July 2016

View of the month…

Dear Investor,

The FTSE/JSE Africa All Share Index ended July on 52 797.58 points, a gain of 1.1% for the month, making up for some of the losses suffered during June. The index finished in positive territory five out of the seven months year to date, and up 4.2% for the period.

In an update to its World Economic Outlook, the International Monetary Fund trimmed 0.1% from its March forecasts for global gross domestic product growth. The IMF now expects the global economy to grow 3.1% this year and 3.4% next year, blaming the uncertainty surrounding Brexit for the slower growth forecast.

Theresa May was appointed the new prime minister of the United Kingdom. May swiftly reshuffled her cabinet with the intention of moving forward with the UK's exit from the European Union and forging a new role for the country. Her most notable cabinet appointment was Boris Johnson as foreign secretary.

In the wake of the Brexit vote, markets in the UK were hoping for the first rate cut in seven years, but the Bank of England instead held policy steady.

In the US, second quarter growth was slower than expected, although it would seem that the US consumer is starting to spend. The Federal Reserve Board (FED) left rates unchanged, as expected, and upgraded its outlook for the US economy. According to the FED, near-term risks had diminished in response to improved employment figures. There is no clear sign that a rate hike is on the table for the US in the year ahead.

Now that both the Democrats and Republicans had their conferences and Hillary Clinton and Donald Trump managed to secure their nominations, the candidates will go head to head to determine who will become the next US president.

The Bank of Japan (BOJ) surprised markets on Friday by leaving interest rates and its bond-buying programme unchanged after its policy-setting meeting on Friday. The only action from the BOJ was a modest expansion of its programme for purchases of stock exchange-traded funds (ETF). Considerable fiscal stimulus helped China maintain its 6.7% growth rate in the second quarter of the year. An international tribunal rejected Beijing's claims to the South China Sea, which could increase tension in the region.

On the home front, South Africa will have its local government elections on Wednesday. Although markets tend to trade nervously around election time, the rand strengthened to an 8 month high and traded sub R14.00 to the dollar. This is primarily because of our trade surplus recorded in June.

The Reserve Bank's Monetary Policy Committee left the benchmark repurchase rate unchanged at 7% as it slashed its 2016 growth forecast for South Africa to zero percent. The nation's economic outlook deteriorated owing to weak export demand, the worst drought in more than a century, low commodity prices and, as expected, the United Kingdom's vote to exit the European Union. The inflation rate, coming in at 6.3% year on year, gave the Reserve Bank room to pause rate hikes. It is expected that inflation will return to the target bands in the second half of the year.

Further evidence of the economic turmoil facing the country came with the International Monetary Fund (IMF) cutting its economic growth forecast for South Africa to 0.1% for 2016. According to the IMF, growth in South Africa had slowed to 1.3% in 2015, the slowest pace since the global financial crisis of 2008. The IMF also noted that South Africa was facing increased risk because of the decision by the United Kingdom to leave the European Union.

The stronger rand will give consumers some relief at the fuel pumps. From next Wednesday, the price of petrol will be 99c a litre cheaper for all grades, while diesel 0.05% sulphur and diesel 0.005% sulphur will decrease by 74c and 73c a litre respectively. If you can find a petrol station with fuel, that is.

What's been happening at Vista Wealth?

We've been getting quite a few questions around whether to delay investing in the market at this point in time, considering all the market uncertainty and volatility and the possible ratings downgrade facing us at the end of the year.

The short answer to the question is no. It is never a good decision to delay investing to try to time the market (also refer to our recent article published in Finweek on this very subject).

It is important to understand that markets react to *unexpected* events, which means that you can't time your investment accordingly. However, the possible ratings downgrade is an *expected* event, which means that fund managers and investment specialists have the opportunity to position their portfolios accordingly to try minimise the impact of it possibly happening.

