

MARKET SUMMARY

As of 2017/12/31

MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	-0.34	7.44	20.95	9.28	11.93	12.52
FTSE/JSE SA Listed Property	4.21	8.32	17.15	11.71	13.86	16.04
All Bond Index	5.66	2.22	10.24	6.92	6.27	7.97
STeFI (Cash)	0.60	1.80	7.56	7.13	6.50	6.25
MSCI World	-8.11	-3.60	8.74	9.60	18.06	17.40
MSCI EM	-6.20	-1.81	21.63	9.03	9.88	9.46
Oil Price	-4.54	6.55	6.54	7.67	-2.46	4.05
Gold Price	-8.49	-7.75	1.99	4.63	2.59	8.04

MARKET COMMENTARY

Local investors hoping for a quiet end to the year were left disappointed in the first week of December, as Steinhoff International's share price plunged following the announcement of possible accounting irregularities at the global retail company. Steinhoff's CEO, Markus Jooste, resigned with immediate effect following the announcement and investors were left scratching their heads. Despite the fallout from the bombshell dropped by Steinhoff, the market reacted positively to the election of Cyril Ramaphosa as ANC Party President, which was announced on December 18th. Market movements indicate an element of confidence in the ability of Ramaphosa to institute policies that will boost economic growth and allow South Africa to avoid further sovereign credit ratings downgrades. The result was a rally in interest rate sensitive assets, with local bonds and property performing well in an environment of yield compression. Within the equity market, domestically focused counters were the standout, however, the overall index returns were left in negative territory by a negative contribution from index heavy weights (Naspers and Richemont) and the Steinhoff debacle.

Global markets continued their upward trajectory in December, with economic growth remaining synchronized and recent business and consumer confidence surveys reinforcing a growing sense of optimism as we enter 2018. Over the month of December, emerging market equities beat developed market equities for the 10th time in 2017. Three key developments on the global front included Brexit negotiations, Donald Trump's tax reform and the normalisation of interest rates by the US Federal Reserve Bank.

The **FTSE/JSE All Share Index** ended the month -0.3% down. The top performing shares amongst the largest 60 companies in December were Foschini (+24.4%), Mr Price (+19.4%) and FirstRand (+18.9%). The worst performing shares in December were Steinhoff International (-91.7%), Impala Platinum (-16.5%) and Sibanye Stillwater (-16.0%). **Financials** (8.4%) were the top performing segment of the market in December, as fresh positive sentiment towards domestically focused companies promoted gains within interest rate sensitive assets. **Resources** (-0.5%) were negatively affected by a significantly stronger rand in December which translated into lower rand commodity prices in the month. **Industrials** (-4.1%) struggled in December, as the negative impacts of local currency strength on selected rand hedges was compounded by the Steinhoff scandal.

The **MSCI World Index** ended the month up 1.4% in US dollar terms, leaving the index up 23.1% over the past year. The index's largest contributor, the US, mirrored this performance in December with the **S&P 500** posting a 1.1% return for the month. An increase of 0.25% in US interest rates had little negative impact on global markets in December. Elsewhere, the UK's **FTSE 100**, Germany's **FSE DAX** and Japan's **Nikkei 22** each posted a US dollar return of 5.0%, -0.1% and -0.3% in December respectively.

Emerging markets continued a recent trend of strong performance in December. The **MSCI Emerging Markets Index** gained 3.6% for the month in US dollars, leaving the index with remarkable gains of 37.8% over the past year!

Local bonds had a strong month as sentiment towards South African focused assets reacted positively to political news flow. Bond yields contracted over the month which led to a return of 5.7% for the **All Bond Index (ALBI)** in December. The strong end to the year for local bonds brought the annual return for the ALBI for 2017 to 10.2%. **Cash** returned a stable 0.6% for the month, which left annual gains at a steady 7.6%. **Listed Property** benefitted from the fall in local bond yields, producing a return of 4.2% for the month. Returns from the sector were broad based, however, positive performance from index heavy weights such as Growthpoint, Redefine and NEPI Rockcastle drove index returns. Positive performance for the asset class in December left annual gains for 2017 at 17.2%.

Looking at currencies, the rand appreciated substantially against most major currencies in December as the market reacted positively to local political developments. The rand gained 10.2% against the **US dollar**, 9.4% against the **euro** and 10.3% against the **pound** during December.

The US dollar price of **Oil** continued a recent upward trend, increasing by 5.2% during the month of December. The US dollar price of **Gold** was up by 0.8% in the month, while the price of **Platinum** was down by -1.6% in December.