

Market Overview

September 2019

Market and Economic Summary

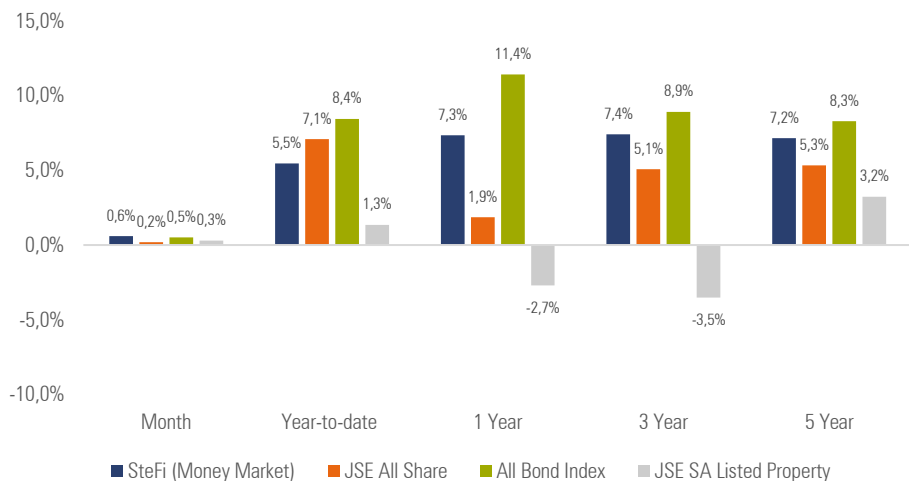
Despite continued uncertainty around trade issues between the US and China, most global equity markets finished the month of September in positive territory.

President Trump continued his aggressive stance towards China, accusing the country of intellectual property theft as well as the theft of trade secrets. Back home, the president faced issues of his own, with House Speaker Nancy Pelosi officially endorsing an impeachment inquiry into President Trump.

US economic data released in September was mixed, with August manufacturing recording its first decline in almost 3 years. In positive news, however, August new home sales came in ahead of market expectations.

The **US Federal Reserve announced a 0.25% interest rate cut** in September, continuing the trend of supportive monetary policy from most major central banks in the absence of broad-based inflationary pressures.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 30/09/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

The South African equity market ended the month largely flat, with strong performance from select financials counters offset by poor performance from large industrial index constituents including Naspers and Richemont. Financials were supported by better than expected results from Capitec and Firstrand.

Local bonds held up well during the month compared to global peers, ending the month in positive territory as the pace of selling from foreigners slowed during the month.

The rand had a mixed month, ending the month largely flat against the US dollar. The local currency started the month significantly stronger against the greenback, however, negative sentiment towards emerging economies caused significant depreciation towards the end of the month.

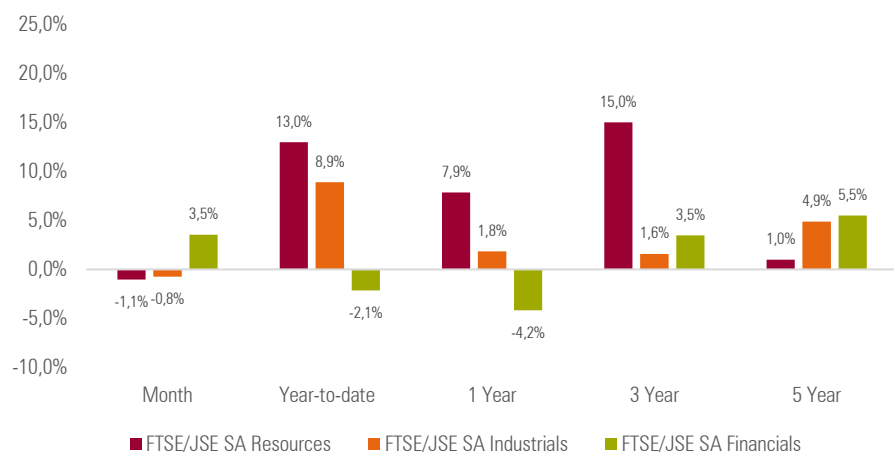
The **South African Reserve Bank kept the repo rate unchanged during the month**, as significant oil price volatility caused by an attack on Saudi oil infrastructure from a drone attack soured hopes for an interest rate cut for now.

Local GDP growth for Q2 2019 came in at 3.1% year-on-year, ahead of economic forecasts. This meant that the SA economy avoided a second recession in two years.

National Treasury also announced the successful \$5-billion Eurobond issue - the largest ever for a country in sub-Saharan Africa - the bond was oversubscribed by 270%.

Performance from sectors was mixed, with **Financials** (+3.5%) faring better than **Industrials** (-0.8%) and **Resources** (-1.1%).

