

# **MONTH IN PICTURES**

**APRIL 2019**

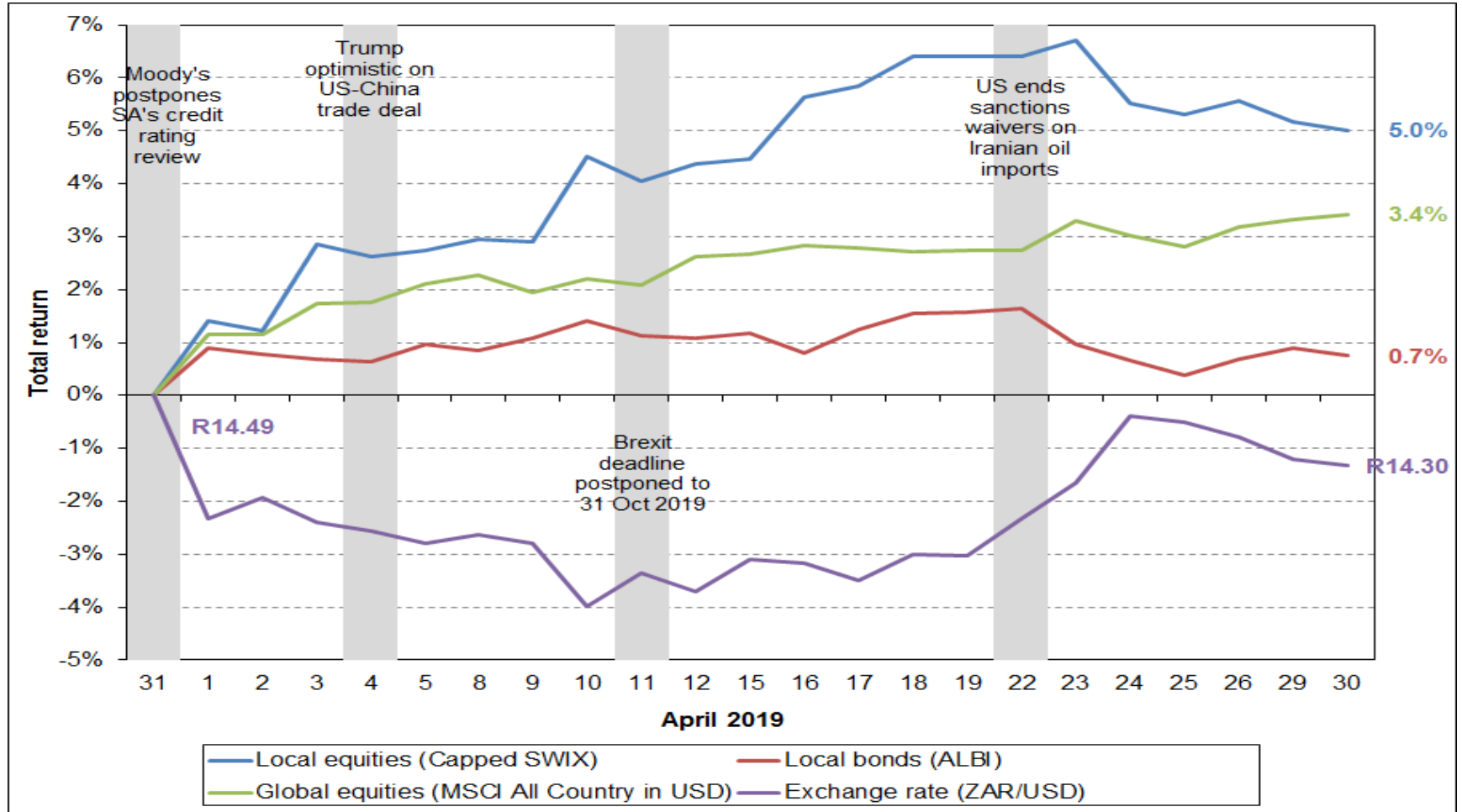
# MONTHLY SNAPSHOT

## NOTABLE EVENTS

- The local equity market (Capped SWIX) had a strong April (+5.0%), with Industrials and Financials both up by 6.6% while Listed Property gained 3.2%. After a very strong run, Resources took a bit of breather, ending the month 2.0% down.
- 2019 returns from the local equity market therefore remains strong (+9.0%), with strong contributions by Resources (+15.4%) and Industrials (+14.5%), while the more domestically-orientated financial and listed property sectors are up 6.1% and 4.7% respectively.
- Over the last 12 months Resources remains the only sector in the black (+27.8%), with small losses from Industrials and Financials (of 2.5% and 2.8% respectively). Listed Property is still down 9.6% over this period.
- Moody's postponement of our credit rating review at the end of March supported the Rand at the beginning of the month, before some weakness towards the end of the month eroded some of these gains. Regardless, the Rand still managed to end the month 1.3% stronger against the US Dollar.
- In a welcome change offshore equities had a lower (but still positive) return than local equities in April, delivering 3.4% in US Dollars and 2.1% in Rands. Developed markets (+2.2%) still outperformed emerging markets (+0.8%) however. Offshore equities (driven by the US) remains the best performer for local investors over the last ten years.
- The international oil price is up around 40% since end-December amid OPEC-led supply cuts and sanctions on Iran and Venezuela.
- Consumer confidence reverted to its long term average in 2019 Q1, falling by 7 points to a level of 2.
- Manufacturing and mining output fell by an annualised 9.1% and 12.7% in 2019 Q1 which, together with weak numbers on the trade side, suggests that we may see yet another economic contraction this quarter following the short-lived technical recession in 2018 H1.
- Early in May the ANC won SA's sixth democratic elections with a reduced majority, but on the markets this news was overshadowed by an unexpected deterioration in trade relations between the US and China as Trump increased tariffs from 10% to 25% on \$200 billion worth of Chinese imports. May's equity market performances are therefore expected to materially reduce 2019's year-to-date gains.

# MONTHLY TIMELINE

## IMPACT ON MARKETS



# MARKET INDICATORS

## SHORT TERM

Market indicators (% change) <sup>1</sup>		Feb 2019	Mar 2019	Apr 2019	3 months	12 months
Local equities	Capped SWIX	1.2	(0.2)	5.0	6.1	(1.7)
	Resources	9.1	4.7	(2.0)	11.8	27.8
	Industrials	3.5	2.9	6.6	13.5	(2.5)
	Financials	(2.1)	(4.0)	6.6	0.1	(2.8)
	Listed Property	(5.7)	(1.5)	3.2	(4.1)	(9.6)
Local bonds	ALBI	(0.4)	1.3	0.7	1.6	5.0
Local cash	STeFI Composite	0.5	0.6	0.6	1.8	7.3
Global equities	MSCI All Country	9.2	4.3	2.1	16.2	21.2
Global bonds	FTSE WGBI	5.4	4.2	(1.8)	7.8	14.6
Exchange rate	ZAR/USD	6.3	2.9	(1.3)	8.0	14.8
Inflation <sup>2</sup>	CPI	0.8	0.8	0.8	2.4	4.5

1. Total returns (in Rands) for the months and periods ending 30 April 2019

2. Y-o-y CPI for April 2019 assumed to be equal to that of March 2019

# MARKET INDICATORS

## MEDIUM TO LONG TERM

Market indicators (% change) <sup>1</sup>		1 year	3 years	5 years	10 years	15 years
Local equities	Capped SWIX	(1.7)	3.1	5.8	13.9	15.6
	Resources	27.8	16.4	(0.3)	5.5	9.6
	Industrials	(2.5)	3.1	7.3	18.0	18.6
	Financials	(2.8)	5.1	8.1	15.9	15.4
	Listed Property	(9.6)	(3.5)	5.8	12.3	17.0
Local bonds	ALBI	5.0	9.7	8.4	8.6	9.0
Local cash	STeFI Composite	7.3	7.4	7.0	6.6	7.3
Global equities	MSCI All Country	21.2	12.2	14.4	17.8	13.1
Global bonds	FTSE WGBI	14.6	0.6	6.6	7.7	8.4
Exchange rate	ZAR/USD	14.8	0.2	6.3	5.4	4.9
Inflation <sup>2</sup>	CPI	4.5	4.8	5.0	5.2	5.6

1. Total returns (in Rands) for the months and periods ending 30 April 2019

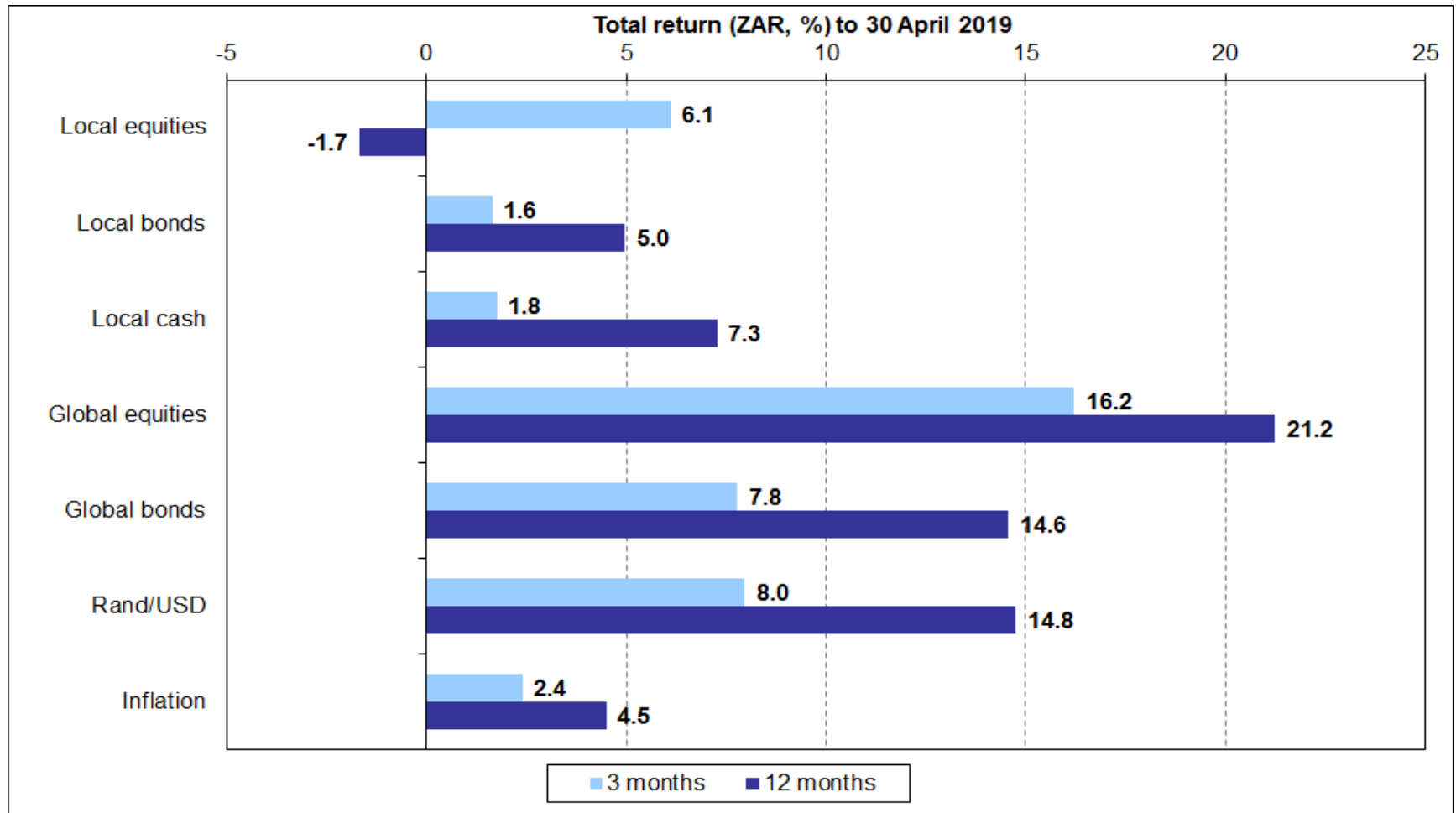
2. Y-o-y CPI for April 2019 assumed to be equal to that of March 2019

