

Monthly News Letter

Investment & Economic Matters



1 MARCH 2016

Economic Indicators

	USD	Euro	Move
Rand	15.87	17.26	-0.12%
Pula	11.37	12.36	-0.62%
Kenya	101.63	110.80	-0.75%
Kwacha	11.39	12.39	1.20%
Naira	199.05	216.42	0.05%

	Jan	Feb	Move
Gold (\$)	1118.2	1238.7	10.77%
Oil (\$)	34.24	35.97	5.05%

Move is % change monthly against USD

Top 10 JSE Equity Buys 2016

	Share Code	Entry Price	Target Price
1	TSH	23	35
4	IPL	121	180
9	INL	103	129
3	SLM	58	70
10	FSR	42	51
2	OML	38	46
5	CPI	481	565
7	NED	187	211
8	MDC	121	135
1	BGA	144	160

Prices in SA rands

JM BUSHHA Funds Returns

Fund Name	3 Years
CashPlus	6.37%
BondPlus	4.12%
Real Return	3.50%
Absolute AllClass	6.76%
Absolute Aggressive	5.69%
Diversified Equity	7.03%
Communities Fund	8.14%
Global Investor	N/A
Afro Fund	N/A

* Same as Real Return

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Budget speech for the year 2016

Finance Minister Pravin Gordhan, in his R1.5 trillion budget speech and supported by what some economist may view as the treasury's optimistic growth projection (0.9% for this year, 1.7% for 2017 and 2.4% for 2018) set out the implementation of a higher tax burden for everyone except low to middle income earners. A 30c increase in fuel levy and a further mention of the focus on a lower growth rate in government expenditure. The Budget deficit is estimated to fall to 3.2% in 2016-2017, 2.8% in 2017-2018 and 2.4% in 2018-2019. The government plans to achieve this through a reduction of R10bn worth of expenditure and tax increases of R15bn for 2017-2018. The minister put his foot down in regards to state owned enterprises with no further provision made for SAA and allocating only an additional R650m in 2016-2017 for the Post Office recapitalisation (which is far short of the R2.5bn-R3.5bn needed). The aggregate of state guarantees amounts to R467bn or 11.5% of GDP.

Transfer duties on properties valued above R10m will increase from 11% to 13% for properties acquired after 1 March 2016. Capital gains tax for individuals will rise from 13.7% to 16.4% and for companies from 18.6% to 22.4%. Primary rebates and the bottom three income brackets will be adjusted by 1.8% and 3.4% respectively. Reprioritisation has also released R1.1bn for drought relief in 2016-17. NSFAS is to receive R2.5bn to clear outstanding student debt, along with a further R8bn over the medium term. Social grants increase by between 6.1% and 6.4%. Subsequent to the Minister's announcement of a cut to his 2016 economic growth forecast from 1.7% to 0.9% citing a recent drought, the rand took a dip and fell 1.6% from just prior to the budget speech.

Investment Markets - Volatility is here to stay

The USDZAR started the month on a strong foot, recovering to R15.22/\$ at one stage before weakening significantly to end roughly where it had started. This weakening contributed to the strong gains in resource stocks, led by gold stocks, although most resource stocks continue to show c.40% declines over a 12-month period.

Banks were generally flat over the month, taking their cue from movements in the USDZAR and the yield curve. We continue to view banks as attractive at current levels, although we do expect some volatility in the short-term, particularly in the case of Barclays Africa due to the uncertainty surrounding Barclays Plc's plans for its shareholding.

We do not expect volatility to subside over the next few months given the numerous local and global factors contributing to the level of uncertainty. However, the higher volatility is likely to lead to good opportunities to select quality stocks at less than long-term intrinsic value.

Economic Activities –Other parts of Africa

Zimbabwe's current year-on-year inflation rate gained 0.29 percentage points to -2.19%. This has somewhat eased the deflationary pressures in the economy while at the same time aggregate demand was boosted by the civil servants December salaries which were only paid out in January. In Zambia the annual rate of inflation increased to 22.9% in February 2016, up from 21.8% in January. The Central Statistical Office predicts that the rate will continue to increase until around October 2016 due to the effects of the weakening currency. The power generation crisis across the Zambezi continues as authorities indicate that Kariba Dam is now left with capacity to generate power for only 165 days, unless significant water inflows are recorded in the next few months. The water levels in the dam were now at 477,15m which is 1,65m above the minimum power generation threshold. He said these were the lowest levels recorded since the 1992 drought.

Parting Words of Wisdom

"Whether you think that you can, or that you can't, you are usually right." – Henry Ford

Lesotho • Namibia • South Africa • Swaziland • Zambia • Zimbabwe

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