If there is a short-term dip in our markets because of a downgrade, they will be able to take advantage of that too, by buying quality assets at lower prices. Irrespective of a junk status downgrade or not, proper investment management principles should always apply and your investment should be adequately diversified, meaning that certain assets will strenghten when others weaken. This is one of the most important rules of constructing sustainable portfolios over the long term, taking into account the investors' unique circumstances, time horizon and risk profile.

Studies in behavioral finance have shown that the biggest threat to your wealth is often your own investing behaviour. If you hesitate too long, or if you act on emotion and withdraw at the wrong time, your investments will suffer.

Timing the market is a gamble and one which investors most often lose. If you are looking to make a big win by betting your money on your gut feelings, try the casino!

If you want to discuss the topic with us in more detail, or have any further questions, please feel free to drop us a line on: info@vistawealth.co.za and we will happily answer your questions.

Quote of the month:

"The stock market is filled with individuals who know the price of everything, but the value of nothing." - Phillip Fisher

Another testament to the fact that investing without an education and research will ultimately lead to regrettable investment decisions. Research is much more than just listening to popular opinion.

Regards,
Vista Wealth Management

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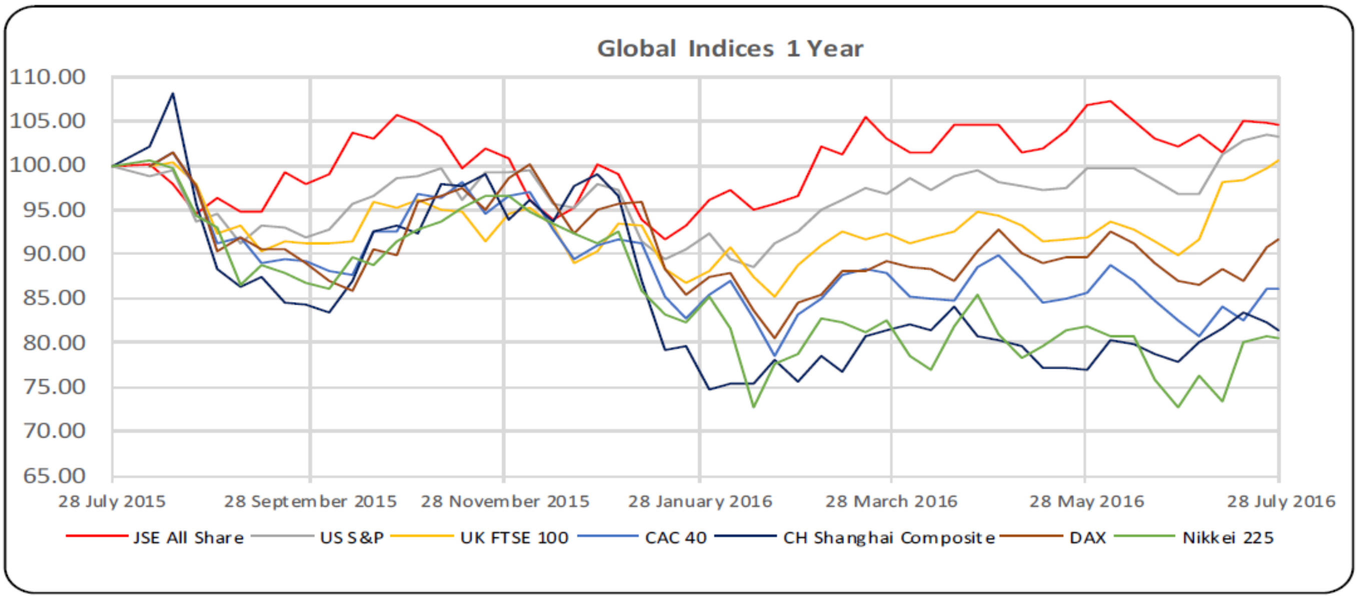
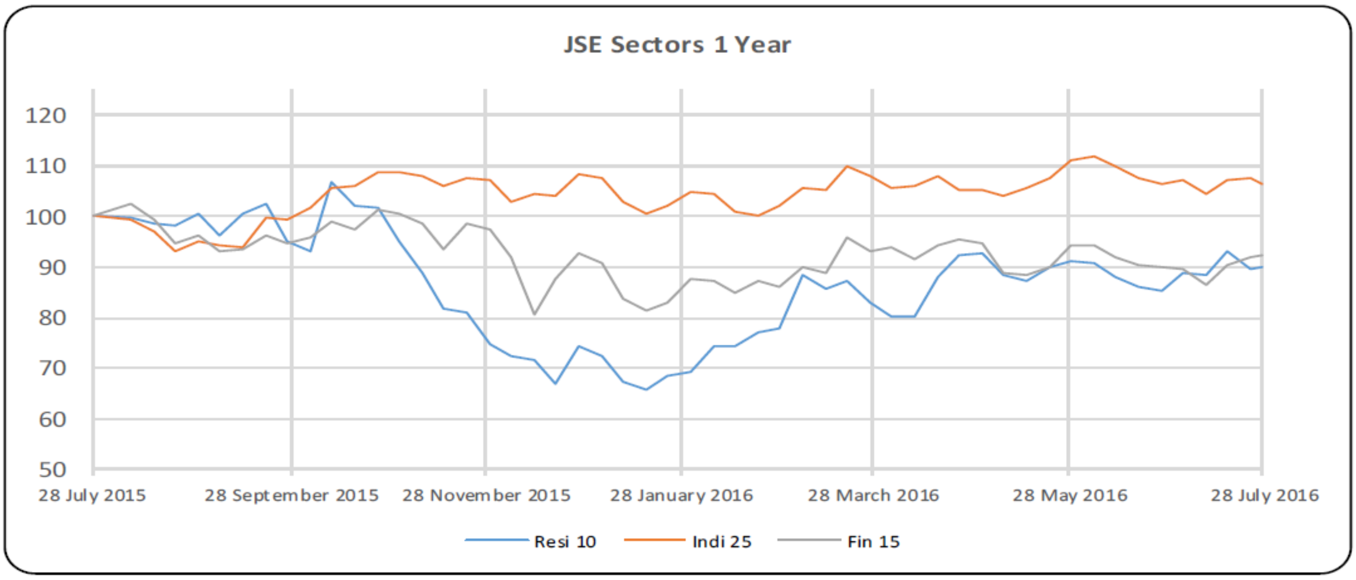
Indicators as at 1 August 2016:

