

Monday, 10 April 2017

TOP 10 GAINERS		
Share Name	Closing price	% change
LONMIN PLC	2009	37.23
ANGLOGOLD ASHANTI LTD	17081	19.24
SIBANYE GOLD LTD	3400	18.47
ANGLO AMERICAN PLATINUM LTD	35824	17.04
GOLD FIELDS LTD	5300	13.32
NORTHAM PLATINUM LTD	5793	12.73
HARMONY GOLD MINING CO LTD	3683	12.12
CAPITAL & COUNTIES PROPERTIE	5369	11.62
DATATEC LTD	5700	10.44
IMPALA PLATINUM HOLDINGS LTD	4972	9.95

TOP 10 LOSERS		
Share Name	Closing price	% change
WILSON BAYLY HOLMES-OVCON	14199	-11.89
LIFE HEALTHCARE GROUP HOLDIN	2571	-11.31
GROUP FIVE LTD	1861	-11.13
ASTRAL FOODS LTD	14215	-9.40
PSG GROUP LTD	22385	-9.37
LIBERTY HOLDINGS LTD	9913	-8.42
LIBERTY TWO DEGREES	940	-8.29
CURRO HOLDINGS LTD	4508	-7.98
BLUE LABEL TELECOMS LTD	1645	-7.69
DIS-CHEM PHARMACIES PTY LTD	2190	-7.56

GLOBAL EQUITY INDICES		
Indices	% Change	Points
Dow Jones	-0.02	20,660
S & P 500	-0.29	2,356
Nasdaq	-0.64	5,874
FTSE 100	0.21	7,338
Nikkei 225	-1.29	18,665
Hang Seng	-0.14	24,267
S & P ASX 200	-0.04	5,862

COMMODITIES*		
Name	% Change	Price
Gold	1.31	\$1,265.56
Platinum	1.65	\$966.00
Brent Crude Oil	2.88	\$55.07

CURRENCIES*		
Indices	% Change	Price
\$ / R	-2.88	R 13.81
£ / R	-1.71	R 17.14
€ / R	-2.45	R 14.66

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COMMENTS FOR TOP 40 STOCK MOVEMENTS

Following the unexpected decision by the country's President to dismiss the Finance Minister the previous week, the rand continued its downward slide with the local currency reaching a low of R13.94/\$ last week. This was exacerbated by Standard & Poor's (S&P) subsequently downgrading various local banks to junk to fall in line with its rating of the sovereign which it downgraded on Monday. Fitch followed suit downgrading both the local and foreign currency ratings of the sovereign to sub-investment grade on Friday.

The S&P downgrade saw a depreciation in the rand as well as a decline in bond prices. The Fitch downgrade only saw a muted response in the rand, with markets perhaps factoring in the effects of the downgrade ahead of the announcement. Banking stocks, retailers and property stocks felt the after effects of the downgrade most severely with banks leading the losses. The stock indices lost 4.03%, 3.25% and 2.25%, respectively. Nedbank and Barclays came out with statements to essentially allay fears of their banks' abilities to handle the 'stress' of downgrade debt on their capital and liquidity positions.

Resources drove local markets higher last week as gold stocks rallied to lift the RESI to a 5.72% weekly gain. Global political uncertainty helped the gold spot prices to rise which underpinned the performance of gold stocks such as top performer AngloGold Ashanti (19.24%). However, Lonmin's spectacular 37.23% jump deserves special mention. Analysts generally cited 2 reasons for the strength in the stock. Firstly, they cite that the weak rand had assisted the platinum miner since its the most geared to the rand. Secondly, they mentioned that outstanding short interest in the stock which needed to be covered in short order had also created additional volatility amplifying the stock price rise.

KEY EVENTS & COMPANY RESULTS

Astral Foods Limited

Trading statement

Astral Foods released a trading statement on Monday where they advised shareholders that they expect HEPS for the 6 months ending March 2017 to be between 50% and 60% lower than the previous comparable period. Similarly, EPS is expected to be between 50% and 60% lower which puts it in a range of between 388 cents and 311 cents. Consensus expectation falls in the same range, with estimated adjusted EPS at 340 cents.

The results for the 6 months ending March 2017 are expected to be better than what was indicated at the time when the general trading update was issued on 6 February 2017. The share price, however, declined on the day in line with its competitors in the Food Producers and Processors Index. Astral Foods closed 0.85% lower.

Life Health Care Group Holdings Limited

Trading statement and publication of supplementary rights offer

The healthcare group released a trading statement guiding as to the performance of the group for the 6 months ended 31 March 2017. It expects revenue to improve

Contact Details

Derick Meintjes
 Email: Derickm@legae.co.za
 Tel: +27 11 722 7330

Private Clients Enquiries
 Email: privateclients@legae.co.za
 Tel: +27 11 722 7343

by between 20% and 25% and normalized EBITDA to increase by between 11% and 15% while HEPS is expected to fall by between 50% and 60%. EPS is expected to be lower by between 60% and 70%.