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 30/09/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

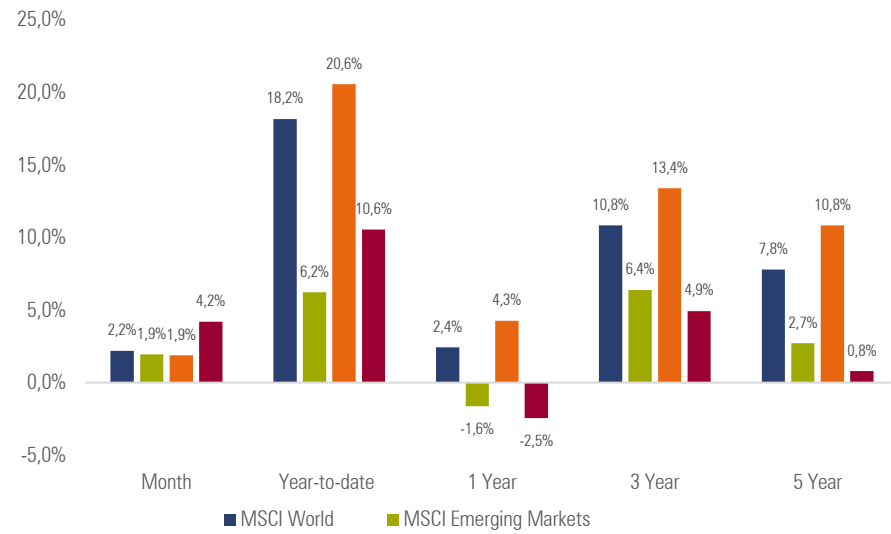
Developed market equities delivered decent performance in the month, despite continued concerns around trade issues and political posturing from the opposition in the US. The **MSCI World Index** delivered a return of +2.2% for the month.

Emerging market equities also delivered decent performance in the month, despite lagging their developed market counterparts slightly. The **MSCI Emerging Markets Index** delivered a return of +1.9% for the month.

All major equity markets ended the month higher, with the UK's **FTSE 100** (+4.2%), Japan's **Nikkei 225** (+4.0%), Germany's **FSE DAX** (+3.1%), and China's **Shanghai SE Composite** (+0.8%) all ending the month with decent returns.

US equities also delivered positive performance in the month, with both the **S&P 500** (+1.9%) and the **NASDAQ 100** (+0.8%) finishing the month higher.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 30/09/2019. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

The performance from portfolios was mostly positive for September. Portfolios with significant allocations to equities delivered decent performance, while those with an income focus generated positive returns as the local bond market held up well relative to global bond markets.

Year-to-date performance from portfolios remains encouraging as we head into the final quarter of the year. Despite global trade uncertainty and political infighting in certain countries, we remain encouraged by the returns generated this year. We would encourage investors to avoid changing their investments based on negative news headlines. It is essential that investors base investment decisions on their personal circumstances, rather than making knee jerk reactions in fear over what may transpire in global investment markets.

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	0.19	7.08	1.86	5.07	5.32	9.59
JSE SA Listed Property	0.30	1.34	-2.70	-3.51	3.24	5.85
All Bond Index	0.51	8.44	11.42	8.90	8.28	7.17
STeFI	0.59	5.45	7.34	7.41	7.15	6.65
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	0.01	7.53	1.88	5.58	5.12	9.67
JSE Mid Cap	-0.17	2.37	5.11	0.07	4.84	7.82
JSE Small Cap	2.21	-4.80	-11.80	-5.57	0.71	6.94
FTSE/JSE SA Resources	-1.05	12.96	7.85	14.99	0.99	2.73
FTSE/JSE Ind/Financials	3.54	-2.13	-4.17	3.48	5.51	10.14
FTSE/JSE SA Industrials	-0.75	8.89	1.83	1.58	4.86	11.17
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	2.18	18.15	2.42	10.82	7.79	10.29
MSCI Emerging Markets	1.94	6.23	-1.63	6.37	2.71	2.79
S&P 500	1.87	20.55	4.25	13.39	10.84	13.26
NASDAQ 100	0.83	23.42	2.73	18.01	15.19	17.09
FTSE 100	4.19	10.55	-2.45	4.93	0.79	3.75
SSE Composite	0.75	12.04	-0.75	-3.33	1.12	2.95
Nikkei 225	3.96	12.50	-3.07	9.57	8.50	10.49
FSE DAX	3.05	12.25	-4.75	4.68	2.51	5.55
US T-Bill 3m	0.16	1.74	2.35	1.62	1.02	0.75
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	0.58	12.97	-26.52	7.40	-8.64	-8.41
Gold	-2.82	16.13	25.10	3.95	4.07	-2.52
Platinum	-4.15	14.21	10.43	-4.52	-7.09	-8.44
Copper	0.88	-3.97	-7.31	5.83	-3.19	-5.11

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