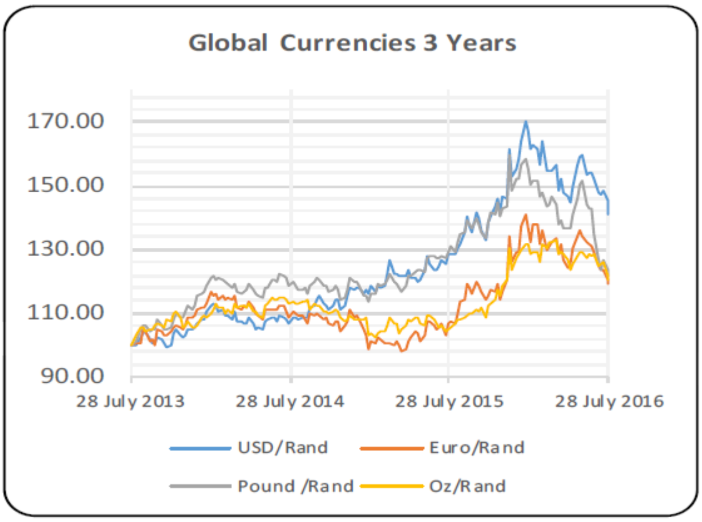
Key Global Indices

South Africa	Close	1 Y%Chg	P/E
All Share	52 797.58	2.00%	18.31
Resources 10	31 313.57	-13.30%	45.27
Financial 15	15 104.54	-11.10%	11.42
Industrial 25	70 311.61	4.60%	27.14
America			
S&P 500	2 173.60	3.10%	20.34
Dow Jones	18 432.24	3.90%	17.79
Nasdaq Composite	5 162.13	0.70%	33.50
Europe			
FTSE 100	6 724.43	0.80%	51.81
DAX 30	10 337.50	-8.20%	23.15
CAC 40	4 439.81	-12.00%	22.27
Asia			
Nikkei 225	16 625.82	-19.30%	20.53
Shanghai	2 942.24	-19.60%	16.29
Hang Seng	22 188.38	-10.60%	11.05

