

MONTH IN PICTURES

JULY 2018

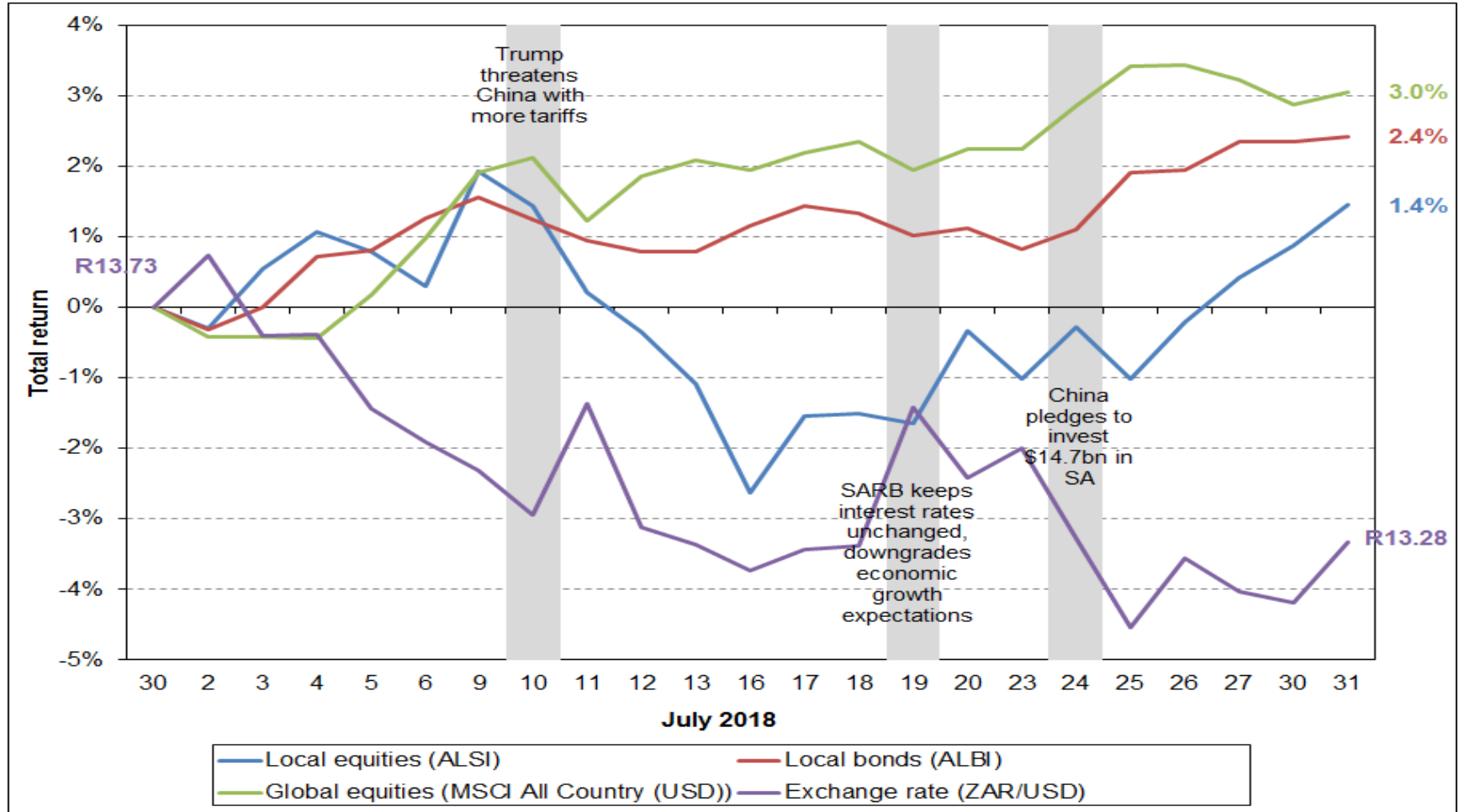
MONTHLY SNAPSHOT

NOTABLE EVENTS

- Boosted by strong returns from Financials (+4.7%), the local equity market ended in positive territory in July (+1.4%), despite negative returns from Industrials (-2.0%) and Resources (-1.4%). Listed Property continued to lose value (-0.5%), and is now down nearly 22% year to date.
- After a poor second quarter (-3.8%) local bonds recouped some of these losses in July, ending the month 2.4% up.
- The Rand also recovered some of its first quarter losses, strengthening from R13.73 to R13.28 over the month, on the back of improved emerging market sentiment and an investment pledge of \$14.7bn from China.
- Global equity and bond markets were up in Dollars (3.0% and 0.1% respectively), but the Rand's appreciation (3.3% stronger against the US Dollar) managed to wipe away these gains for local investors.
- The SA Reserve Bank kept interest rates unchanged at 6.5%, but downgraded their growth expectations for 2018 to 1.2%, from their previous forecast of 1.7%.
- The US Federal Reserve kept also kept interest rates unchanged, but another hike in September is still widely expected.
- US President Donald Trump threatened a 10% tariff on another \$200 billion worth of Chinese goods. This is in addition to the 25% tariffs on \$34 billion of goods that came into effect in July and \$16 billion of goods that will come into effect in August. So far China has retaliated with tariffs on the same amounts of US goods.
- SA unemployment remains stubbornly high, clocking in at 27.2% in 2018 Q2, while the expanded definition of unemployment (which includes discouraged workers) figure reached a multi-year high of 37.2%.
- Inflation is creeping up again, with CPI ending June at 4.6% (0.2% higher than May), while PPI (producer price inflation) jumped from 4.6% to 5.9%.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		May 2018	Jun 2018	Jul 2018	3 months	12 months
Local equities	Capped SWIX	(5.3)	0.7	1.4	(3.3)	4.2
	Resources	4.0	6.0	(1.4)	8.7	23.7
	Industrials	(5.1)	4.2	(2.0)	(3.1)	(0.3)
	Financials	(6.3)	(2.9)	4.7	(4.7)	10.1
	Listed Property	(5.9)	(3.5)	(0.5)	(9.6)	(13.6)
Local bonds	ALBI	(2.0)	(1.2)	2.4	(0.8)	11.2
Local cash	STeFI Composite	0.6	0.6	0.6	1.8	7.3
Global equities	MSCI All Country	2.1	7.6	(0.4)	9.5	12.4
Global bonds	Citigroup WGBI	0.3	8.0	(3.3)	4.8	1.5
Exchange rate	ZAR/USD	1.9	8.1	(3.3)	6.5	0.8
Inflation	CPI ²	0.2	0.4	0.3	0.9	4.6

1. Total returns (in Rands) for the months and periods ending 31 July 2018

2. Y-o-y CPI for July 2018 assumed to be equal to that of June 2018

MARKET INDICATORS

MEDIUM TO LONG TERM

Market indicators (% change) ¹		1 year	3 years	5 years	10 years	15 years
Local equities	Capped SWIX	4.2	4.1	9.7	11.4	17.1
	Resources	23.7	9.2	1.6	(0.5)	9.2
	Industrials	(0.3)	4.4	10.7	16.5	21.0
	Financials	10.1	3.6	12.4	14.0	16.6
	Listed Property	(13.6)	(0.9)	7.5	14.0	18.3
Local bonds	ALBI	11.2	8.3	8.0	9.1	8.9
Local cash	STeFI Composite	7.3	7.3	6.7	6.9	7.5
Global equities	MSCI All Country	12.4	11.3	16.4	13.5	13.2
Global bonds	Citigroup WGBI	1.5	4.4	7.0	8.3	7.8
Exchange rate	ZAR/USD	0.8	1.6	6.1	6.1	4.0
Inflation	CPI ²	4.6	5.0	5.3	5.2	5.5