# ECONOMIC INDICATORS

Economic indicators <sup>1</sup>	Apr 2017	Apr 2018	Feb 2019	Mar 2019	Apr 2019
<b>Exchange rates:</b>					
ZAR/USD	13.36	12.46	14.09	14.49	14.30
ZAR/GBP	17.26	17.15	18.68	18.90	18.64
ZAR/Euro	14.56	15.05	16.02	16.26	16.04
<b>Commodities:</b>					
Brent Crude Oil (USD/barrel)	52.05	74.67	66.42	67.59	71.65
Platinum (USD/ounce)	944.00	906.17	871.96	845.50	897.94
Gold (USD/ounce)	1,268.18	1,317.26	1,323.60	1,291.91	1,283.40

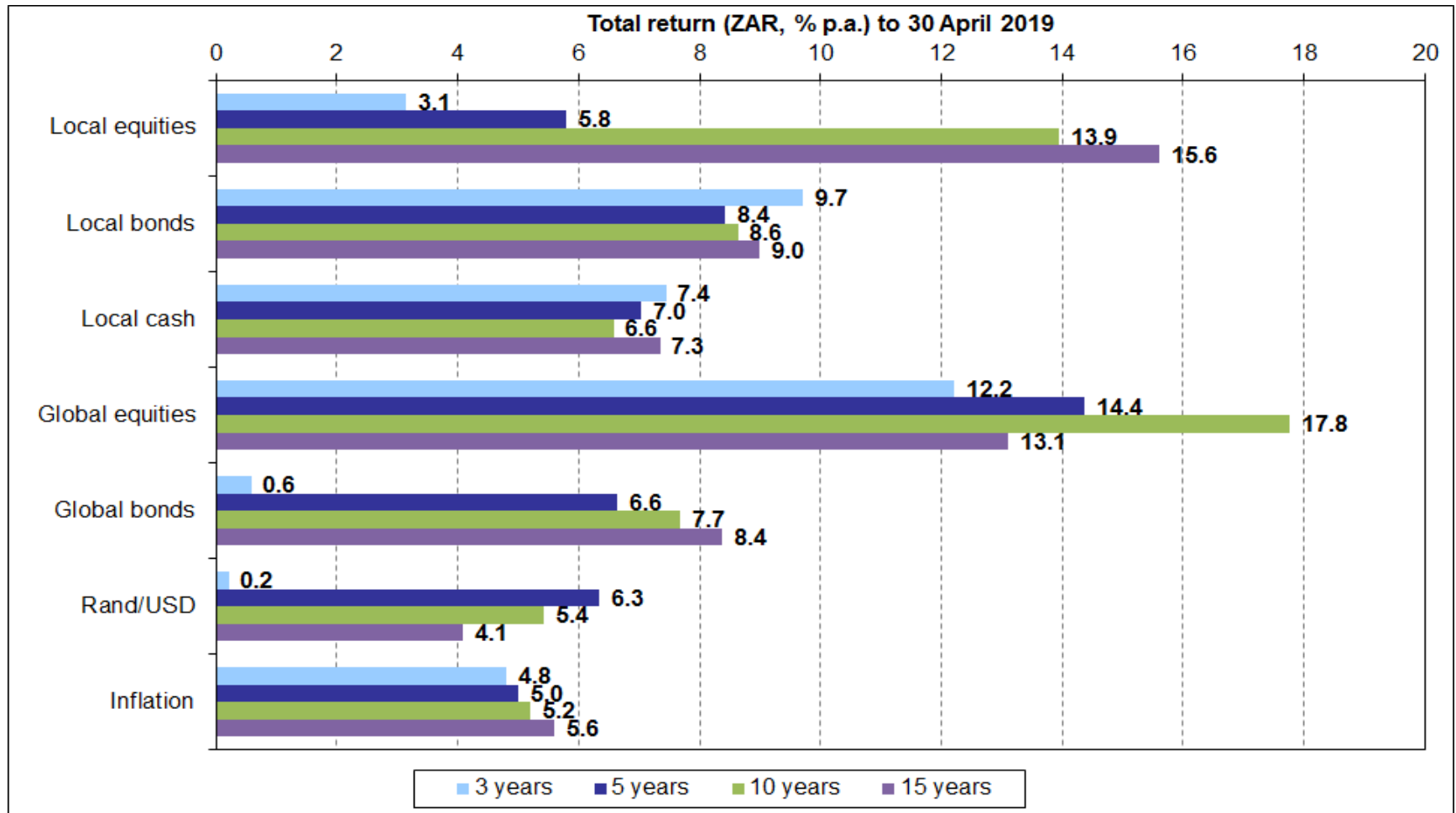
1. Month-end prices

# ASSET CLASS PERFORMANCE SHORT TERM



# ASSET CLASS PERFORMANCE

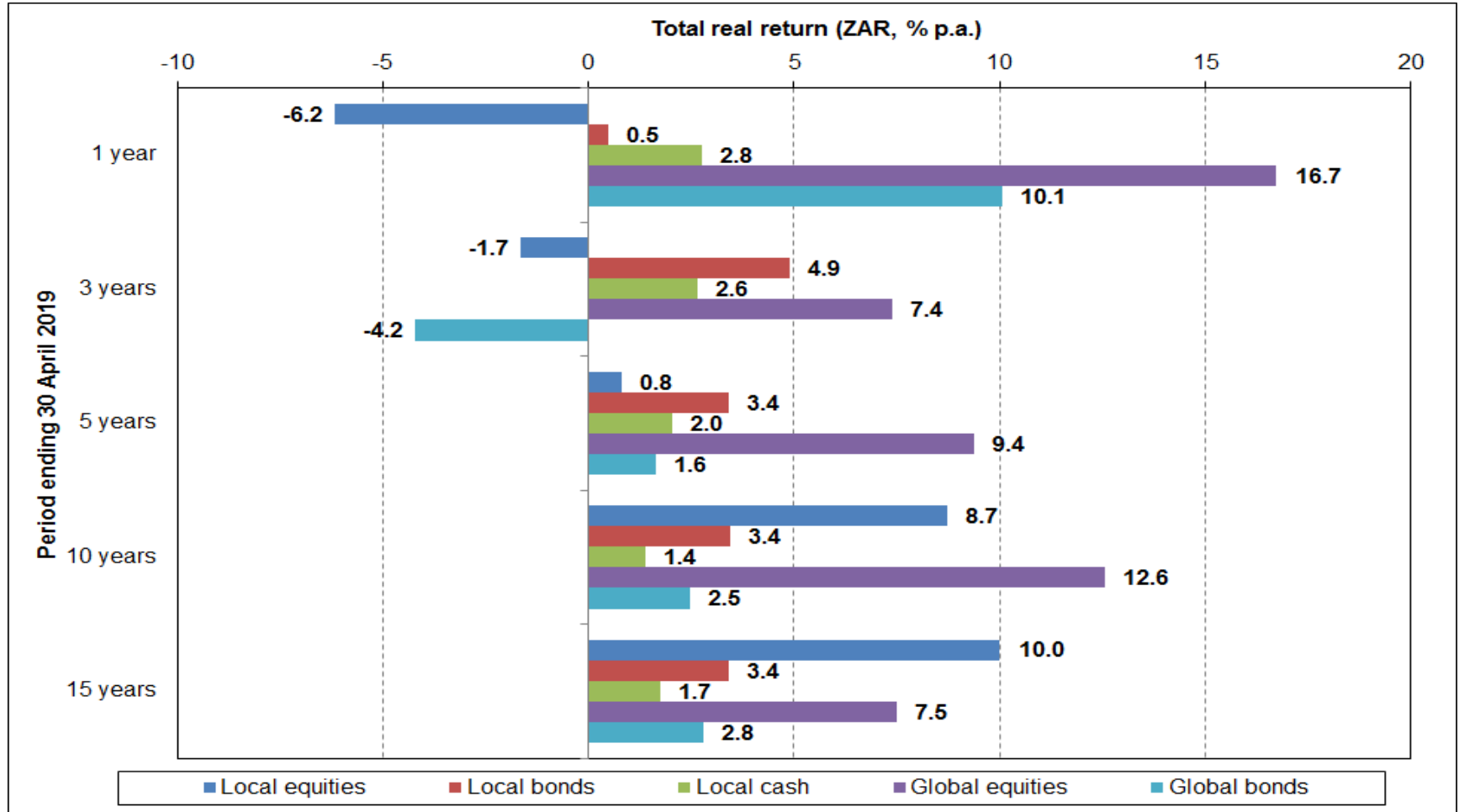
## MEDIUM TO LONG TERM





# ASSET CLASS PERFORMANCE

## REAL (EXCESS ABOVE INFLATION) RETURNS



# MARKET PERFORMANCE

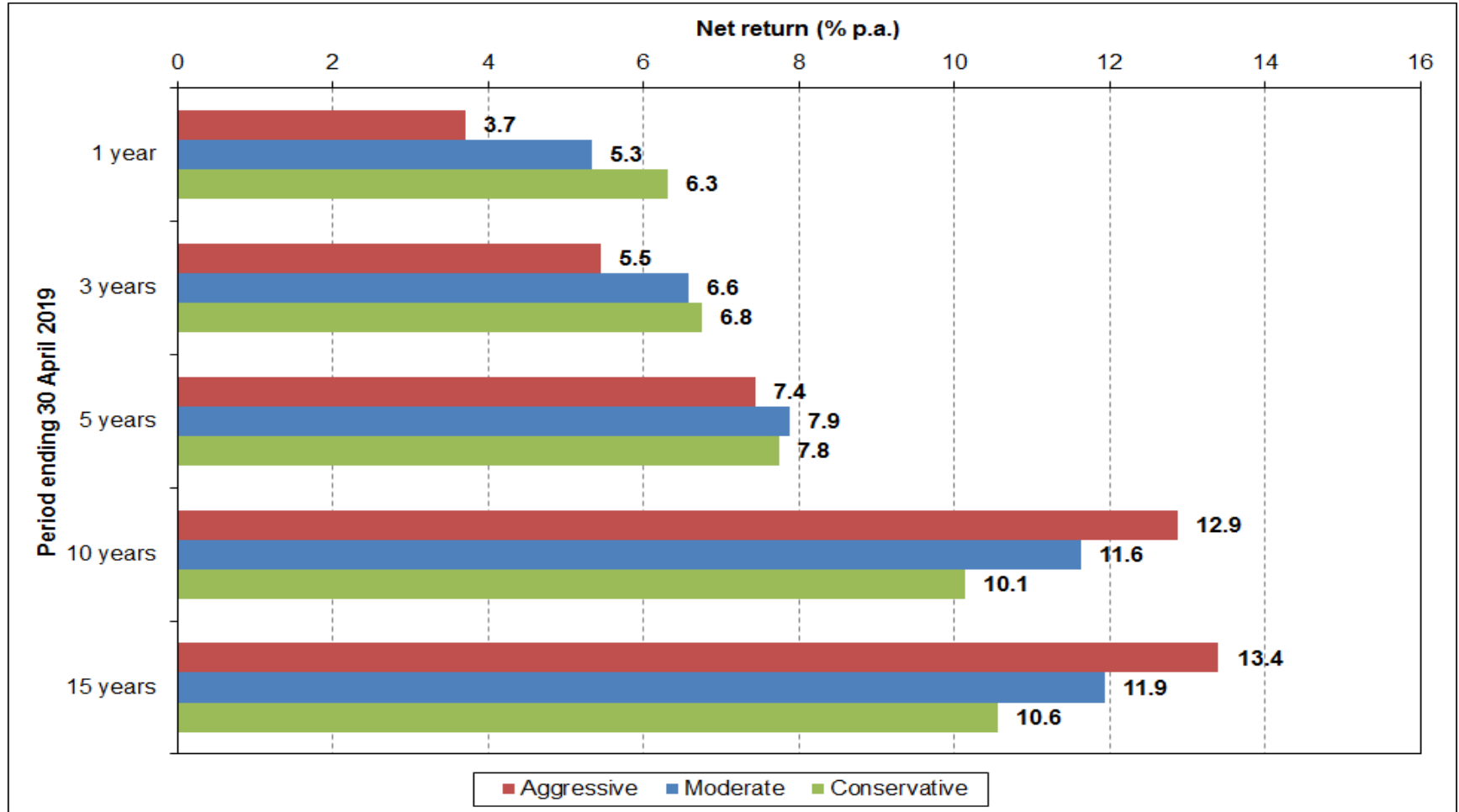
## WHAT PAST RETURNS CAN INVESTORS REASONABLY EXPECT?

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%
<b>Total growth assets</b>	<b>75%</b>	<b>55%</b>	<b>35%</b>
Local bonds	15%	25%	30%
Local cash	5%	15%	25%
Global bonds	5%	5%	10%
<b>Total income assets</b>	<b>25%</b>	<b>45%</b>	<b>65%</b>
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