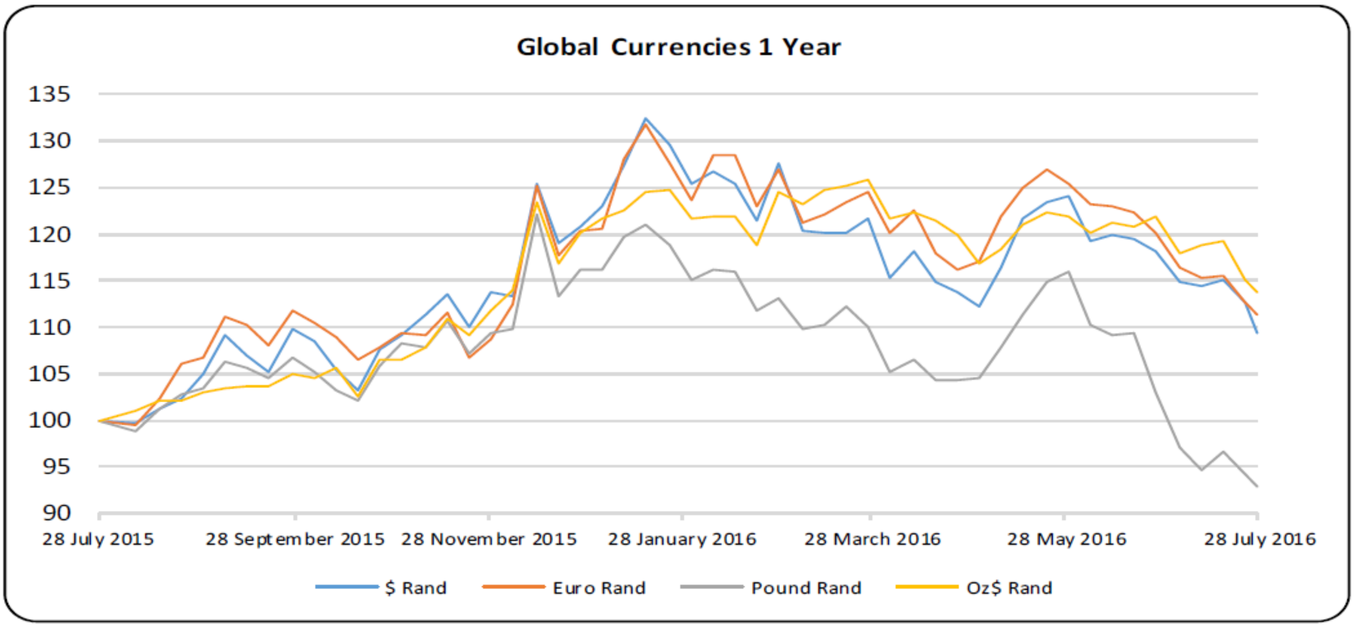




Currency's, Inflation and Rates



Currencies	
Rand /USD	13.86
Rand /Pound	18.31
Rand/Euro	15.47
Rand/AUD	10.51
Rates	
South Africa CPI	6.30
South Africa Repo Rate	7.00
Bond Yield Local	**Yield**
R 159	7.14
R 207	7.94
R 186	8.64
Bond Yield International	**Yield**
US 10 Year	1.45
US 30 Year	2.18
German 10 Year	-0.12



Commodities

Spot Price	
Gold	1346.70
Platinum	1149.00
Brent	43.65
Copper	4654.00