

7 September 2016, Volume 58

**Economic Indicators**

	USD	Euro	Move
Rand	14.73	16.44	6%
Pula	10.87	12.13	3%
Kenya	101.25	113	-0.2%
Kwacha	9.53	10.66	-7%
Naira	314.25	378	-2%

  

	July	August	Move
Gold (\$)	1351.3	1308.97	-3.1%
Oil (\$)	42.46	47.04	11%

*Move is % change monthly against USD*

**The Rand retreats on Pravin and Hawks Saga**

After enjoying a strong July, the Rand lost all its gains in August closing 6% weaker to the greenback. The Rand had been stable throughout the month strengthening by up to 2% month to date 22 August. On the 23<sup>rd</sup> the finance minister was asked to present himself to the Hawks (special police unit) to possibly answer questions related to espionage and the controversial early retirement of SARS deputy commissioner Mr Ivan Pillay. Mr Gordhan commands huge respect from the markets and it was reflected by the reaction of the Rand as it went on to end the month 6% in the red. The market remains anxious about whether Pravin will be arrested or fired. As the December credit rating review draws closer, most polls including one on Reuters, have already set South Africa for a downgrade.

**Top 10 JSE Equity Buys 2016**

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

*Prices in SA Rands*

**Investment Market's - Industrials finally buck the trend**

Following 2 months of negative performance, Industrials bucked the trend by recording a 1.5% positive performance. Rand hedges, Naspers and Stenprop, both gained over 10% for the month. Retailers, Truworths and Mr Price were amongst the major losers down 19% and 15% respectively. Mr Price came through with a dire trading update, 18 week sales rose by just 1% with the market expecting at least 8% growth. Truworths was down after credit sales growth slowed sharply. After a solid run in July, Financials were knocked in August down 2.9% reflecting the anxiety and jitters surrounding the Finance minister and Hawks saga. Resources were steady throughout the month and ended marginally down 0.7%.

**JM BUSHHA Funds Returns**

Fund Name	5 Years
CashPlus	6.40%
BondPlus	7.36%
Real Return	9.03%
Absolute AllClass	11.42%
Absolute Aggressive	10.41%
Diversified Equity	14.83%
Communities Fund	8.76%
Global Investor	N/A
Afro Fund	9.03%*

*\* Same as Real Return*

**Regional Updates - SACU and SADC Status Quo**

Inflation remains in single digits in SACU countries although at/above the upper band of the inflation target for some of the countries. Namibia recorded CPI inflation of 7% in July from 6.7% in June. The main contributor was food inflation at 12% followed by utilities. Swaziland's rate for July was 7.5% mainly influenced by cost of food. Similarly, inflation rate in Lesotho was 6.9% in July with food inflation as the key factor at 12%. Food inflation also reached a 7 year high in South Africa in July. However, overall inflation declined from 6.3% in June to 6.0% in July on the back of cost of electricity and fuel decelerating. Botswana maintained the low rate of 2.7% that it had registered in June. The inflation outcomes indicate the lingering impact of the drought which has increased food prices, mainly staple foods. In Zambia, the opposition party is contesting the election outcomes in which Edgar Lungu was re-elected to the presidency claiming that the national elections were rigged. In the meantime, the economy remains shaky at the backdrop of weak balance of payments and macroeconomic instability triggered by high debt levels and weak demand and price of copper. This month the Kwacha reached 9.90 against the US dollar while inflation remained in double digits placing financial pressure on the ordinary citizens. Inflation decreased to 19.60% in August from 20.2% in July.

**Research Team**

*Chief Investment Officer*  
Ashraf Mohamed

*Economic Research*  
Limakatso Lehobo

*Investment Research*  
Charne Adams  
Patrick Serere  
Cleopatra Mtembu  
Simba Chimanzi  
Byran Taljaard

*Contact Details*  
Tel: +0027 11 325-2027/8  
Fax: +0027 11 325-2047  
[invest@jmbusha.com](mailto:invest@jmbusha.com)  
[www.jmbusha.com](http://www.jmbusha.com)

**Social and Political Developments – SA's shifting political landscape**

The main feature of the August 3 local government elections was undoubtedly the hefty blows suffered by the ruling party. The ANC lost support in 8 of the 9 provinces with KZN being the exception. Limpopo and North West were the biggest losers losing as much as 20%. The ANC was rattled by the dire performances in the large metros. The Cape Town metro was the only one that was not under ANC governance. The ANC has now lost control of Johannesburg, Tshwane and Nelson Mandela Bay. This has left the ANC with a national support of just 53.9% from as high as 70% in 2004. If these elections are to be used as a barometer for the 2019 presidential elections, the ruling party has its work cut out as it continues to address crisis after crisis that has rocked the party in recent times.

**Parting Words of Wisdom**

*Finance is a gun, Politics is knowing when to pull the trigger—Mario Puzo*