MARKET SUMMARY

As of 2018/06/30

SOUTHWOOD FINANCIAL PLANNING cc

MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	2.78	4.54	15.02	6.69	11.05	12.16
FTSE/JSE SA Listed Property	-3.45	-2.19	-9.94	0.93	6.71	11.68
All Bond Index	-1.17	-3.78	10.19	7.76	7.39	8.22
STeFI (Cash)	0.55	1.74	7.33	7.27	6.70	6.35
MSCI World	8.03	16.93	14.04	10.77	15.01	17.93
MSCI EM	3.28	5.66	10.68	7.50	9.45	9.49
Oil Price	10.80	30.77	73.42	12.15	1.35	5.23
Gold Price	3.67	9.26	5.30	6.44	7.69	7.69

MARKET COMMENTARY

The global risk off trade that started in April continued into June driven primarily by geopolitical tensions and higher US borrowing rates. Emerging markets were most notably affected as capital flight drove a downward repricing of emerging market assets, including currencies. The ongoing fears of a trade war between the U.S. and China compounded emerging market growth concerns, thereby placing more pressure on their currencies and debt. In Europe, concerns continued around Italy's precarious political situation. This dampened risk appetite as investors contemplated the possible repercussions on the European banking system and the value of the Euro of Italy exiting the European Union.

Retreating investor confidence spilled over into local markets with disappointing trade numbers, the weakening rand and poor GDP growth data adding fuel to the fire. There were significant sales of South African bonds in June which led to a third consecutive month of negative returns from the asset class. Local property continued its dismal run in 2018 as lower than expected economic growth and the prospect of higher interest rates negatively impacted property counters. Despite the international negative sentiment toward emerging markets, local equities deviated from global trends by producing a positive return for the month as the local stock market was buoyed by rand hedge shares.

The **FTSE/JSE All Share Index** ended the month up 2.8%. The top performing shares amongst the largest 60 companies in June were Naspers (+15.2%), Sappi (+9.9%) and Sasol (+9.9%). The worst performing shares in June were Vodacom (-11.6%), Life Healthcare (-11.4%) and Nedbank (-8.8%). **Resources** (+6.0%) was again the best performing market segment as a stronger US dollar and a rising oil price drove gains. **Industrials** (+4.2%) were not far behind, as a 15.2% gain for Naspers drove returns in June. **Financials** (-2.9%) struggled in June, as sentiment towards domestically focused stocks waned.

The **MSCI World Index** ended the month flat in US dollars, leaving the index up 11.7% over the past year. A stronger US dollar and geopolitical concerns saw US markets emerge as one of the few global markets with a positive return for the month. The **S&P 500** was up 0.6% in June. Other major European and Asian developed markets ended the month in negative territory with Japan's **Nikkei 22** (-1.3%), the UK's **FTSE 100** (-1.0%) and Germany's **FSE DAX** (-2.4%) posting negative returns for a second consecutive month.

The **MSCI Emerging Markets Index** produced a negative return of -4.1% for the month in US dollars in line with the prevailing risk off environment. The index is now up by 8.6% over the past year. Heightening risk of a trade war between the U.S. and China sent Chinese shares tumbling in US dollar terms as rumours circulated that the Chinese government may devalue its currency as a means to gain an advantage in the ongoing dispute. The **Shanghai Stock Exchange** ended the month down -11.1% in US dollar terms.

Local bonds had a disappointing month as foreigners sold R33.7 billion worth of the asset class in June, thereby marking the first time ever that foreign holdings in our local bond market have declined for the first six months of the year. The **All Bond Index (ALBI)** produced a return of -1.2% in June. **Listed Property** had another difficult month as investor sentiment retreated on the back of weak economic data and the potential for interest rate hikes. Listed property produced a return of -3.5% during the month – its fifth consecutive month of negative returns. **Cash** returned a stable 0.6% in June and has produced a return of 7.3% over the past year.

The rand was among the worst performing currencies in June. The rand depreciated by -7.6% against the **US dollar** and **euro**, while it lost -6.9% against the **pound** as sentiment weakened across emerging markets.

The US dollar price of **Oil** continued its recent upward trend, increasing by 2.4% in June, bringing its annual gains to 65.8%! The US dollar price of **Gold** and **Platinum** decreased by -4.2% and -6.2% respectively in the month on the back of a stronger US dollar.

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