

MARKET SUMMARY



Kotzéuns
(Edms) Bpk

As of 2018/08/31

MARKET INDEX RETURNS (ZAR)

	1 month	3 months	YTD	1 year	3 years*	5 years*
FTSE/JSE All Share	2.34	4.93	0.35	6.88	8.54	9.99
FTSE/JSE SA Listed Property	2.15	-1.88	-20.08	-12.40	-0.27	8.74
All Bond Index	-1.87	-0.67	4.50	8.00	7.53	7.92
STeFI (Cash)	0.59	1.76	4.77	7.29	7.32	6.77
MSCI World	13.02	20.25	22.40	25.13	13.46	16.14
MSCI EM	8.61	9.00	7.88	9.43	12.52	10.20
Oil Price	16.63	15.43	37.02	66.61	16.45	-0.74
Gold Price	10.16	6.56	10.23	3.33	5.38	4.28

MARKET COMMENTARY

August was a painful month for all emerging markets regardless of local narratives. The rand fell close to 12% (worst month since 2013), on the back of a strengthening US dollar and a massive risk-off sentiment in response to Turkey, Argentina and Venezuela's persistent economic problems. These events resulted in a clear divergence in returns between emerging market and developed market equities. US markets, and selected heavy weight tech stocks, continue to steam ahead, propelled by a strong US economy and lower levels of optimism elsewhere in the world.

Despite a cloud of negative sentiment, selected local asset classes (equity and property) delivered solid returns due to a sharp weakening of the rand over the course of the month. Positive returns aside, foreign investors were net sellers of local equity holdings with R13.2 billion of outflows in August. This was partly due to the Central Bank of Nigeria accusing MTN of illegally repatriating circa \$8 billion in dividends, which saw the share price of the company fall by more than -20% on the day. Local fixed income assets were the hardest hit by emerging market contagion, as foreign investors retreated from higher yielding instruments.

The **FTSE/JSE All Share Index** ended the month up +2.3%. The top performing shares amongst the largest 60 companies in August were Bid Corp (+19.0%), Bidvest (+15.3%) and Exxaro (+14.9%). The worst performing shares in August were Goldfields (-25.1%), MTN (-21.0%) and Tiger Brands (-18.2%). **Resources** (+5.6%) was the best performing market segment as healthy demand and significant rand weakness drove gains. **Industrials** (+1.9%) and **Financials** (+0.3%) did not fare as well in August as locally geared companies dampened the positive performance of rand hedges within the sectors.

The **MSCI World Index** provided decent US dollar returns in August (+1.3%), leaving the index up +13.7% over the past year. The U.S. continues to lead global equity market returns and economic growth, with the **S&P 500** up +3.3% in August. Major European markets endured a difficult month amidst US dollar strength, with the UK's **FTSE 100** and Germany's **FSE DAX** up -4.2% and -4.0% in August respectively. Elsewhere, Japan's **Nikkei 22** (+2.4%) posted healthy returns in August.

The spotlight was firmly on emerging markets in August as retracting risk appetite saw the **MSCI Emerging Markets Index** produce a return of -2.7% for the month in US dollars. The index has struggled this year (-6.9% in 2018) and is now slightly down by -0.3% over the past year. Economic issues in Turkey, Argentina and Venezuela in August were the latest drivers of negative emerging market contagion which has led to a significant downward change in flows into these economies. Chinese markets continued to be dogged by the trade spat with the U.S., more moderate growth and high levels of debt within its state-owned companies. As such, the **Shanghai Stock Exchange** ended the month down -5.3% in US dollar terms as a weakening yuan weighed on returns.

Local bonds had a negative month, as global high yield investors headed for the exits. Foreign investors were net sellers of South African bonds (-R20.5bn) in August, as the **All Bond Index (ALBI)** produced a return of -1.9%. **Listed Property** bucked this trend as the asset class delivered its first positive return in several months mainly on the back of better than expected results from Resilient combined with rand weakness. **Cash** returned a stable +0.6% in August and has produced a return of +7.3% over the past year.

After a slight reprieve in July, the value of the rand declined sharply against major currencies over the course of the month as emerging market currencies came under pressure. The rand depreciated by -10.6%, -10.1% and -9.8% against the **US dollar, euro and pound** respectively in August.

The US dollar price of **Oil** increased by +4.3% in August, while the US dollar price of **Gold** and **Platinum** decreased by -1.5% and -4.7% respectively.

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