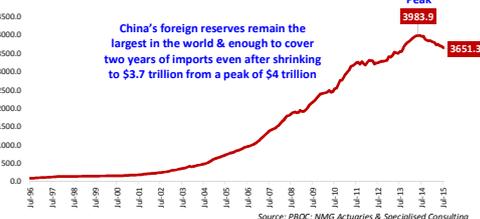


## TOPICAL NEWS

### Yuan vs Dollar



### China International Reserves: Billion US Dollars



## LOCAL ECONOMY

The South African Chamber of Commerce and Industry trade activity index climbed to 47 in July, up from 46 in the previous month. Despite the uptick in the index, the reading remains under 50 which indicates weaker trading conditions. This does not bode well for economic growth in the country. The interest rate hike that was announced during July is also likely to hinder trade in the country. The governor of the South African Reserve Bank has stated that the country needs to brace itself as the effects of US interest rate policy and a declining Chinese economy come into play. In fact all emerging market nations are likely to feel the turbulence in the short to medium term. The BankservAfrica Economic Transaction Index (BETI) climbed to 124.3 in July 2015 compared to a reading of 121.3 seen a year ago. This suggests that economic activity is relatively stable. However leading economists have warned that infrastructure constraints and lower commodity prices are likely to compress economic growth.

## GLOBAL ECONOMY

The University of Michigan's preliminary August 2015 Consumer Sentiment Index was little changed at 92.9 from 93.1 for July 2015. This is attributed to the much expected interest increase by the Fed and slowing economies outside the US which have somewhat dampened US consumers confidence. However, we believe that if wage growth picks up, confidence will improve. This will lead to gains in spending and this will help to shield US industries from the global financial turmoil mainly caused by the Chinese recent currency devaluation. Although the preliminary gauge marginally dropped, the US manufacturing production for July 2015 rose by 0.8% mainly driven by automobile assembly that jumped to the highest since 1978. US manufacturing makes up 75% of the US total production and accounts for about 12% of the economy. Total US industrial output, which includes mines and utilities, climbed 0.6% in July 2015. Mining production, which includes oil drilling, increased 0.2% in July 2015 after climbing 0.7%. Oil and gas well drilling was up 1.3%. Hong Kong Q2 2015 GDP expanded by 0.4% against consensus estimate of 0.2% growth. GDP is expected to expand 2% to 3% this year, driven mainly by domestic consumption. The Eurozone approved loans up to €86 billion to be made available over the next three years to Greece. The first payment to the Greeks will be €13 billion followed by €10 billion meaning that it will have funds available to cover a debt payment to the ECB due this week. Also emergency bailout funds supported by Britain's taxpayers will not be used. Greece debt to GDP is expected to be 201% in 2016 and only to fall to 175% by the end of the decade.

## MARKET SNAPSHOT

	CLOSE PRICE	WEEKLY % CHANGE	YTD 14 AUG 2015
<b>FTSE/JSE Indices</b>			
All Share Index	50,821.2	-2.3%	3.9%
Top 40 Index	45,341.2	-2.3%	4.9%
Resources Index	19,144.3	-1.2%	-14.4%
Industrials Index	73,487.1	-2.3%	5.7%
Financials 15 Index	16,946.3	-2.8%	10.7%
<b>Interest Bearing Indices</b>			
BEASSA All Bond Index	498.9	0.3%	3.7%
STFI 12 Month Index	342.6	0.1%	4.3%
Inflation-Linked Bond Index	630.7	0.2%	4.3%
<b>World Indices</b>			
MSCI World Index	1,743.9	-0.2%	2.0%
MSCI Europe Index	1,653.5	-1.4%	2.8%
MSCI Emerging Index	863.8	-2.4%	-9.7%
<b>Currencies</b>			
Rand/Dollar	12.82	1.5%	11.9%
Rand/Pound	19.90	2.4%	10.9%
Rand/Euro	14.24	2.9%	1.8%
Japanese Yen/Rand	9.69	-1.5%	-6.3%
Dollar/Pound	1.56	0.9%	0.4%
<b>Commodities</b>			
Gold (Rand)	14,339.3	3.4%	3.6%
Platinum (US\$)	991.5	3.1%	-18.0%
Brent Crude Oil (US\$)	49.2	1.2%	-14.2%
<b>Major Economies Indices</b>			
S&P 500 (United States)	2,091.5	0.7%	1.6%
FTSE 100 (United Kingdom)	6,550.7	-2.5%	-0.2%
Nikkei 225 (Japan)	20,519.5	-1.0%	17.6%

## THE CHINESE YUAN

China sent shock waves through the market on Tuesday as it took steps to boost the economy by devaluing the currency by the most in two decades. The central bank cut its daily reference rate by 1.9% which caused the currency to weaken. The move had ripple effects across the globe as world markets posted lower returns, with companies who depend on Chinese support being the hardest hit. Beijing officials took these drastic measures in order to boost their level of exports whilst at the same time this would dull their import level. Economists also feared that this move would spark a currency war. China's main trading partners, including the likes of South Korea, Vietnam, Taiwan and Malaysia, may try to hold on to their competitiveness by pushing their currencies lower. Emerging markets seemed to bear the brunt of the devaluation, with the MSCI Emerging Market index dropping to an almost 4 year low. The index is now sitting in bear market territory, having lost about 20% since its peak in September 2014. Emerging market currencies were also hit, with a number of currencies dropping to multi-year lows. A weaker yuan will also decrease Chinese demand for commodities which will have far reaching effects. Fears were eased towards the end of last week, as the central bank in China raised the value of the yuan by 0.05% against the US dollar. Despite the slight uptick in the currency, analysts feel that the only way that China can lift its economy is by further declines in the exchange rate. It is likely that the Chinese currency will fall at least 10percent.

