

MONTH IN PICTURES

**NOVEMBER
2018**

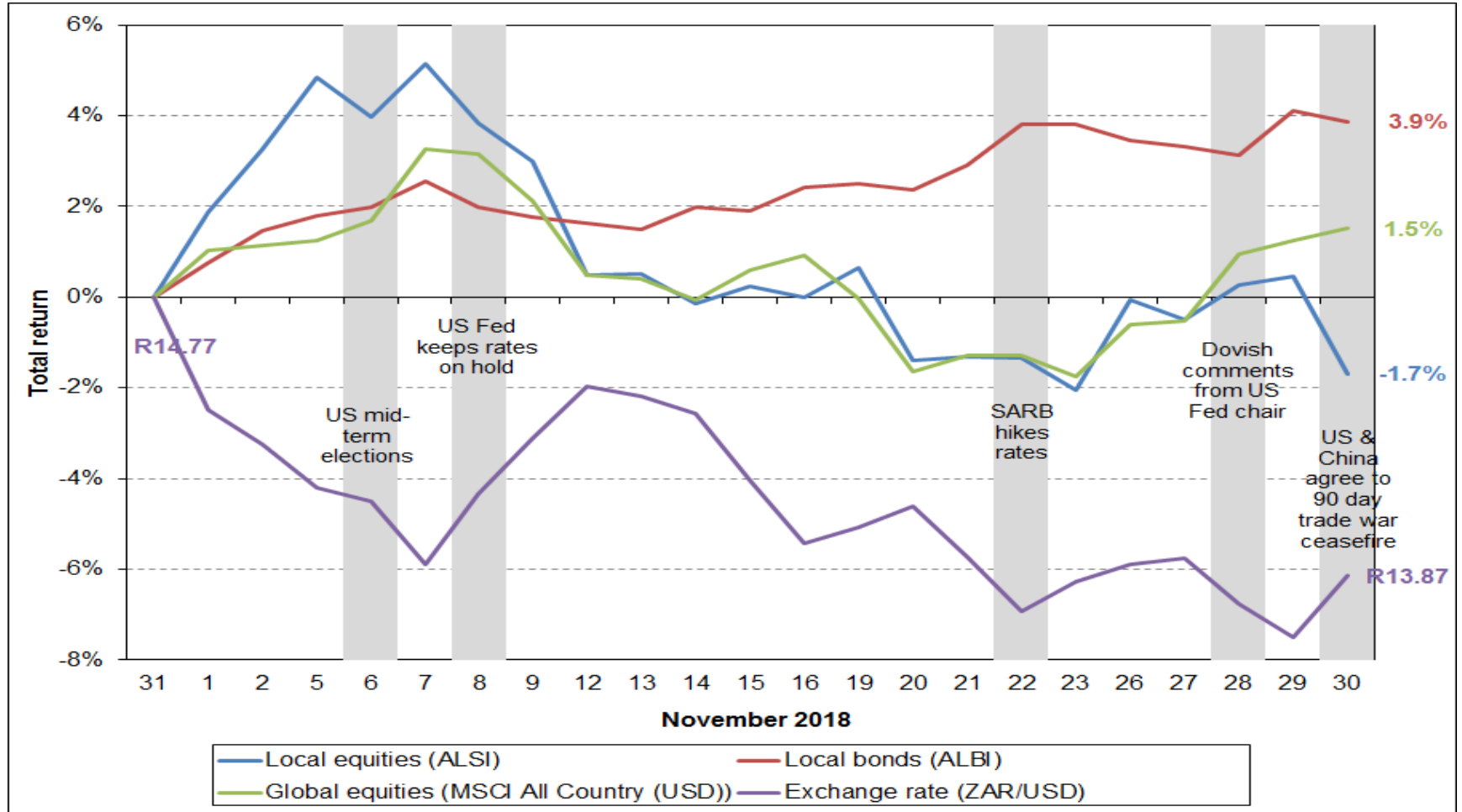
MONTHLY SNAPSHOT

NOTABLE EVENTS

- The local equity market recorded its seventh negative monthly performance for the year (and its third in a row) by dropping 1.7% in November. The resources sector (-11.5%) was the worst performer, followed by Listed Property (-1.3%) and Industrials (-0.7%), while Financials (+0.5%) managed to post a positive return. Global equities had an even worse month (-4.7% in Rands), but remains ahead over the last year (+1.1% vs the Capped SWIX's -12.4%).
- Local bonds had a good month, returning 3.9% and ending the 12-month period with a solid performance of 13.1%.
- In a fairly close call, the SARB increased interest rates by 25 basis points (repo is now 6.75% and prime is at 10.25%) citing increased risks to its inflation outlook as the main motivator.
- The US Federal Reserve kept their interest rates unchanged (although a hike in December is still expected), while a seemingly more dovish tone from its chairman surprised markets.
- The Rand gained some ground against the US Dollar during the month (strengthening from R14.77 to R13.87) on the back of improved emerging market sentiment and the interest rate developments mentioned above.
- SA exited its first technical recession since 2008 by recording stronger than expected economic growth in the third quarter (+2.2% on a seasonally adjusted and annualised basis).
- The oil price has fallen by more than 30% over the last two months, providing much needed relief to SA motorists in the form of a record R1.84 decrease in the price of a litre of 95 octane.
- US mid-term elections saw the Democrats take the House of Representatives, with the Republicans retaining a majority in the Senate.
- Local inflation clocked in at 5.2% year-on-year in November, up from 5.1% in October.

MONTHLY TIMELINE

IMPACT ON MARKETS



MARKET INDICATORS

SHORT TERM

Market indicators (% change) ¹		Sep 2018	Oct 2018	Nov 2018	3 months	12 months
Local equities	Capped SWIX	(4.2)	(4.6)	(1.7)	(10.2)	(12.4)
	Resources	1.0	(4.0)	(11.5)	(14.1)	2.4
	Industrials	(7.7)	(8.0)	(0.7)	(15.7)	(22.7)
	Financials	(2.0)	(3.2)	0.5	(4.7)	(1.7)
	Listed Property	(2.6)	(1.7)	(1.3)	(5.5)	(21.3)
Local bonds	ALBI	0.3	(1.7)	3.9	2.4	13.1
Local cash	STeFI Composite	0.6	0.6	0.6	1.8	7.3
Global equities	MSCI All Country	(3.2)	(3.4)	(4.7)	(10.9)	1.1
Global bonds	FTSE WGBI	(4.6)	3.2	(5.7)	(7.1)	(1.5)
Exchange rate	ZAR/USD	(3.6)	4.4	(6.1)	(5.6)	1.5
Inflation	CPI	0.5	0.5	0.2	1.0	5.1

1. Total returns (in Rands) for the months and periods ending 30 November 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	(12.4)	1.1	5.5	12.7	15.4
	Resources	2.4	16.1	(2.3)	2.6	7.8
	Industrials	(22.7)	(2.7)	5.2	16.2	18.4
	Financials	(1.7)	2.6	9.3	14.8	15.8
	Listed Property	(21.3)	(2.9)	6.1	12.7	17.3
Local bonds	ALBI	13.1	8.3	7.8	8.3	8.6
Local cash	STeFI Composite	7.3	7.4	6.9	6.7	7.4
Global equities	MSCI All Country	1.1	7.7	13.6	14.9	13.4
Global bonds	FTSE WGBI	(1.5)	0.9	6.6	5.3	8.6
Exchange rate	ZAR/USD	1.5	(1.3)	6.4	3.3	5.3
Inflation	CPI	5.2	5.5	5.4	5.2	5.7

