Market Overview

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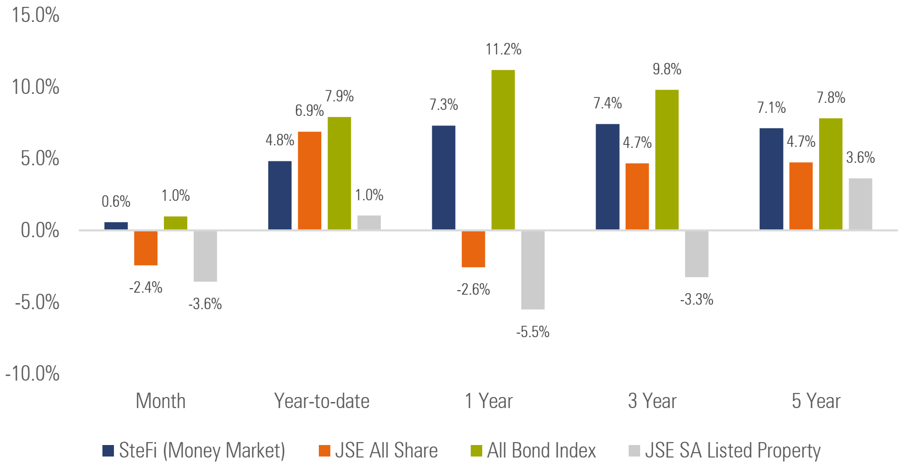
August 2019

Market and Economic Summary

Global equity markets continued to come under pressure during August, weighed down by trade tensions between the US and China which saw investors flock to the perceived save haven appeal of gold and developed market bonds.

US President Donald Trump announced an additional 10% tariff would be placed on $300bn worth of Chinese imports starting on 1 September. President Trump also accused China of manipulating the yuan as the Chinese currency fell to levels not seen in a decade.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 31/08/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

The South African equity market tracked global markets lower in August, weighed down by poor performance from the big four banks as well as large industrial and resource index constituents.

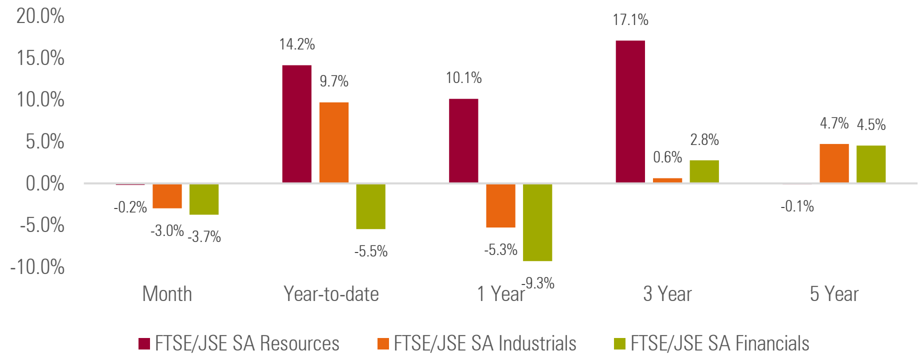
The rand came under pressure during the month in line with other emerging market currencies as political developments in Argentina weighed on sentiment towards emerging markets.

Argentina imposed capital controls to prevent the country's debt crisis from spiralling out of control. The Argentine peso fell 35% against the US dollar in August, while the main stock exchange in the country, the Merval, fell 57% in US dollar terms over the month.

National Treasury released a 77-page economic policy document during August entitled “Economic Transformation, inclusive growth and competitiveness: towards an economic strategy for South Africa”. The document was generally well received by the private sector, despite dividing opinion amongst other parties.

All sectors finished the month lower, with **Resources** (-0.2%) faring slightly better than **Industrials** (-3.0%) and **Financials** (-3.7%).

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 31/08/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