## THE WEEK AHEAD

**\*Consumer Price Index (CPI), July 2015** – Inflation is expected to climb 0.50% for July after a reading of 4.7% in June. Inflation is expected to be boosted by electricity, water, food and transport prices.

**\*Retail trade sales, June 2015** – Retail sales are expected to increase to 3.4% for June, however higher borrowing costs are likely to dampen retail sales in the upcoming months.

**\*Statistics of civil cases for debt, June 2015**

**\*Wholesale trade sales, June 2015**

**\*Motor trade sales, June 2015**

**\*Selected building statistics of the private sector as reported by local government institutions, June 2015**

## LOCAL MARKETS

The South African stock market closed lower at the end of the week, as mining stocks dragged indices into negative territory. Mining shares moved into the red due to the uncertainty surrounding the devaluation of the Chinese yuan. At Friday's close, the All Share and Top 40 had fallen by 1.1% and 1.2% respectively. Economists are uncertain how much further the yuan will fall, but if it continues this trend, it will have a negative effect on South Africa in the short term. The rand saw significant volatility during the week, with the currency dropping to a fourteen year low against the US dollar. On a weekly basis, stock indices took a tumble with both the Top 40 and All Share losing more than 2.0%. Bonds on the other hand, made slight gains over the period.

## GLOBAL MARKETS

The Bloomberg Dollar Spot Index dropped 0.3% last week, its worst since June 19, 2015. The US currency fell 1.3% against the euro and was little changed by 0.1% against the yen last week. The pound depreciated for a 2nd week against the euro by 0.5% as China's surprise currency devaluation dimmed the outlook for inflation around the world. Chinese devaluation after months of pressure from a strong dollar prompted a flight to safety last week as investors ditched higher-yielding assets in favour of government debt. The Brazilian real gained 0.7% against the dollar last week. It was its first weekly gain since June 2015. The UK five year breakeven rate, gauge of market inflation expectation derived from yield difference between gilts and index-linked securities dropped by four basis points last week to 2.34%. The yield on the two year gilt dropped by one basis points and on the benchmark 10-year bond increased by three basis points to 1.88%. The UK's shorter dated bonds performed better than the 10-year bonds because the market is not expecting a rate increase until 2016. The MSCI Emerging Markets Index declined by 2.4% to 863.8 points as investors weighed the impact of the Chinese yuan devaluation on developing-nation economies. The MSCI Emerging Market Index has dropped 9.7% YTD 2015 whilst the MSCI World Index has gained 2.0%. The Shanghai Composite Index rose 5.9% and closed at 3 965.3 points. The S&P 500 Index gained 0.7% and the Dow Jones Industrial Average Index rose by 0.6% last week whilst the Nasdaq Composite Index marginally increased by 0.1%. Last week, the European markets experienced tough times, the Germany DAX Index was down 4.4%, the French CAC-40 Index dropped 3.9% and the UK's FTSE 100 Index fell 2.5%.

## TOP PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 14 AUG 2015
AngloGold Ashanti Limited	80.59	7.4%	-20.8%
Capital & Counties Properties Plc	93.50	3.0%	41.7%
Intu Properties Plc	67.84	2.8%	12.2%

## WORST PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 14 AUG 2015
Compagnie Financiere Richemont SA	101.52	-5.6%	-3.3%
Rand Merchant Insurance Holdings Ltd	41.17	-5.0%	0.8%
Shoprite Holdings Limited	160.68	-4.7%	-4.5%

## COMMODITIES

Gold attracted the biggest weekly gain as it climbed 2.3% in dollar terms and 3.4% in rand terms, in two months as the metal's haven appeal finally started attracting investors again. The Chinese unexpected yuan devaluation and concerns that slowing economic growth in China and Europe will spread to the US spurred last week's gold buying. However, we continue with our view that global demand for bullion remains subdued as investors are expecting the US rate hike before the end of this year. In addition, the metal may continue facing some headwinds from China and India as we continue viewing that they will reduce their bullion appetite. Roughly, the US and China owns 8 134 tonnes and 1 658 tonnes of gold, respectively as reserves. YTD 2015, gold has gained 3.6% in rand terms because of the depreciation of the rand against the dollar and in dollar terms, it has dropped 5.6%. Aluminium marginally gained by 0.8% as the US industrial output trounced expectations, boosting demand prospects in the world's second-biggest metals consumer. The US oil drillers added 2 oilrigs last week from 670 to 672, which is a 0.3% increase. This is the fourth straight week of increases even as crude oil fell to a six year low. We estimate that if the oil price continues at current levels as weak fundamentals persist, the US oilrigs will decline by about 22.6% to around 520 rigs by year-end. Last week, the US approved limited crude oil export to Mexico of about 100 000 barrels of light crude oil a day. We view this as positive step towards easing the 40-year self-imposed crude oil export ban after a drilling boom that boosted the US oil production to the highest level in more than 40 years. This is a good read through for US oil majors such as Exxon Mobil, Chevron and ConocoPhillips.

## Disclaimer

"The information contained herein is intended for general information and illustrative purposes only and must not be seen as advice as defined in the FAIS Act. NMG does not expressly or by implication represent, recommend or propose, nor does it intend to represent, recommend or propose that the financial information contained in this report is appropriate to the particular investment objectives, financial situation or particular needs of any existing client or any other person reading the report. It is recommended that you consider on your own or in consultation with your licensed financial services provider as to whether the intended purchase of any financial product, the investment in any financial product, the conclusion of any transaction in respect of a financial product, or the variation, replacement or termination of any terms in relation to a financial product is appropriate when considering your particular needs, personal objectives and financial situation.