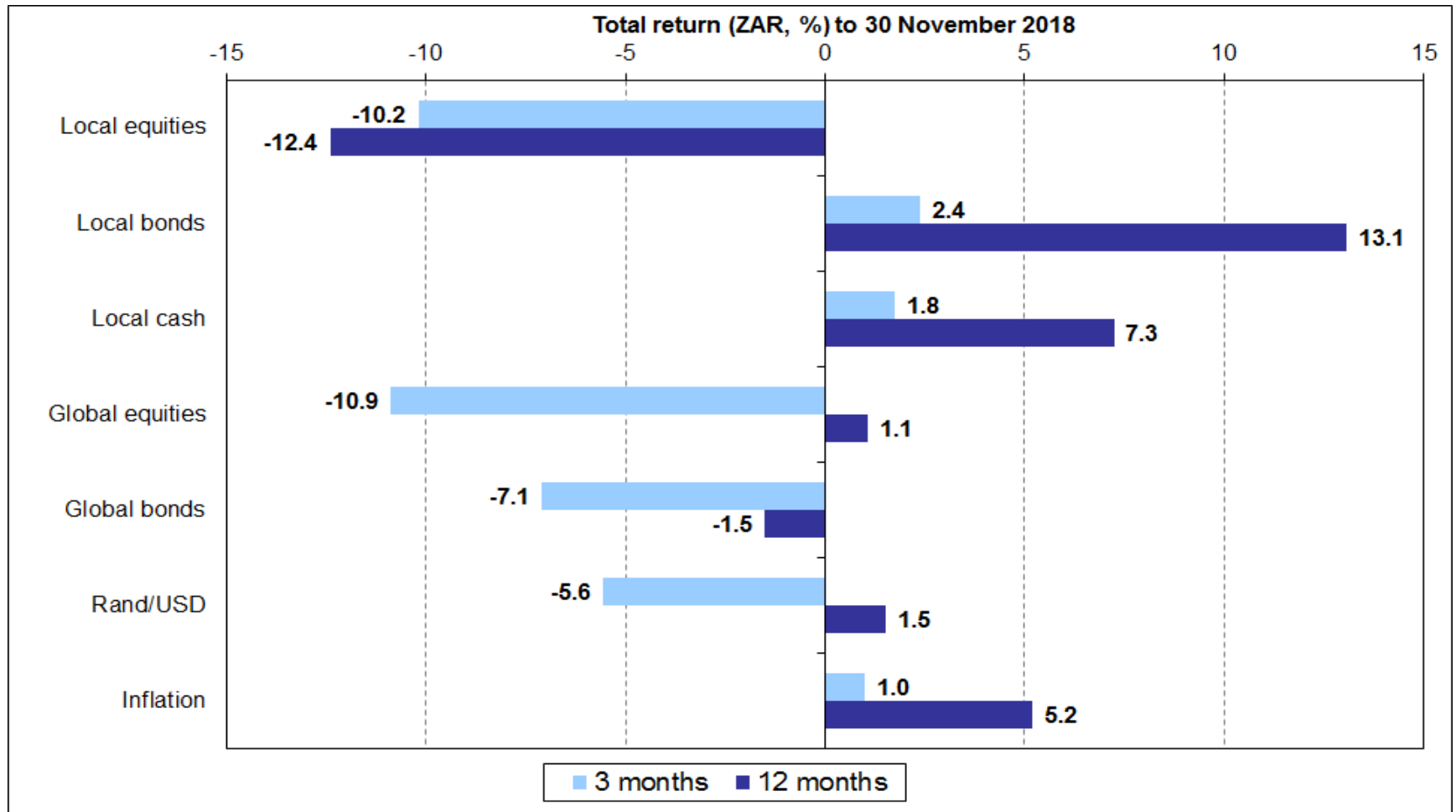
1. Total returns (in Rands) for the months and periods ending 30 November 2018

ECONOMIC INDICATORS

Economic indicators ¹	Nov 2016	Nov 2017	Sep 2018	Oct 2018	Nov 2018
Exchange rates:					
ZAR/USD	14.09	13.66	14.15	14.77	13.87
ZAR/GBP	17.62	18.56	18.44	18.87	17.67
ZAR/Euro	14.92	16.18	16.42	16.71	15.69
Commodities:					
Brent Crude Oil (USD/barrel)	51.78	62.63	82.90	74.62	59.14
Platinum (USD/ounce)	912.00	940.00	812.87	832.85	811.49
Gold (USD/ounce)	1,173.61	1,274.83	1,192.40	1,214.86	1,224.37

