

Monday, 9 July 2018

TOP 10 GAINERS		
Share Name	Closing price	% change
Steinhoff International Holdings NV	167	29,46
Caxton and CTP Publishers and Print	1199	19,90
Royal Bafokeng Platinum Ltd	2267	13,81
Curro Holdings Ltd	3300	13,01
Net 1 UEPS Technologies Inc	12454	9,25
Rhodes Food Group Pty Ltd	1999	9,06
Northam Platinum Ltd	3992	8,83
City Lodge Hotels Ltd	15367	8,36
Harmony Gold Mining Co Ltd	2296	8,20
Ascendis Health Ltd	1176	7,89

TOP 10 LOSERS		
Share Name	Closing price	% change
Trustco Group Holdings Ltd	999	-16,75
Hospitality Property Fund Ltd	900	-13,46
Cientele Ltd	1900	-11,63
Alexander Forbes Group Holdings Ltd	513	-11,09
Glencore PLC	5895	-10,61
Brimstone Investment Corp Ltd	901	-9,90
Cartrack Holdings Ltd	1551	-8,60
African Rainbow Capital Investments	680	-8,11
Balwin Properties Ltd	460	-7,82
Grindrod Ltd	866	-7,68

GLOBAL EQUITY INDICES		
Indices	% Change	Points
Dow Jones	0,99	24 456
S & P 500	1,60	2 760
Nasdaq	2,46	7 668
FTSE 100	-0,25	7 617
Nikkei 225	1,16	22 066
Hang Seng	-0,78	28 730
S & P ASX 200	2,15	6 225

COMMODITIES*		
Name	% Change	Price
Gold	-0,66	\$1 270,56
Platinum	-1,22	\$877,37
Brent Crude Oil	2,87	\$75,55

CURRENCIES*		
Indices	% Change	Price
\$ / R	-0,05	R 13,44
£ / R	-0,01	R 17,83
€ / R	-0,39	R 15,66

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COMMENTS FOR TOP 40 STOCK MOVEMENTS

All share index closed weaker last week, down 0.52% while the Top 40 lost 0.76% as a result of the week's challenging trading conditions and low volumes. Geopolitical factors weighed heavily on local markets as emerging market assets' sell-off continues fueled by trade war tensions between the US and China. There was, however limited reaction from the broader index on Friday as the US imposed its first wave of tariffs on Chinese imports, the market pulled back slightly towards the end of the session closing the day down 0.17%. Analyst believe markets are still digesting recent events but say that volatile trading conditions will persist in the coming months.

Mixed economic data provided little direction for the JSE. ABSA Manufacturing PMI indicator fell a further 2.2 points to 47.9, the reading shows a second consecutive contraction in manufacturing activity. However Standard Bank PMI, which is a measure of overall business activity within South Africa's private sector, rose to 50.9 points for the month of June 2018, indicating the first improvement in private sector activity since February 2018. This increase is attributable to stronger domestic demand for goods and services while exports continue to decline. Foreign exchange reserves also came in at below expected with a USD0.57bn decrease, current reserve levels are at USD50.58bn.

The rand was able to recoup some of its recent losses against most major currencies, gaining close to 3% against the dollar. Local currency finished at 13.49 to the dollar by close on Friday. The rand, along with other emerging market currencies, has tracked Mexican Peso movements and has been the third best performing emerging market currency following the Mexican Peso and Argentinean Peso. Analysts forecast a continued rally from the rand.

KEY EVENTS & COMPANY RESULTS

Anglo American Platinum

Anglo American platinum accepts offer from Royal Bafokeng Platinum

Anglo American Platinum has confirmed that an offer from Royal Bafokeng Platinum to purchase 33% interest in one of its wholly-owned subsidiaries has been accepted. Rustenburg Platinum Mines Limited (RPM), a wholly-owned subsidiary of Anglo Plat, will be selling its 33% stake in the Bafokeng Rasimone Platinum Mines joint venture (BRPM JV) to Royal Bafokeng for a total consideration of R1.86bn. Chris Griffith, Anglo Plat CEO, has said that the disposal of BRPM JV will allow them to focus its capital allocation into their own-managed mines and projects rather than into non-managed operations where Anglo Plat holds minority interest. The transaction remains subject to Royal Bafokeng Platinum's shareholder approval, their lenders approval as well as them implementing and completing the Capital Raise for the 5% upfront payment of the consideration price. The remainder of the consideration will be paid in three equal tranches commencing in 1.5 years from the expected completion date and in yearly intervals thereafter. The effective date of transaction is expected to be towards the end of Q3 2018.