1. Total returns (in Rands) for the months and periods ending 31 July 2018

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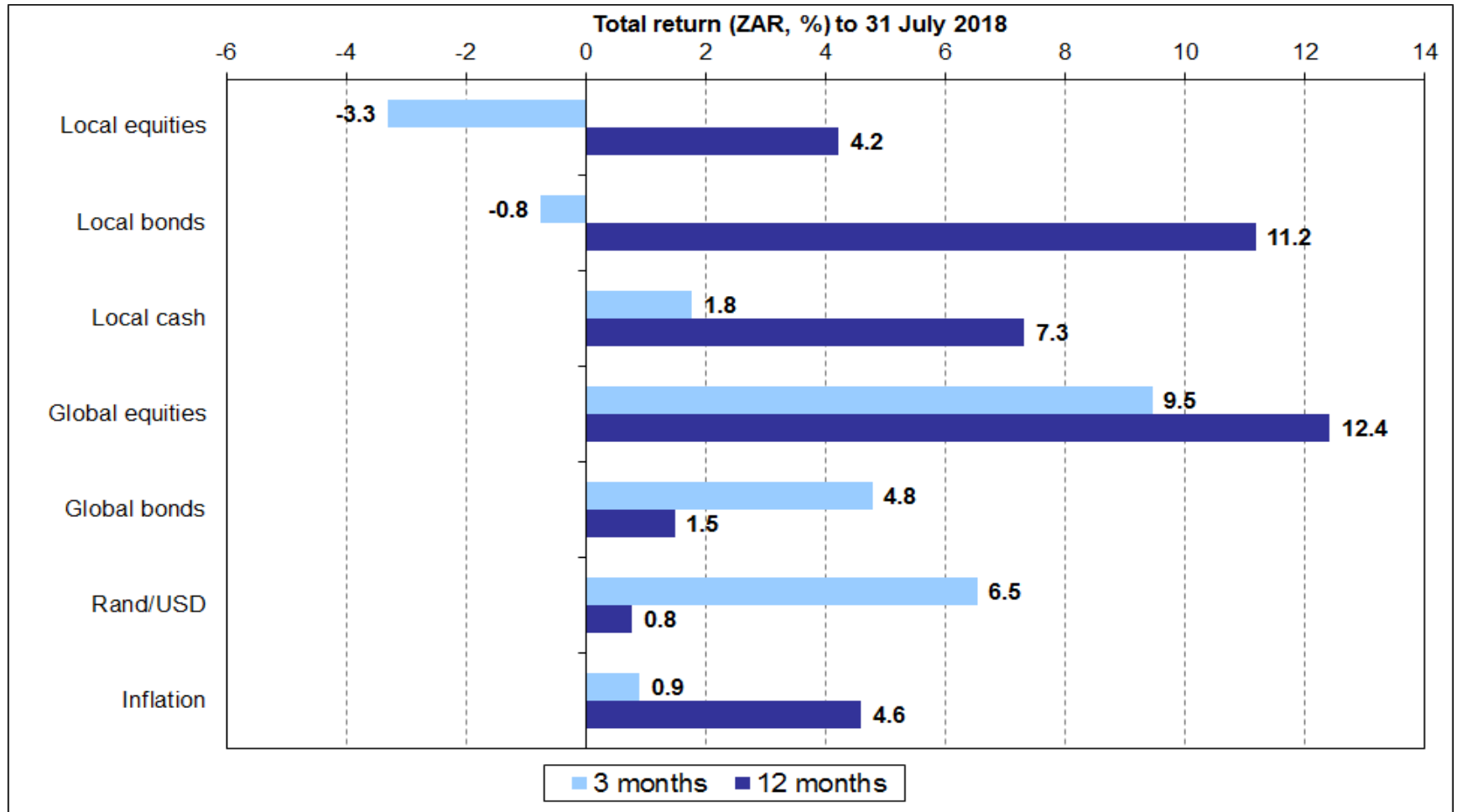
ECONOMIC INDICATORS

Economic indicators ¹	Jul 2016	Jul 2017	May 2018	Jun 2018	Jul 2018
Exchange rates:					
ZAR/USD	13.84	13.17	12.70	13.73	13.28
ZAR/GBP	18.28	17.38	16.89	18.13	17.42
ZAR/Euro	15.50	15.57	14.85	16.04	15.52
Commodities:					
Brent Crude Oil (USD/barrel)	43.32	52.72	77.80	79.24	74.06
Platinum (USD/ounce)	1,150.50	940.00	912.66	850.00	825.07
Gold (USD/ounce)	1,350.67	1,269.50	1,305.23	1,252.70	1,218.30