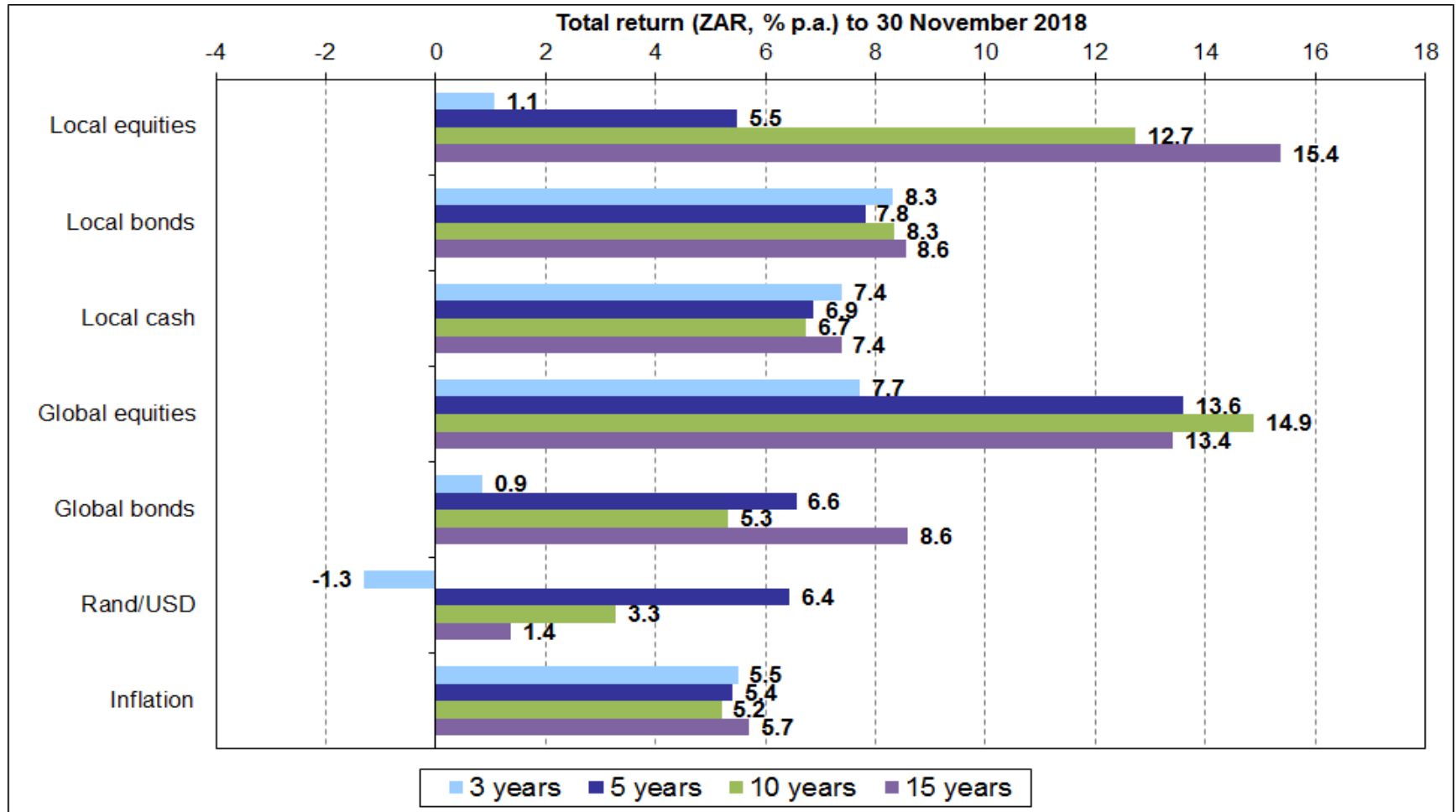
1. Month-end prices

ASSET CLASS PERFORMANCE SHORT TERM



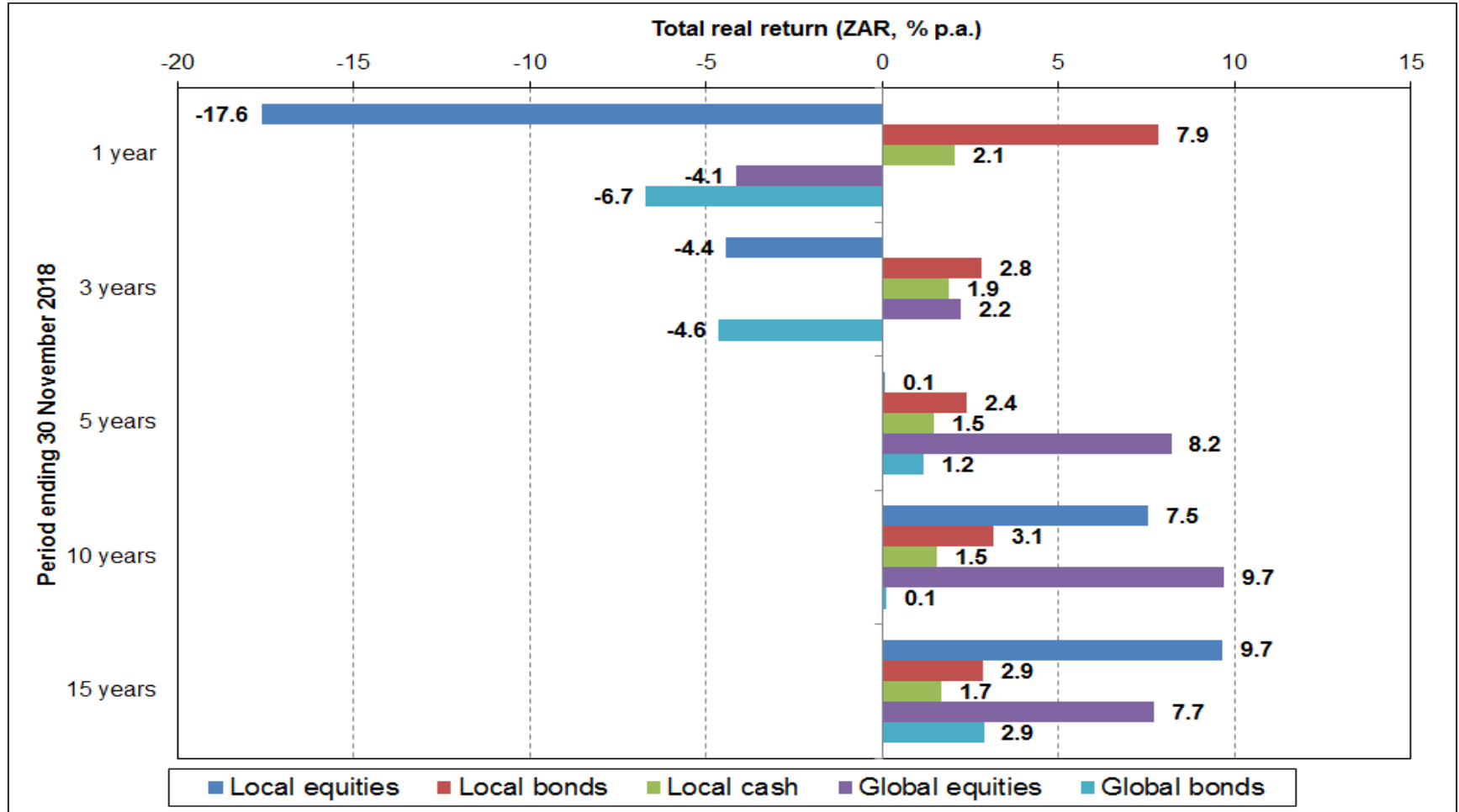
ASSET CLASS PERFORMANCE

MEDIUM TO LONG TERM



ASSET CLASS PERFORMANCE

REAL (EXCESS ABOVE INFLATION) RETURNS



MARKET PERFORMANCE

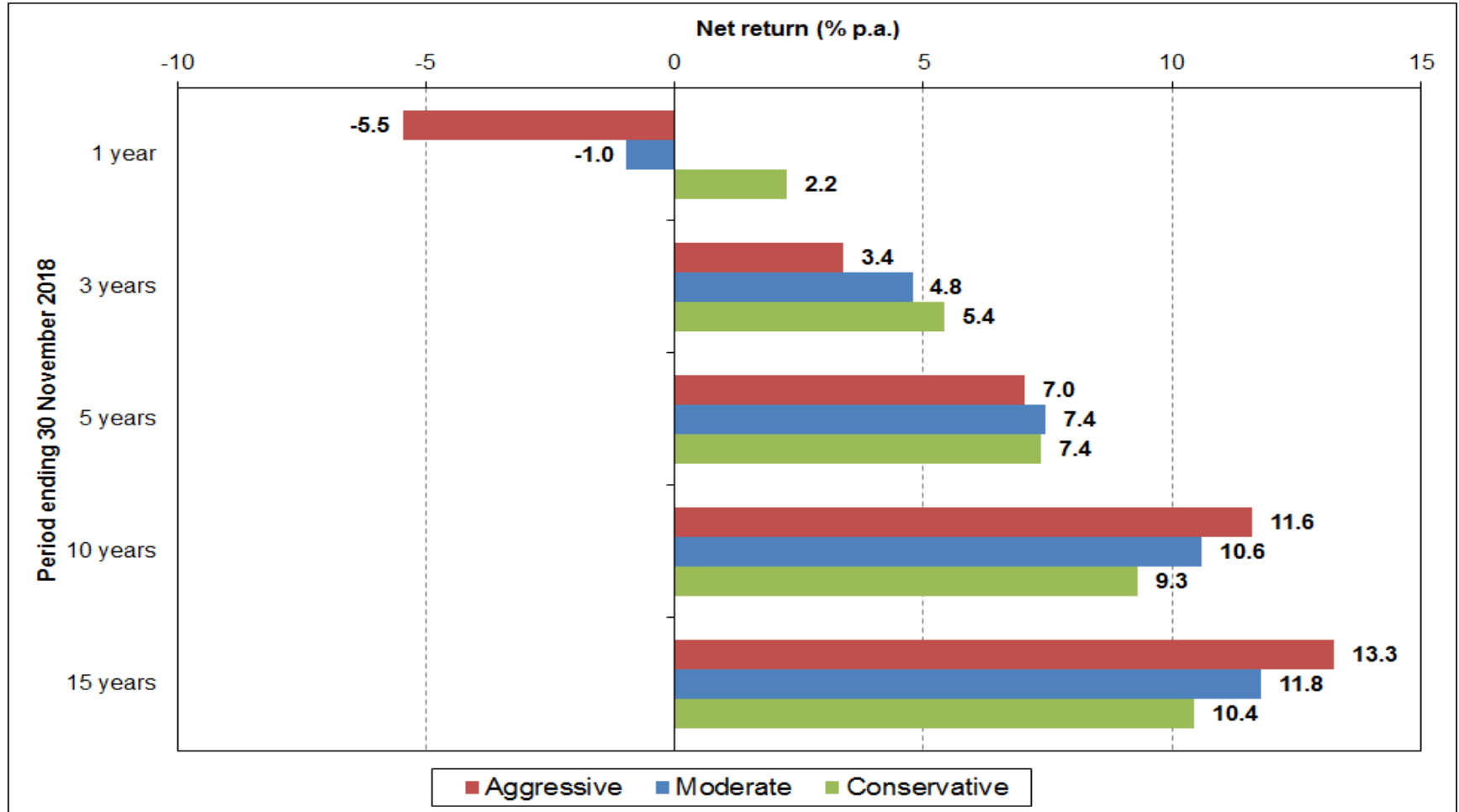
WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

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%

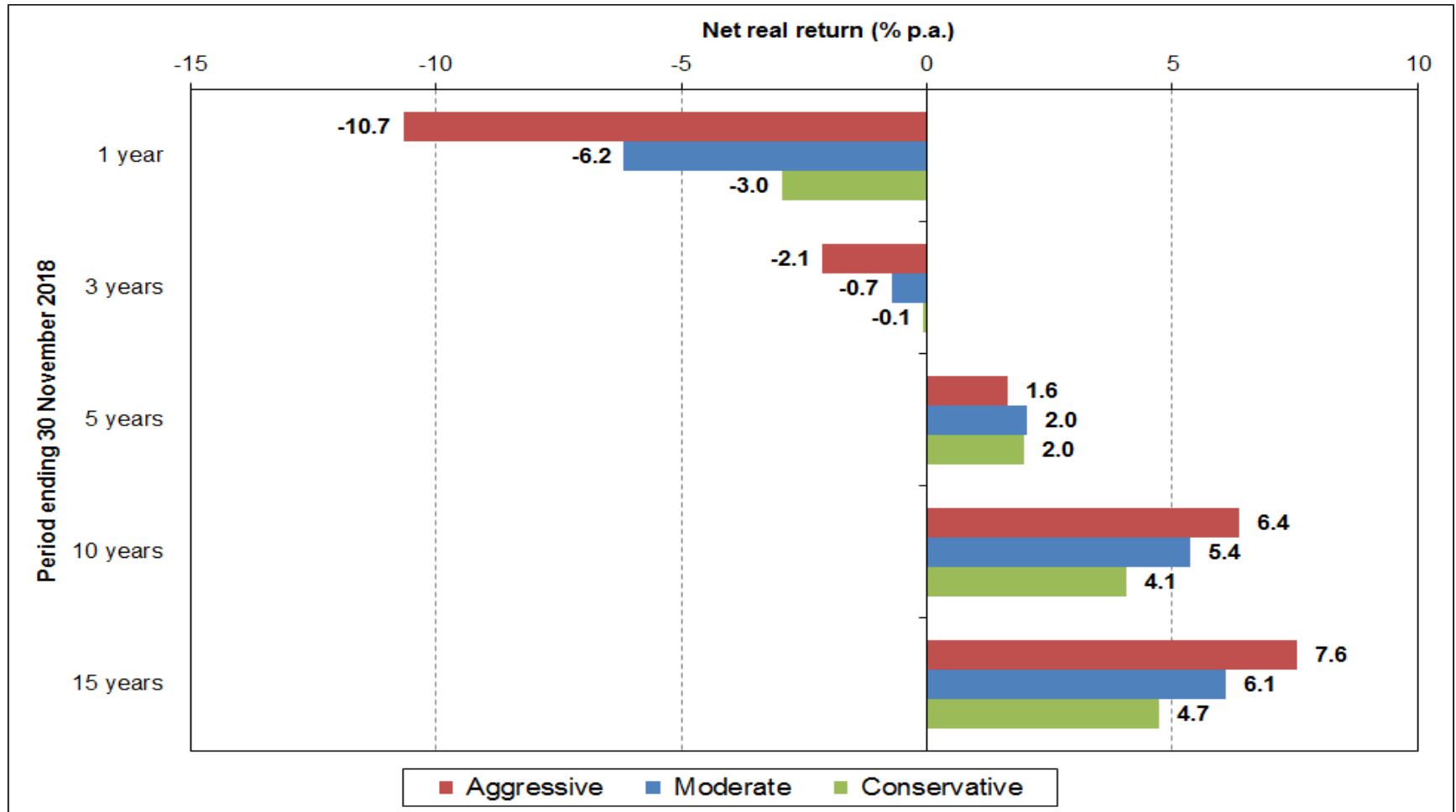
MR MARKET PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST NOMINAL RETURNS WAS REASONABLY ACHIEVABLE?



