

# MARKET SUMMARY

As of 2017/08/31

## MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	2.65	6.04	10.15	6.56	13.10	14.32
FTSE/JSE SA Listed Property	0.76	4.79	9.40	13.02	11.66	15.60
All Bond Index	1.03	1.58	10.20	6.67	6.31	7.69
STeFI (Cash)	0.62	1.86	7.63	7.01	6.36	6.20
MSCI World	-1.56	1.04	0.67	11.05	18.76	18.05
MSCI EM	0.50	6.64	7.51	6.91	12.11	10.22
Oil Price	-1.99	2.62	-1.64	-14.65	-6.46	2.83
Gold Price	1.95	2.11	-11.50	7.63	4.18	9.23

## MARKET COMMENTARY

August was another good month for local markets, as the FTSE/JSE All Share Index reached a new 3-year high, fresh from achieving the same milestone during the previous month. Apart from the president surviving an eighth vote of no confidence, August was a relatively quiet month in terms of political and economic events. South Africa's reported annualised headline inflation fell to 4.6% (July) from 5.1% (June) and continues to be supportive of further interest rate cuts, especially given the low projections for economic growth and a firmer rand. Any interest rate cuts would be a positive for local equities, listed property and bonds. The market has started to reflect this expectation, albeit with a healthy level of scepticism. All major local asset classes provided positive returns in August and the FTSE/JSE All Share Index is now only marginally behind the All Bond Index over a 1-year period.

Global markets provided more muted returns in August, with North Korean tension, European positivity, a Brexit deadlock and a series of U.S. frustrations proving that the economic expansion is not immortal. Fiery exchanges between Donald Trump and Kim Jong Un in August, which culminated in North Korea launching its first ballistic missile to fly over Japan, was arguably the biggest influence on market sentiment in August. Emerging markets outperformed developed markets in August for the 8th consecutive month.

The **FTSE/JSE All Share Index** gained 2.7% in August, thereby reaching a new 3-year high. The top performing shares amongst the largest 60 companies in August were Sibanye Gold (+23.5%), Imperial Holdings (+20.0%) and Impala Platinum (+14.2%). The worst performing shares in August were Capital & Counties (-9.3%), Brait (-8.5%) and Bid Corp (-6.6%). Encouragingly, broad-based gains led to all the major local equity sectors ending the month in positive territory, thereby building on July's market rally. **Resources** (+5.1%) were again the standout performer benefitting from rising commodity prices and a weaker US dollar. **Financials** (+2.1%) and **Industrials** (+2.0%) also posted decent performance in August, as businesses dependant on the local environment benefitted from expectations of lower future interest rates and improving sentiment.

The **MSCI World Index** ended the month up 0.2%, leaving the index up 16.8% in US dollar terms over the past year. Heightening tensions in North Korea unsettled risk averse investors in August, leading to muted gains in developed markets. The index's largest contributor, the US, mirrored this performance in August with the **S&P 500** posting a 0.3% return for the month. Elsewhere, Germany's **FSE DAX**, the UK's **FTSE 100**, and Japan's **Nikkei 22** each posted a US dollar return of 0.3%, -0.7% and -1.0% in August respectively.

Emerging markets seemed largely oblivious to heightened geopolitical tension, as a weaker US dollar and stronger commodity prices promoted gains in August. The **MSCI Emerging Markets Index** gained 2.3% for the month in US dollars, leaving gains at 28.6% in 2017 and 25.0% over the past year.

Local bonds had a decent month in August. With interest rates likely to remain low in the developed world, at least for the foreseeable future, South African bonds will continue to be buoyed by the global search for yield and the prospect of further interest rate cuts. The **All Bond Index (ALBI)** gained 1.0% in August, leaving gains over the past year at 10.2%. **Listed Property** had a relatively tame month; posting a return of 0.8% in August. Annual returns from the sector are beginning to look a bit better (9.4%), emerging from a period of unusually low returns within an uncertain political and economic environment. **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 appreciated against most major currencies in August but remained relatively stable. A weaker **US dollar** saw the local currency appreciate by 1.5% against the greenback in August. The rand also appreciated against the **euro** (0.7%) and **pound** (3.9%) over the course of August.

Commodity prices posted mixed performance in August. The US dollar price of **Oil** was essentially flat in August (-0.5%). The US dollar prices of **Gold** and **Platinum** were up 3.5% and 5.1% respectively in August, as both precious metals were supported by a weaker US dollar. The US dollar price of Gold showed a notable spike towards the end of the month as news of the North Korean missile launch fuelled risk aversion.