The significant declines in EPS and HEPS are mainly due to the group's acquisition of Alliance Medical Group Limited and once-off items related to the investment in Poland. If one compares the firm's expectations with regard to revenue and EPS to analyst expectations one sees an interesting contrast. Consensus expectation for revenue is expected to be R 8601 million, which represents a 9.43% increase year-on-year. The expectation for EPS is R0.9, which only represents a 3.23% decline year-on-year. The company's stock price fell 4.34% as a result of this release.

Transaction costs relating to the acquisition are estimated to be between R240m and R260m. In relation to the Polish investment, the items that affected earnings are a further impairment required in Poland of up to R150m as a result of the additional reduction in tariffs in cardiology from 1 January 2017 and a one-off release of contingent consideration in relation to the business. No explanation was provided by the company in relation to this contingent consideration. Further, given the information provided in the trading statement, Life Healthcare has prepared a supplementary rights offer circular dated 4 April 2017. Qualifying shareholders are requested to review the Supplementary Circular, which has been published on the Company's website.

Redefine International Plc

Agrees 49 million investment to acquire control of German retail portfolio joint venture

The UK focused REIT announced that they reached a conditional agreement with Redefine Global (Pty) Limited to acquire a larger controlling interest in the German Leopard Portfolio joint venture. The total consideration of the acquisition is €49 million and following the acquisition, Redefine will hold an effective 94% controlling interest in the German portfolio.

Redefine state that the rationale for the acquisition of 44% overall equity interest in the Leopard Portfolio, is that it provides an efficient reinvestment of capital from a historical asset disposal into a portfolio for which it's fully responsible (management and administration) and external financing arrangements are already in place. Furthermore, through its subsidiary Ciref Europe Limited, Redefine has agreed to acquire all shareholder loans outstanding between Redefine Global (Pty) Limited and the SPVs. It allows Redefine Plc to provide the subordinated debt financing requirements of the Leopard Portfolio at an externally benchmarked commercial rate of interest. Redefine Plc's stock price fell 2.5% on the day of the announcement.

GLOBAL MARKET DEVELOPMENTS

One of the main highlights of the week was U.S President, Donald Trump's meeting with Chinese President Xi Jinping. Some investors were jittery over the course of the week as to what would be the outcome of the talks. Trump spoke of progress made on various issues, but no concrete deals emanated. U.S military action, however, took attention away from the meeting. Gold, U.S. bonds and oil all spiked sharply after Donald Trump ordered air strikes against the Syrian government on Thursday. Gold soared to a weekly high of \$1270.55 on Friday before easing in the afternoon, with the metal remaining volatile all week. U.S bonds also rose initially on the news with yields on the 10-year U.S Treasury bond falling by as much as 3.6 basis points to lows of 2.3051%. Further, oil prices climbed to near one-month highs as fears of decreased supply gripped markets. This is not as a result of Syria being a major producer, but rather from expectations of a change in the geo-political landscape impacting large oil producers in the region and further abroad (such as Iran and Russia) and the impact on overall oil supply.

U.S Stocks closed marginally lower on Friday. This performance came on a day that non-farm payroll data revealed that only 98,000 jobs were added in March, which was below the expected gain of 180 000. The unemployment rate fell to a 10-year low of 4.5%. This news favoured a more measured approach from the Fed in normalizing interest rates particularly as it comes at a time when the ability of the Trump administration to pass a stimulative tax cut through Congress is in doubt. Federal Reserve officials keenly watch the payroll data, particularly for any signs of wage pressure. Supporting this contention, the Federal Reserve also published the minutes of its March 14 & 15 FOMC meeting this week. The Fed increased its fed fund rate by 25 basis points to a range of 0.75% to 1.00% but indicated a gradual rise in interest rates. Part of the discussions at that meeting involved how the Fed would wind down its \$4.5 trillion balance sheet.

European markets ended the week mixed with the Euro Stoxx 600 gaining only 0.03%. Like it's American counterpart the European Central Bank published minutes from its March meeting. In the meeting, governing council members argued for a diminished case for the ECB's commitment to cut rates further, saying that the economic situation and the balance of risks have improved.

While in Asia, Japan's Nikkei share average edged 0.36% higher, with gains being small as there was a lot of risk-off sentiment following the bombing of the Syrian airbase. The Hang Seng lost 0.14% with KunLun Energy Company Limited being the top performer as it garnered returns of 13.12%.

THE WEEK AHEAD

Earnings releases for JSE listed companies

Company	Date
Zeder Investments (ZED)	10-Apr-17
Sun International Ltd (SUI)	10-Apr-17
Stenprop Ltd (STP)	10-Apr-17
Rebosis (REB)	13-Apr-17
PSG Konsult (KST)	13-Apr-17
PSG Group (PSG)	13-Apr-17

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