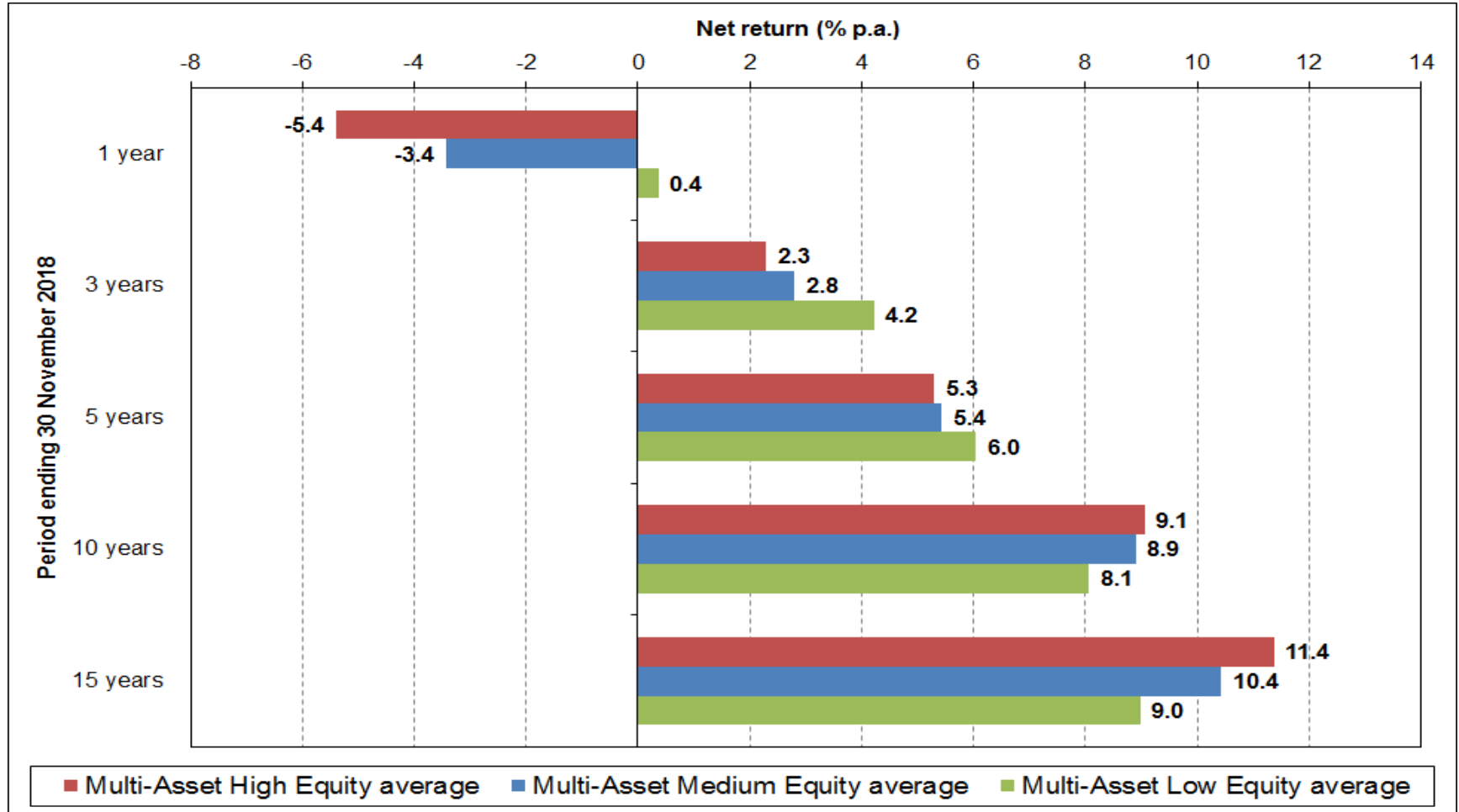
MR MARKET PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST REAL RETURNS WAS REASONABLY ACHIEVABLE?



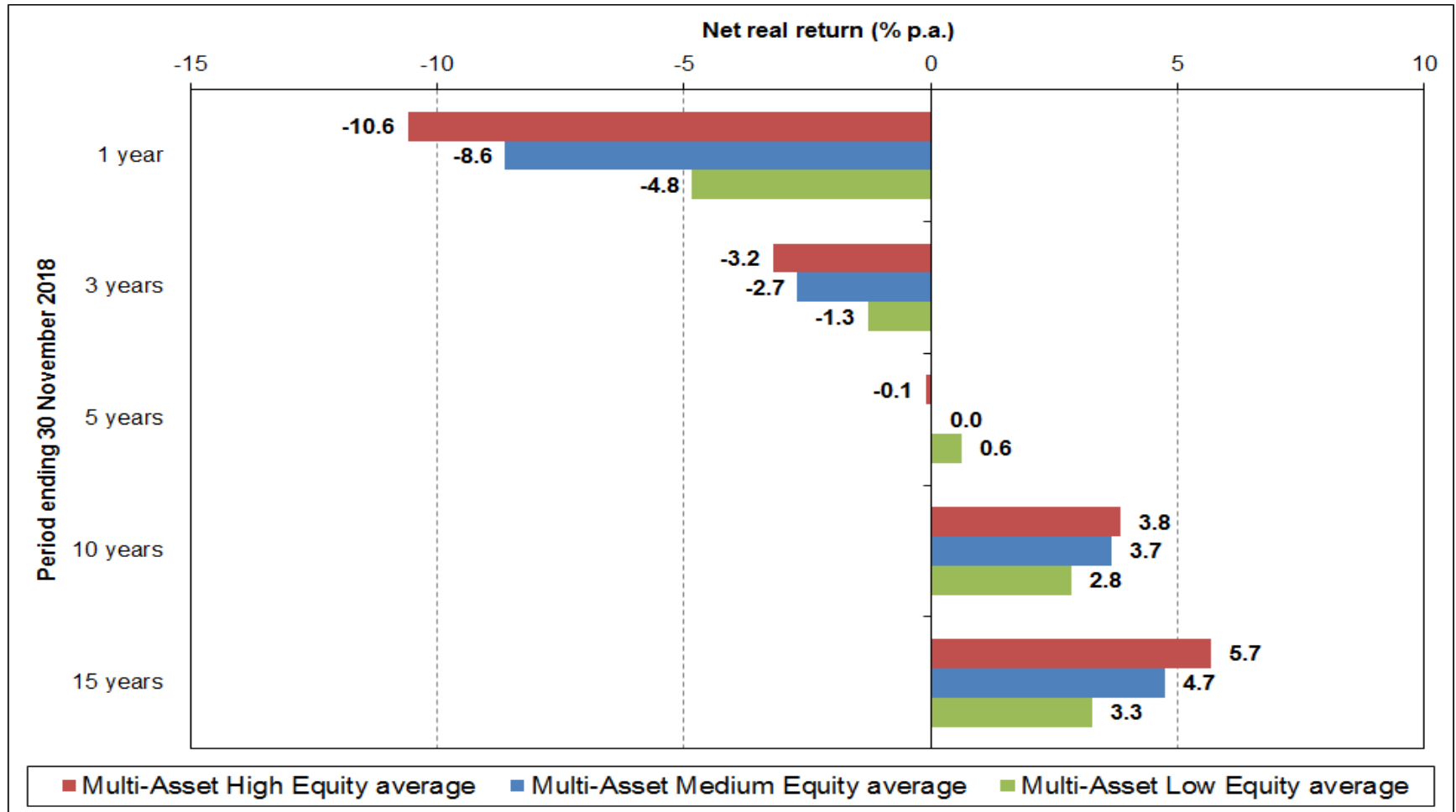
MR MANAGER PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST NOMINAL RETURNS WAS REASONABLY ACHIEVABLE?



