

Market Overview

November 2019

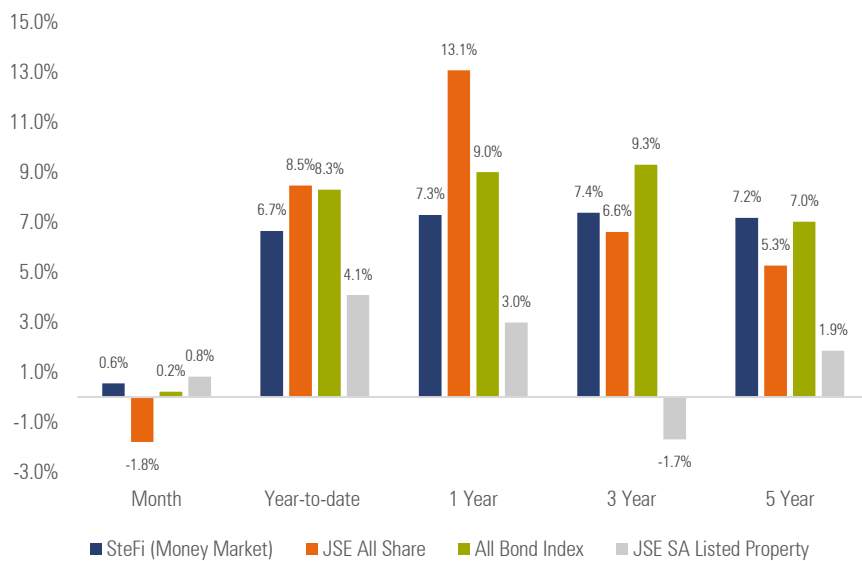
Market and Economic Summary

Most global equity markets ended the month of November higher, largely driven by optimism around a possible trade deal between the US and China.

This was despite concerns around the fragile truce between the two countries towards the end of the month following US President Donald Trump signing two bills into law supporting the Hong Kong protestors, which angered China’s Foreign Ministry.

US Federal Reserve Chair Jerome Powell provided a positive assessment of the state of the US economy towards the end of November, with Powell noting that the Fed’s three interest rate cuts have contributed to the US economy’s ongoing expansion.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 30/11/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities bucked the global trend, ending November lower, weighed down by poor performance from large industrial index constituents.

Local bonds finished the month marginally higher, however, the asset class remained under pressure following ratings updates from S&P and Moody’s on the country’s sovereign credit rating.

Local listed property was the best performing local asset class in November, delivering positive performance for the third consecutive month.

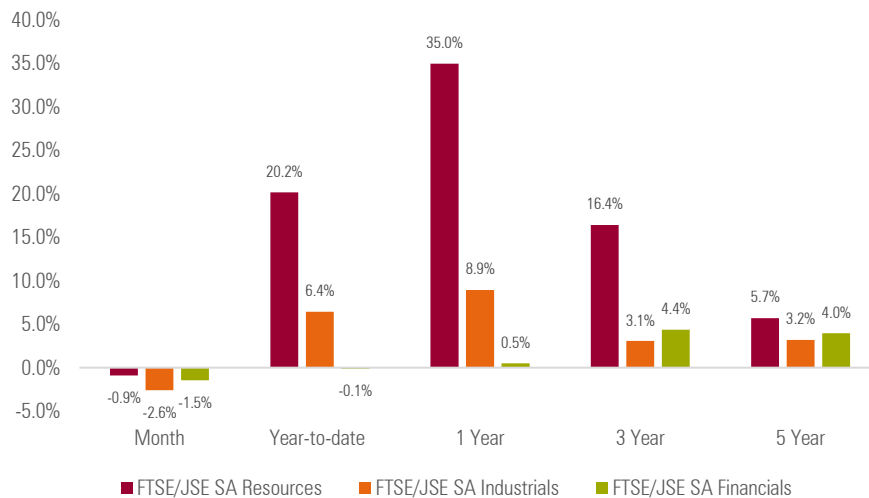
Ratings agency S&P provided an update on the country’s sovereign credit rating, moving South Africa to a negative outlook and raising concerns around the financial state of state-owned power utility Eskom.

The South African Reserve Bank Monetary Policy Committee (MPC) met during November and decided to keep the repo rate unchanged at 6.5%, however, unlike the unanimous decision in September, two of the five members voted for an interest rate cut.

In positive news, President Cyril Ramaphosa held the country’s second SA Investment Conference in early November, with R363 billion in investment commitments taking place. This brings total commitments to the president’s investment drive to R663 billion, following the R300 billion pledged by businesses at the inaugural investment conference last year.

All local equity sectors delivered negative performance for the month, with **Resources** (-0.9%) faring slightly better than **Financials** (-1.5%) and **Industrials** (-2.6%).

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 30/11/2019. Returns are in South African Rand and have been annualised for periods longer than 1 year.