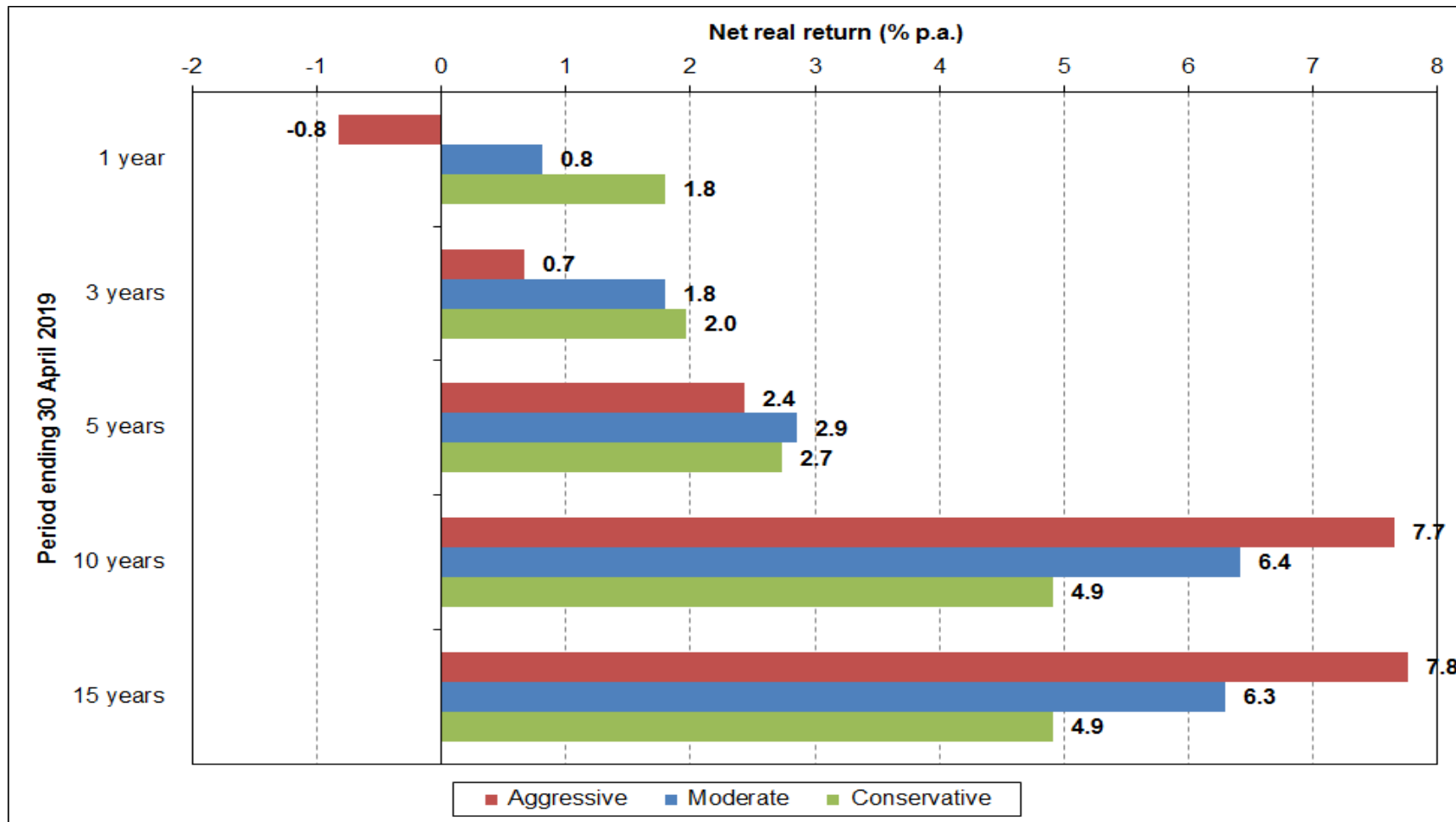
# MR MARKET PERFORMANCE

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



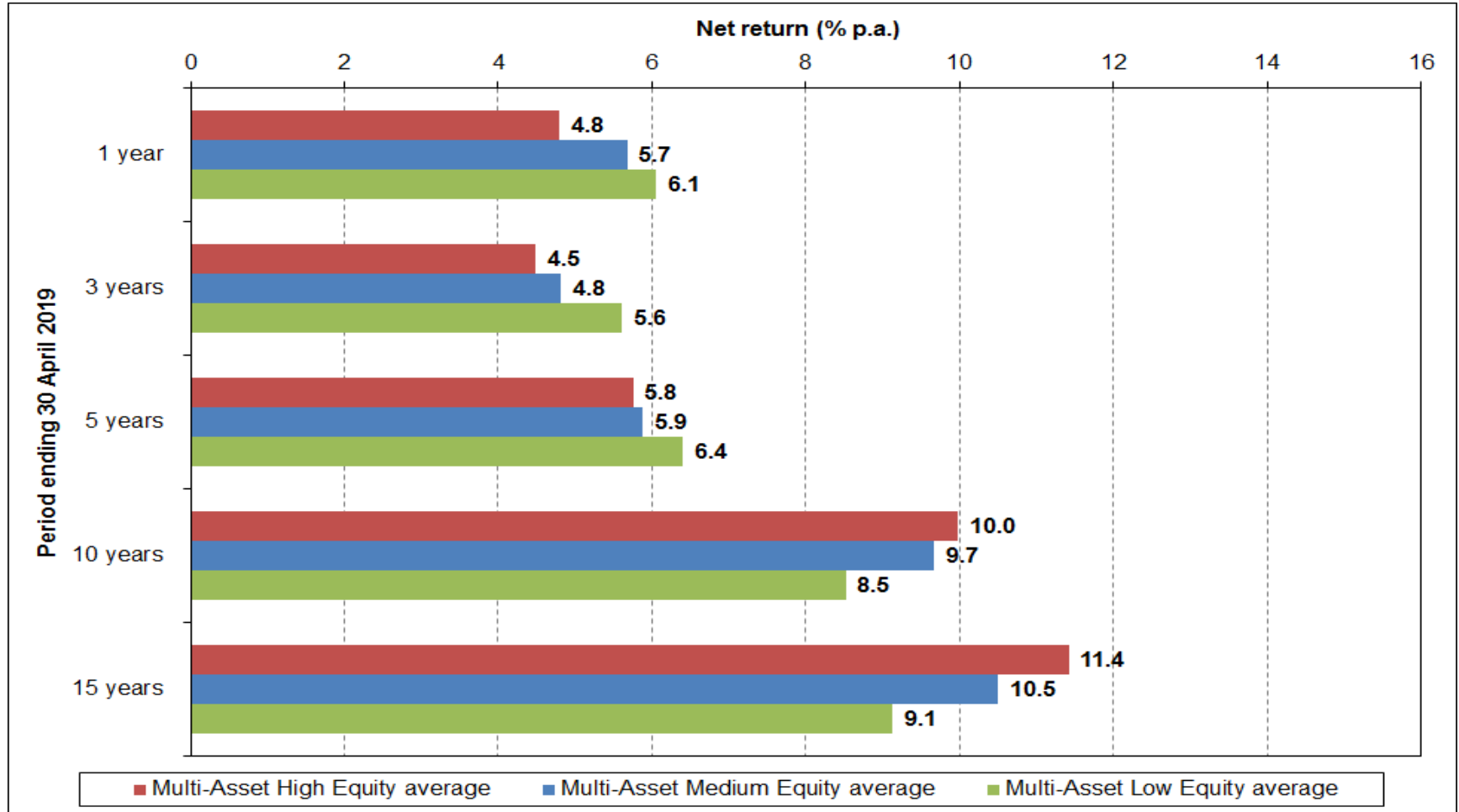
# MR MARKET PERFORMANCE

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



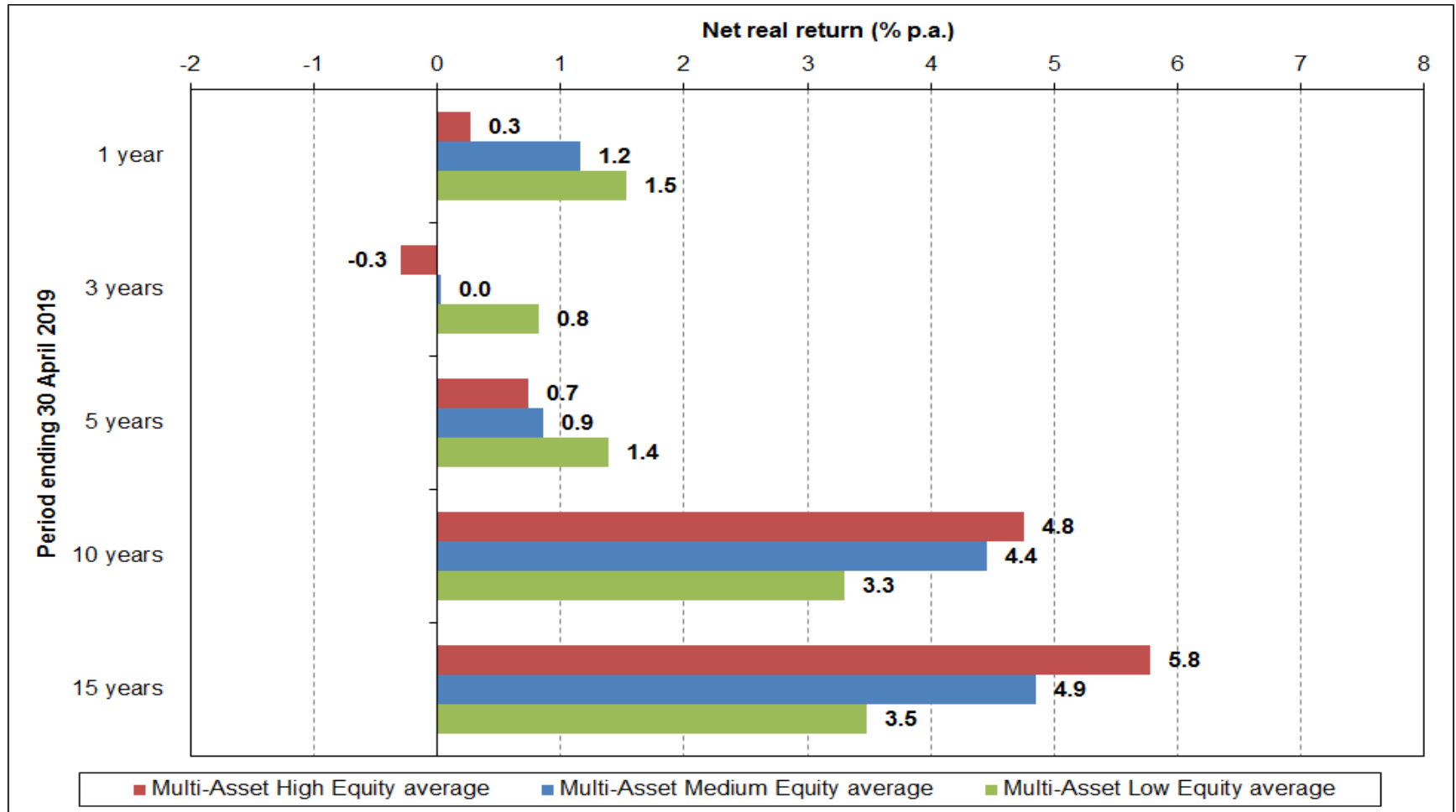