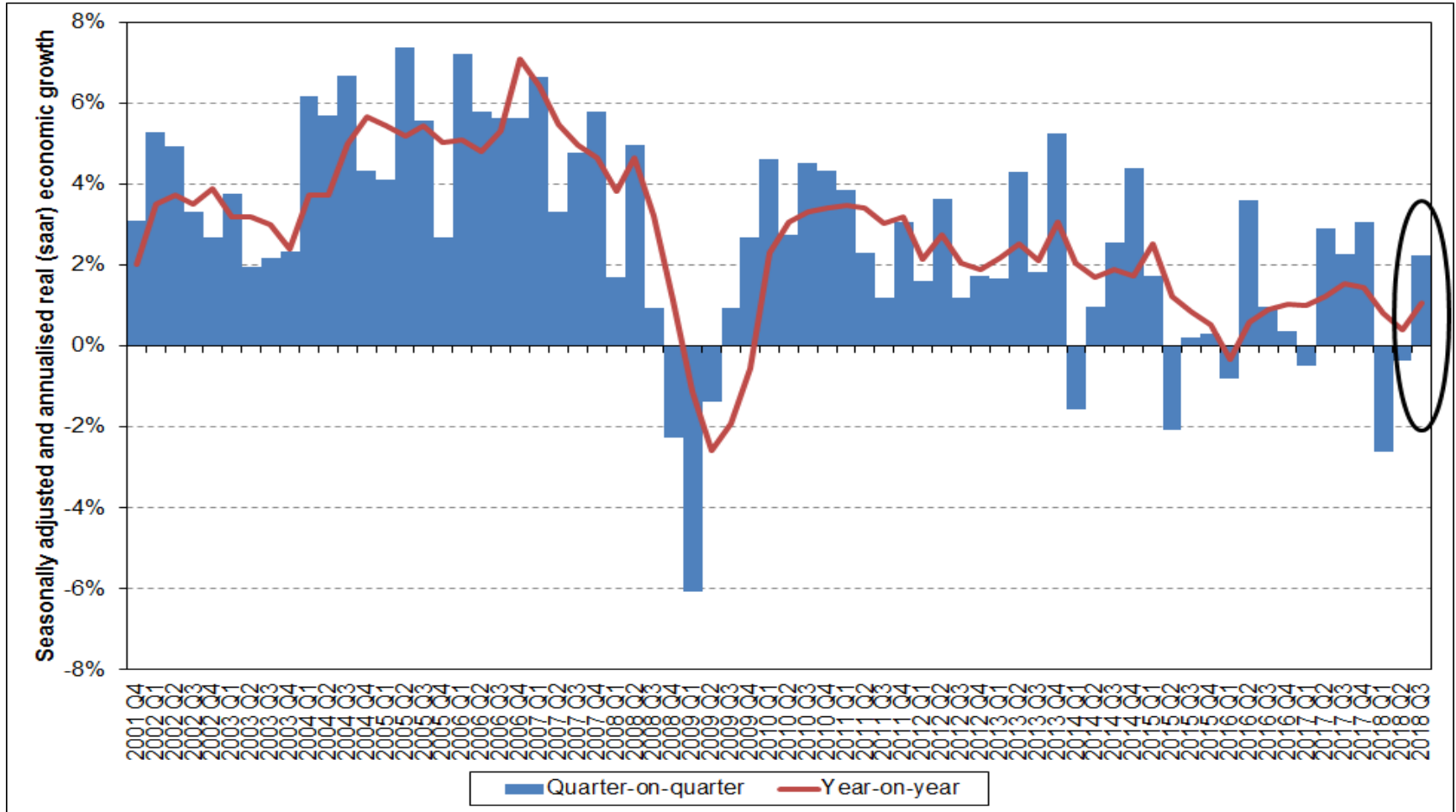
MR MANAGER PERFORMANCE

FOR BALANCED PORTFOLIOS, WHAT RANGE OF PAST REAL RETURNS WAS REASONABLY ACHIEVABLE?