Sasol

Sasol senior employees want to strike over black employees' scheme – union

Trade union Solidarity has been given a mandate by senior members to strike at the energy giant Sasol, as the company plans to launch a share ownership scheme exclusively for black staff. Solidarity union, which represents predominantly white staff, was cleared to proceed with the strike last month as the CCMA issued the union with a certificate on non-resolution after hearings with both Solidarity and Sasol over the share-scheme dispute were had. The Union representative has con-

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the process to do a strike vote with all their members. Sasol is currently a Level 6 B-BBEE contributor and as a result has had to direct its efforts in improving their quotas to meet black ownership requirements under the new code revisions. Shareholders had approved the R21bn B-BBEE Khanyisa share scheme last year which would effectively increase black South African ownership to 25% and replace the previous Inzalo scheme. The union has not as yet decided on a date for the strike as its still ironing out the details with hopes of rallying other companies as they believe this issue is bigger than Sasol alone. Solidarity has 6 300 members working at Sasol out of the total workforce of 30 100 and is the largest corporate taxpayer in South Africa.

Steinhoff International Holdings NV

Steinhoff write-offs pass R198bn as accounts crisis deepens

Steinhoff share price saw a 30% gain last week and has rallied nearly 50% after the release of their unaudited interim results. The share price managed to peak at over R2.00 a share last week, although this is still a far cry from its R56.00 level before the reported accounting irregularities in December 2017. Investors remain hopeful that the worst of the storm has passed. Traders believe that the rally in share price is attributable to mainly 3 things, namely, declaration of a preference dividend which shows that the group believes it has sufficient liquidity to feel comfortable in paying that out. Secondly, there was more clarity on the extent of asset write-offs, an approximate figure of R198bn was mentioned. Thirdly, Steinhoff creditors have granted further extension on the Group's outstanding debt restructuring plan. The board said that these indicators are positive and that despite the significant write-offs, the group now at least has more clarity on the extent of the damage so far. The preference dividend of 427.4cents per share will be paid out on the 23rd of July 2018 but there was no ordinary dividend declared due to the ongoing liquidity challenges.

GLOBAL AND WORLD MARKET DEVELOPMENTS

Major US indices closed the week off in the green with the Nasdaq leading gains up 2.46%, S&P was up 1.6% and the Dow gained 0.99%. S&P saw two-month highs on Friday partly due to the strong US jobs data growth figures. The US's first wave of tariff imposition on a total of \$34bn worth of Chinese imported goods came into effect on Friday and markets are still digesting these events with most proceeding with caution. Trump has however indicated no interest in starting talks to reach a truce and has instead threatened to impose further tariffs on up to \$500bn on imported Chinese goods.

Most European indices ended the week flat on Friday as trade war tension intensify. Markets began the week in negative territory as Trump threatened to withdraw from the World Trade Organisation and implied that his next set of imposed tariffs would likely be on automobiles. Although markets remained cautious for the latter part of the week, volumes picked up for defensive stocks with utilities and food companies being the weeks biggest gainers across the EU region. BoE Governor, Mark Carney, spoke on Thursday about the greater confidence in UK's economy following recent data which showed growth in UK services sector. Brexit remains an issue of concern as exit strategies continue to be a point of contention.

Asian markets opened weaker on Friday but surprisingly managed to reverse losses to close firmer despite intensifying trade war. The rally was however not enough to boost weekly gains as the Shanghai Composite and Hang Seng were both down 3.5% and 0.78% for the week, while the Nikkei recorded modest gains of 1.16%. Friday saw the US implement tariffs on a number of Chinese goods, the Chinese have vowed to meet the US tariffs with equal intensity, targeting mainly agricultural goods such as soya beans, sorghum and cotton. This ploy is an effort to threaten the US farming states which had initially backed Trump in his 2016 election. Chinese internet giant, Tencent plans on listing their online music entertainment business in the US through an IPO which is estimated to raise at least \$1bn. Although they face many competitors in the US market, Tencent says they will differentiate themselves by leveraging off their fully developed entertainment and content empire.

THE WEEK AHEAD

Earnings releases for JSE listed companies

- **No corporate earnings expected this week.**

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