1. Month-end prices

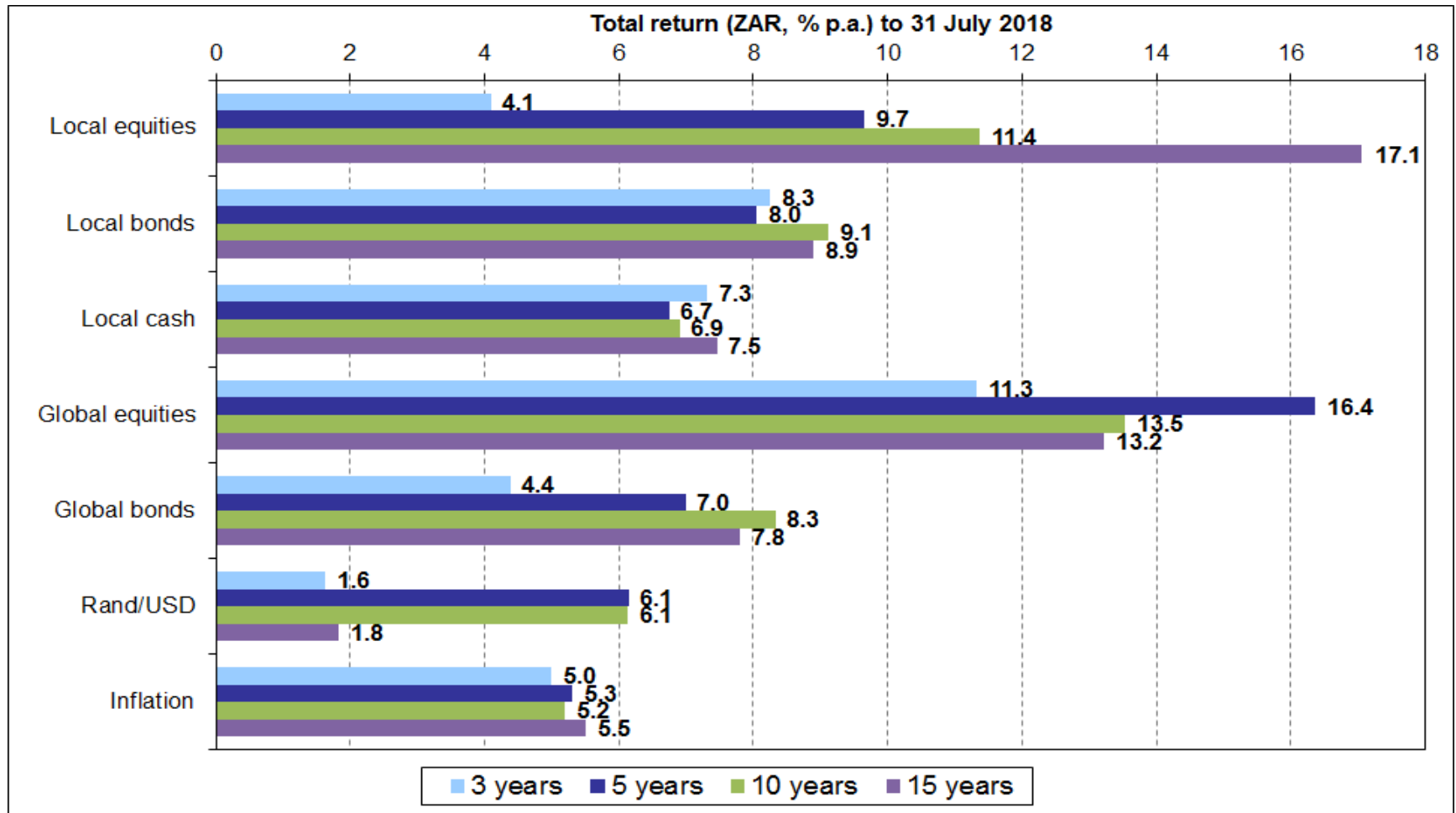
ASSET CLASS PERFORMANCE

SHORT TERM



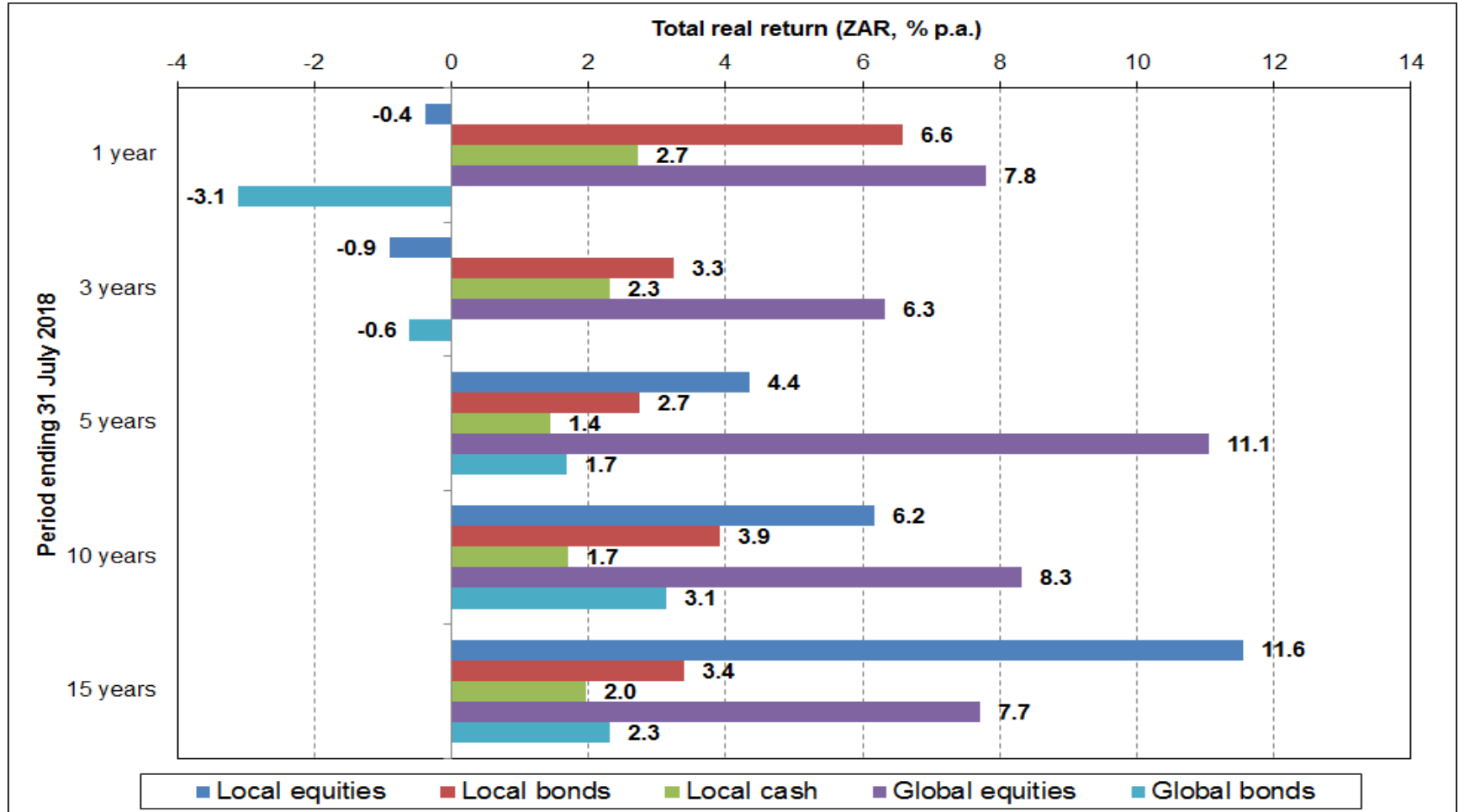
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

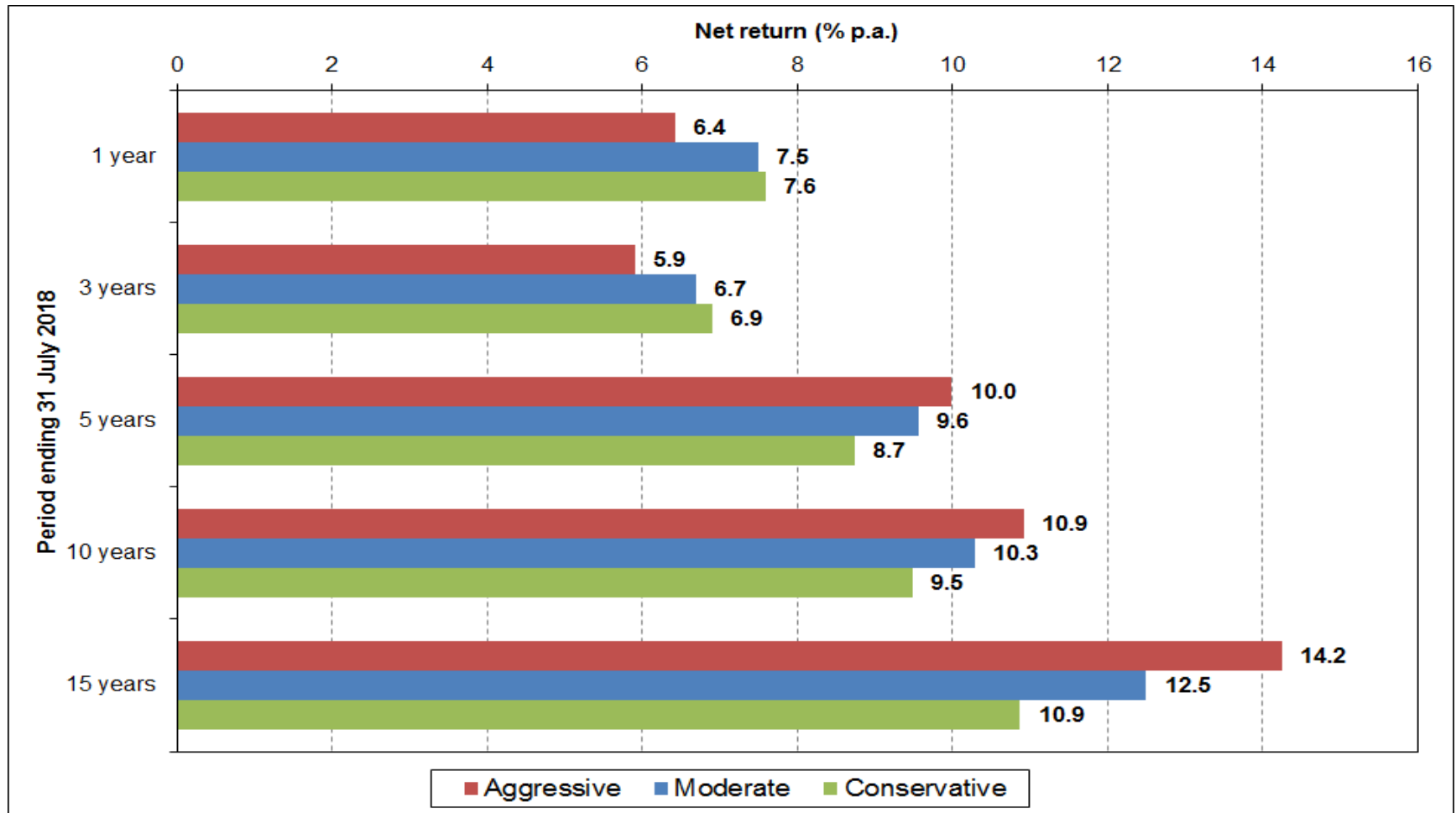
WHAT RETURNS CAN INVESTORS REASONABLY EXPECT?

Given the performances of the various asset classes (see earlier slides), what level of returns (in both nominal and real terms) can investors reasonably expect from the market (see next two slides), assuming the following asset class allocations:

Asset class	Asset class allocation per risk profile		
	Aggressive	Moderate	Conservative
Local equities	60%	40%	25%
Global equities	15%	15%	10%
Total growth assets	75%	55%	35%
Local bonds	15%	25%	30%
Local cash	5%	15%	25%
Global bonds	5%	5%	10%
Total income assets	25%	45%	65%
TOTAL	100%	100%	100%