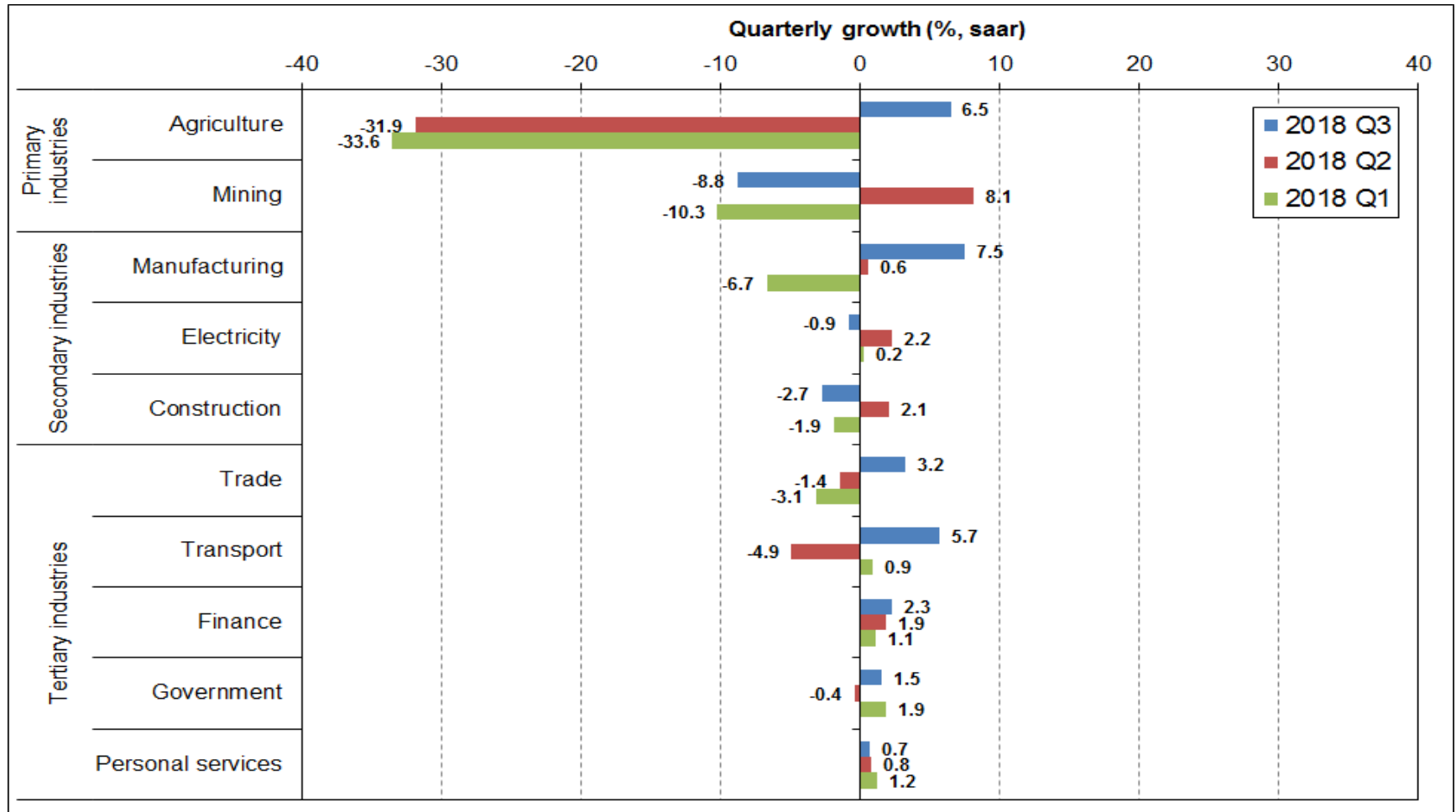
SA ECONOMIC GROWTH

SA EXITS TECHNICAL RECESSION



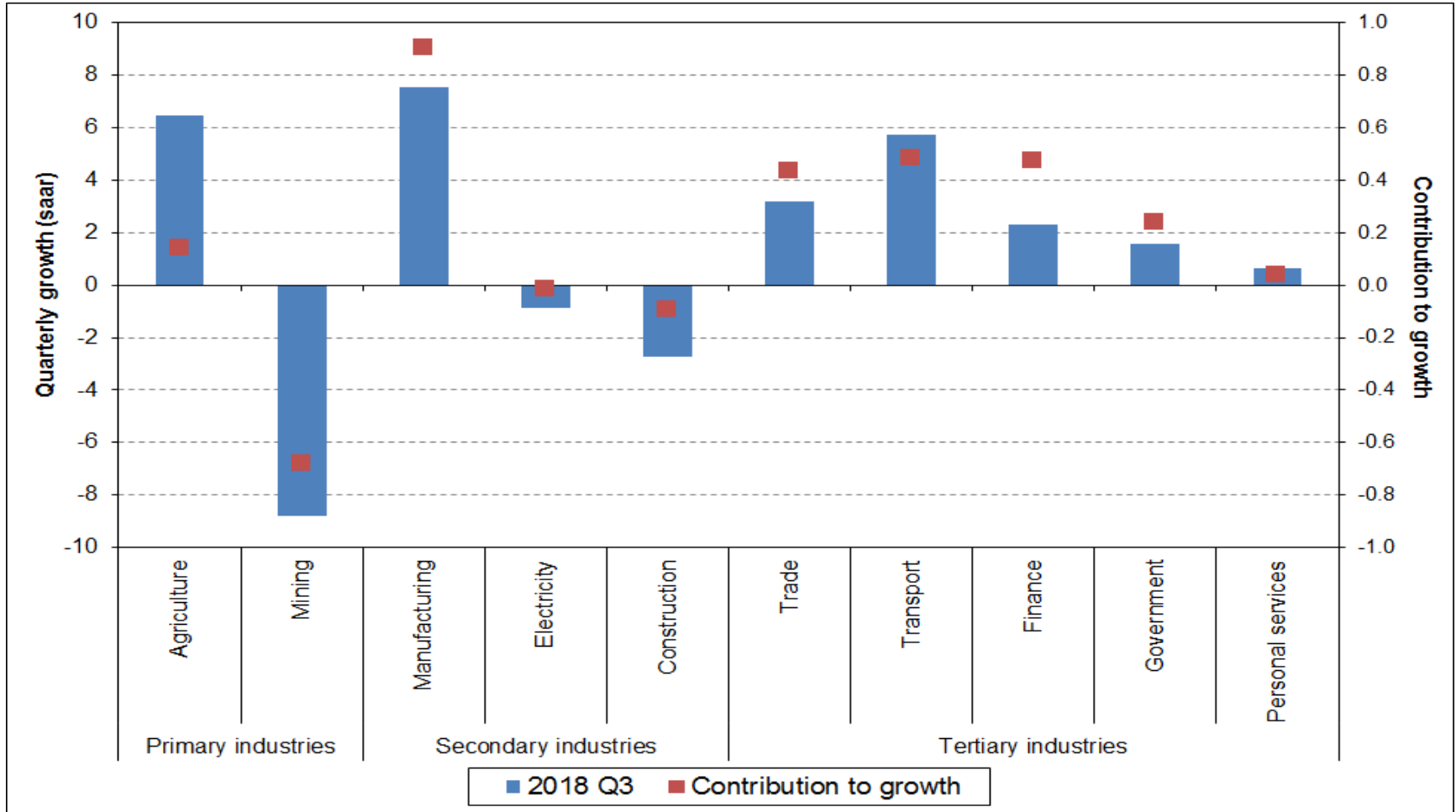
SA ECONOMIC GROWTH

AGRICULTURE, MANUFACTURING & TRANSPORT SHOW LARGEST GAINS



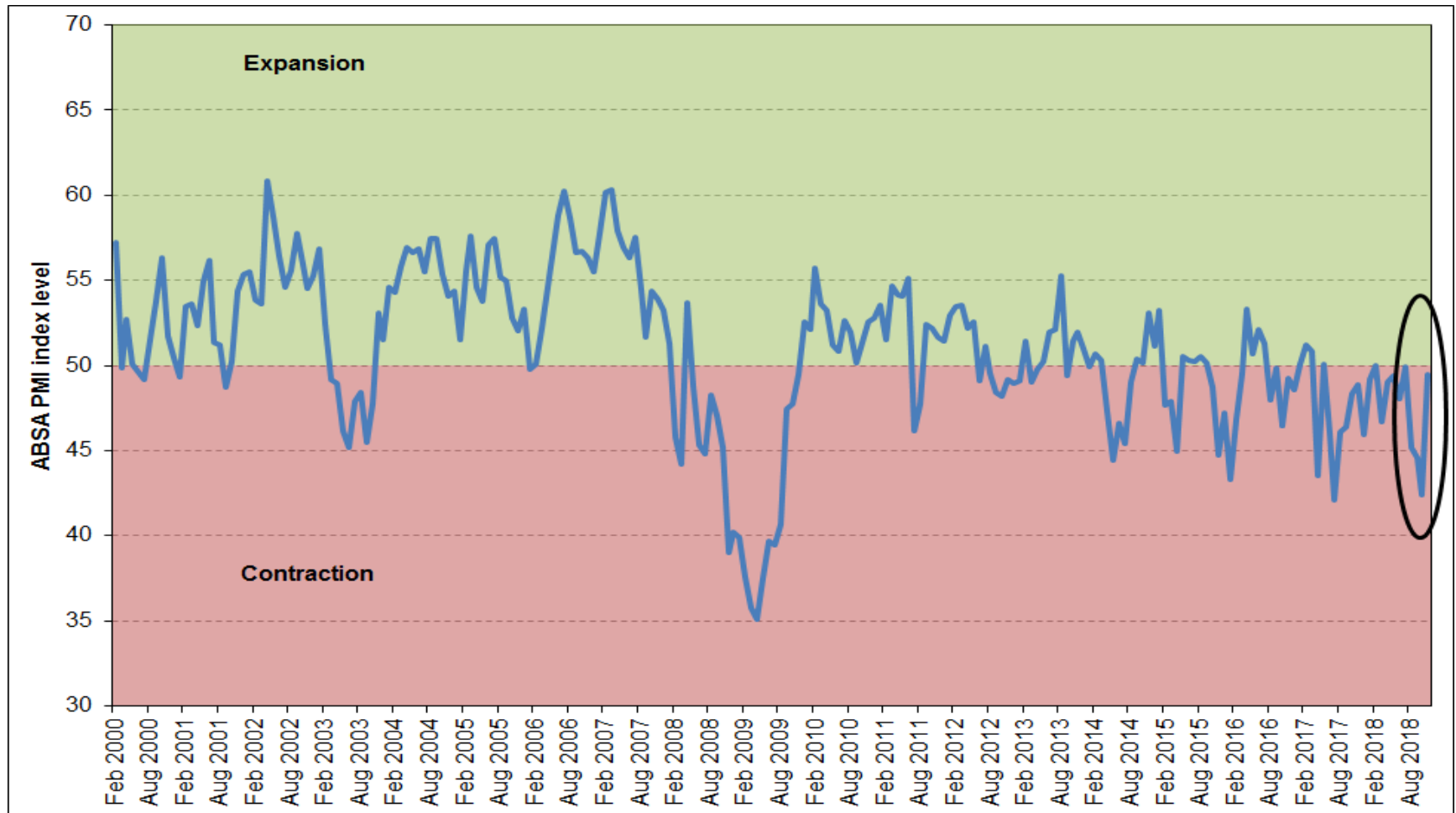
SA ECONOMIC GROWTH

