We view that the Bank of Canada (BoC) may cut interest rates next week for the second time this year since the economy continues faltering as reflected by a fourth-straight month of falling output. Last week the Fed indicated to raise the federal funds rate and thus begin normalizing monetary policy as the domestic economy continued to gain strength. We view that the US must remain caution as inflation targets remains highly uncertain.

MARKET SNAPSHOT

	CLOSE PRICE	WEEKLY % CHANGE	YTD 10 JUL 2015		CLOSE PRICE	WEEKLY % CHANGE	YTD 10 JUL 2015
FTSE/JSE Indices				Currencies			
All Share Index	51800.7	-0.3%	5.6%	Rand/Dollar	12.44	1.3%	8.6%
Top 40 Index	46216.2	-0.3%	6.6%	Rand/Pound	19.18	0.0%	6.5%
Resources Index	20504.2	-2.8%	-8.9%	Rand/Euro	13.90	1.5%	-0.7%
Industrials Index	74728.4	-0.7%	7.2%	Japanese Yen/Rand	9.85	-1.1%	-4.7%
Financials 15 Index	17036.7	2.5%	11.1%	Dollar/Pound	1.55	-0.3%	-0.3%
Interest Bearing Indices				Commodities			
BEASSA All Bond Index	491.4	0.2%	2.1%	Gold (Rand)	14,416.4	0.0%	4.1%
STeFI 12 Month Index	340.3	0.1%	3.6%	Platinum (USS)	1,031.0	-4.8%	-14.7%
Inflation-Linked Bond Index	617.0	0.3%	2.1%	Brent Crude Oil (USS)	58.7	-2.6%	2.4%
World Indices				Major Economies Indices			
MSCI World Index	1,743.3	-0.1%	-0.1%	S&P 500 (United States)	2,076.6	0.0%	0.9%
MSCI Europe Index	1,676.9	2.1%	2.1%	FTSE 100 (United Kingdom)	6,673.4	1.3%	1.6%
MSCI Emerging Index	932.9	-3.3%	-3.3%	Nikkei 225 (Japan)	19,779.8	-3.7%	13.3%

LOCAL MARKETS

The JSE closed off the week on a strong note, after experiencing much volatility during the week. The situation in Greece and China were responsible for causing volatility in local markets. The All Share and Top 40 index added 0.68% and 0.75% respectively for the day on the back of optimism for Greece and a stronger performance from Chinese stock markets. Financials were responsible for boosting the market. Sasol gained 0.83% on a weaker Brent crude oil price. On a weekly basis, both the All Share and the Top 40 exhibited losses whilst the BEASSA gained 0.2% over the week.

GLOBAL MARKETS

The US 10 year treasury yields rose marginally by two basis points last week to 2.4% after the Fed indicated that the interest rates would increase at least once this year. YTD 2015, the US 10 year treasuries have lost 4.3%. The Stoxx Europe 600 increased by 1.4% to 388.8 points on speculation that the Greeks may finally secure a bailout. Athens Stock Exchange (ASE) will continue to be closed until July 13, 2015. The Shanghai Composite Index rebounded by 5.2% last week as government intervention helped curb a stock rout that erased US\$3.9 trillion in less than a month. Government interventions to support shares include a ban on stockholders and executives from selling stakes in listed companies for six months, an order for companies to buy equities and an investigation into short selling. Chinese equity markets have struggled to manage volatility as reflected by the median price-earnings multiple that has dropped to 57 times from 108 at the height of the rally. The current Chinese equities valuations are trading at around 300% premium to S&P 500 valuations. The S&P 500 Index was flat for the week and closed at 2 076.6 points and the Dow Jones Industrial Average increased by 0.2% last week, ahead of the earnings reporting season that is starting this week. Brazilian equities increased by 0.1% last week. However, the gauge has slid 9.4% from its 2015 high of 58 051.6 points recorded on May 05, 2015. The gauge has plunged on concerns that the economy is poised for the worst recession in at least 25 years.

TOP PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 10 JUL 2015
Mondi Limited	280.85	5.4%	48.8%
Old Mutual Plc	41.40	5.2%	19.3%
Mondi Plc	279.87	5.1%	47.7%

WORST PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 10 JUL 2015
Kumba Iron Ore Limited	121.66	-8.2%	-49.3%
MTN Group Limited	216.91	-7.1%	-2.0%
Anglo American Platinum Limited	250.00	-6.3%	-26.7%

COMMODITIES

Oil prices are expected to fall as the world remains oversupplied before the markets tighten in 2016 when output growth outside OPEC grinds to a halt as spending cuts take a toll. We view oil prices may need to decline in order to reduce the supply surplus. Crude oil last week declined by 2.6%. It has lost 14.1% from this year's peak of US\$68.05 on May 05, 2015. US oil rigs increased by 0.8% to 645 last week after they gained by 12 rigs in the previous week. We view in the short to medium term; slowdown in non-OPEC production will increase reliance on OPEC. Last month OPEC production was at 31.7 million barrels a day as Iraq reached a record of more than 4.0 million barrels a day and Saudi Arabia produced 10.3 million barrels a day. Last week, the dollar/gold price lost 0.7% amid concerns on weakness in consumer spending and risks in Asia and Europe that have since intensified. Europe endorsed an action plan to improve energy infrastructure of creating a web of gas pipeline linking the Eurozone to three separate sources of supply as a way to reduce the threat of Russia choking off supplies. Russia currently supplies 27% of the region's gas and in December 2014, it cancelled a US\$45 billion gas pipeline to Europe. We view this as a headwind to some South African global balanced funds that have an exposure to Gazprom. Nickel posted the longest run of weekly declines since October 2014 as swings in China's equity market roiled commodities. Last week it lost 6.2%, the fifth straight drop.