# MR MANAGER PERFORMANCE

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



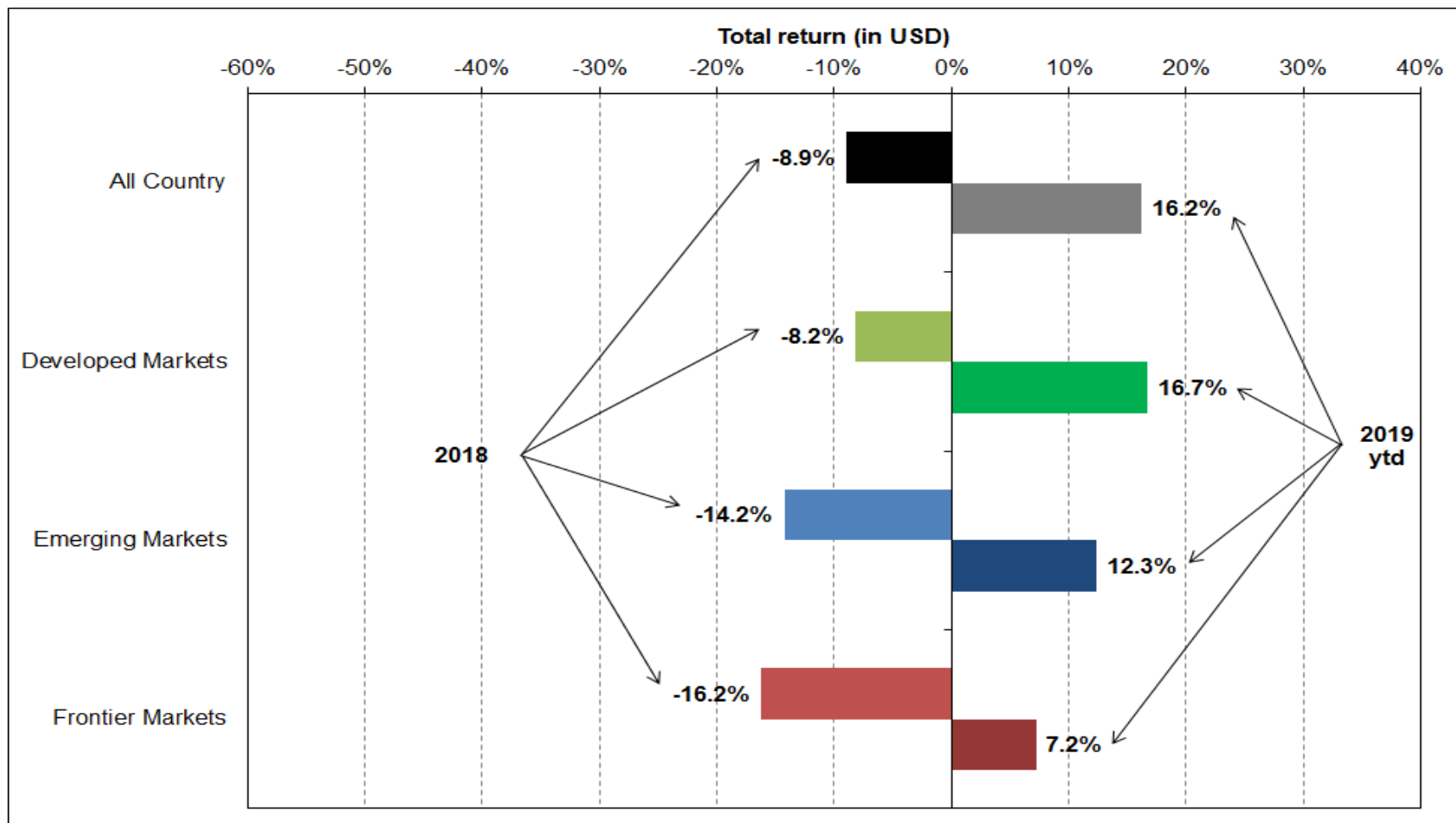
# MR MANAGER PERFORMANCE

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



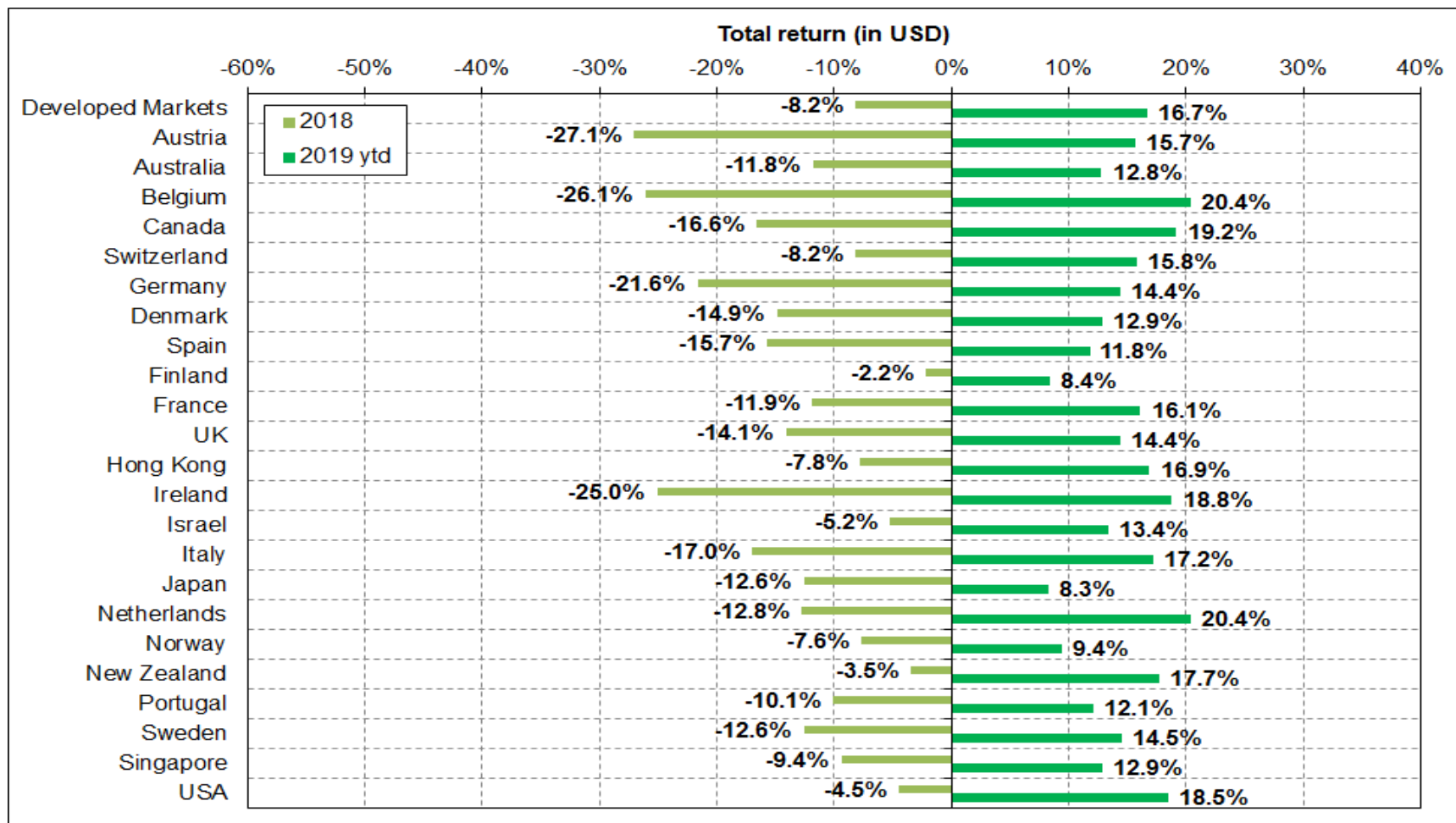
# GLOBAL EQUITY MARKETS (IN USD)

