

Market Overview

June 2020

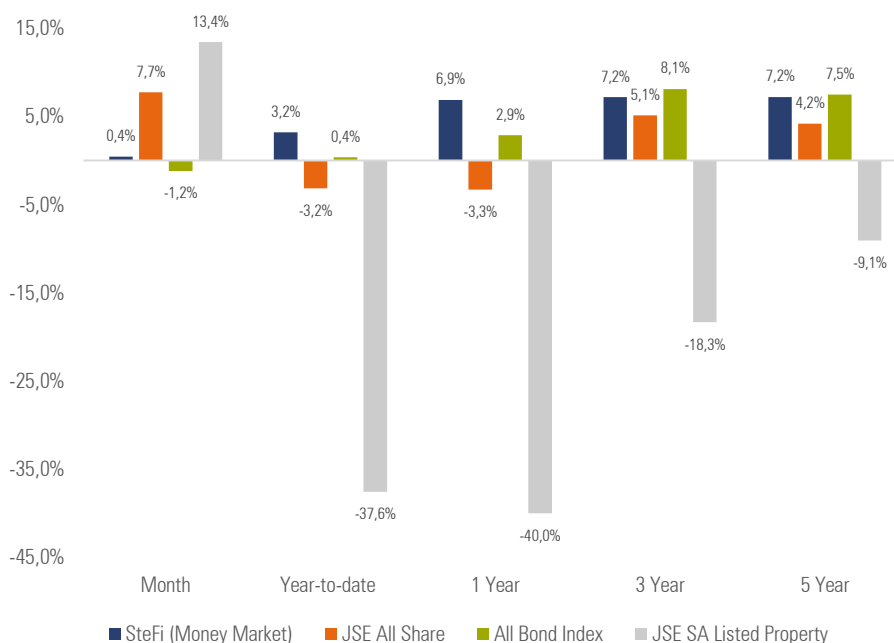
Market and economic summary

June proved to be another positive month for global markets, as investors' appetite for risk continued to increase despite concerns around the spread of Covid-19 in emerging markets as well as a new spike in cases in the United States.

Emerging market equities were the largest beneficiary of the risk on environment, benefitting from the unprecedented fiscal stimulus announced by governments and central banks across the globe.

Global equity markets (and US technology shares in particular), delivered strong returns during the month, despite continued growth in Covid-19 cases across the globe and the announcement of new lockdown measures in some cases.

Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 30/06/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities benefitted from the increase in investor risk appetite, with the local equity market delivering strong performance during the month. The strong performance was mostly broad based and was largely driven by the gold miners and Naspers, however, banks continued to underperform the broader market.

Local bonds ended the month marginally lower after a very strong April and May, as the worsening fiscal position of the country was highlighted in the supplementary budget delivered towards the end of the month.

Local listed property rebounded strongly in the month, recovering some lost ground despite continued concerns around rental collections and balance sheet risks posed by ever increasing loan to value ratios.

The rand was largely stronger against most major currencies during the month, showing signs of stabilising following significant depreciation since the beginning of the year.

Finance Minister Tito Mboweni delivered the supplementary budget towards the end of June, providing an update on the state of the country’s finances along with government’s intentions to reduce debt to a more sustainable level. While the content of the supplementary budget was generally well received, it was rather light on specific details, with many commentators highlighting the fact that implementation risk remains relatively high.

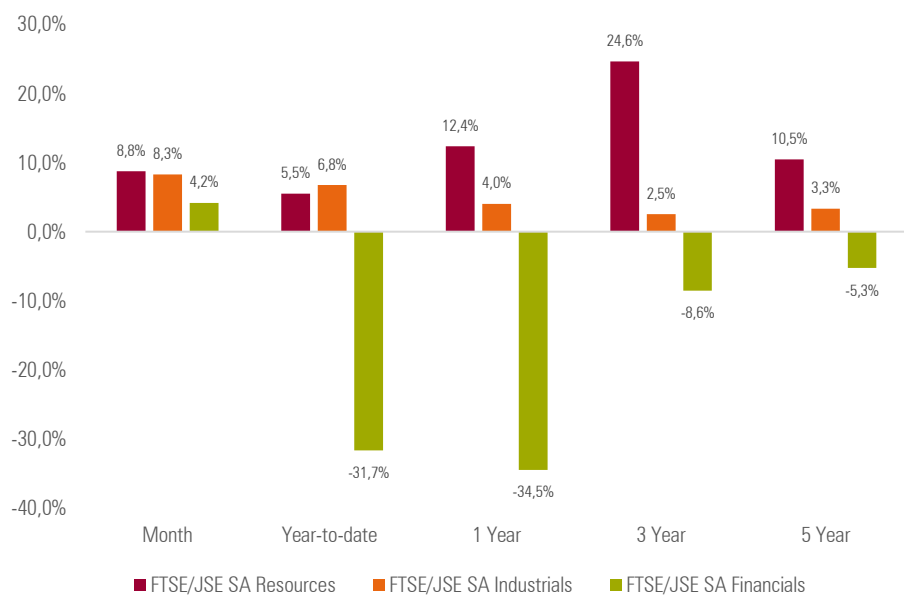
The Q1 2020 GDP figure was announced during the month, which showed a 2% decline in growth, deepening the recession in SA following two consecutive quarters of negative growth in the second half of 2019.

SA headline CPI fell to a year-on-year figure of 3% to the end of April, its lowest level since June 2005, largely driven by lower fuel and transport prices.

In positive news, May’s trade balance came in at a surplus of just under R16 billion, as exports dramatically increased by 96% month-on-month, while imports declined by 2% month-on-month.