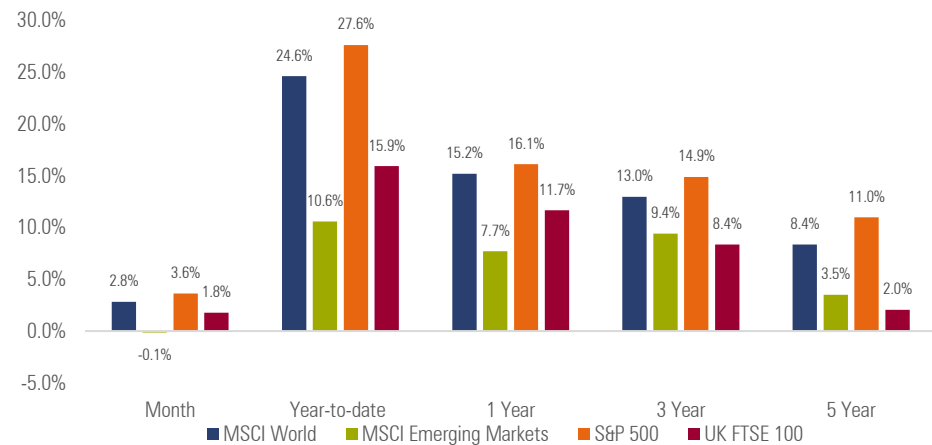
Developed market equities continued to deliver strong performance, largely driven by strong performance from US equities. The **MSCI World Index** delivered a return of +2.8% for the month and has now delivered a return of +24.6% year-to-date.

Emerging market equities delivered disappointing performance during the month, largely weighed down by poor performance from Chinese equities. The **MSCI Emerging Markets Index** delivered a return of -0.1% for the month, however, the year-to-date performance from the index is still strong, at +10.6%.

Most major equity markets ended the month with positive performance, with the UK's **FTSE 100** (+1.8%), Germany's **FSE DAX** (+1.7%) and Japan's **Nikkei 225** (+0.3%) all ending the month higher. China's **Shanghai SE Composite** (-1.8%) was one of the few major equity markets to end the month with negative performance.

US equities were the standout performers during the month, with both the **NASDAQ 100** (+4.1%) and the **S&P 500** (+3.6%) delivering strong returns.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 30/11/2019. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Performance from client portfolios during the month was mixed, depending on the level of allocation to South African equities. Income portfolios fared slightly better than those portfolios with significant allocations to local equities. Offshore allocations managed to deliver strong hard currency returns; however, this was largely offset by rand strength against major currencies during the month. Year-to-date performance from portfolios remain robust, largely driven by strong performance from global equities and local bonds.

We would encourage investors to be patient and employ a long-term view when employing capital. We remain comfortable with the positioning of client portfolios heading into the final month of the year. The portfolios remain diversified, both from an asset class and manager selection perspective, which we expect to generate inflation beating returns for investors independent of the market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	-1.80	8.46	13.08	6.61	5.26	8.74
JSE SA Listed Property	0.81	4.08	2.98	-1.70	1.86	5.90
All Bond Index	0.22	8.30	9.00	9.30	7.02	7.10
STeFI (Cash)	0.55	6.65	7.29	7.37	7.17	6.69
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	-2.03	8.47	13.63	7.16	5.20	8.63
JSE Mid Cap	0.61	10.40	14.12	3.63	4.89	8.61
JSE Small Cap	-1.20	-4.30	-5.12	-5.09	-0.10	6.41
FTSE/JSE SA Resources	-0.89	20.16	34.98	16.42	5.71	3.03
FTSE/JSE Ind/Financials	-1.47	-0.11	0.51	4.38	3.96	9.79
FTSE/JSE SA Industrials	-2.58	6.43	8.94	3.06	3.19	9.34
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	2.83	24.62	15.19	12.98	8.36	11.02
MSCI Emerging Markets	-0.13	10.57	7.70	9.42	3.51	3.28
S&P 500	3.63	27.63	16.11	14.88	10.98	14.39
NASDAQ 100	4.10	34.10	22.26	21.75	15.46	19.18
FTSE 100	1.77	15.93	11.68	8.36	2.04	4.16
SSE Composite	-1.82	12.52	9.66	-4.68	-1.31	3.65
Nikkei 225	0.31	18.89	10.39	12.01	9.75	11.29
FSE DAX	1.67	20.91	14.50	8.94	3.24	6.12
US T-Bill 3m	0.13	2.02	2.22	1.68	1.08	0.78
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	3.65	16.04	6.34	7.35	-2.25	-7.93
Gold	-3.36	14.16	19.93	7.42	4.30	-2.36
Platinum	-4.49	13.45	11.06	-0.95	-5.80	-8.08
Copper	0.51	-1.86	-6.15	0.66	-2.12	-4.28

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