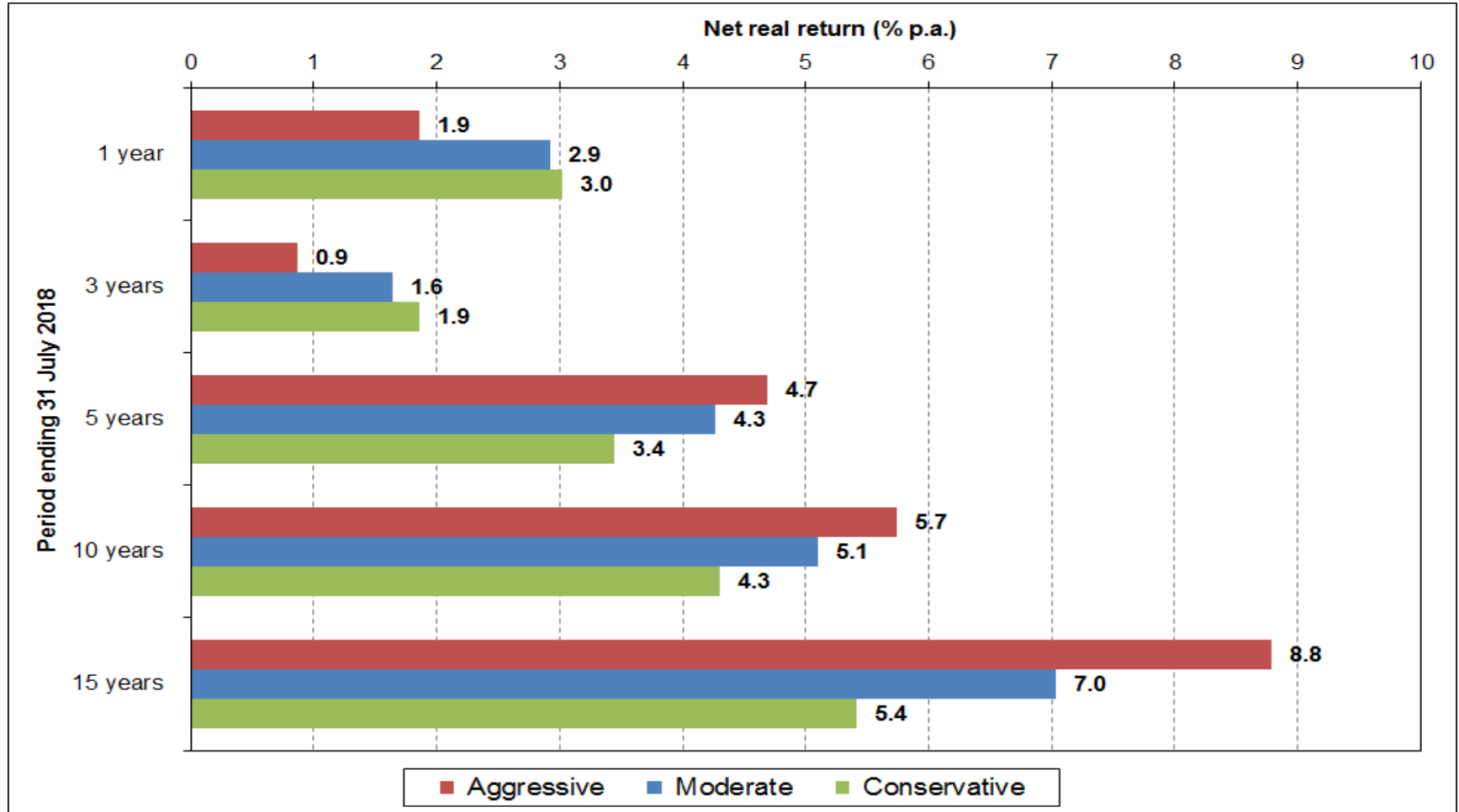
MARKET PERFORMANCE

WHAT NOMINAL RETURNS CAN INVESTORS REASONABLY EXPECT?



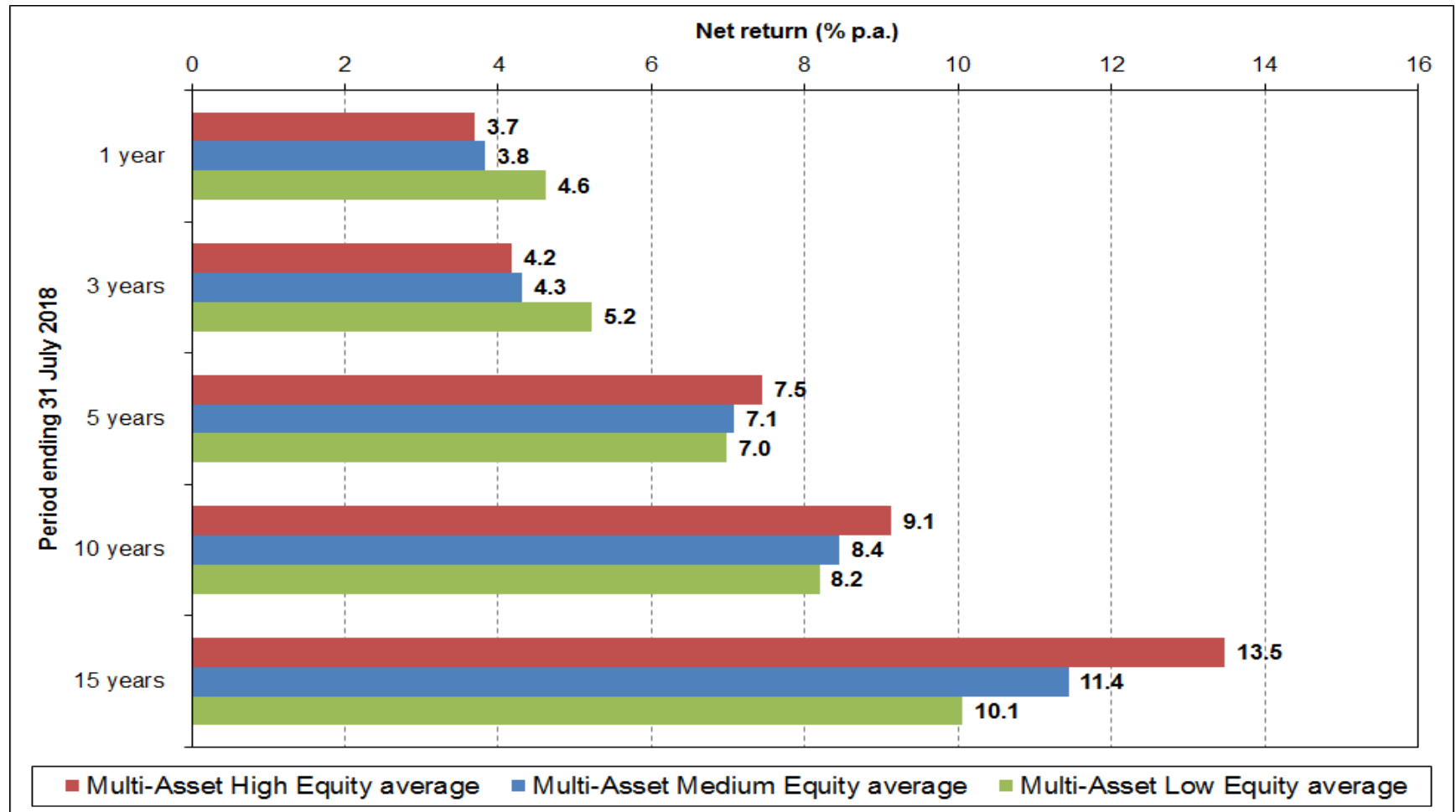
MARKET PERFORMANCE

WHAT REAL RETURNS CAN INVESTORS REASONABLY EXPECT?



