
Market Overview

February 2019

Market and Economic Summary

Global equity markets continued their strong start to the year in February, driven higher by encouraging signs of a possible breakthrough in trade negotiations between the U.S. and China. US President Donald Trump indicated towards the end of February that the U.S. would delay the raising of tariffs on \$200 billion worth of Chinese goods. Geopolitical tensions weighed on markets slightly towards the end of the month, triggered by tensions between India and Pakistan and the lack of a nuclear agreement being struck at the Hanoi summit between President Trump and North Korean leader Kim Jong Un.

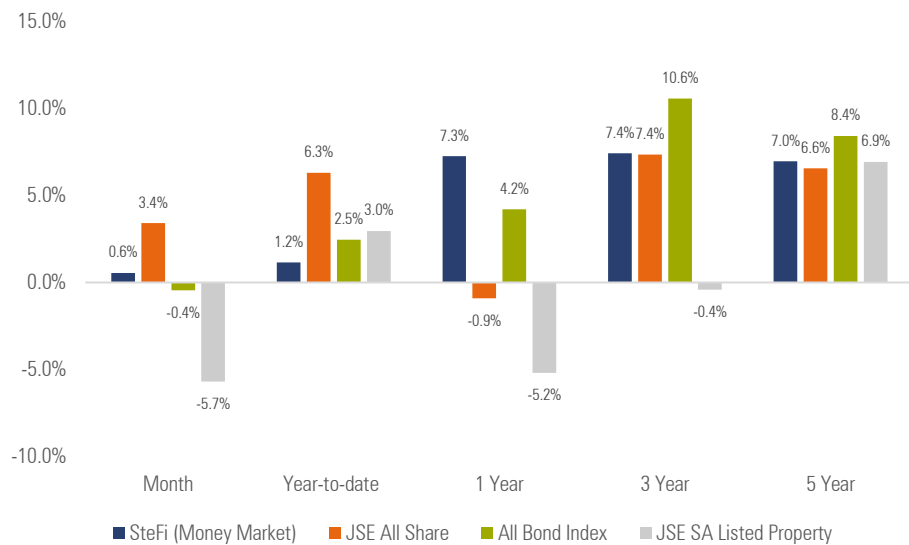
The South African equity market produced a decent return in February, driven by strong returns from resource counters and industrial heavyweights, including Richemont, AB InBev and Naspers. Financials fared slightly worse, after a strong start to the year, with the large banks and life insurers weighing on index returns. Local listed property came under pressure during February after a spectacular start to the year, as poor results releases weighed on the sector and bonds yields moved higher over the course of the month. Local bonds ended the month slightly down, however, the recovery towards the end of February masked a brief sell off in the asset class following the budget speech.

Finance Minister Tito Mboweni delivered his maiden budget speech in February. He was faced with an extremely difficult balancing act between delivering a credible budget, laying out further plans for President Ramaphosa's planned reforms, appeasing influential ANC factions and the general public during an election year and laying out concrete plans to keep the ratings agencies happy. The budget speech was generally well received by market participants, with both the rand and local bonds recovering later in the day after a brief sell off.

Moody's will review South Africa's sovereign credit rating at the end of March, and while the country's rating is unlikely to be changed to non-investment grade, there is a possibility that the outlook may be changed from stable to negative.

Inflation continued to moderate during January, with headline CPI slowing to a year-on-year rate of 4.0%, largely due to a slowdown in transport costs from a reduction in fuel prices.

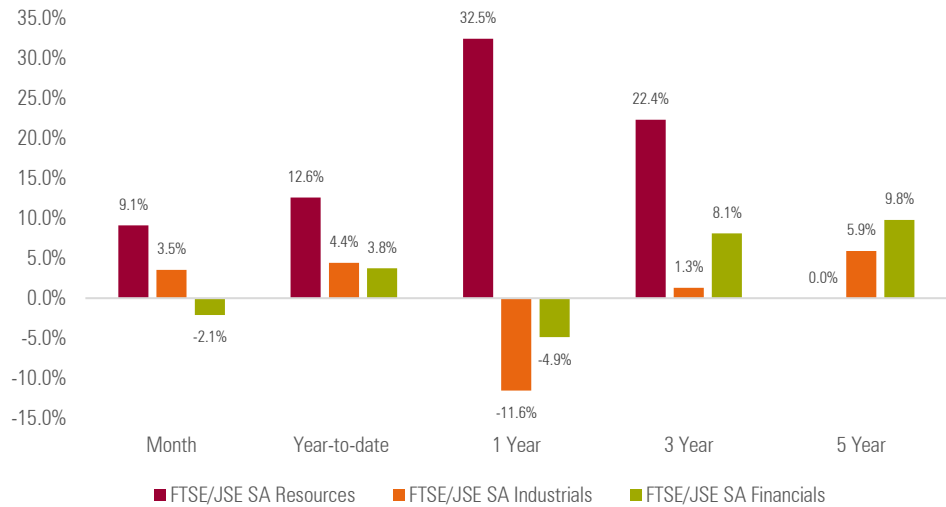
Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 28/02/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Resources (+9.1%) and **Industrials** (+3.5%) both delivered decent outcomes in the month, while **Financials** (-2.1%) struggled.

