

Monday, 8 October 2018

TOP 10 GAINERS		
Share Name	Closing price	% change
ArcelorMittal South Africa Ltd	406	24,54
Intu Properties PLC	3525	24,08
Sibanye Gold Ltd	986	15,05
Alexander Forbes Group Holdings Ltd	550	11,11
Lonmin PLC	913	9,74
South32 Ltd	4326	9,10
Metair Investments Ltd	1630	9,03
Steinhoff International Holdings NV	248	7,83
Pan African Resources PLC	157	7,53
Mediclinic International PLC	8513	7,08
TOP 10 LOSERS		
Share Name	Closing price	% change
Greenbay Properties Ltd	91	-32,59
Pioneer Foods Group Ltd	7663	-16,71
EOH Holdings Ltd	3179	-15,70
RMB Holdings Ltd	7073	-10,64
Massmart Holdings Ltd	9237	-10,62
Rebosis Property Fund Ltd	581	-10,62
Texton Property Fund Ltd	491	-10,56
FirstRand Ltd	6170	-9,09
PPCLtd	589	-8,68
Cashbuild Ltd	26881	-8,57
GLOBAL EQUITY INDICES		
Indices	% Change	Points
Dow Jones	-0,04	26 447
S & P 500	-0,97	2 886
Nasdaq	-3,21	7 788
FTSE 100	-2,55	7 319
Nikkei 225	-1,39	23 784
Hang Seng	-4,12	26 573
S & P ASX 200	-0,36	6 185
COMMODITIES*		
Name	% Change	Price
Gold	1,07	\$1 203,63
Platinum	0,81	\$822,53
Brent Crude Oil	1,73	\$84,16
CURRENCIES*		
Indices	% Change	Price
\$ / R	-4,25	R 14,77
£ / R	-4,93	R 19,39
€ / R	-3,54	R 17,02

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## COMMENTS FOR TOP 40 STOCK MOVEMENTS

The JSE had a disappointing week following global markets lower, as investors reacted to spiking US treasury yields. The uncertainty filtered through to our markets resulting in many of the major indices closing lower for the week. Financials lead losses down 5.27% followed by industrials losing 3.47%. Overall the Top 40 lost 2.55%. Resources however continued their rally gaining a further 1.57%. This comes on the back of reports declaring that the mining sector has outperformed the All Share index for the first time in 10 years for the period ended June 2018. The driver for this recent outperformance was bulk commodities namely; coal, iron-ore and manganese as precious metals such as gold and platinum continued their long-term decline. SA Mine report collated from data from 31 listed mining companies show a 15% increase in market cap for the sector up to R482bn from R420bn in 2017.

ABSA Manufacturing PMI fell to its lowest level of 43.2 points since July 2017, the reading shows a contraction in manufacturing activity for the second consecutive month. A major driving force for the decline was decreased domestic demand and job creation.

October is still regarded as a high risk month for the rand as there are still sizable risks being identified in emerging market currencies despite their rebound from second quarter losses. The rand managed to recover 3.9% during the month of September after losing 9.6% in August. Further recovery however hinges on Finance Minister Nhlanhla Nene's mid-term budget policy statement which is expected towards the end of the month, based on this address Moody's will review South Africa's credit rating.

## KEY EVENTS & COMPANY RESULTS

### EOH Holdings Limited

#### Reviewed condensed consolidated results year ended 31 July 2018

The EOH group was founded 20 years ago and remains the largest technology group in Africa. The group provides technology, knowledge, skills and organisational ability which is key for Africa's growth and development. During this financial period the group underwent a significant organizational transformation dividing the business into two major independent business, namely EOH and NEXTEC. The restructuring costs incurred amounted to R379mil, with goodwill, investments and other assets impairments totalling R121mil. The group faced a challenging period due to deteriorating conditions in South African operating environment however they still managed to report an 8% revenue growth over the period, revenue was reported at R16,3mil (2017:R15,1mil). This growth was testament to their highly skilled and dedicated workforce. There was however significant declines in earnings due to discontinued operations and increased expenditure over the period. Earnings per share was down to 202 cents per share from 2017's 794 cents per share. Once the discontinued operations are taken into account a loss of 70 cents per share is realised (2017: 825 cents per share). The board has thus decided that no dividend will be declared for the 2018 financial year end. Commentary from the incoming CEO, Stephen van Coller, assures stakeholders of the exciting opportunity the EOH group presents and that he is committed to taking the group to new heights where transparency and sustainability will be a primary focus.