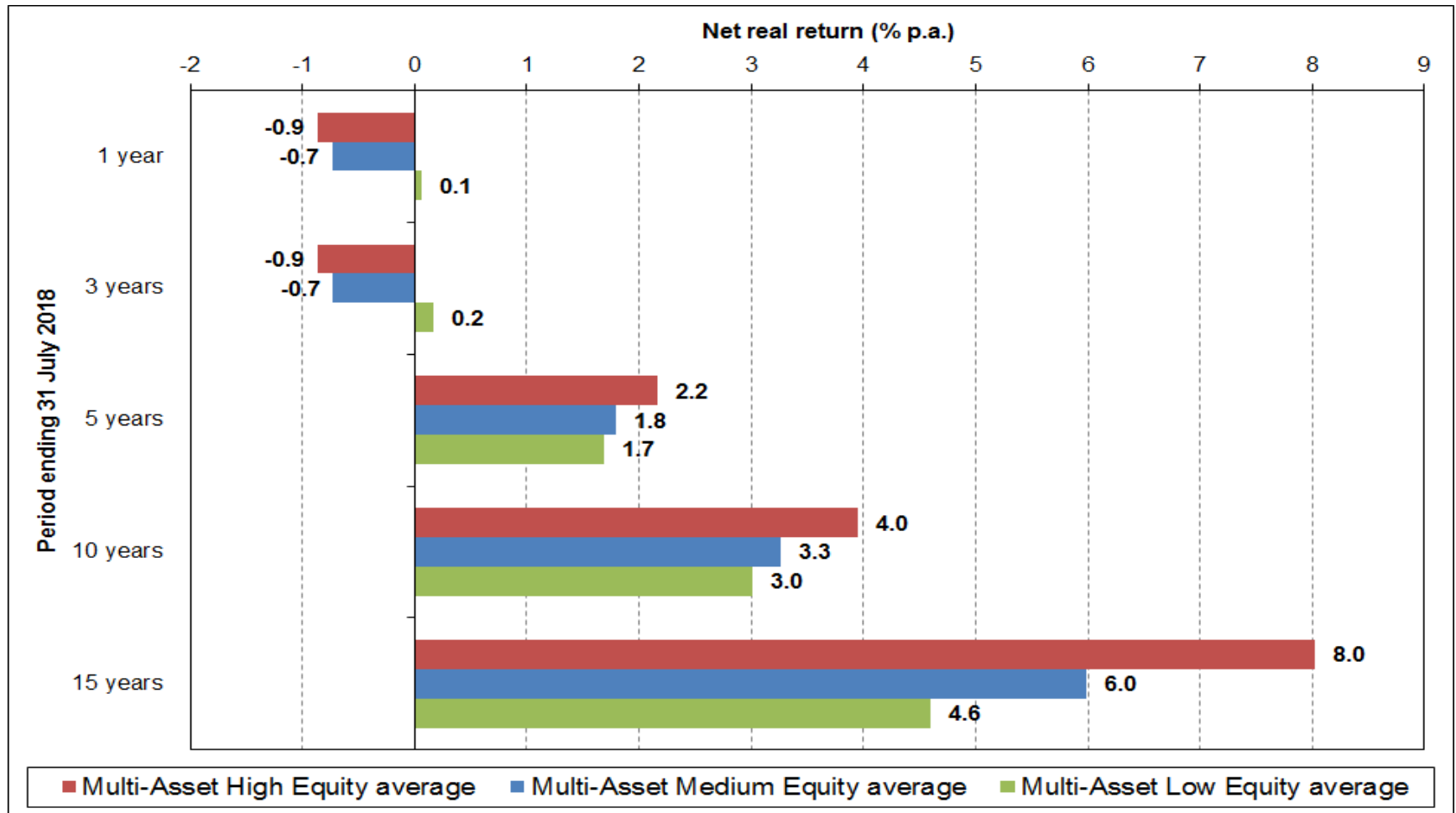
UNIT TRUST PERFORMANCE

WHAT NOMINAL RETURNS CAN INVESTORS REASONABLY EXPECT?



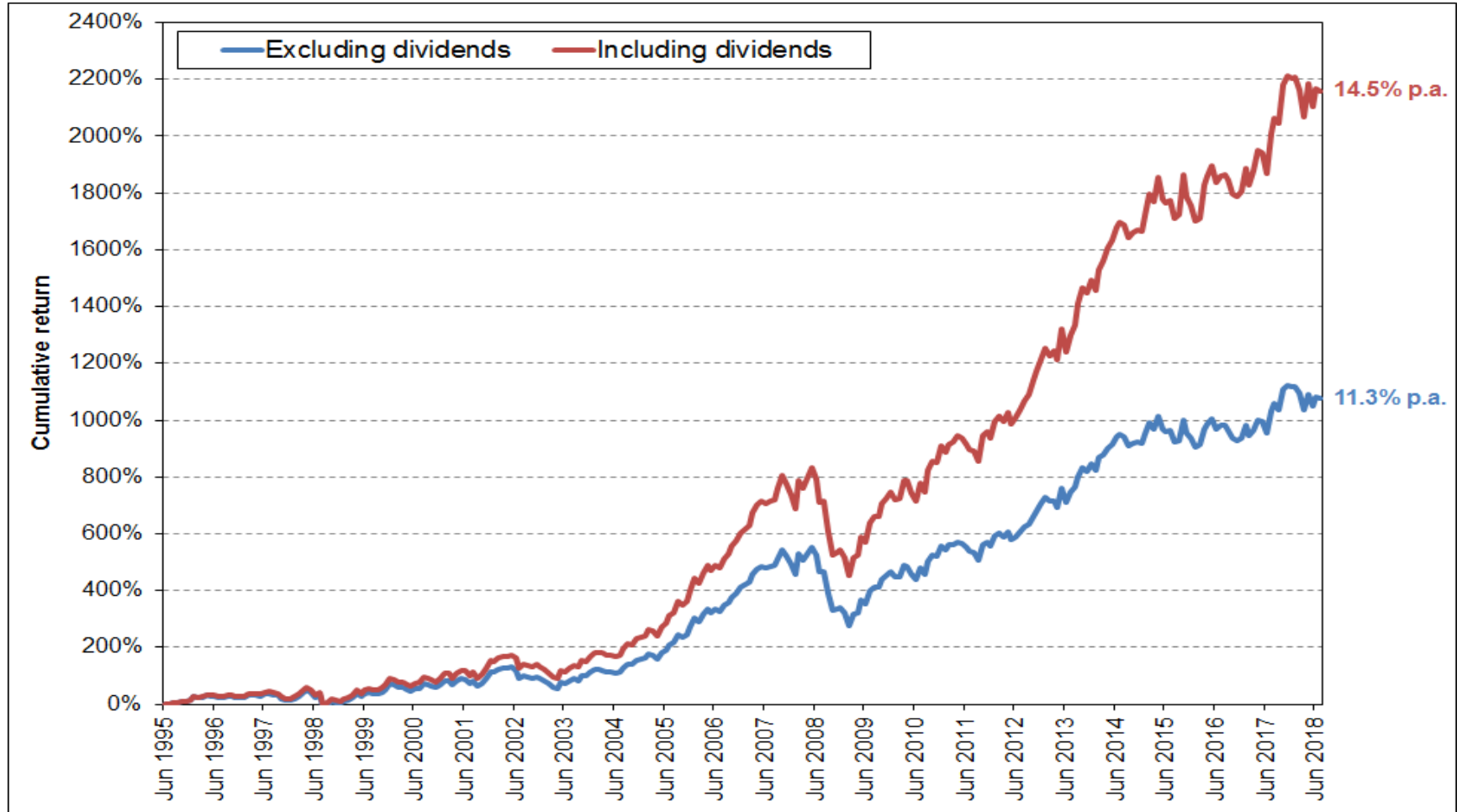
UNIT TRUST PERFORMANCE

WHAT REAL RETURNS CAN INVESTORS REASONABLY EXPECT?

