

# Market Overview

July 2021

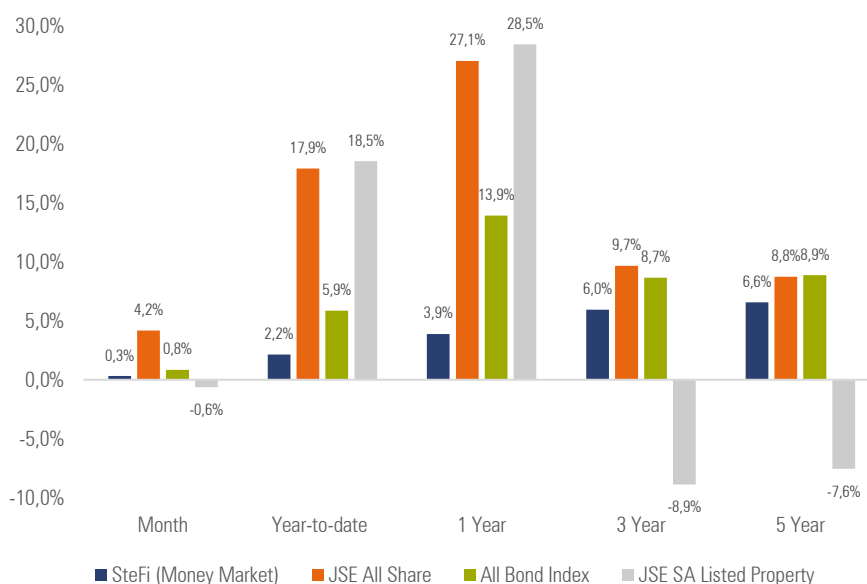
## Market and economic summary

Most global equity markets ended July higher, with the exception of some Asian markets, as the government clampdown on Chinese education technology companies drove fears of the broader impact on the large Chinese technology index constituents.

Concerns around the spread of the Covid-19 Delta variant continued to be front of mind, as reported infections continued to pick up in certain geographies, despite significant progress on vaccinations in many regions and strong evidence that vaccinations are reducing hospitalisations and deaths.

The US Federal Reserve (Fed) continued to reiterate its accommodative monetary policy stance, leaving its benchmark interest rate unchanged at close to zero and reiterating that the Fed will not consider adjusting interest rates until the US economy recovers fully from the recession brought on by the pandemic.

### Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 31/07/2021. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities delivered strong performance for the month, which was largely driven by the performance of commodity counters, despite large index constituents Naspers and Prosus coming under pressure due to regulatory scrutiny from the Chinese government (and the possible impact on Tencent).

Local bonds ended the month higher, despite volatility during the month brought about by concerns around the economic impact of the civil unrest and looting that took place during July.

Local listed property ended the month lower, despite starting the month strongly. The performance of the local property index was impacted by the social unrest, which saw extensive damage to retail assets in medium and lower income areas, as 200 shopping centres were damaged, and 3,000 stores were looted.

The rand was largely weaker against the major developed market currencies, however, the impact on the local currency from the unrest was largely muted.

The economic toll of the worst looting and unrest in the country's history continues to be counted, as protests engulfed KZN and parts of Gauteng during the month in what appears to be behaviour aimed at undermining President Cyril Ramaphosa's administration and the country's young democracy.

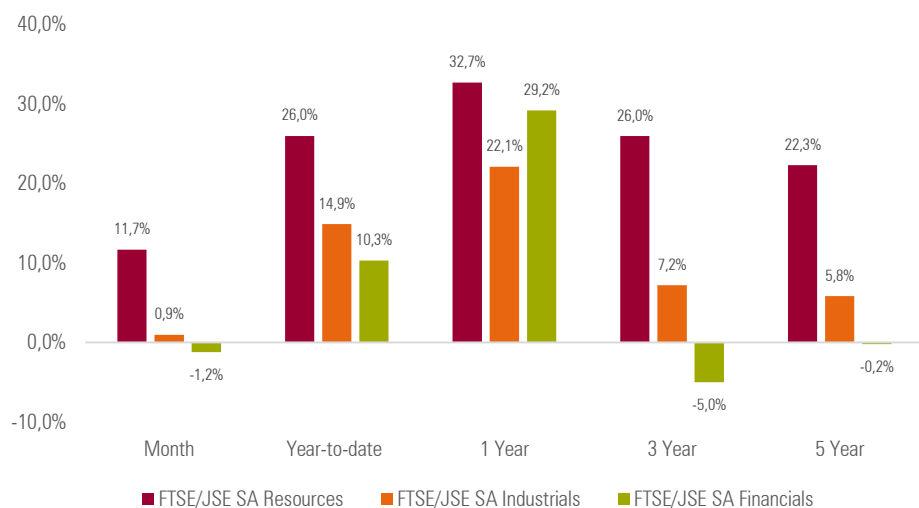
South African President Cyril Ramaphosa announced that the country will move to an amended level 3 lockdown (effective from the 26<sup>th</sup> of July), as Covid-19 infection rates fell during the month, allowing some of the high-profile restrictions to be lifted slightly (including the lifting of the alcohol sales ban).

SA headline CPI moved lower to 4.9% for June (from 5.2% in May), primarily driven by lower fuel inflation, as the base effect of the rebound in oil prices continued to unwind.

