

MARKET SUMMARY

As of 2017/06/30

MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	-3.49	-0.39	1.69	3.42	12.19	13.45
FTSE/JSE SA Listed Property	0.29	0.91	2.82	13.18	13.76	16.42
All Bond Index	-0.95	1.49	7.93	7.11	6.61	8.38
STeFI (Cash)	0.61	1.85	7.63	6.92	6.29	6.19
MSCI World	-0.39	1.02	3.71	10.62	19.97	17.79
MSCI EM	-0.09	3.06	8.42	5.81	11.56	9.45
Oil Price	-5.36	-11.37	-13.70	-19.33	-4.75	1.21
Gold Price	-2.51	-2.49	-15.85	5.17	4.48	7.94

MARKET COMMENTARY

Global markets delivered muted, yet positive returns for the month of June. Emerging market equities were again at the top of the performance pile on aggregate, outperforming their developed peers for the month. Positive sentiment fuelled by healthy levels of global risk appetite continues to underpin investor confidence in emerging markets. In the developed world, the main event was again, you guessed it, an election! This time in the UK where a surprise result, which saw the Conservatives lose their majority in parliament, led to the underperformance of UK assets. June also saw an anticipated US interest rate hike which had no material impact on market movements.

On the local front, markets endured a difficult month, as investor and business confidence were marred by negative economic and political news flow. The month started off with news that the economy had entered into a technical recession, with shrinking growth recorded for two consecutive quarters beginning in the final quarter of 2016. Following this, a sovereign credit downgrade on local and foreign currency debt to one notch above junk status on a negative outlook by Moody's on June 9th, put South Africa firmly on the precipice of significant bond market outflows and led to negative monthly returns from local bonds. These events, along with others such as the tabling of the revised mining charter, were also not well received by equity markets, which saw another month of investor outflows (-\$4.1bn year-to-date).

The **FTSE/JSE All Share Index** lost -3.5% in June. The top performing shares amongst the largest 60 companies in June were New Europe Property Investments (+8.1%), Mr Price (+6.9%) and Capitec (+6.6%). The worst performing shares were Brait (-25.6%), Anglogold (-13.8%) and Telkom (-12.5%). All of the major equity sectors came under pressure as confidence in the local economy dwindled. **Industrials, Resources and Financials** all ended the month in negative territory with returns of -4.2%, -3.1% and -2.1% respectively. The sideways trend of the market over the past three years means that dividends have been the primary source of returns over this period.

The **MSCI World Index** ended the month up 0.4%, leaving the index up 18.9% in US dollar terms over the past year. There were no clear themes driving returns in June, with a mixed bag of returns evident across regional indices over the period. The index's largest contributor, the US, mirrored this performance in June with the **S&P 500** posting a 0.6% return for the month. A surprising result in the UK election was perhaps the standout event, which led to the UK's **FTSE 100** posting a -1.8% return in June. Elsewhere, Japan's **Nikkei 22** and Germany's **FSE DAX** each posted a US dollar return of 0.5% and -0.9% in June respectively.

Emerging markets had another decent month, outperforming their developed peers. The **MSCI Emerging Markets Index** gained 1.1% for the month in US dollars, leaving gains at 18.6% in 2017 and 24.2% over the past year.

Local bonds also struggled in June, with Moody's credit downgrade of South Africa's sovereign local and foreign currency debt to one notch above investment grade on a negative outlook increasing the likelihood of near-term junk status and subsequent bond market outflows of R120bn (estimated by Investec Asset Management) because of forced global index selling. The tide of local bond inflows shifted in June, with -\$502mn in outflows recorded for the month. The **All Bond Index (ALBI)** lost 1.0% in June, leaving gains over the past year at 7.9%. **Listed Property** continued its run of underwhelming returns; gaining just 0.3% in June, but at least provided positive returns in a difficult environment. The sector has returned just 2.8% over the past year. **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 resilient over the course of the month, due to healthy global risk appetite. A credit downgrade, a technical recession and ongoing policy uncertainty had little effect on the local currency. The US dollar was notably weak over the course of the month, which helped the rand gain 0.6% against the greenback. The local currency was flat against the **pound sterling**, while it depreciated by 0.8% against the **euro** in June.

The US dollar price of **Oil** continued to decline, falling by -4.8% over the course of June, as fresh concerns of a stubborn supply glut drove losses. Waning global investor risk appetite, led to a -1.9% decline in the US dollar price of **Gold**, which is typically seen as a safe-haven asset. The US dollar price of **Platinum** also ended the month down, declining -2.6% in June.