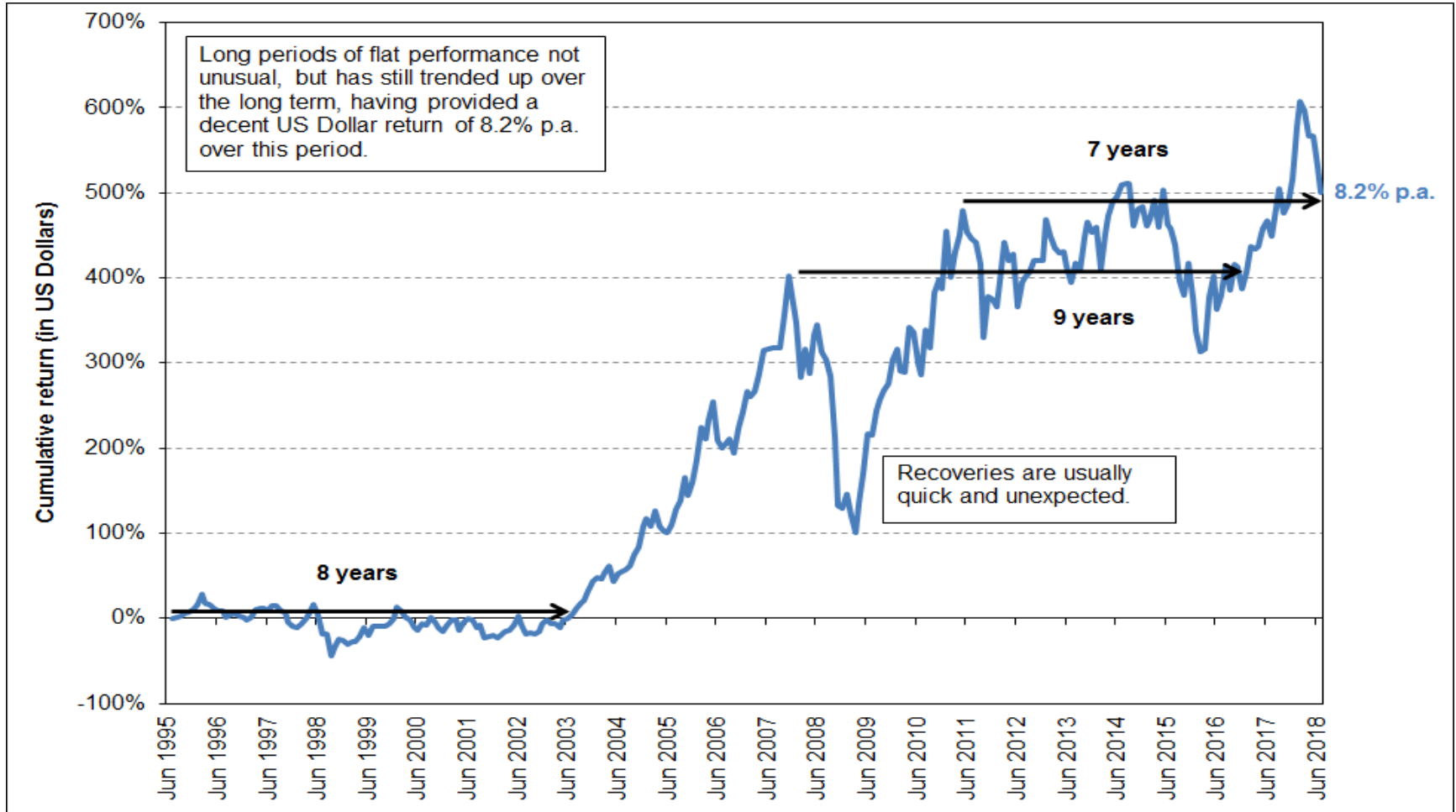


JSE ALL SHARE

IT'S NOT JUST THE CAPITAL GROWTH THAT MATTERS!

