

MARKET SUMMARY

As of 2018/01/31

MARKET INDICES (R)

| | 1 month | 3 months | 1 year | 3 years* | 5 years* | 7 years* |
|-----------------------------|---------|----------|--------|----------|----------|----------|
| FTSE/JSE All Share | 0.10 | 1.21 | 16.07 | 8.21 | 11.25 | 12.88 |
| FTSE/JSE SA Listed Property | -9.91 | -4.31 | 3.85 | 5.36 | 11.29 | 15.02 |
| All Bond Index | 1.86 | 6.57 | 10.79 | 5.36 | 6.64 | 8.59 |
| STeFI (Cash) | 0.60 | 1.80 | 7.51 | 7.16 | 6.53 | 6.26 |
| MSCI World | 0.92 | -8.76 | 8.77 | 10.43 | 15.92 | 15.83 |
| MSCI EM | 3.87 | -5.87 | 21.54 | 10.02 | 9.30 | 9.22 |
| Oil Price | -0.96 | -4.15 | 9.20 | 9.98 | -4.47 | 1.77 |
| Gold Price | -0.07 | -11.08 | -2.31 | 2.90 | 1.44 | 7.66 |

MARKET COMMENTARY

2018 got off to a jittery start for local investors. The month began with rumours that the now notorious Viceroy Research was targeting another South African company, following the company's role in the share price collapse of Steinhoff International in December. Pharmaceutical counter Aspen as well as several locally listed property counters initially felt the pain of all this speculation, with the listed property asset class most severely affected in terms of January returns. However, in a surprise move Viceroy released a report on Capitec on Tuesday the 30th of January, which put immediate downward pressure on the company's share price. Capitec management and the South African Reserve Bank were fast to counter the claims of Viceroy which helped to stem losses in January. The wider market continued along its positive trend with developments in January reinforcing a sense of optimism around the new leadership of the ANC. Most notable was the removal of the Eskom board which was well received by investors. This helped bonds to a healthy gain in January, however the negative impacts of rand strength on large rand hedge shares and speculation translated into tepid returns from the overall local equity market.

In terms of global markets, the sentiment towards growth assets remains undoubtedly positive, with most global equity markets continuing higher. A lot has been reported about the "synchronised" nature of the bull market, with Europe, Asia and the U.S. all benefiting from the rise in confidence and corporate profitability. This is lifting all boats, although emerging markets continued to see the strongest gains in January, led by China, Brazil and more recently Russia.

The **FTSE/JSE All Share Index** ended the month with a flat return of 0.1%. The top performing shares amongst the largest 60 companies in January were Mr Price (+16.7%), Bidvest (+14.4%) and Anglo American (+13.1%). The worst performing shares in January were Fortress B (-29.0%), Capitec (-26.8%) and NEPI Rockcastle (-24.8%). **Resources** (3.2%) were the top performing major local sector, benefitting from stronger commodity prices. **Industrials** (0.4%) were only mildly positive for the month with index heavy weights, such as Naspers, showing mixed fortunes during the month as rand strength created headwinds to positive share price movements. **Financials** (-3.0%) was the worst performing market segment during the month, driven lower by negative returns from Capitec and PSG.

The **MSCI World Index** ended the month up 5.3% in US dollar terms, leaving the index up 26.5% over the past year. The index's largest contributor, the US, was again a strong driver of returns as the **S&P 500** posted a 5.7% return for the month. Elsewhere, Germany's **FSE DAX**, Japan's **Nikkei 22** and the UK's **FTSE 100** each posted a US dollar return of 5.9%, 4.7% and 3.1% in January respectively.

Emerging markets started the year in the same positive vein that was in place for most of 2017. Broad based increases in commodity prices were particularly supportive of commodity exporting countries during the month. The **MSCI Emerging Markets Index** gained 8.3% for the month in US dollars, leaving the index up 41.5% over the past year.

Local bonds had another strong month, despite net foreign selling of South African bonds and the yield on 10-year US treasuries moving higher during the month. Local bond yields contracted which led to a return of 1.9% for the **All Bond Index (ALBI)** in January. **Listed Property** had a poor start to the year as speculation that Viceroy was due to release a report on one of the South African listed property companies drove several shares lower. Listed property produced a return of -9.9% during the month, driven lower mainly by offshore counters which make up a significant portion of the index. This leaves gains from listed property at 3.9% over the past year. **Cash** returned a stable 0.6% for the month, which left annual gains at a steady 7.5%.

Looking at currencies, the rand continued its strong run against the US dollar in January. The rand appreciated by 4.3% against the **US dollar** and 0.5% against the **euro** during the month. The rand was slightly weaker against the **pound** during the month, depreciating by 0.8% during January.

The US dollar price of **Oil** continued its upward trajectory from 2017, increasing by 3.3% during the month of January. The US dollar price of **Gold** was up by 4.2% in the month, while the price of **Platinum** was also up in January, increasing by 8.4% over the month.