MANUFACTURING AND TERTIARY SECTORS THE GREATEST CONTRIBUTORS IN 2018 Q3

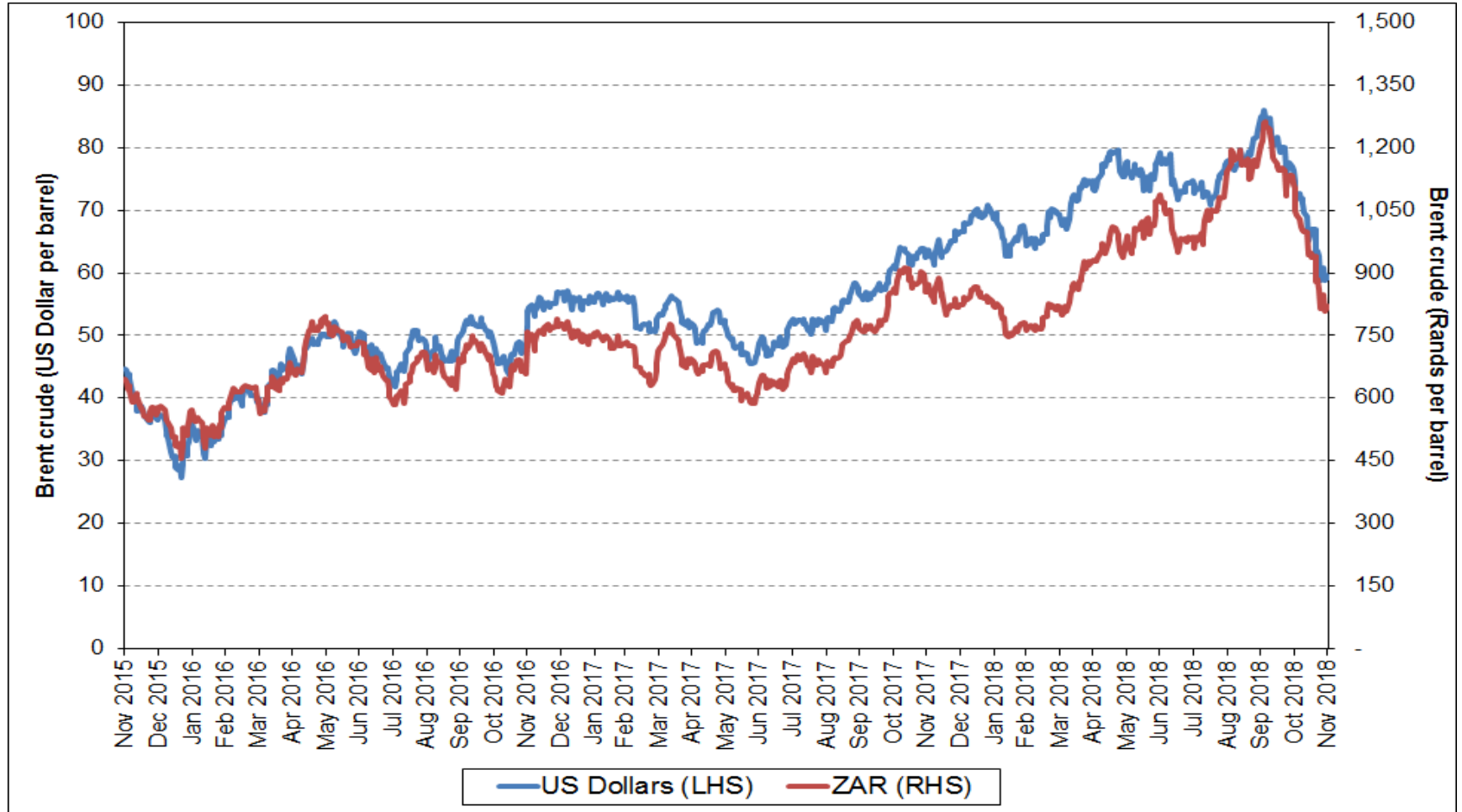


ABSA PURCHASING MANAGERS INDEX

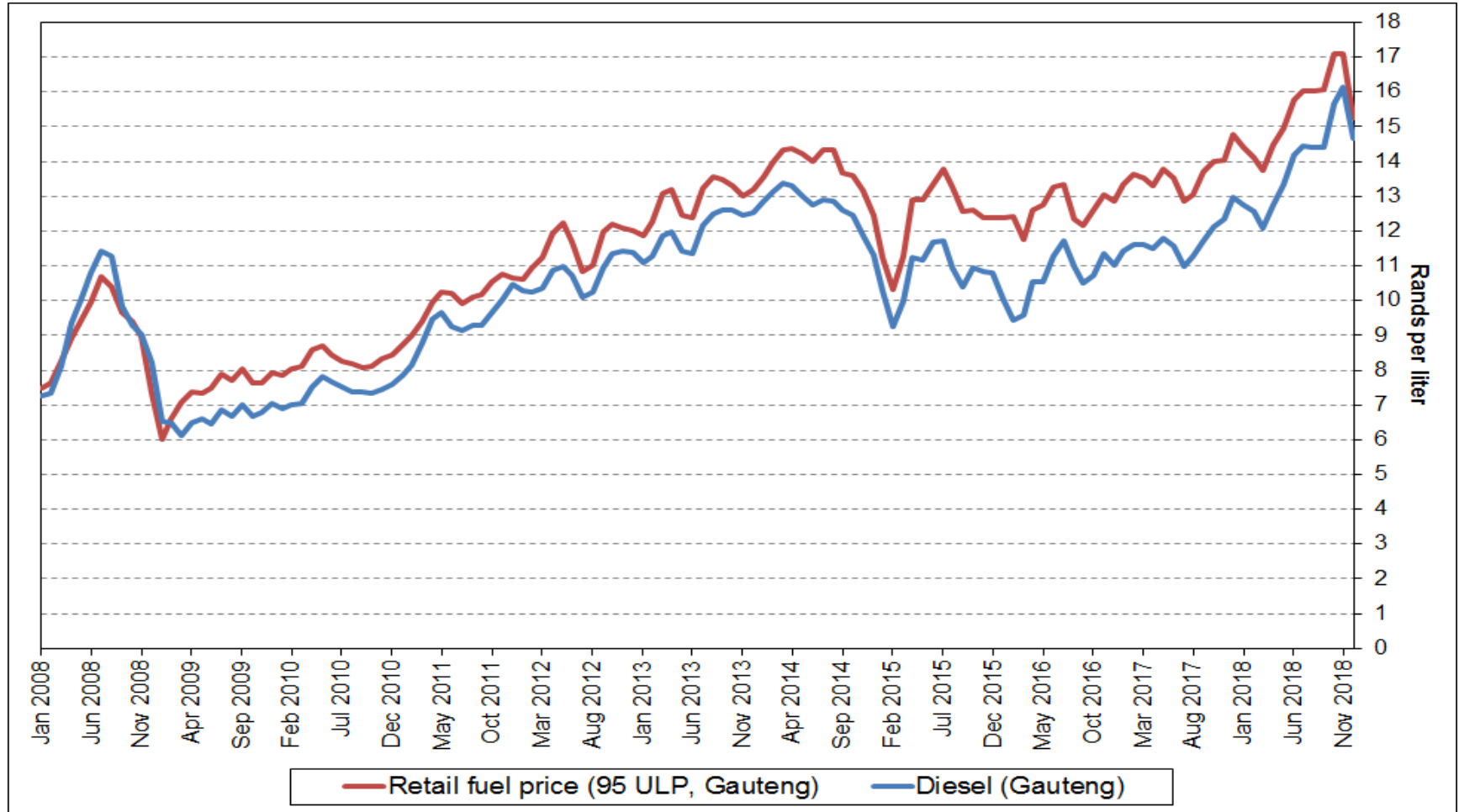
APPROACHING EXPANSION TERRITORY AGAIN, BUT WILL IT STAY THERE THIS TIME?



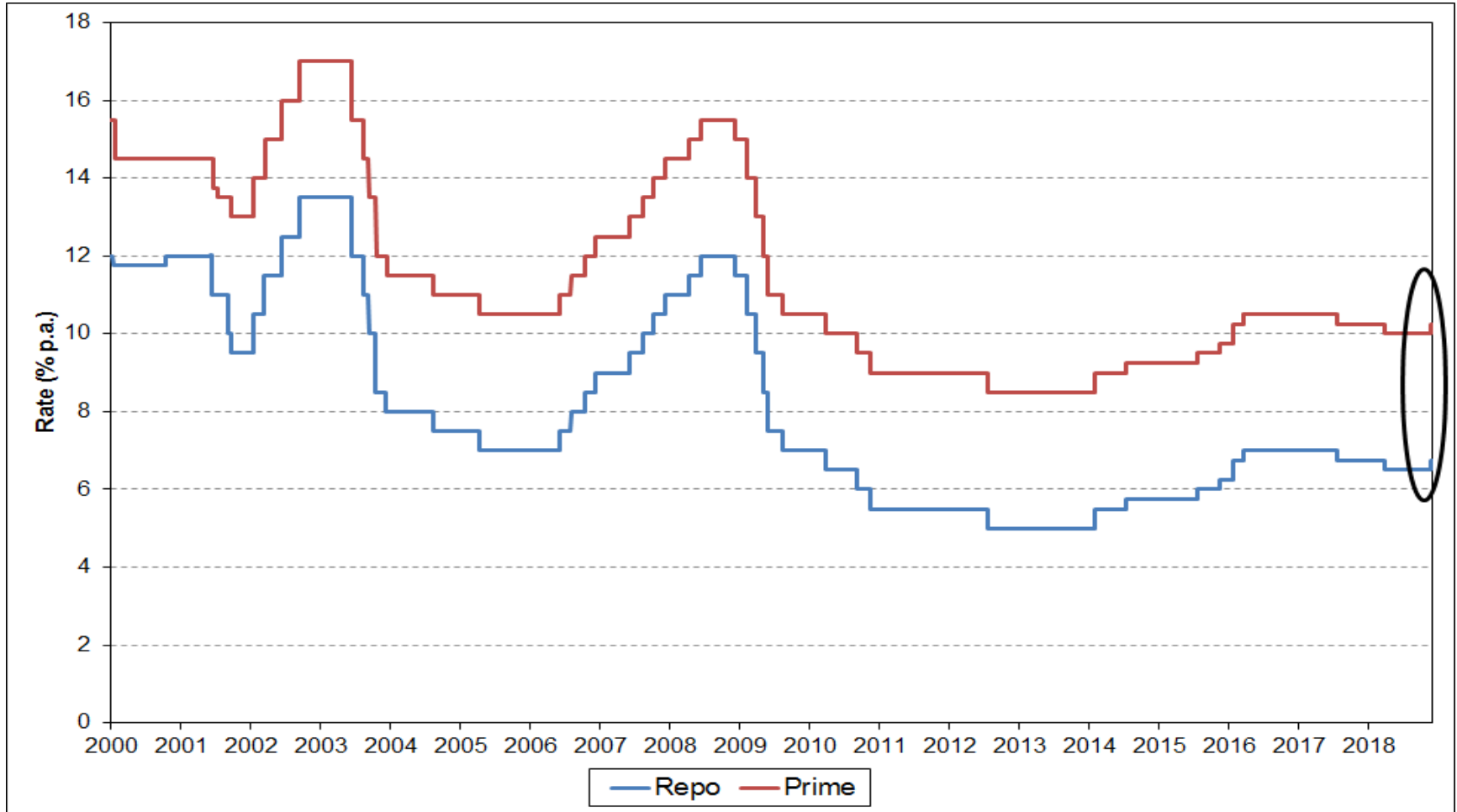
OIL PRICES PLUNGE...



