Legae Securities

ShareTalk

Weekly market report

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Monday, 15 October 2018

TOP 10 GAINERS		
Share Name	Closing price	% change
Capital & Regional PLC	900	17,80
Harmony Gold Mining Co Ltd	2826	16,39
Lonmin PLC	1025	12,27
Sibanye Gold Ltd	1102	11,76
AngloGold Ashanti Ltd	13671	10,05
Gold Fields Ltd	3917	9,69
Pioneer Foods Group Ltd	8364	9,15
Pepkor Holdings Ltd	1692	8,32
Blue Label Telecoms Ltd	563	8,27
Northam Platinum Ltd	3961	7,05
TOP 10 LOSERS		
Share Name	Closing price	% change
Steinhoff International Holdings NV	200	-19,35
Alexander Forbes Group Holdings Ltd	500	-9,09
Grindrod Ltd	715	-8,68
Mpact Ltd	2130	-11,62
Quilter PLC	2348	-8,96
South32 Ltd	3931	-9,13
Tongaat Hulett Ltd	5900	-13,34
Cie Financiere Richemont SA	10582	-8,21
Mondi PLC	34157	-11,40
Mondi Ltd	34359	-11,10
GLOBAL EQUITY INDICES		
Indices	% Change	Points
Dow Jones	-4,19	25 340
S & P 500	-4,10	2 767
Nasdaq	-3,74	7 497
FTSE 100	-4,41	6 996
Nikkei 225	-6,36	22 271
Hang Seng	-2,76	25 480
S & P ASX 200	-4,31	5 837
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

The JSE had a disastrous week in line with global markets as we saw a worldwide sell-off in equites. Last week's market uncertainty helped gold break above its narrow trading range as investors seek a safe haven. The precious metal saw its biggest intraday jump of 2.5% last week with a majority of the gold stocks dominating the top gainers list for the week. Analysts believe that gold will remain in favour due to the escalating geopolitical tension.

Naspers, the index heavyweight, recovered by more than 8% in a relief rally after what has been a difficult year for the share. This rally helped boost the top 40 index on Friday, the index was up 2.65% for the day helping limit its weekly loss to just 2.04%. Analyst however are still weary of Naspers as they fear their exposure to Chinese markets which we know are under significant pressure.

The rand strengthened by close to 2.5% against the US dollar last week as the dollar continues to look vulnerable. News of the appointment of Tito Mboweni as the new finance minster provided some reprieve to the local currency.

KEY EVENTS & COMPANY RESULTS

PSG Group Limited

Trading Statement for the six month period ended 31 August 2018

The PSG Group uses the sum of its parts ("SOTP") valuation method alongside the earnings per share benchmarks to provide investors with a realistic and transparent way of evaluating the Group's performance. SOTP method is preferred for its simple and straightforward approach as 90% of the value is based on the listed JSE shares included in the group's portfolio while the other investments are included at the market-related valuation. Using the SOTP valuation model the group advises that as at 31 Aug 2018 their value per share was R274.94, 7% higher than R255.17 which was reported at the group's year end. Headline earnings per share will be between R5.05 and R5.10 which is 39.15%-40.5% higher than the R3.86 reported for the previous comparable period. The six month period under review saw increased earnings performance from the group's core investments mainly attributable to the fair value gain recognized by Zedar on its investments in Joy Wing Mau which is in process of being disposed of as per Zedar's SENS announcement dated 21 Sep 2018. The groups unaudited financial results for the six months ended 31 Aug 2018 are expected to be published on the 16th Oct 2018.