SA's trade balance came in at a surplus for June (R58 billion), following a revised surplus for May of R54 billion, as strong commodity prices continued to prove supportive of exports.

Local equity sectors had mixed performance for the month, with **Resources** (+11.7%) faring better than both **Industrials** (+0.9%) and **Financials** (-1.2%).

#### Exhibit 2: SA Sector Performance (total returns)



Source: Morningstar Direct as at 31/07/2021. Returns are in South African Rand and have been annualised for periods longer than 1 year.

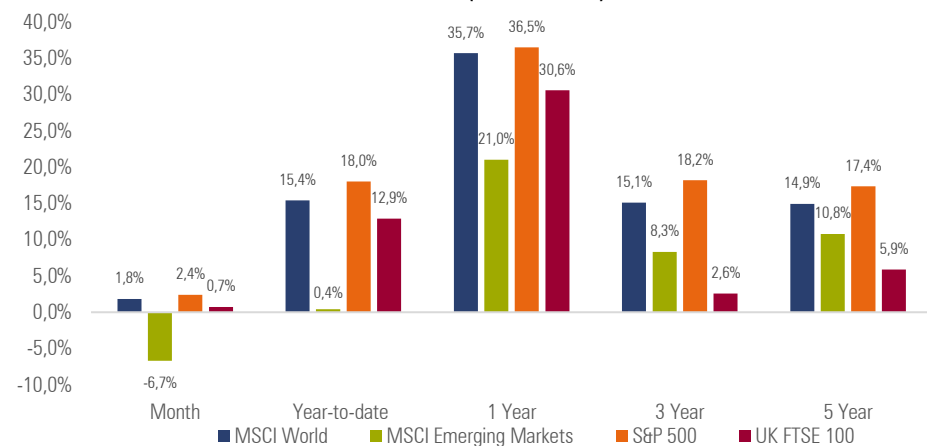
The major developed equity markets delivered mixed performance for the month, as US equities delivered decent returns, while Asian markets ended the month in the red. The **MSCI World Index** delivered a return of +1.8% for the month.

Emerging market equities underperformed developed market equities over the month, as Chinese equities came under pressure following concerns around regulation of Chinese companies from government officials. The **MSCI Emerging Markets Index** delivered a return of -6.7% for the month.

Performance from the major equity markets was mixed, with the UK's **FTSE 100** (+0.7%) and Germany's **FSE DAX** (+0.1%) ending slightly in the black, while Japan's **Nikkei 225** (-4.2%) and China's **Shanghai SE Composite** (-5.3%) ended the month in negative territory.

US equities delivered decent performance, as the **S&P 500** (+2.4%) delivered positive performance for a sixth straight month and the tech heavy **NASDAQ 100** (+2.8%) also ended the month in the black.

### Exhibit 3: International Market Performance (total returns)



Source: Morningstar Direct as at 31/07/2021. 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 performance for the month. This was largely driven by strong returns from risk assets including SA and global equities. A slightly weaker rand over the month also proved supportive of offshore allocations. Income focused investors also managed to generate positive returns over the month, as the local bond market ended July with decent performance.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation driven approach by allocating assets to the most attractive areas of the market from a reward for risk perspective. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio independent of the prevailing market environment.

<b>Local Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE All Share	4,18	17,93	27,06	9,67	8,75	7,50
JSE SA Listed Property	-0,64	18,54	28,46	-8,90	-7,57	-0,52
All Bond Index	0,83	5,86	13,92	8,67	8,87	8,43
STeFI (Money Market)	0,31	2,15	3,89	5,95	6,56	6,58
<b>Local Market Sectors</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE Top 40	4,53	17,33	25,50	10,28	9,67	7,62
JSE Mid Cap	2,79	19,07	34,87	5,75	2,06	5,34
JSE Small Cap	-1,12	29,46	61,23	4,51	2,42	4,50
FTSE/JSE SA Resources	11,67	25,98	32,70	25,97	22,30	7,11
FTSE/JSE Ind/Financials	-1,21	10,31	29,19	-4,99	-0,20	2,43
FTSE/JSE SA Industrials	0,94	14,89	22,10	7,21	5,81	7,28
<b>Global Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
MSCI World	1,82	15,38	35,67	15,09	14,90	11,30
MSCI Emerging Markets	-6,67	0,41	21,00	8,31	10,77	5,39
S&P 500	2,38	17,99	36,45	18,16	17,35	14,71
NASDAQ 100	2,82	16,53	38,19	28,64	27,19	22,53
FTSE 100	0,71	12,89	30,57	2,58	5,88	1,72
SSE Composite	-5,32	-0,91	10,96	7,69	3,28	5,72
Nikkei 225	-4,16	-5,71	23,03	9,37	11,11	9,33
FSE DAX	0,08	9,81	26,59	7,15	9,78	5,60
US T-Bill 3m	0,00	0,02	0,07	1,17	1,14	0,85
<b>Commodities</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
Oil Price Brent Crude	1,60	47,36	76,28	0,93	12,45	-4,54
Gold	3,55	-3,28	-7,08	14,35	6,35	5,14
Platinum	-1,42	3,47	15,36	7,90	-1,80	-4,79
Copper	3,86	25,91	51,21	16,20	14,97	4,56

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