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LATE ON A FRIDAY

"Data Deluge"

19 August 2016

Market participants received a burst of key economic indicators this week. This meant they could finally stop guesstimating the impact of the Brexit vote on the UK's economy and start sinking their teeth into the actual figures. Meanwhile, Fed-watchers were eagerly waiting to see if further signals would be given on whether the U.S central bank would resume its hiking cycle this year. Locally, retail numbers examined the health of the South African consumer.

A hat-trick of UK data

In the month following the Brexit vote, inflation reached the highest level since November 2014. On a year-on-year comparison, consumer prices in the U.K increased 0.6% in July 2016, following a 0.5% rise in the previous month (beating market expectations of 0.5%). As Inflation tends to climb when the sterling falls against major trading partners, imported products became more expensive for British buyers. However, the monetary policy response to this reading is unlikely to change, as the Bank of England's Mark Carney indicated that the central bank will largely ignore a tick-up in inflation and not raise interest rates because of higher consumer prices. Another positive point was the dip seen in the number of people who claimed out-of-work benefits in July - signalling that the labour market held up well in the immediate aftermath of the EU referendum, with employers not making any rash decisions to dismiss staff. The number fell by 8,600 versus expectations of a 9,500 rise. Retail numbers surprised to the upside as well, indicating that sales in the U.K rose 1.4% month-on-moth in July 2016, following a 0.9% fall in June (beating market expectations for a 0.2 % gain). Although this data is encouraging, monitoring of these key economic indicators will continue in the coming months to better understand how the Brexit vote is affecting the U.K. economy.

Fed-ticipation

The release of the July minutes of the U.S central bank meeting highlighted the conflicting views of Fed officials. Some officials are demanding more concrete evidence that inflation is picking up and economic growth is strengthening before recommencing to normalise interest rates, while the hawkish side emphasised that "near-term risks to the economic outlook have diminished". Financial markets seemed to have interpreted this stance as more dovish than anticipated, with the immediate market reaction being a pullback in the USD, a rise in the yellow metal and a modest rebound for US equities. The next big event will be Fed Chair Janet Yellen's keynote address in Jackson Hole Wyoming next week Friday, where she is expected to indicate if there is to be any change in Fed thinking. In terms of recent economic data, U.S consumer prices increased 0.8% year-on-year in July 2016, this follows a 1% rise in the previous two months (coming in below market expectations of 0.9%).Meanwhile, the number of people who applied for unemployment benefits last week fell to a one-month low.

No retail therapy

Year-on-year, retail sales in South Africa rose by a less-than-expected 1.7% in June 2016, on the back of a 4.5% rise in the previous month (coming in below market expectations of 3.8%).The biggest gains were seen in the sales of pharmaceuticals and medical goods. Cosmetics and toiletries also contributed positively, giving further credence to the "lipstick index"-concept that during tougher economic times, consumers shy away from big-ticket items (such as cars) and spend on items that are more affordable (such as cosmetics) and that tend to make the consumer feel better about themselves. On a monthly basis, retail sales shrank 2%, following a 3.3% rise in May.

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DOMESTIC EQUITY		WEEK CHANGE	YTD CHANGE
JSE ALL SHARE	52,852.18	-0.13%	4.26%
JSE FIN 15	15,394.56	-1.48%	1.05%
JSE IND 25	69,701.23	0.88%	-2.86%
JSE RES 20	31,903.45	-0.40%	25.63%
JSE GOLD	2,601.49	-6.22%	146.05%
JSE ALL SHARE 40	46,014.46	0.41%	0.47%
INTERNATIONAL EQUITY			
DOW JONES (USA)	18,597.70	-0.08%	6.73%
NASDAQ (TECH USA)	5,240.15	0.22%	4.65%
FTSE (LONDON)	6,855.42	-0.86%	9.82%
NIKKEI (TOKYO)	16,545.82	-1.13%	-13.07%
GLOBAL EQUITY	1,736.83	0.06%	4.45%
EMERGING MARKET EQUITY	916.40	0.97%	15.40%
OTHER			
ALL BOND INDEX	538.15	0.45%	16.46%
3 MONTH NCD YIELD	7.40	-0.40%	8.82%
R/DOLLAR	13.51	0.37%	-12.61%
R/EURO	15.29	1.87%	-8.97%
R/POUND	17.7	1.67%	-21.50%
GOLD	1344.81	0.42%	26.60%
OIL (BRENT)	50.76	10.56%	36.16%

The JSE All Share ended the week in negative territory, with the financials giving up some of the gains from last week to finish almost 1.5% weaker. Industrials saw a positive performance, although year-to-date it has been under performing.

In international markets, most Asian markets wavered between gains and losses, but major indexes such as the Nikkei posted a weekly loss of over 1%. Global equities were flat for the week while EM equities continued to extend gains (up almost 1%), but not to the same extent as last week's 3.6% gain for the same period.

The local currency ended the week on a weaker note as the unit reacted to a combination of economic and political developments. On the commodities front, black gold broke through the psychological 50USD level a barrel as speculation that oil producers might cut back supply, supported the price.