MARKET SUMMARY

As of 2018/07/31

MARKET INDICES (R)

	1 month	3 months	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	-0.25	-1.03	7.20	6.41	10.05	12.44
FTSE/JSE SA Listed Property	-0.50	-9.62	-13.59	-0.91	7.52	11.35
All Bond Index	2.42	-0.76	11.18	8.25	8.04	8.38
STeFI (Cash)	0.61	1.77	7.32	7.30	6.74	6.38
MSCI World	-1.51	8.27	9.00	8.18	13.55	18.17
MSCI EM	-2.83	-2.01	1.26	7.78	8.69	9.32
Oil Price	-10.68	3.64	40.01	13.87	-1.87	3.09
Gold Price	-6.69	-2.44	-4.37	4.89	4.19	5.59

MARKET COMMENTARY

The start of the third quarter of 2018 showed a sharp turnaround from the previous quarter, with improved global risk appetite driving robust performance from major global equity markets. Easing trade tensions on the back of the US-EU trade deal helped to promote a more positive environment, which cascaded into emerging markets.

This aided confidence in the local environment, with a successful BRICS summit and better than expected trade numbers reinforcing gains in the local bond market and an appreciation of the rand against major currencies. On the local economic front, interest rates were left unchanged, however SARB Governor Lesetja Kganyago highlighted dangers to the local inflation outlook posed by a possible trade tariff war and higher global oil prices. The above helped South African bonds to the top of the emerging market pile during July, with rand-denominated government debt returning +6.5% in US dollar terms during July. A remarkable turnaround from the second quarter of 2018, which saw South Africa's bonds bear the brunt of an emerging market sell-off. Within the local equity market, banks and insurers were the standout performers for the month of July, within an environment that was generally conducive for the share prices of locally geared companies.

The **FTSE/JSE All Share Index** ended the month down -0.3%. The top performing shares amongst the largest 60 companies in July were Discovery (+15.3%), Vodacom (+14.2%) and Anglo American Platinum (+12.7%). The worst performing shares in June were Glencore (-12.4%), Capital and Counties (-8.0%) and Intu (-7.9%). **Financials** (+4.7%) was the best performing market segment with banks and insurers driving gains as sentiment improved. **Industrials** (-2.0%) and **Resources** (-1.4%) struggled in July, as rand strength negatively impacted the offshore drivers of each of these market segments.

The **MSCI World Index** provided robust US dollar returns in July (+3.2%), leaving the index up +12.5% over the past year. The U.S. continues to lead global economic growth. This has continued to drive positive equity market returns in the world's largest economy, with the **S&P 500** up +3.7% in July. Major European markets also delivered decent returns with the UK's **FTSE 100** and Germany's **FSE DAX** up +0.9% and +4.3% for the month. Elsewhere, Japan's **Nikkei 22**(+0.1%) posted flat returns in July.

The **MSCI Emerging Markets Index** produced a positive return of 2.3% for the month in US dollars as global risk appetite showed some improvement. The index has struggled this year (-4.4% in 2018) and is now up only +4.7% over the past year. Capital flight away from these markets have driven asset prices lower, however, +$7.9bn of equity market inflows in July eased this trend somewhat. Chinese markets attracted most of these flows in July, however, the **Shanghai Stock Exchange** still ended the month down -2.0% in US dollar terms as a weakening yuan weighed on returns.

Local bonds had a very good month as valuations, maturing debt and coupon reinvestment resulted in increased purchases of emerging market debt among global high yield investors. In fact, the local bond market was the top performer among its emerging market peers in July. The **All Bond Index (ALBI)** produced a return of +2.4% in July. **Listed Property** had a mildly negative month as investors seemingly implement a wait and see approach to the embattled sector. Listed property produced a return of -0.5% during the month – its sixth consecutive month of negative returns. **Cash** returned a stable +0.6% in July and has produced a return of +7.3% over the past year.

The value of the rand showed steady gains against major currencies over the course of the month as it hit a six-week high on the last day of the month. The rand appreciated by +4.6% and +4.4% against the **US dollar** and **euro** respectively, while it gained +5.3% against the **pound** as renewed capital flows into emerging markets and idiosyncratic factors drove gains in July.

The US dollar price of **Oil** declined in July (-6.5%), thereby breaking its upward trend over the previous four months. The US dollar price of **Gold** and **Platinum** both decreased by -2.4% respectively in July.