Exhibit 2: SA Sector Performance (total returns)



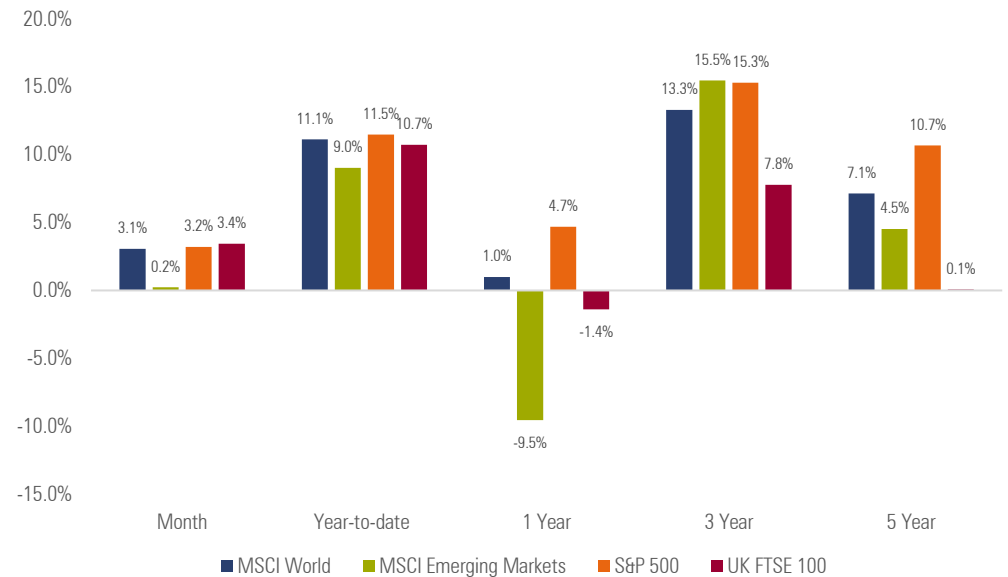
Source: Morningstar Direct as at 28/02/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Developed market equities moved higher during the month after a strong start to the year. The **MSCI World Index** (+3.1%) delivered a decent return during February, largely due to strong returns from U.S. equities.

Emerging market equities had mixed fortunes during February, as Chinese equities delivered strong returns during the month, while other markets (including Brazil, Russia and India) were slightly down in local currency terms. The **MSCI Emerging Markets Index** (+0.2%) was marginally positive for the month.

All major equity markets delivered positive performance in February, with the UK's **FTSE 100** (+3.4%), Germany's **FSE DAX** (+2.3%) and Japan's **Nikkei 225** (+0.7%) all finishing February higher. U.S. equities moved higher in February after a strong start to 2019, with both the **S&P 500** (+3.2%) and the **NASDAQ 100** (+2.9%) delivering positive returns for the month.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 28/02/2019. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Investors with significant allocations to equities received decent outcomes in February as the local equity market delivered strong returns during the month and global allocations received a strong tailwind from a weaker rand during February. Income investors had mixed fortunes during the month, as the local bond market came under pressure slightly after the budget speech and poor returns from local listed property during February weighed on portfolio returns.

The first two months of the year have delivered decent returns for most investors following a difficult 2018. We continue to encourage investors to take a long-term view when employing capital. Through our valuation driven approach, we will continue to allocate our clients' money to the areas of the market where we believe there is sufficient reward for the risk taken on.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	3.41	6.31	-0.90	7.35	6.56	10.51
JSE SA Listed Property	-5.70	2.96	-5.20	-0.41	6.93	9.53
All Bond Index	-0.44	2.45	4.21	10.58	8.43	7.84
STeFI	0.55	1.16	7.26	7.43	6.97	6.50
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	3.57	6.38	-0.34	7.27	6.10	10.38
JSE Mid Cap	2.28	4.67	-5.30	5.53	7.76	9.92
JSE Small Cap	-2.71	-0.72	-15.26	0.86	3.75	9.27
FTSE/JSE SA Resources	9.06	12.60	32.48	22.35	0.00	1.28
FTSE/JSE Ind/Financials	-2.09	3.75	-4.89	8.11	9.80	13.13
FTSE/JSE SA Industrials	3.53	4.44	-11.58	1.30	5.92	12.92
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	3.06	11.11	1.00	13.28	7.13	9.79
MSCI Emerging Markets	0.23	9.03	-9.54	15.46	4.52	2.44
S&P 500	3.21	11.48	4.68	15.28	10.67	13.06
NASDAQ 100	2.94	12.36	4.68	20.47	15.29	16.72
FTSE 100	3.43	10.71	-1.39	7.78	0.07	3.97
SSE Composite	14.12	21.09	-14.55	2.32	5.62	1.89
Nikkei 225	0.71	5.39	-5.20	12.77	7.71	8.96
FSE DAX	2.28	8.64	-13.54	8.32	-0.41	5.24
US T-Bill 3m	0.21	0.41	2.18	1.23	0.76	0.57
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	6.69	22.73	0.38	22.44	-9.56	-8.34
Gold	-0.31	3.14	0.10	2.22	-0.11	-4.11
Platinum	6.09	10.53	-11.03	-1.77	-9.75	-9.31
Copper	6.32	9.57	-6.00	11.58	-1.64	-3.82

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