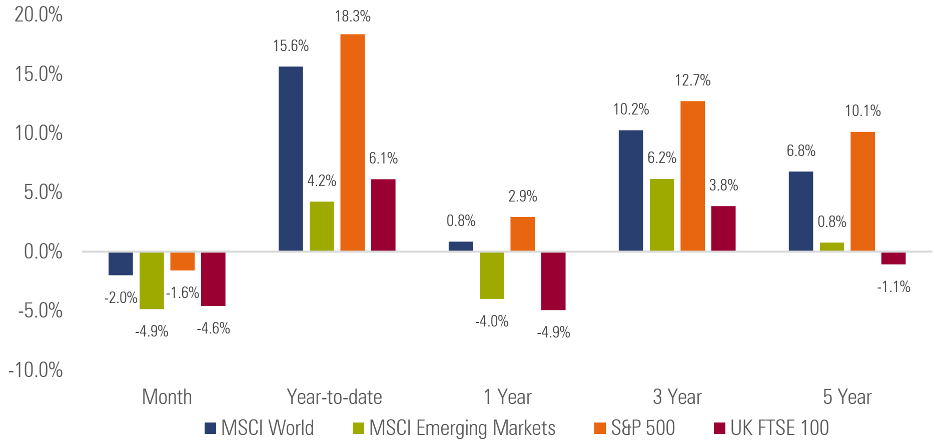
Developed market equities performed poorly in August, weighed down by concerns around trade issues and slowing global growth. The **MSCI World Index** delivered a return of -2.0% for the month.

Emerging market equities struggled during the month as appetite for perceived risky assets declined during August. The **MSCI Emerging Markets Index** (-4.9%) delivered disappointing performance for the month.

Most major equity markets ended the month lower, with Japan’s **Nikkei 225** (-1.5%), Germany’s **FSE DAX** (-3.1%), the UK’s **FTSE 100** (-4.6%) and China’s **Shanghai SE Composite** (-5.2%) all ending the month in negative territory.

US equities delivered disappointing performance in August, with both the **S&P 500** (-1.6%) and the **NASDAQ 100** (-1.9%) finishing the month lower.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 31/08/2019. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

The performance from portfolios was mixed during August. Portfolios with significant allocations to local equities struggled during the month, while those with material offshore allocations fared slightly better, driven by rand weakness against most major currencies. Those portfolios with an income focus generated decent returns for investors, as local bond allocations held up well during the month despite local listed property and the rand coming under pressure.

August provided a significant reminder of the importance of asset class diversification when building portfolios. This includes allocations to offshore sectors and geographies which are underrepresented in the local equity market and have the added benefit of adding to returns in the event of rand depreciation.

We will continue to follow a long-term, valuation driven approach when employing capital. By allocating money to out of favour and unloved areas of the market, we hope to generate superior risk adjusted returns for clients over extended time periods.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	-2.44	6.88	-2.58	4.68	4.73	9.82
JSE SA Listed Property	-3.57	1.03	-5.52	-3.26	3.62	5.31
All Bond Index	0.98	7.90	11.19	9.79	7.82	7.23
STeFI (Money Market)	0.58	4.83	7.31	7.41	7.12	6.63
Local Market Sectors	**1 Month**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**7 Years**
JSE Top 40	-2.67	7.52	-2.92	5.14	4.57	9.94
JSE Mid Cap	0.35	2.54	1.41	0.44	4.27	7.99
JSE Small Cap	-5.80	-6.86	-15.17	-5.77	0.16	6.81
FTSE/JSE SA Resources	-0.18	14.16	10.14	17.09	-0.10	3.70
FTSE/JSE Ind/Financials	-3.74	-5.47	-9.32	2.76	4.54	9.63
FTSE/JSE SA Industrials	-3.00	9.72	-5.28	0.63	4.72	11.27
Global Market Indices	**1 Month**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**7 Years**
MSCI World	-2.00	15.63	0.84	10.24	6.75	10.38
MSCI Emerging Markets	-4.85	4.21	-3.99	6.15	0.75	3.37
S&P 500	-1.58	18.34	2.92	12.70	10.11	13.37
NASDAQ 100	-1.86	22.41	1.60	18.55	14.83	17.13
FTSE 100	-4.59	6.10	-4.94	3.84	-1.08	3.49
SSE Composite	-5.16	11.20	1.23	-4.38	2.28	3.27
Nikkei 225	-1.52	8.22	-3.36	8.23	7.63	10.16
FSE DAX	-3.12	8.93	-8.60	3.68	1.06	5.93
US T-Bill 3m	0.17	1.57	2.37	1.57	0.99	0.72
Commodities	**1 Month**	**YTD**	**1 Year**	**3 Years**	**5 Years**	**7 Years**
Oil Price Brent Crude	-7.27	12.32	-21.95	8.71	-10.11	-8.53
Gold	7.06	19.50	27.11	5.29	3.52	-1.07
Platinum	7.56	19.16	18.56	-3.66	-7.99	-6.62
Copper	-4.19	-4.81	-5.67	7.25	-4.09	-4.10

Disclaimer

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