## GOOD START TO THE YEAR AFTER A TOUGH 2018



# DEVELOPED EQUITY MARKETS (IN USD)

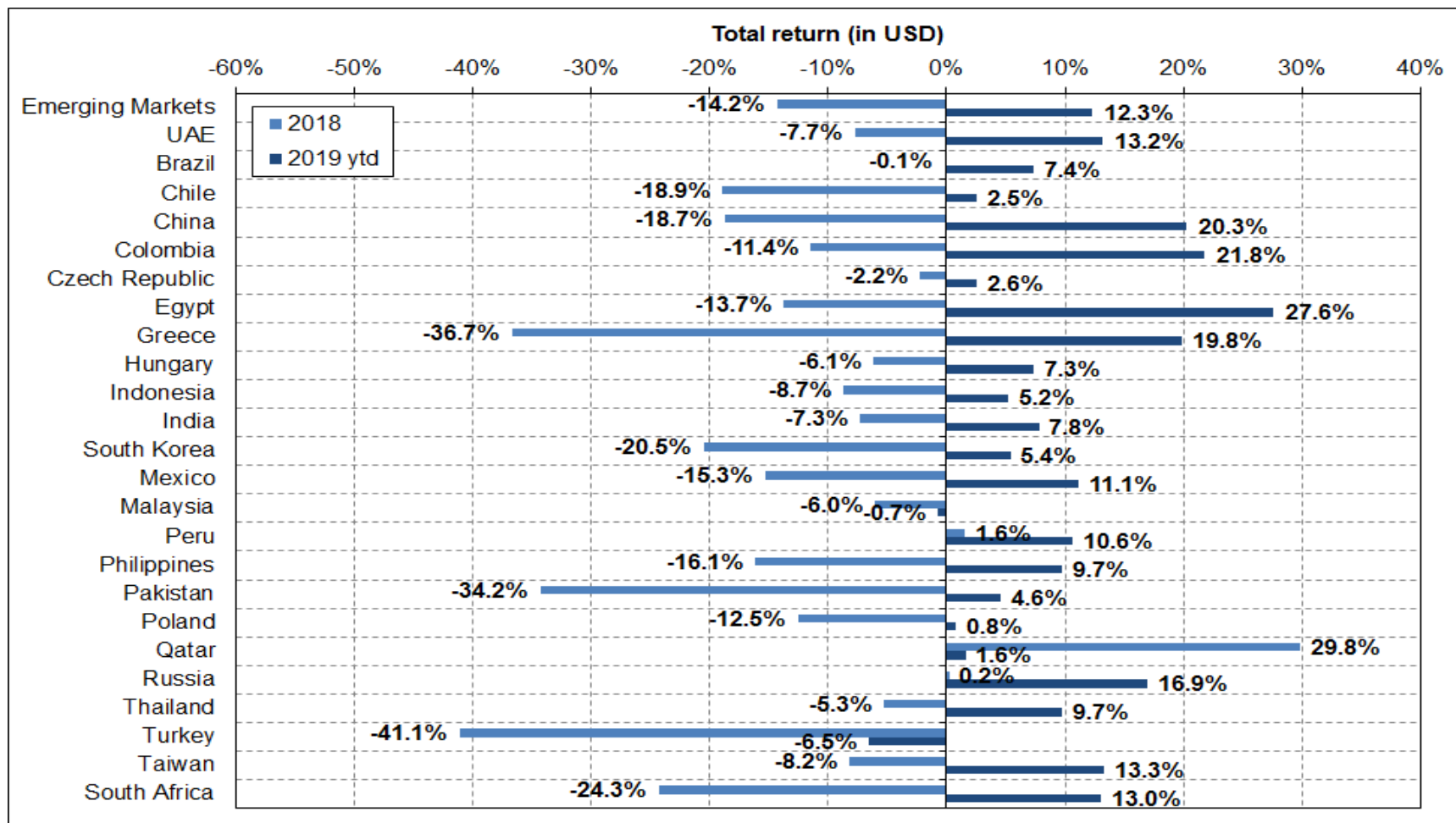
## GOOD START TO THE YEAR AFTER A TOUGH 2018





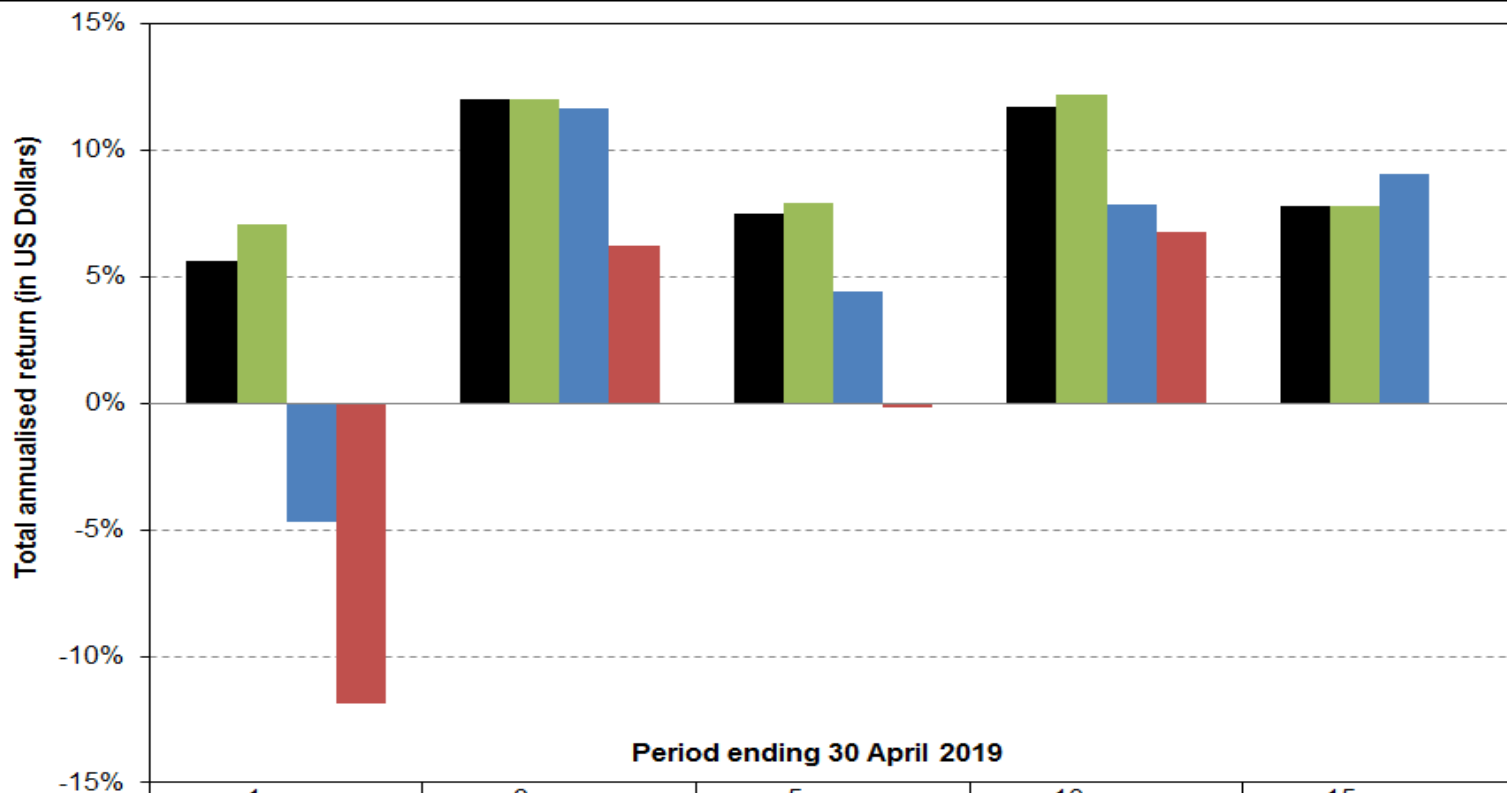
# EMERGING EQUITY MARKETS (IN USD)