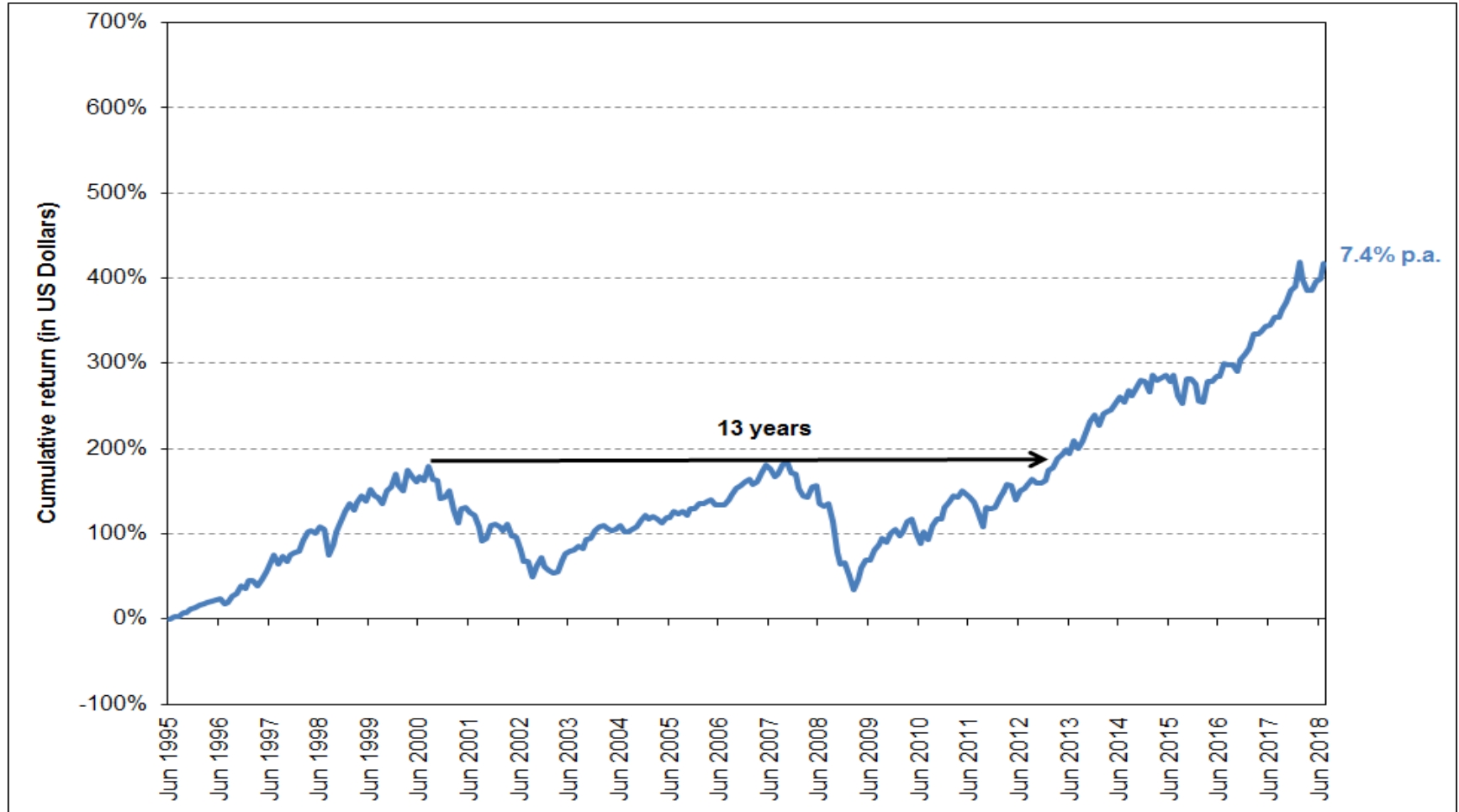


JSE ALL SHARE IN US DOLLAR TERMS

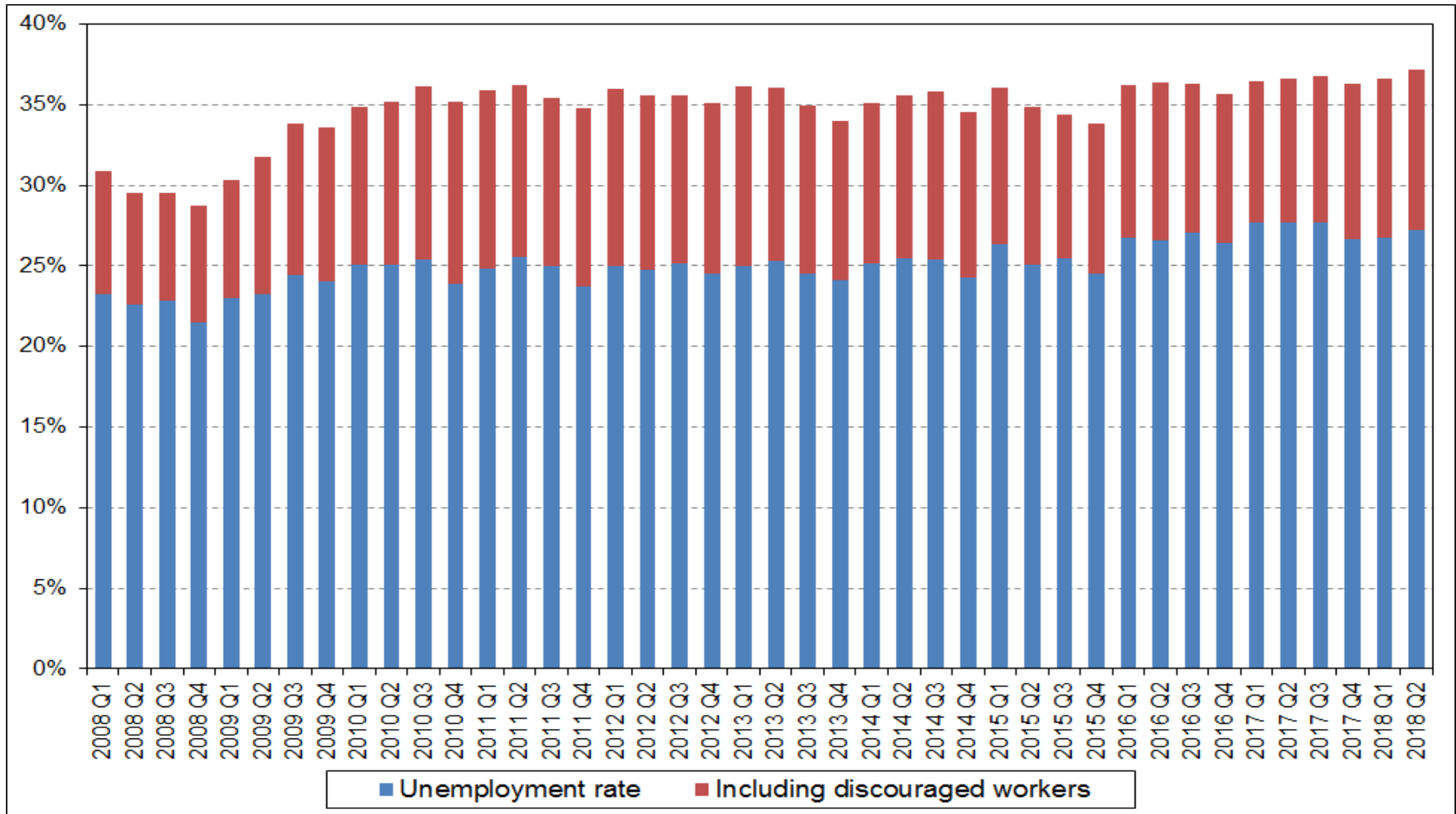


S&P 500

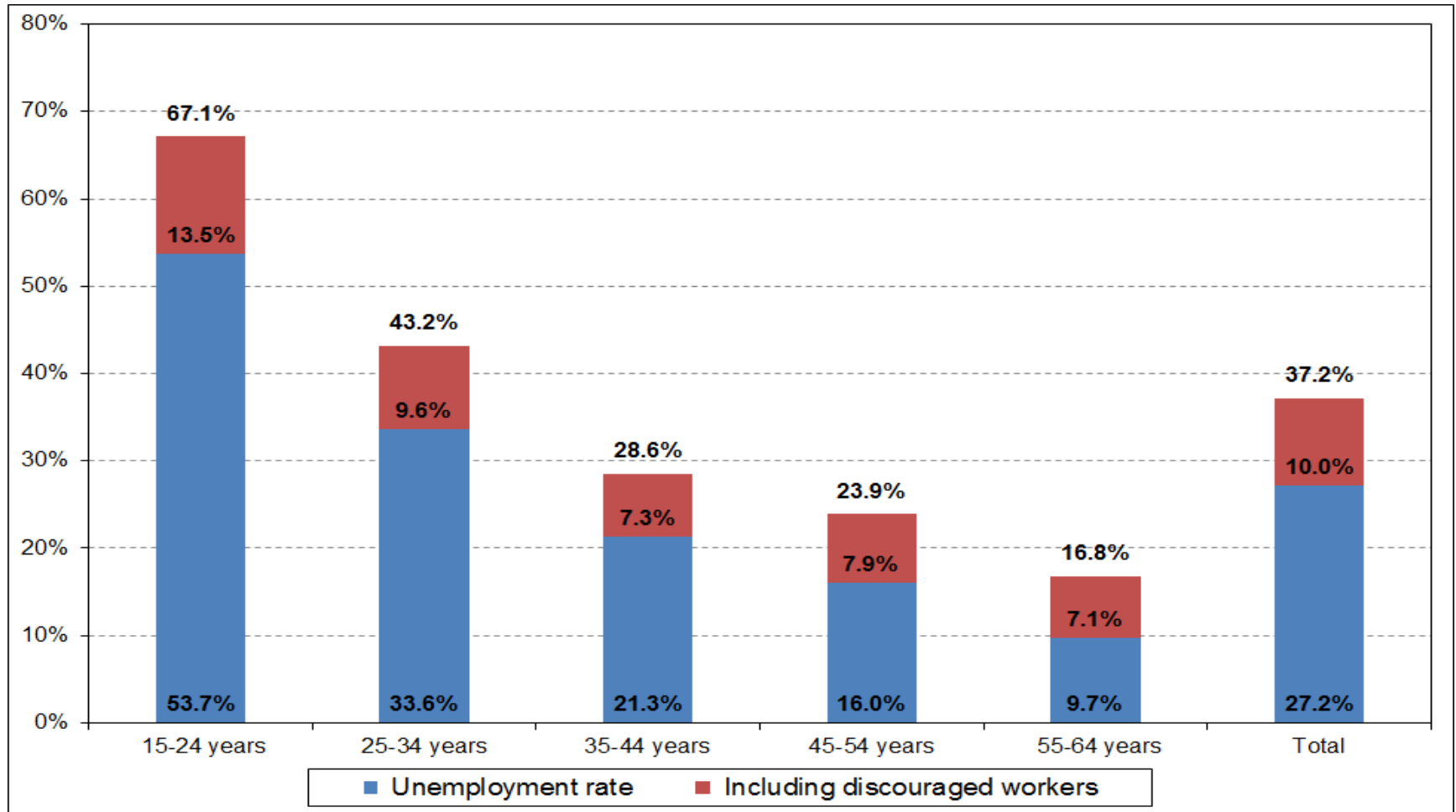
ALSO NO STRANGER TO PROLONGED FLAT PERIODS



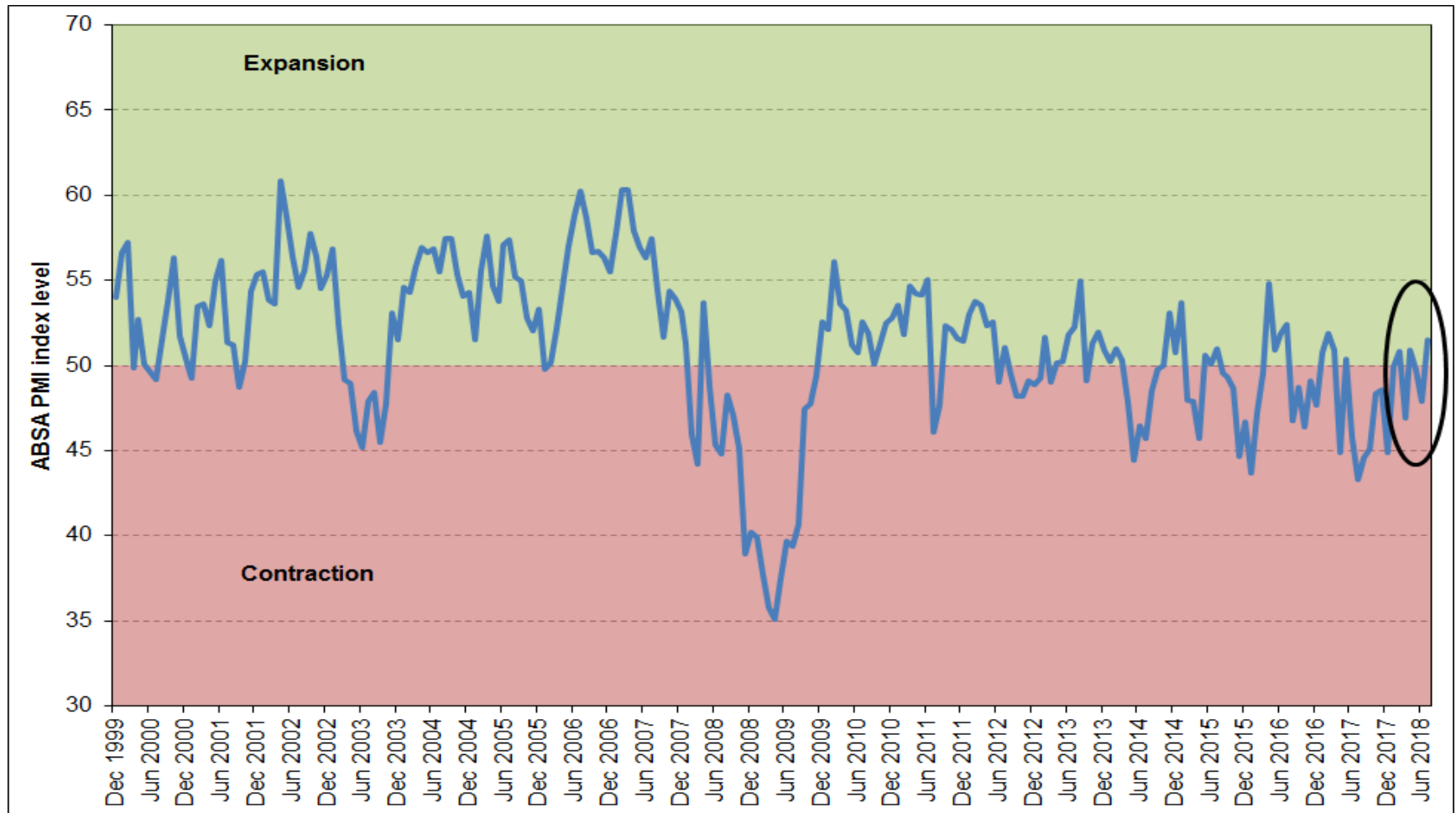
SA UNEMPLOYMENT RATE REMAINS STUBBORNLY HIGH...



