

# MARKET SUMMARY



Kotzéuns  
(Edms) Bpk

As of 2018/10/31

## MARKET INDEX RETURNS (ZAR)

	1 month	3 months	YTD	1 year	3 years*	5 years*
FTSE/JSE All Share	-5.76	-7.58	-9.38	-8.37	2.06	5.96
FTSE/JSE SA Listed Property	-1.69	-2.19	-23.48	-18.72	-2.64	5.78
All Bond Index	-1.71	-3.25	3.02	7.79	6.59	6.71
STeFI (Cash)	0.59	1.77	6.00	7.26	7.36	6.84
MSCI World	-3.40	5.87	14.66	3.66	8.23	13.24
MSCI EM	-4.81	-0.90	-1.58	-10.80	6.44	6.40
Oil Price	-4.80	14.58	34.61	30.28	17.65	0.48
Gold Price	6.78	12.18	12.25	-0.12	4.39	6.25

## MARKET COMMENTARY

Both South African and global equity markets experienced their worst month in October since the global financial crisis. Factors such as fears around trade wars, slowing global growth, higher interest rates and concerns around U.S. company earnings peaking have all been cited as possible reasons for the sell-off.

The local equity market largely took its lead from the global risk off environment during October. The sell-off during the month was broad based, with few shares ending the month in positive territory. The poor performance was in line with other emerging markets which is also came under significant selling pressure. Despite poor performance from equity markets in October, our valuation-driven mindset reminds us that it is often during periods of market stress that the best long-term opportunities present themselves.

The Medium-Term Budget Policy Statement (MTBPS) delivered by new Finance Minister Tito Mboweni during October highlighted the fragile state of the country's finances. South Africa's debt outlook was revised higher and future growth forecasts were revised lower, as the minister announced a material deterioration in the country's fiscal position. Despite this negative news President Cyril Ramaphosa announced a combined investment amount of R290 billion into the local economy at an investment summit hosted on 26 October, as the president looks to revive the stagnant South African economy and improve business confidence.

The **FTSE/JSE All Share Index** ended the month down by -5.8%. The top performing shares amongst the largest 60 companies on the JSE in October were Intu Properties (+33.5%), Sibanye-Stillwater (+19.5%) and AngloGold Ashanti (+16.7%). The worst performing shares in October were Naspers (-15.0%), Quilter (-12.5%) and Sasol (-11.6%). All local equity sectors ended the month in negative territory, with **Financials** (-3.2%) faring slightly better than **Resources** (-4.0%) and **Industrials** (-8.0%).

The performance of the **MSCI World Index** (-7.3%) during October means that the year-to-date return from the index is now negative at -1.9%. Germany's **FSE DAX** (-8.8%), Japan's **Nikkei 225** (-8.5%) and the UK's **FTSE 100** (-6.8%) all came under pressure during October. The U.S. equity market was not sheltered from the global sell-off, as both the **S&P 500** (-6.8%) and the **NASDAQ 100** (-8.6%) came under significant selling pressure during the month.

Emerging markets sold off in October in line with the prevailing bearish sentiment towards those investments perceived to be risky. The **MSCI Emerging Markets** produced a return of -8.7% for the month, which brings the year-to-date return from the index to -15.5%. Asian markets came under pressure, driven lower by concerns around slowing Chinese growth as well as the ongoing trade dispute between the U.S. and China. China's **Shanghai Composite** (-9.0%) continued a recent trend of poor performance in October.

**Local bonds** (-1.7%) had a poor month as yields moved higher in response to the Medium-Term Budget Policy Statement (MTBPS), which was not well received by market participants. **Listed property** (-1.7%) had another poor month, driven lower by poor trading updates and rising bond yields. **Cash** delivered a stable return of +0.6% for the month, maintaining its position as the best performing local asset class year-to-date with a return of +6.0%. Perhaps surprisingly, cash has now outperformed equities, listed property and bonds over 3 and 5 years respectively, highlighting how poor performance from local risk assets has been.

The **rand** was weaker against most major currencies in October. The local currency depreciated against the **US dollar** (-4.2%), **pound sterling** (-2.2%) and **euro** (-1.8%) during the month. The rand has now depreciated by 16% against the US dollar year-to-date.

In terms of commodities, **Oil** (-8.8%) moved lower during the month, while **Platinum** (+2.3%) and **Gold** (+2.3%) ended October higher.

\*All data is sourced from Morningstar Direct as at 31/10/2018. The performance of South African asset classes is quoted in rands and the performance of global asset classes is quoted in US dollars.