### MTN Group Limited

#### Nigeria central bank files counter claim in escalating MTN dispute

The ongoing dispute between the group and the monetary authority of Nigeria has escalated as the Nigerian central bank has filed a counter claim to MTN's court request which sought to stop the central bank from forcing it to repatriate R119bn. Nigeria accounts for a third of the telecoms group operating profit, the group has identified strong growth possibilities within the region, however the imposition of the fine has cast doubt on whether MTN will proceed with their intended IPO on

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the Nigerian Stock Exchange as the business would not get a fair value given the current circumstances. Group CFO, Ralph Mupita says they will rather opt for listing by way of introduction due to the volatile market conditions, a final decision on a way forward is expected from the board by the end of this year. This newly filed counterclaim by the Nigerian authorities means that none of the parties can resort to self help in the matter any longer with everybody essentially surrendering their grievances to the court and awaiting on the courts decision. Details of the counterparty claim include a request for MTN to pay 15% annual interest on the original fine of R119bn and for the court to dismiss MTN's case which seeks to stop the central bank's order of repatriating the funds.

### Alexander Forbes Group Holdings Limited

#### Appointment of Group Chief Executive Mr Dawie de Villiers and resignation of Group Chief Financial Officer Ms N Ford-Hoon

Following the crass dismissal of Andrew Darfoor, the group announced his replacement last week at what was a rather unusual speed given the circumstances. Dawie de Villiers has been named as Darfoor's successor and will take over operations on the 1st of November 2018, De Villiers is currently head of Sanlam Employee Benefits. De Villiers will be joining the group without taking any gardening leave in between his positions as the operational health of Alexander Forbes is critical to that of Sanlam's and their strategic BEE partner, African Rainbow Capital, who coincidentally also owns 18% of Alexander Forbes. The group's management believes that De Villiers will bring in the critical knowledge and skill of employee-benefits which Dafoor lacked as well as being an already well-known and established industry professional, he brings with him many industry contacts from the local corporate world, which seemingly Dafoor also lacked. Dafoor says he was mandated to carry out Alexander Forbes's five year plan which under his leadership brought the two years ahead of target furthermore, the group reported improved expense efficiency and dividends as well as top-line growth in employee benefits, health, insurance and investments. This leads Dafoor to believe his termination was unjust and as such he has appealed the dismissal at the CCMA. The group also announced the resignation of their group chief financial officer Ms N Ford-Hoon, this comes just eight days after Darfoor's termination, with the two having worked closely together there is speculation that his removal was likely the main reason for Ford-Hoon's resignation. Ford-Hoon who also sits on the board of directors will be leaving the group effective 31 December 2018 after having been with the group for a little over a year. The board has activated its succession plan and are confident that they will be able to find a suitable replacement within the next two months.

## GLOBAL MARKETS

US markets started the week off on a positive note following the announcement that Canada had joined the US and Mexico in a revised North American Free Trade Agreement. Early week gains were however erased as major benchmarks ended the week lower with the large-cap indices fairing off substantially better than the tech-heavy Nasdaq Composite and other smaller-cap indices. The Nasdaq shed 3.21% for the week while the S&P and Dow were down 0.97% and 0.04% respectively. US trading volumes were elevated last week causing a spike in the Volatility Index which jumped to its highest level since April 2018. Energy stocks and financials were the overall outperformers while consumer discretionary stocks lagged on the back off Amazon's weakening over the week, this after they announced that they will be raising their internal minimum wage hourly rate to \$15 the stock experienced further pressure as Bloomberg released a report stating that the company's servers had been hacked by Chinese government, Amazon has denied these reports.

European stocks tracked US equities lower amid combined concerns over global bond yield rise as well as the Italian government's budget plans. Major indices such as the FTSE 100, DAX and French CAC all shed 2.55%, 2.6% and 0.98% respectively. The 10-year Italian government bond yield rose to highs of 3.5% as Italy's coalition government outlined its fiscal targets where policy makers remained steadfast in their 2.4% predicted budget deficit. Investors however remain fearful that this is too wide and could trigger downgrade from credit rating agencies. Greek banks have signalled for the potential need of fresh capital injects into their system to manage their enormous debt, this comes just weeks after the end of Greece's eight-year long bail out program which ceased late August.

Japanese markets fell for the week after what has been an impressive rally over the past few weeks. The Nikkei was down 1.39% as economist warned about the increase of potential risks to the Japanese economy. There has been a notable slowdown in economic growth due to a 2% consumption tax increase scheduled for next year which economist say investors ought to offset the tax hike by increasing their short-term spending. Mainland Chinese stock markets were closed for a week-long national holiday however trade tariff concerns still linger as the next round of tariffs are set to come into effect on the 1st of November 2018.

## THE WEEK AHEAD

### EARNINGS RELEASES FOR JSE LISTED COMPANIES

Company	Date
Zeder Investments Ltd	09-Oct-18
PSG Konsult Ltd	11-Oct-18

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