## GOOD START TO THE YEAR AFTER A TOUGH 2018



# GLOBAL EQUITY MARKETS (IN USD)

## DEVELOPED MARKETS SHOWING STRONG OUTPERFORMANCE OVER THE LAST TEN YEARS...

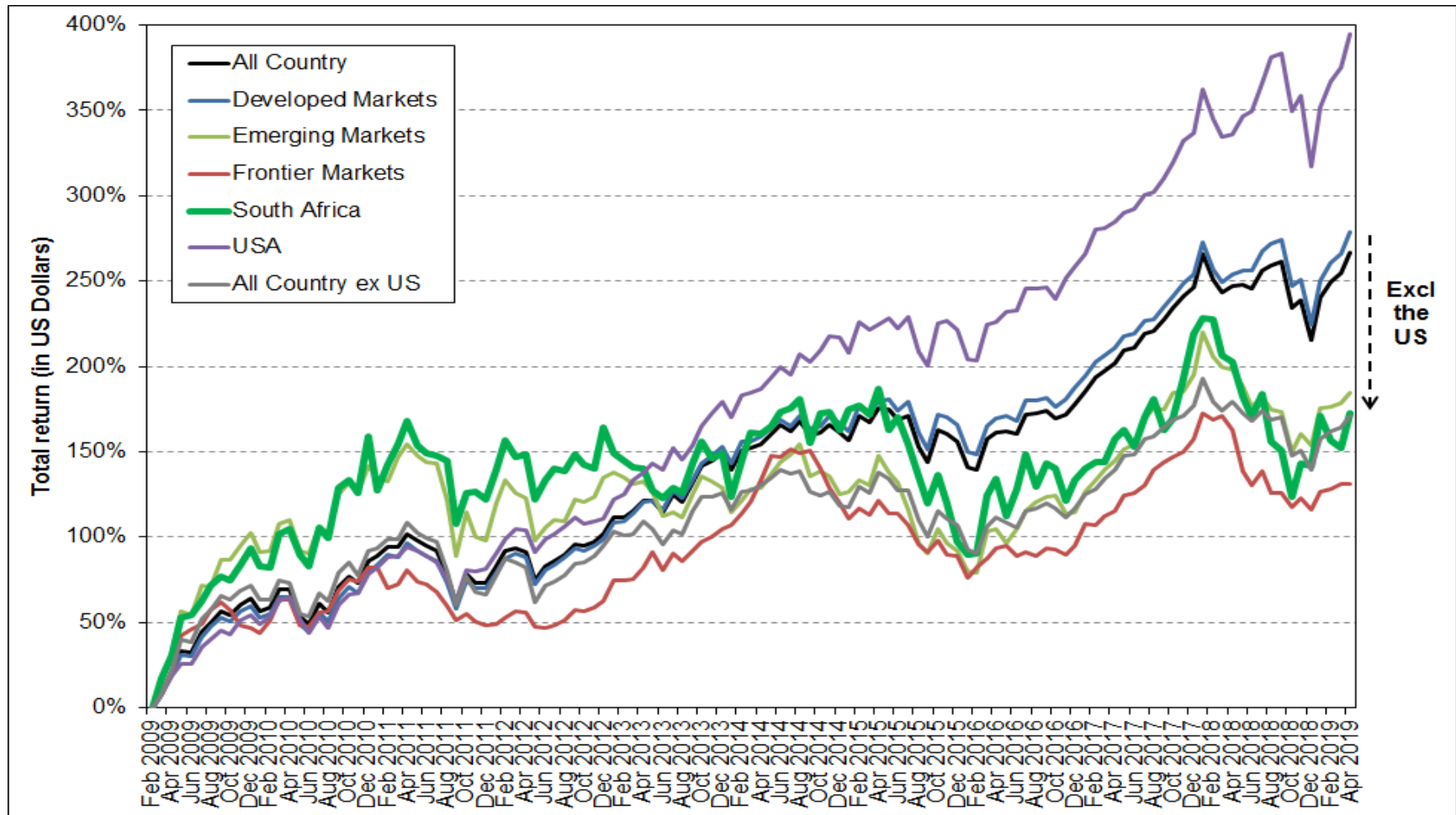


Period ending 30 April 2019

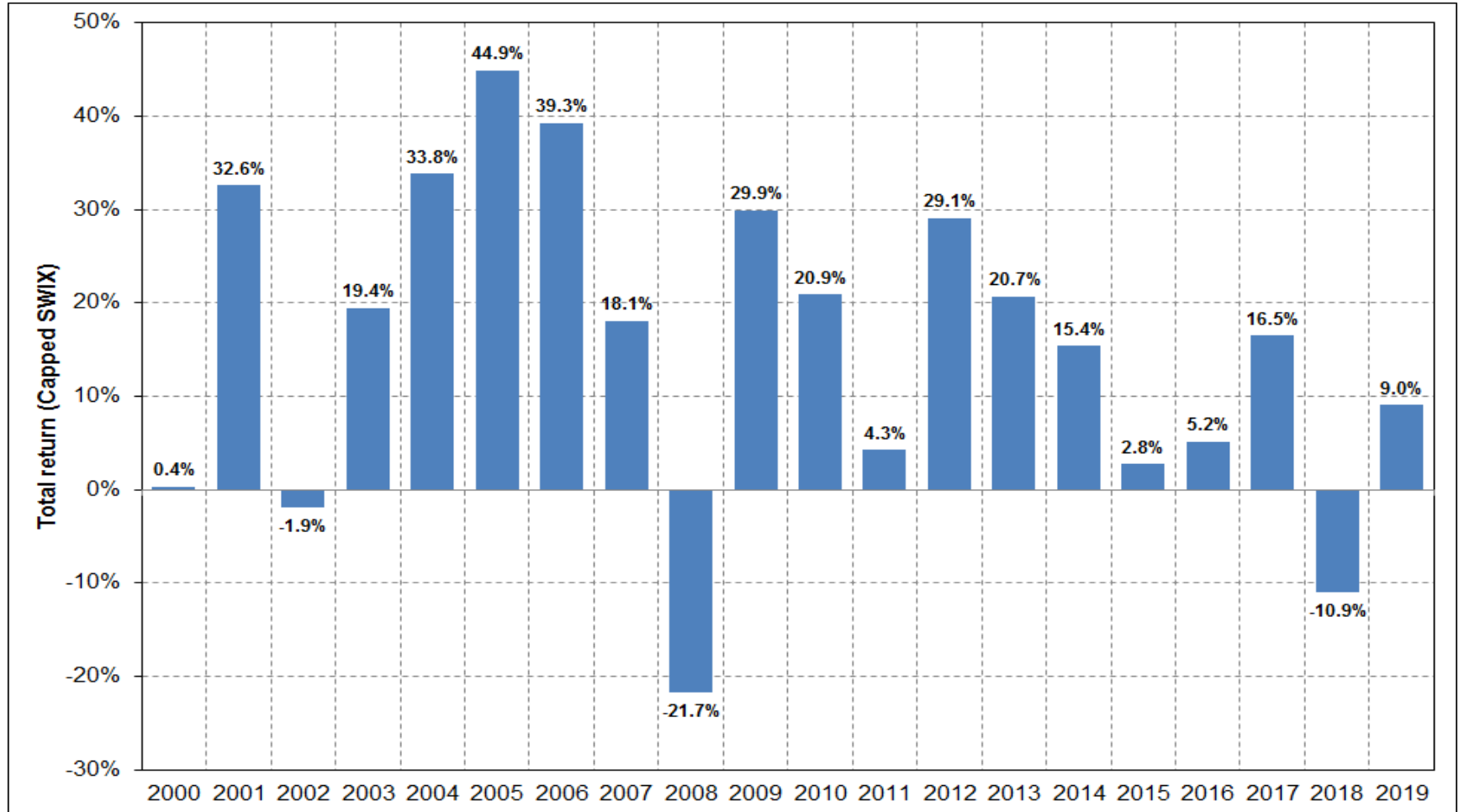
	1 year	3 years	5 years	10 years	15 years
■ All Country	5.6%	12.0%	7.5%	11.7%	7.8%
■ Developed Markets	7.1%	12.0%	7.9%	12.2%	7.8%
■ Emerging Markets	-4.7%	11.7%	4.4%	7.9%	9.1%
■ Frontier Markets	-11.9%	6.2%	-0.1%	6.8%	