SA UNEMPLOYMENT RATE ...ESPECIALLY AMONG THE YOUTH

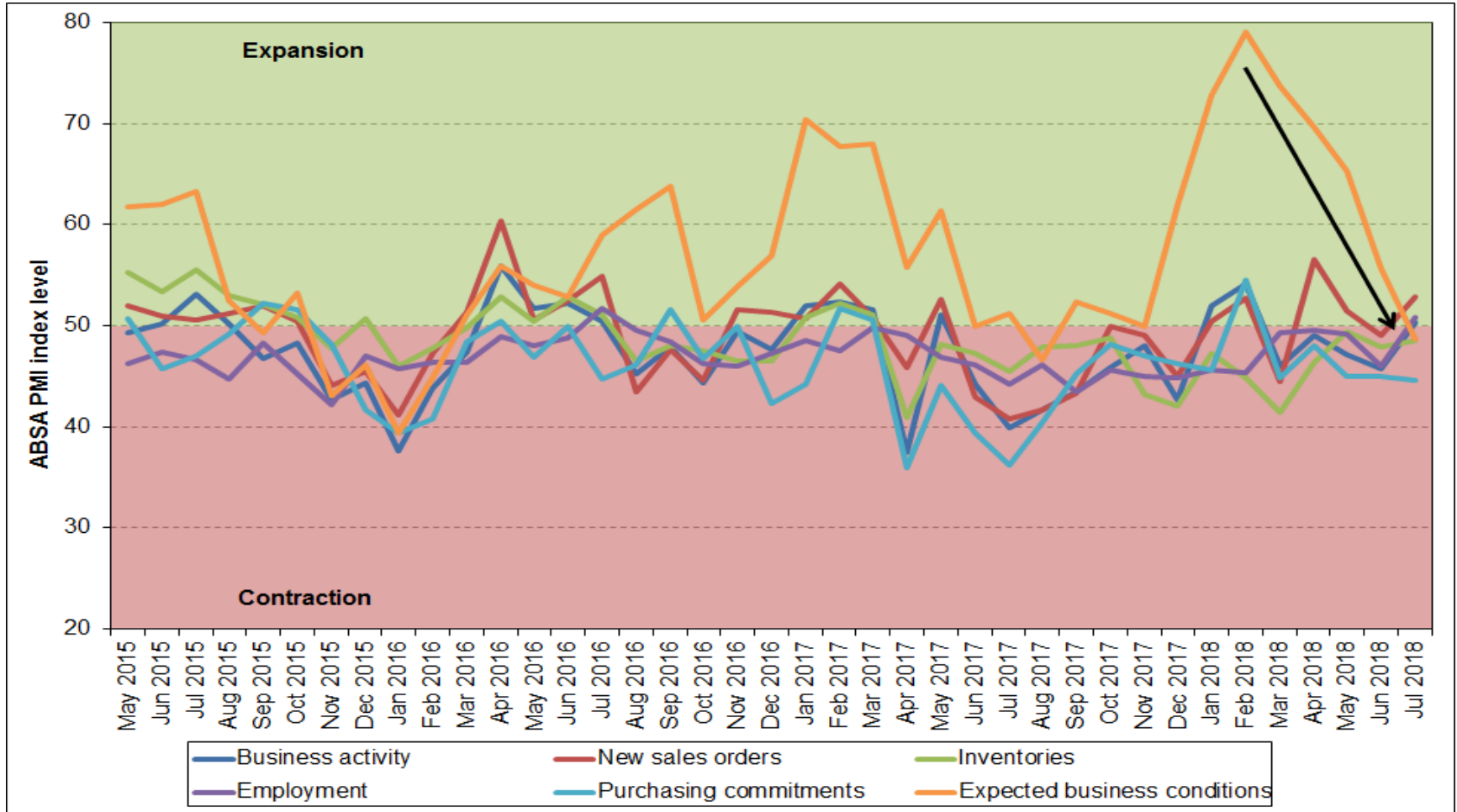


ABSA PURCHASING MANAGERS INDEX EDGES BACK INTO EXPANSION TERRITORY



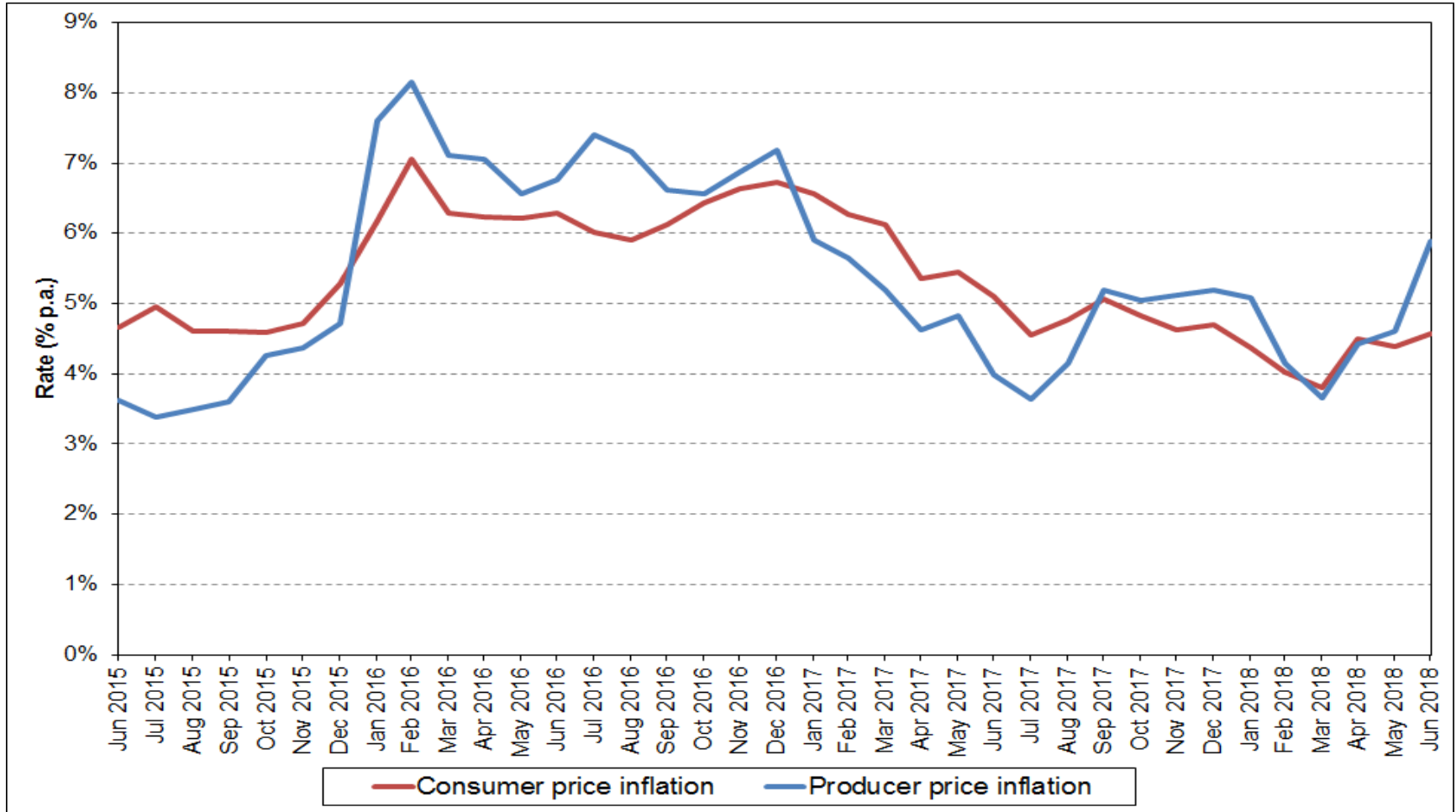
ABSA PURCHASING MANAGERS INDEX

IMPROVEMENTS IN MOST AREAS, BUT EXPECTED BUSINESS CONDITIONS SHARPLY DOWN



INFLATION

TICKING UP ON WEAK RAND AND HIGHER FUEL PRICES



CONSUMER CONFIDENCE RETREATS SLIGHTLY, BUT REMAINS HIGH