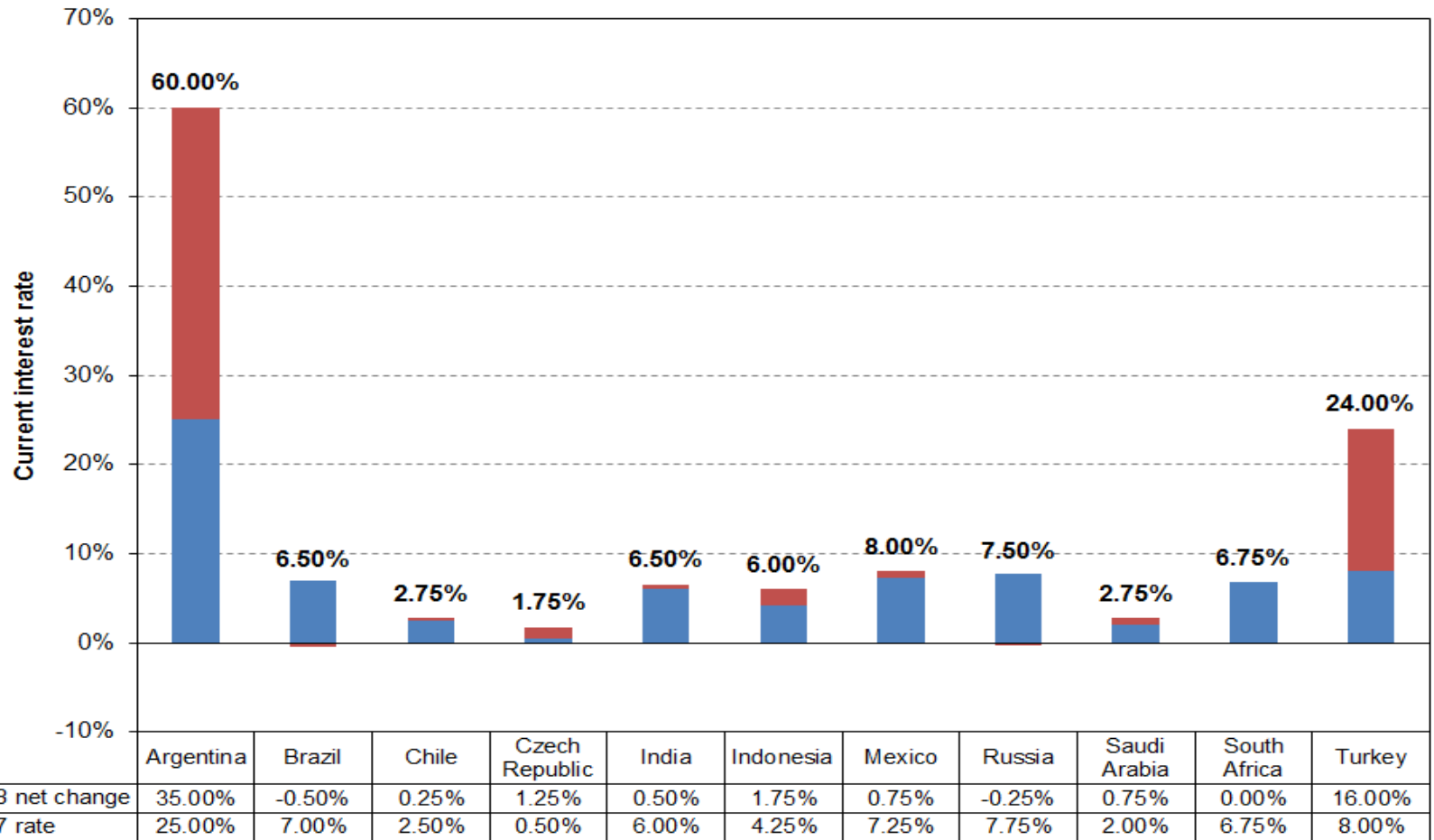
...LEADING TO SOME RELIEF AT THE PUMPS



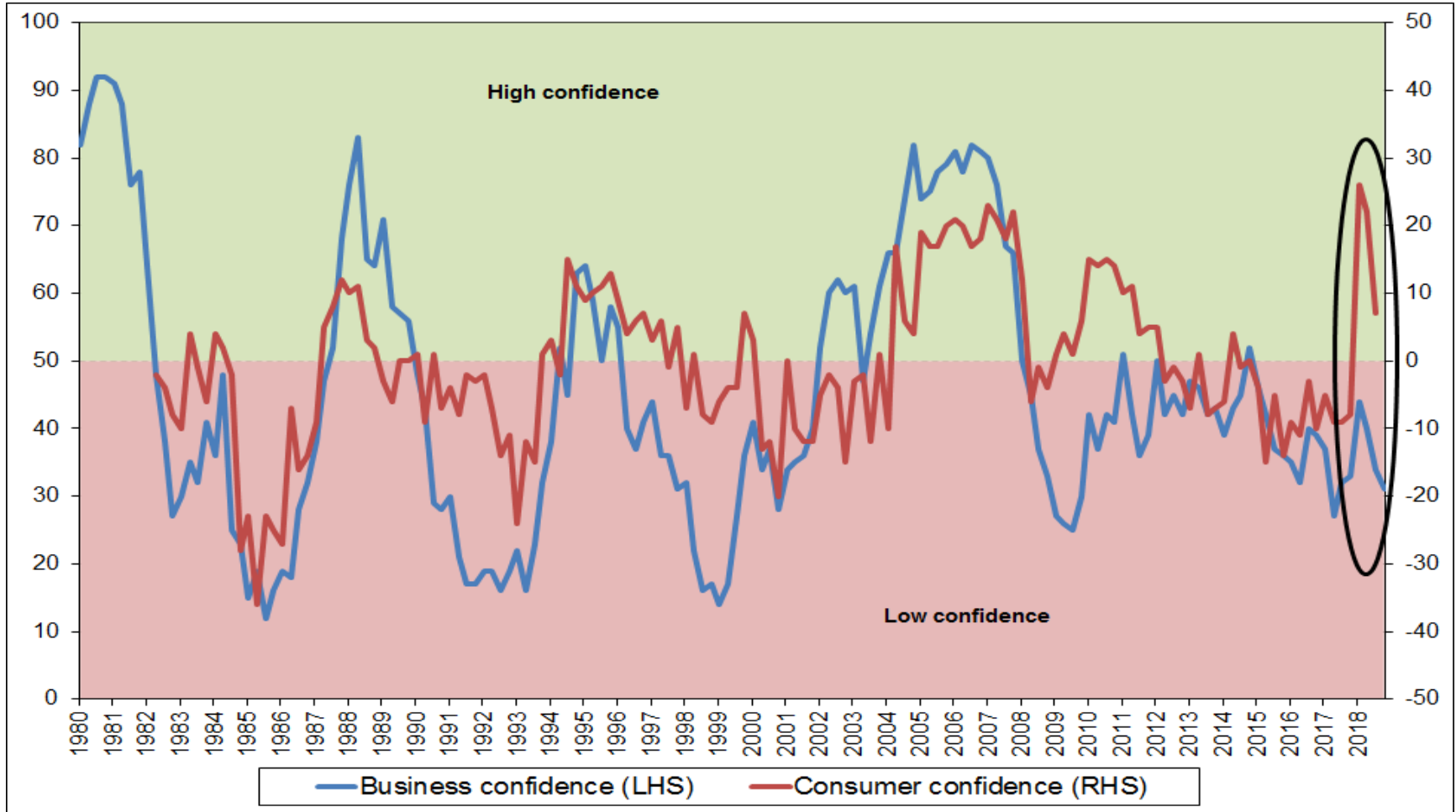
SA INTEREST RATES EDGE HIGHER...



...AS MANY OTHER EMERGING MARKETS ALSO EMBARK ON HIKING CYCLES

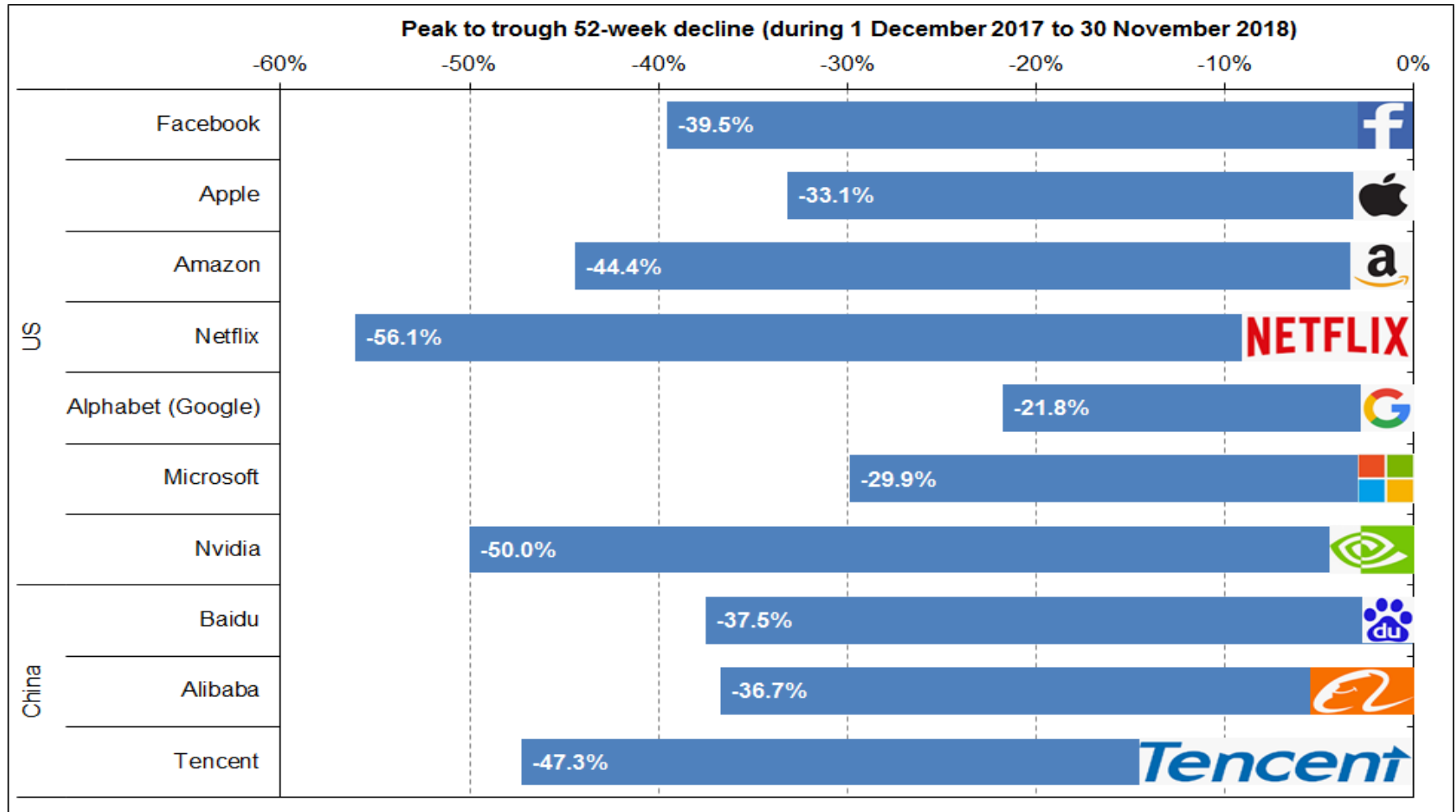


CONSUMER CONFIDENCE PLUMMETS BUT REMAINS ABOVE LONG RUN AVERAGE



GLOBAL TECH GIANTS FALTER

ALL HAVE HIT BEAR MARKET SIZE LOSSES (> 20%) AT SOME POINT DURING THE LAST 12 MONTHS



IS THIS THE START OF A LONG OVERDUE EMERGING MARKET COMEBACK?