# GLOBAL EQUITY MARKETS (IN USD)

## ...BUT THIS HAS BEEN DRIVEN MAINLY BY THE US

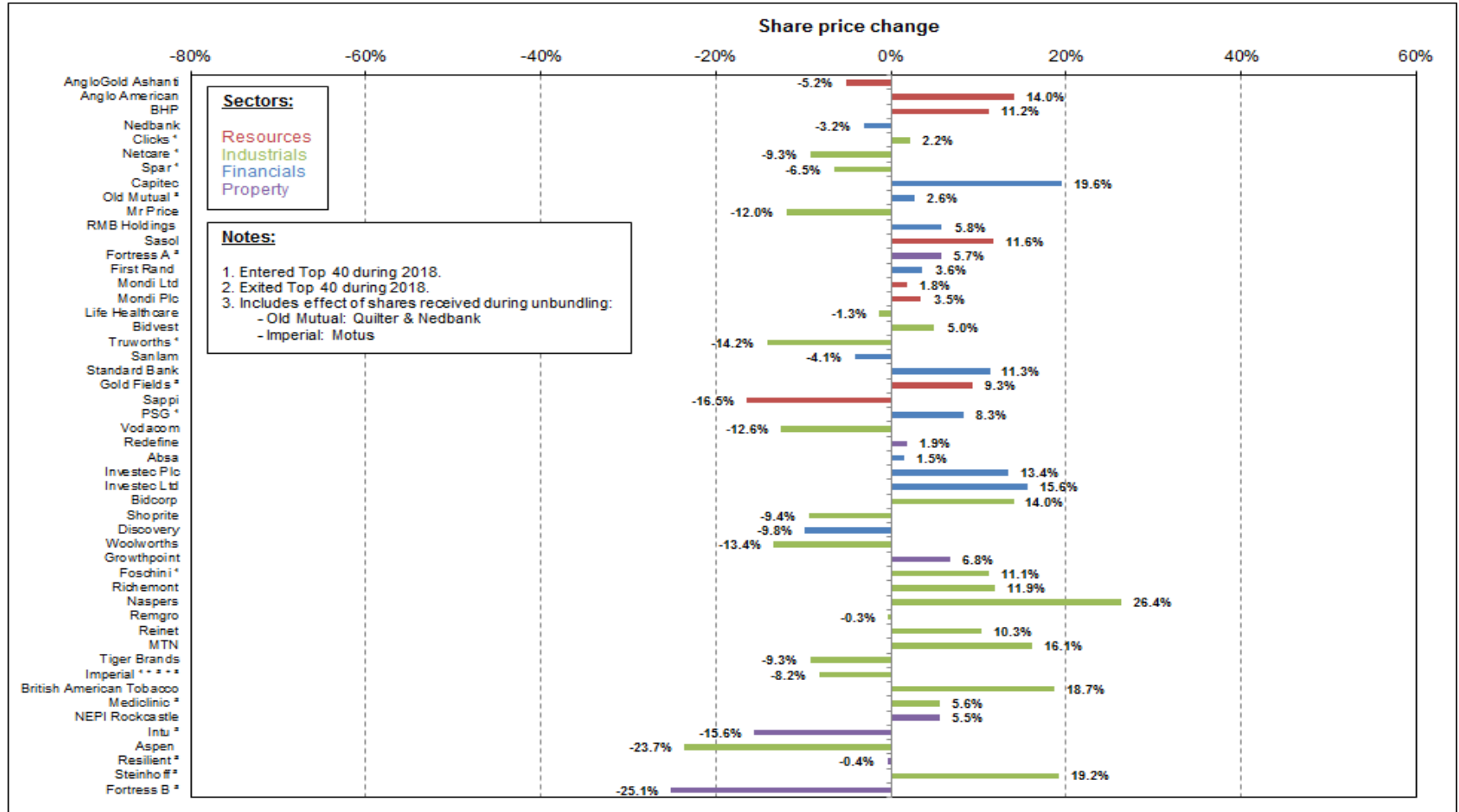


# LOCAL EQUITY MARKET TRYING TO RECOUP 2018's LOSSES...

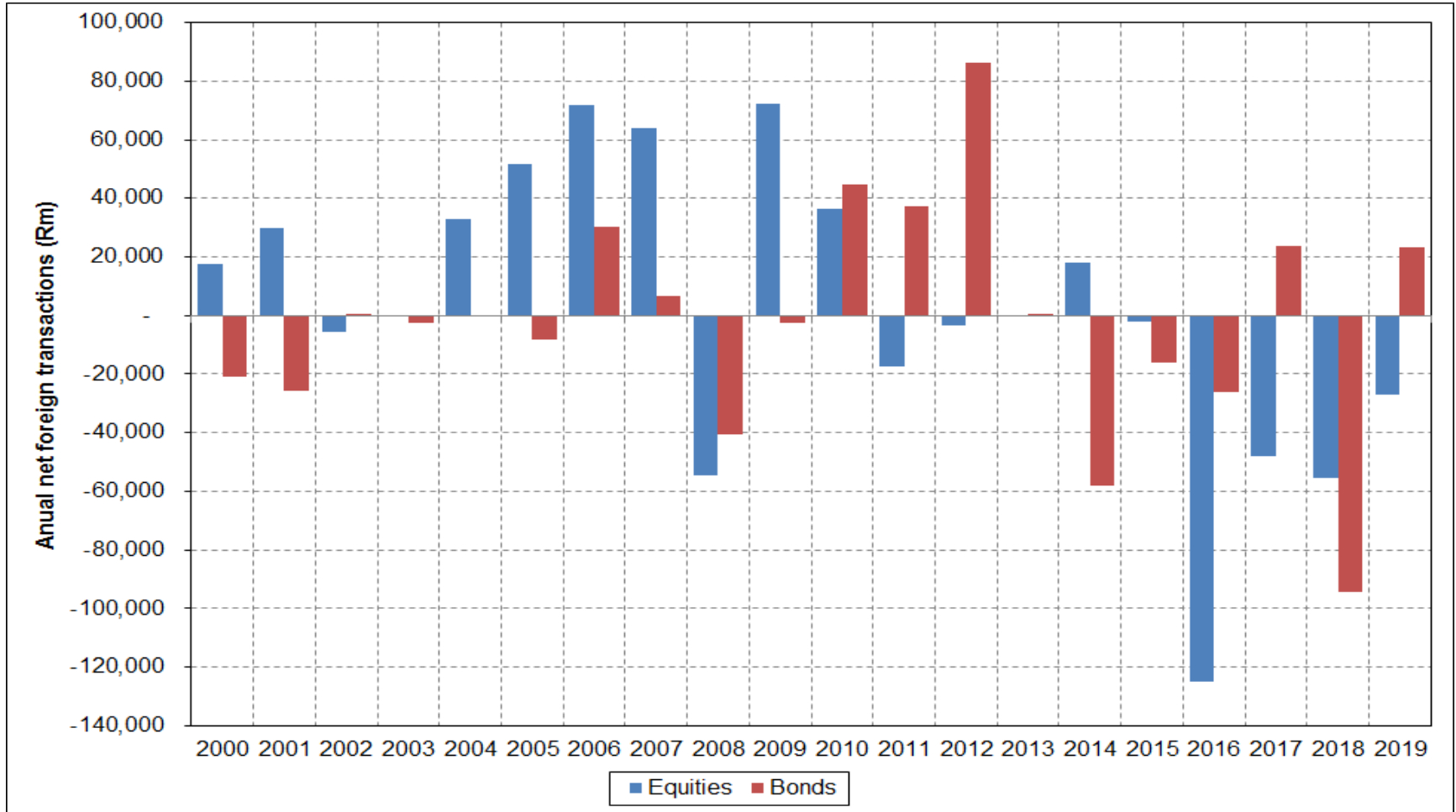


# LOCAL EQUITY MARKET

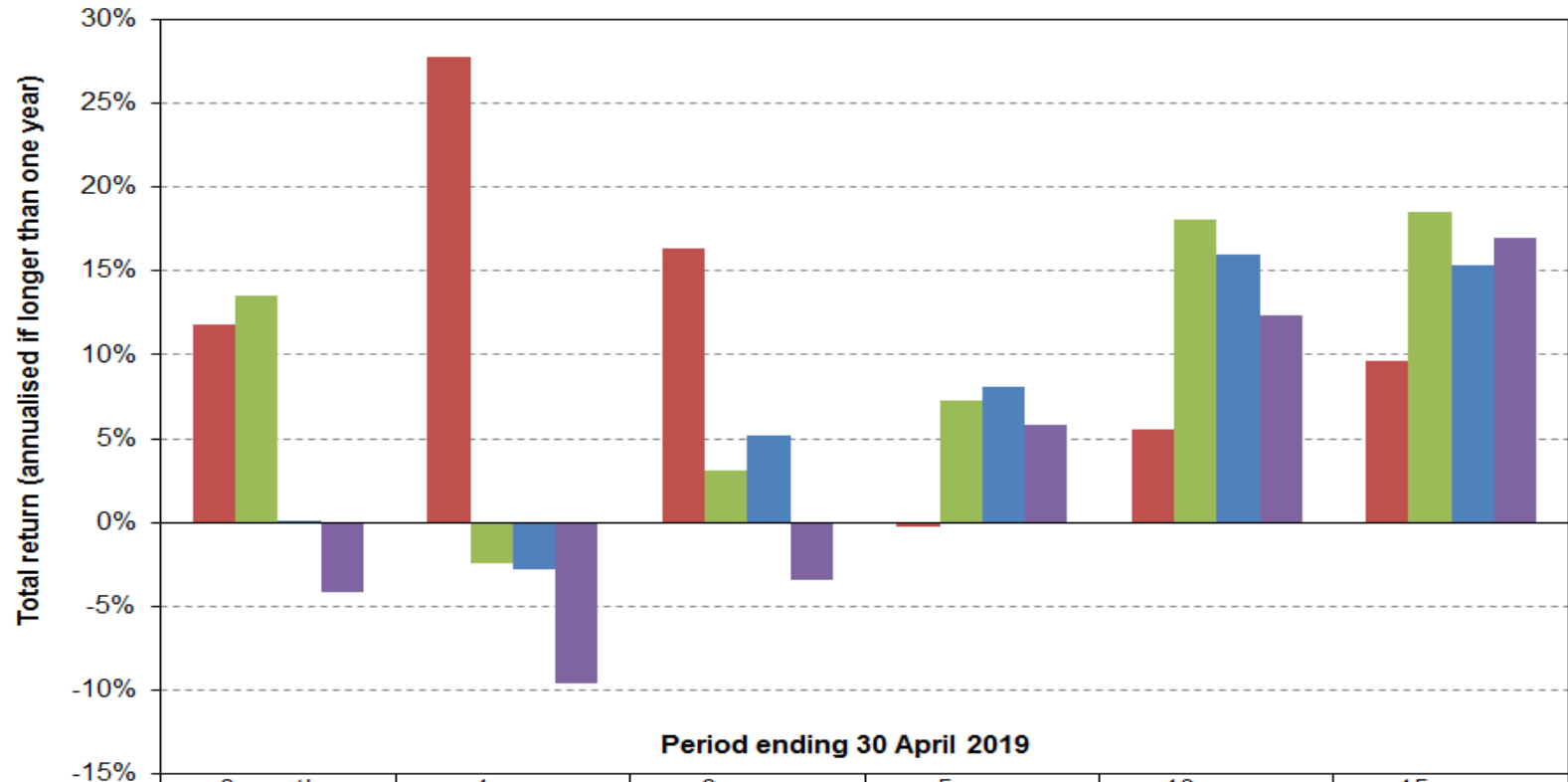
## ...BUT PERFORMANCE HAS BEEN MIXED...



