late on a friday

10 June 2016:"Not out of the woods just yet..."

Last week closed with rating agency Standard and Poor's (S&P) announcement to keep South Africa's foreign credit rating unchanged, reinforcing the current BBB- rating with a negative outlook. On Wednesday this week, peer agency Fitch, followed suit maintaining its BBB- rating with a stable outlook. Both agencies highlighted similar viewpoints: increased political tension poses a threat, slow growth remains worrisome and both would like to see the effect of the policy measures the government will be implementing to address the structural issues.

Both Fitch and S&P predict that the local economy will have pedestrian growth in 2016, forecasting 0.7 percent and 0.6 percent respectively. The forecast was optimistic, considering that moments before the Fitch announcement, Stats SA announced that the economy shrunk by 1.2 percent in the first quarter of 2016. Mining and quarrying declined by 18.1 percent and agriculture, forestry and fishing declined by 6.5 percent recording its fifth consecutive drop. Real estate, finance and business services on the other hand, added value to the economy.

U.S. central bankers will gather from14 -16 June to discuss monetary policy and decide whether to increase interest rates. Chair of the Federal Reserve, Janet Yellen, on Monday maintained the stance of gradual rate hikes this year, shying away from giving an exact timeline. There was a risk on trade following the speech as investors looked to more risky assets, and expectations of a possible rate hike in the next meeting were reduced.

The World Bank curbed their global growth forecast from 2.9 percent to 2.4 percent, citing sluggish growth in developed economies, low commodity prices, weak global trade and diminishing global flows.

DOMESTIC EQUITY		WEEK CHANGE	YTD CHANGE
JSE ALL SHARE	53 353.87	-0.68%	5.25%
JSE FIN 15	15 219.09	-0.66%	-0.11%
JSE IND 25	72 486.67	-1.65%	1.02%
JSE RES 20	31 087.12	1.40%	22.42%
JSE GOLD	2 224.85	12.02%	110.43%
JSE ALL SHARE 40	47 176.52	-1.05%	3.01%
INTERNATIONAL EQUITY			
DOW JONES (USA)	17 985.19	0.82%	3.21%
NASDAQ (TECH USA)	4 958.62	-0.26%	-0.97%
FTSE (LONDON)	6 231.89	0.75%	-0.17%
NIKKEI (TOKYO)	16 668.41	0.64%	-12.43%
GLOBAL EQUITY	1 688.66	0.89%	1.56%
EMERGING MARKET EQUITY	837.03	3.42%	5.40%
OTHER			
ALL BOND INDEX	504.37	1.66%	9.15%
3 MONTH NCD YIELD	7.38	0.07%	8.53%
R/DOLLAR	14.81	-4.95%	-4.22%
R/EURO	16.75	-3.46%	-0.26%
R/POUND	21.42	-4.50%	-5.02%
GOLD	1 263.90	4.25%	18.98%
OIL (BRENT)	51.95	3.82%	39.35%

The rand was unfazed by the reduction in GDP and continued to strengthen against the weak dollar, which has struggled following the scrawny non-farm payroll figures released last week Friday. It increased by 4.95 percent over the week.

Bond yields dropped this week, with the 10 year government bond trading below 9 percent. At the back of the drop in yield, the All Bond Index gained 1.6 percent.

Emerging markets gained 3.4 percent during the week as risk on trade followed the US jobs data.

Oil prices increased, still breaching the level of US$50 per barrel, this was lifted mainly by the strong dollar.