All local equity sectors delivered strong returns, however, **Resources** (+8.8%) fared better than both **Industrials** (+8.3%) and **Financials** (+4.2%).

Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 30/06/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

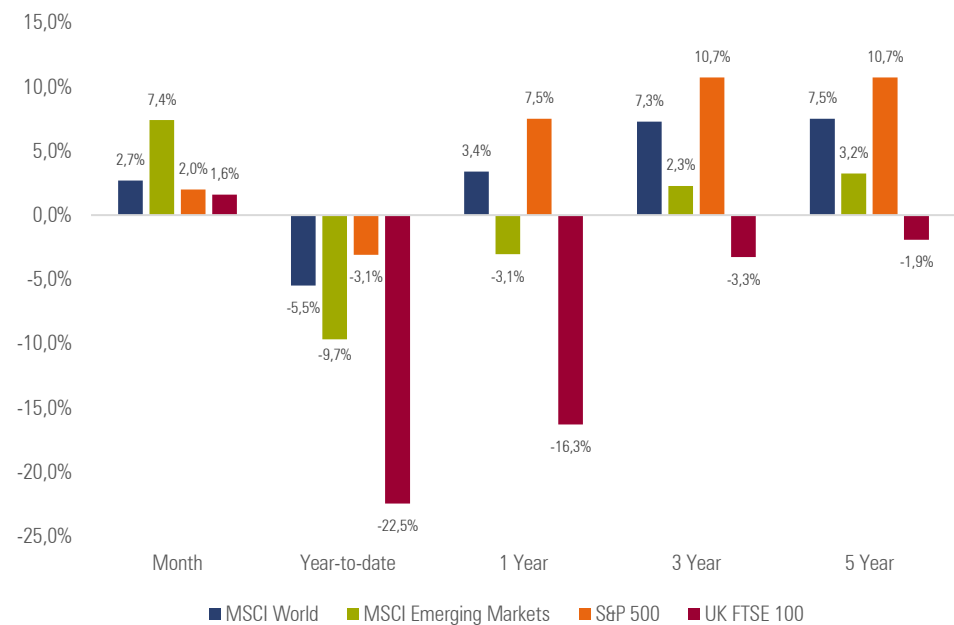
Most major developed equity markets ended the month higher, as investors reacted positively to announcements of fiscal support from global governments and central banks. The **MSCI World Index** delivered a return of +2.7% for the month.

Emerging market equities were the major beneficiary of the risk on environment, outperforming developed markets over the month. The **MSCI Emerging Markets Index** delivered a return of +7.4% for the month.

Most major equity markets ended the month with positive returns, with Germany's **FSE DAX** (+7.3%), China's **Shanghai SE Composite** (+5.7%), Japan's **Nikkei 225** (+1.9%) and the UK's **FTSE 100** (+1.6%) all ending the month higher.

US equities also ended the month higher, with the technology heavy **NASDAQ 100** (+6.4%) and the **S&P 500** (+2.0%) both ending the month with positive returns.

Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 30/06/2020. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on client portfolios

Most portfolios managed to deliver decent returns for the month, largely driven by strong performance from local equity and listed property allocations. Offshore equity allocations also delivered positive returns, despite rand strength against most major developed market currencies acting as a slight headwind to offshore exposures. Income focused investors managed to generate positive returns despite the SA bond market selling off slightly during the month on the back of the details highlighted in the supplementary budget.

We would encourage investors to take a long-term view and not get caught up in month to month even or quarter to quarter market moves. There will continue to be a lot of noise in markets, particularly given the ongoing concerns around the spread of Covid-19 and its likely impact on economic data. Those investors who look through the short-term noise and focus on the destination rather than the journey will be duly rewarded in the long-term.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	7,74	-3,16	-3,30	5,11	4,16	7,93
JSE SA Listed Property	13,41	-37,56	-39,98	-18,33	-9,06	-2,51
All Bond Index	-1,18	0,36	2,85	8,11	7,49	7,31
STeFI (Cash)	0,44	3,18	6,86	7,17	7,20	6,81
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	7,85	0,37	-0,55	6,68	4,82	8,49
JSE Mid Cap	6,06	-25,67	-17,60	-3,50	-0,62	3,75
JSE Small Cap	11,33	-20,95	-22,93	-11,59	-5,85	1,19
FTSE/JSE SA Resources	8,77	5,52	12,38	24,64	10,47	7,22
FTSE/JSE Ind/Financials	4,17	-31,68	-34,50	-8,55	-5,26	2,70
FTSE/JSE SA Industrials	8,31	6,75	4,04	2,52	3,34	8,36
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	2,69	-5,48	3,40	7,29	7,50	8,98
MSCI Emerging Markets	7,40	-9,67	-3,05	2,27	3,24	3,60
S&P 500	1,99	-3,08	7,51	10,73	10,73	12,13
NASDAQ 100	6,37	16,89	33,78	22,92	19,58	20,97
FTSE 100	1,60	-22,46	-16,31	-3,26	-1,92	0,83
SSE Composite	5,70	-3,65	-2,72	-3,59	-9,36	3,91
Nikkei 225	1,87	-4,01	6,87	7,21	6,65	7,99
FSE DAX	7,28	-7,03	-2,07	-0,55	2,54	4,23
US T-Bill 3m	0,01	0,33	1,26	1,70	1,17	0,84
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	16,47	-37,65	-38,17	-4,95	-8,34	-12,23
Gold	2,28	16,73	25,49	12,49	8,59	5,79
Platinum	-1,33	-14,50	-0,49	-4,07	-5,46	-6,64
Copper	13,23	-1,91	1,12	0,73	1,09	-1,58

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