

MARKET SUMMARY

As of 2017/05/31

MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	-0.42	5.97	2.18	5.61	13.40	13.51
FTSE/JSE SA Listed Property	0.11	0.73	3.73	14.32	15.23	16.55
All Bond Index	1.03	2.87	13.35	7.80	7.52	8.57
STeFI (Cash)	0.63	1.88	7.62	6.87	6.26	6.18
MSCI World	0.28	4.82	-4.29	11.56	20.12	17.19
MSCI EM	1.28	8.24	4.38	6.82	11.31	9.28
Oil Price	-4.18	-8.76	-15.11	-17.00	-5.38	2.11
Gold Price	-1.50	1.66	-12.42	8.05	4.59	8.74

MARKET COMMENTARY

Global markets continued along their positive trend in May, despite continued political noise, slowing economic data and cooling commodity prices. Emerging market equities were again at the top of the performance pile, as asset flows into these markets reached their highest level since August 2016. In developed markets, the main event was the French election, with Emmanuel Macron's convincing second round which led to some healthy gains in European markets and the euro and kept developed markets on their positive trajectory.

On the local front, markets had an indifferent month, as more tempered growth expectations and declining commodity prices negatively effecting returns in May. On the positive side, inflation numbers for April 2017 came in at 5.3%, reflecting a marked decrease from 6.1%, with the South African Reserve Bank (SARB) leaving interest rates unchanged at 7%. However, lack lustre economic growth forecasts, which were further reduced to 1% by the SARB, and the ANC's backing of the incumbent president led to underperformance relative to other emerging markets. Positive sentiment towards emerging markets from global asset allocators has undoubtedly helped limit the negative impact of the depressed local political and economic atmosphere. Besides equity, all local asset classes posted positive returns, although these were hardly significant.

The **FTSE/JSE All Share Index** lost -0.4% in May, with rand-hedge shares the shining light. The top performing shares amongst the largest 60 companies in May were Vodacom (+9.3%), Aspen (+7.1%) and Bidvest (+7.1%). The worst performing shares were Impala Platinum (-14.4%), Truworths (-13.5%) and Foschini (-13.2%). **Industrials** posted mild gains in May as selected rand-hedges performed well and Naspers (31% of the industrials index) continued to drive gains with a 7.0% return in May. **Financials** and **Resources** ended the month in negative territory, as declining economic growth expectations and commodity prices took their toll.

The **MSCI World Index** ended the month up 2.2%, leaving the index up 17.1% in US dollar terms over the past year. The index's largest contributor, the US, lagged this performance in May with the **S&P 500** posting a 1.4% return for the month. Despite cooling economic data and ongoing political friction, US markets continue to reach record highs, albeit at a slower rate. Elsewhere, a win for Emmanuel Macron in the second round of the French presidential election promoted healthy monthly returns in European equity markets. The UK's **FTSE 100** and Germany's **FSE DAX** each posted a US dollar return of 4.7% in May. In Japan, the **Nikkei 22** also ended the month in positive territory with a US dollar return of 3.2%.

Emerging markets had another decent month outperforming their developed peers despite falling commodity prices and a sovereign debt downgrade (Moody's) in China. The **MSCI Emerging Markets Index** gained 3.0% for the month in US dollars, leaving gains at 17.3% in 2017 and 27.9% over the past year.

It was a mildly positive month for local fixed income investors, with the SARB's decision to leave rates unchanged at 7% and falling inflation expectations nurturing investors' appetite for higher yielding instruments. The **All Bond Index (ALBI)** gained 1.0% in May as yields fell marginally which left gains over the past year at 13.4%. **Listed Property** continued its run of underwhelming returns with a gaining just 0.1% in May, leaving the sector with a return of 3.7% over the past year. Thin confidence in the sector wasn't helped by a further decline in local economic growth expectations. **Cash** returned a stable 0.6% for the month, and has provided a steady 7.6% return over the past year.

Looking at currencies, the rand was surprisingly stable over the course of the month. Political rumblings and the threat of a local currency debt downgrade were overwhelmed by the positive sentiment towards emerging markets. This helped the rand gain against most major currencies in May. The local currency appreciated by 1.5% and 1.7% against the **US dollar** and **pound sterling** in May. Elsewhere, a well-received French presidential election, led to the rand depreciating by -1.7% against the **euro** in May.

The US dollar price of **Oil** continued to decline, falling by -2.8% over the course of May, with the agreement by OPEC members to keep production cuts at their current level on May 25 disappointing market participants. The **Gold** price was flat in May, while the US dollar price of **Platinum** was similarly flat with a gain of just 0.1% for the month. Most notable was significant drop in the US Dollar per tonne price of **Iron Ore**, as sales of vehicles softened in the US and China.