Sibanye- Stillwater

Debt reduction plan to free up more cash for the business

Sibanye's share price rallied this past week as progress was made following the group's announcement that they would be retiring their $400m long term interest bearing debt. This amount is equivalent to approximately 31% of the $1.5bn that was raised to finance the $2.2bn acquisition of Stillwater mining during 2017. The debt has since been repurchased and retired through a tender offer which sees a $26m reduction in annual interest costs. What this means is that the group has managed to cut down its overall short-term debt with the only remaining short-term debt being their local South African debt which the group does not believe will be challenging to refinance given the historical precedents for Sibanye and similar companies operating in the country. This reduction in their capital spend will increase their forecasted free cash flows from next year leading to the effective deleveraging of the group. Comments from CEO, Neal Froneman confirmed the groups intention to significantly deleverage its operations with hopes of driving cash flows up to the point of reintroducing dividends for the 2019 financial year end. The group is still in the processes of integrating Lonmin within their structure and realizing the benefits from that acquisition whilst the growth of their gold business still remains a primary focus. The group's gold mines have operated under significant pressure as the mines only contributed R1bn to the group's adjusted EBITA for the first half of their financial year, this was down from R2.3bn for the previous comparable period.

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Sanlam

Conclusion of SAHAM acquisition

Sanlam and Santam have announced the fulfilment of all conditions regarding the acquisition of the remaining 53.7% of the Morocco-based SAHAM financial services business effective 9th Oct 2018. This comes after the approval granted from regulators from the various jurisdictions. This has been Sanlam's biggest acquisition to date, with Sanlam and Santam holding a 90% and 10% effective interest of SAHAM Finance. The conclusion of this deal has transformed the Sanlam group into a leading financial services provider in Africa which will open avenues for major growth within the sector. The post acquisition structure creates a pan-African financial services group which is able to offer a full product suite to its clients furthermore , the size and reach will provide a significant strategic advantage which will enable the group to expand its multinational client base whilst strengthening its already established position as specialist insurance and employee benefits providers. The acquisition deepens Sanlam's direct presence to a total of 33 African countries giving it unmatched access to continent's insurance market. The two companies began their partnership in 2016 when Sanlam Emerging Markets acquired a 30% stake in the SAHAM Finances Group with Sanlam making further purchases to increase their stake over the past 2 years.

GLOBAL MARKET DEVELOPMENTS

US stocks had their biggest overnight fall since February 2018 last week with markets witnessing a major sell off. The tech sector was hit the hardest with almost $125bn in market value being erased from the major tech players such as Facebook, Amazon, Apple, Netflix and Google. This comes as investors rushed to exit some of the best performing stocks of the year as they fear an imminent decline in the stocks value going forward. Markets have struggled to identify a single cause of the mass sell-off however the rising treasury yields, escalating trade conflict with China and signs of an overall weakened global trading environment are some of the issues that weighed on sentiment during the week. The sell off which sparked on Wednesday, continued through to Thursday bringing the major US indices below their 200-day moving average. The selling appeared to be systematic and appeared to be out of asset classes as a whole rather switching between individual stocks, ETFs were identified as being responsible for over a third of the days volumes.

European equities tracked global stocks lower with major indices having significant losses for the week. The German DAX and French CAC were both down 5% while the UK's FTSE dropped 4.4% for the week, the Stoxx Europre 600 was also down 5%, reaching new 52 week lows. Luxury goods stocks were heavily oversold amid new Chinese customs restrictions on imported designer goods. Italian bond yields hit highs of 3.7% as concerns over the country's finances continue to mount. The International Monetary Fund's top European official came out to say that Italy should be taking measures to reduce its deficit in accordance to EU rules which require countries with high debt levels to reduce indebtedness

Japanese stocks continue to fall as we saw a steep decline in the Nikkei last week of 5.98% with the global rout putting pressure on all markets. Industrials and IT stocks, particularly ones with significant exposure to China were affected the most. Markets believe that 3rd quarter revenue and earnings reporting season will help lift the Japanese markets once more however volatility is expected to persist due to ongoing US and china trade war. Chinese banks reduced the reserve bank retention ratio as trade war intensifies, the People's Bank of China lowered its reserve requirement to just 1%, they hope that this significant move will release an extra $175bn into the economy.

THE WEEK AHEAD

EARNINGS RELEASES FOR JSE LISTED COMPANIES

Company	Date
Pick n Pay Stores Ltd	16-Oct-18
PSG Group Ltd	16-Oct-18
Dis-Chem Pharmacies Ltd	17-Oct-18
DataTec Ltd	18-Oct-18