# LOCAL EQUITY MARKET ... AND FOREIGNERS KEEP ON SELLING



# LOCAL EQUITY MARKET RESOURCES DRIVING RETURNS...

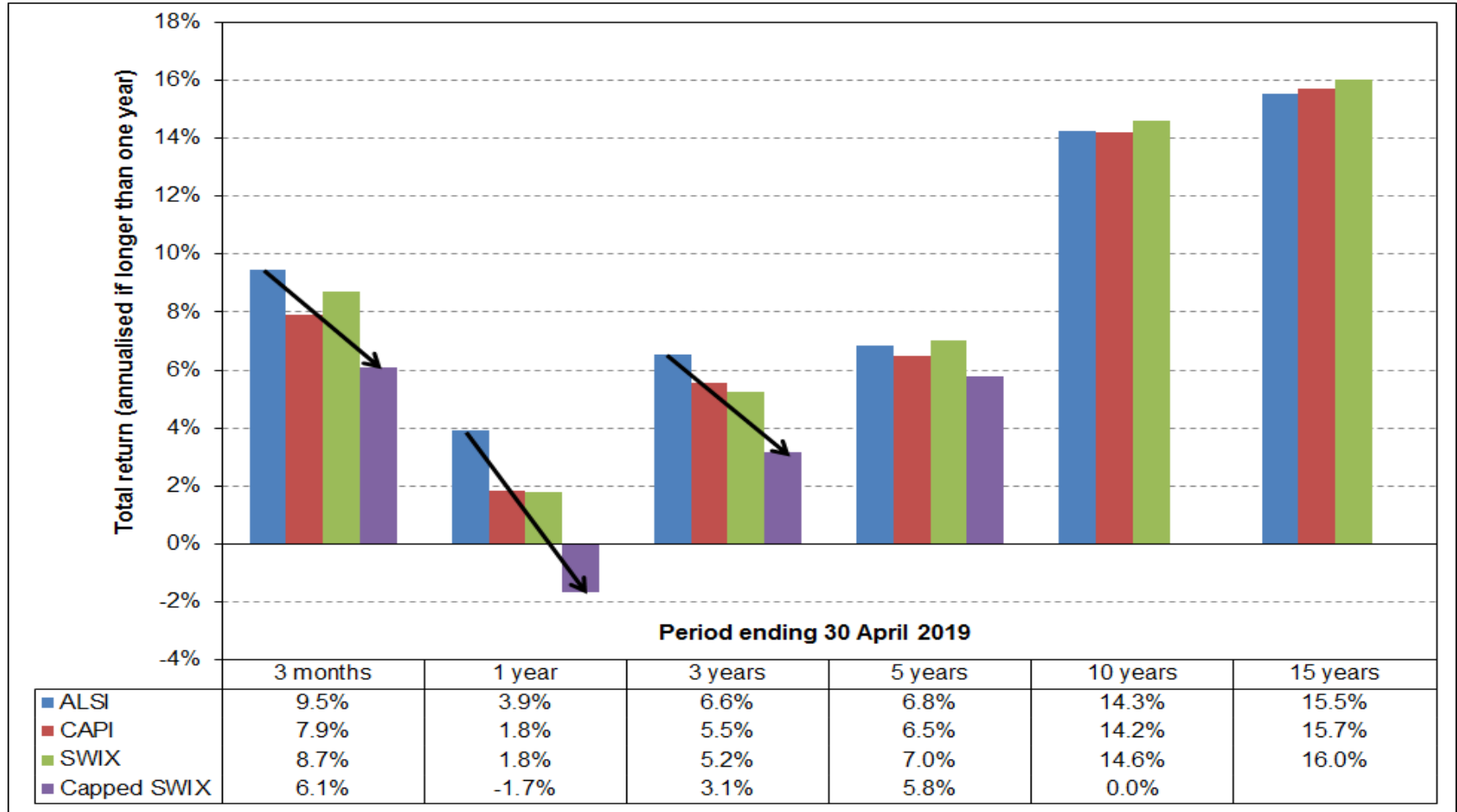


Period ending 30 April 2019

	3 months	1 year	3 years	5 years	10 years	15 years
Resources	11.8%	27.8%	16.4%	-0.3%	5.5%	9.6%
Industrials	13.5%	-2.5%	3.1%	7.3%	18.0%	18.6%
Financials	0.1%	-2.8%	5.1%	8.1%	15.9%	15.4%
Listed Property	-4.1%	-9.6%	-3.5%	5.8%	12.3%	17.0%

# LOCAL EQUITY MARKET

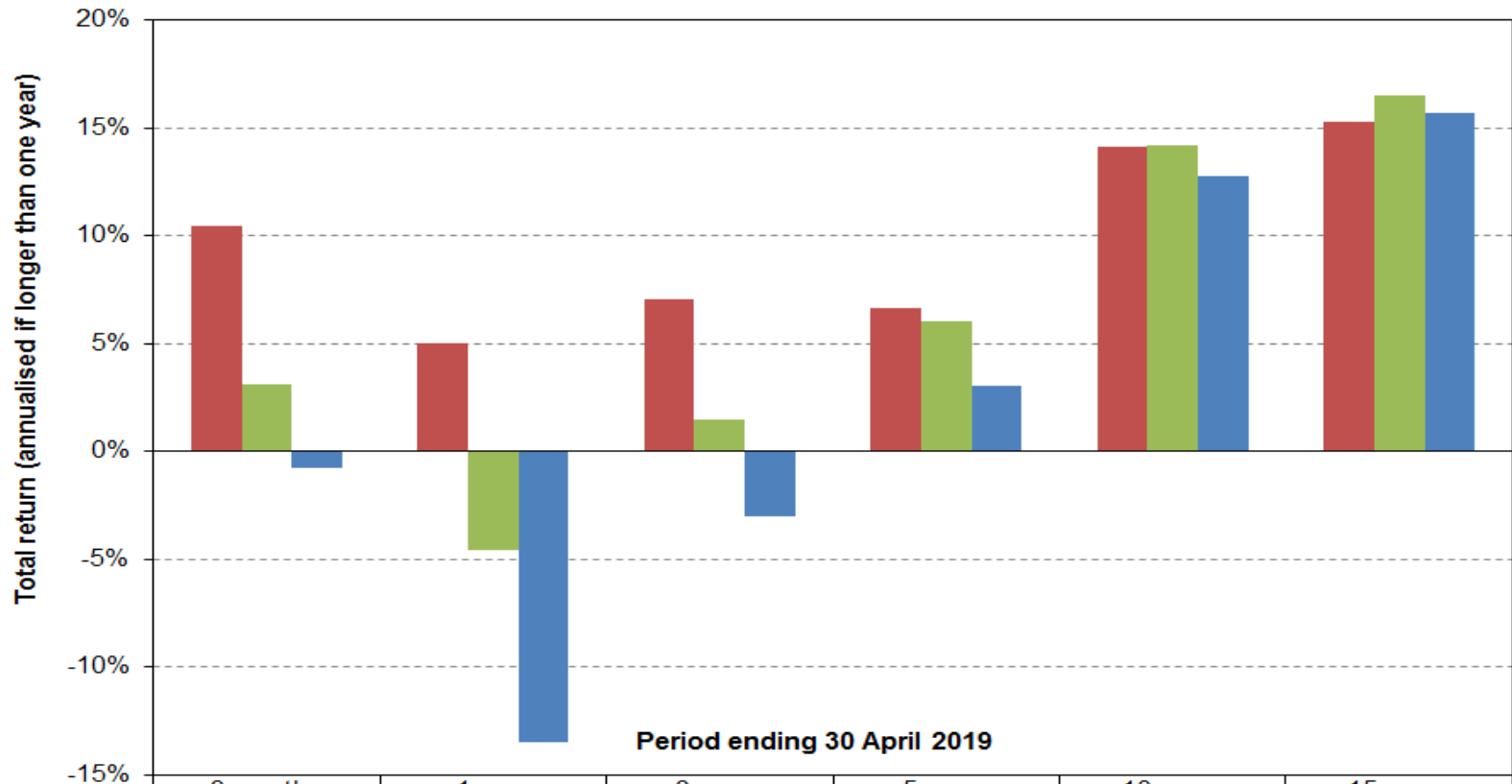
## ...RESULTING IN STRONG GAINS FOR THE ALSI RELATIVE TO THE SWIX





# LOCAL EQUITY MARKET

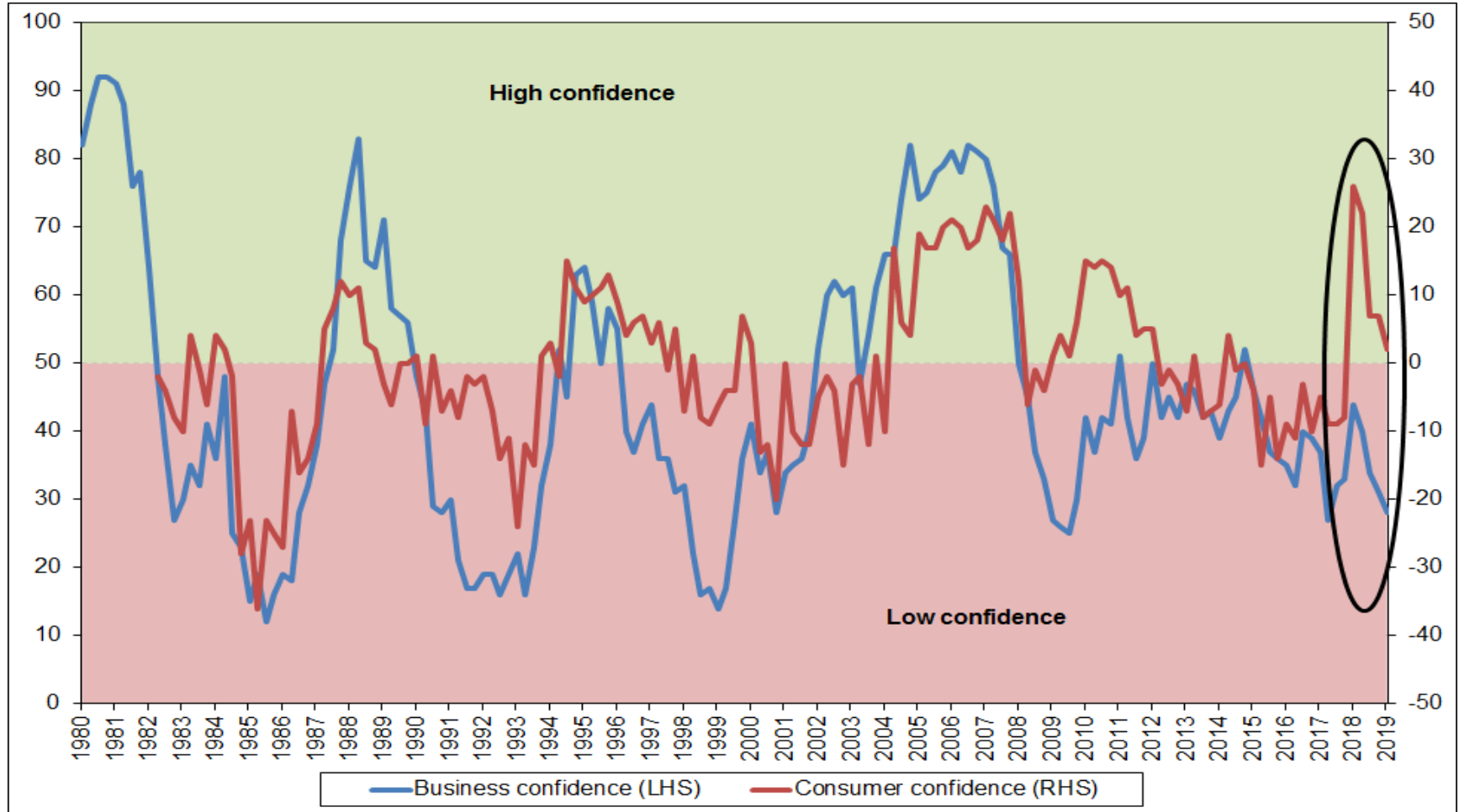
## SMALLER STOCKS CONTINUE TO LAG



■ ALSI Top40	10.4%	5.0%	7.1%	6.7%	14.1%	15.2%
■ ALSI Mid Cap	3.1%	-4.6%	1.4%	6.0%	14.2%	16.5%
■ ALSI Small Cap	-0.8%	-13.5%	-3.0%	3.1%	12.8%	15.7%

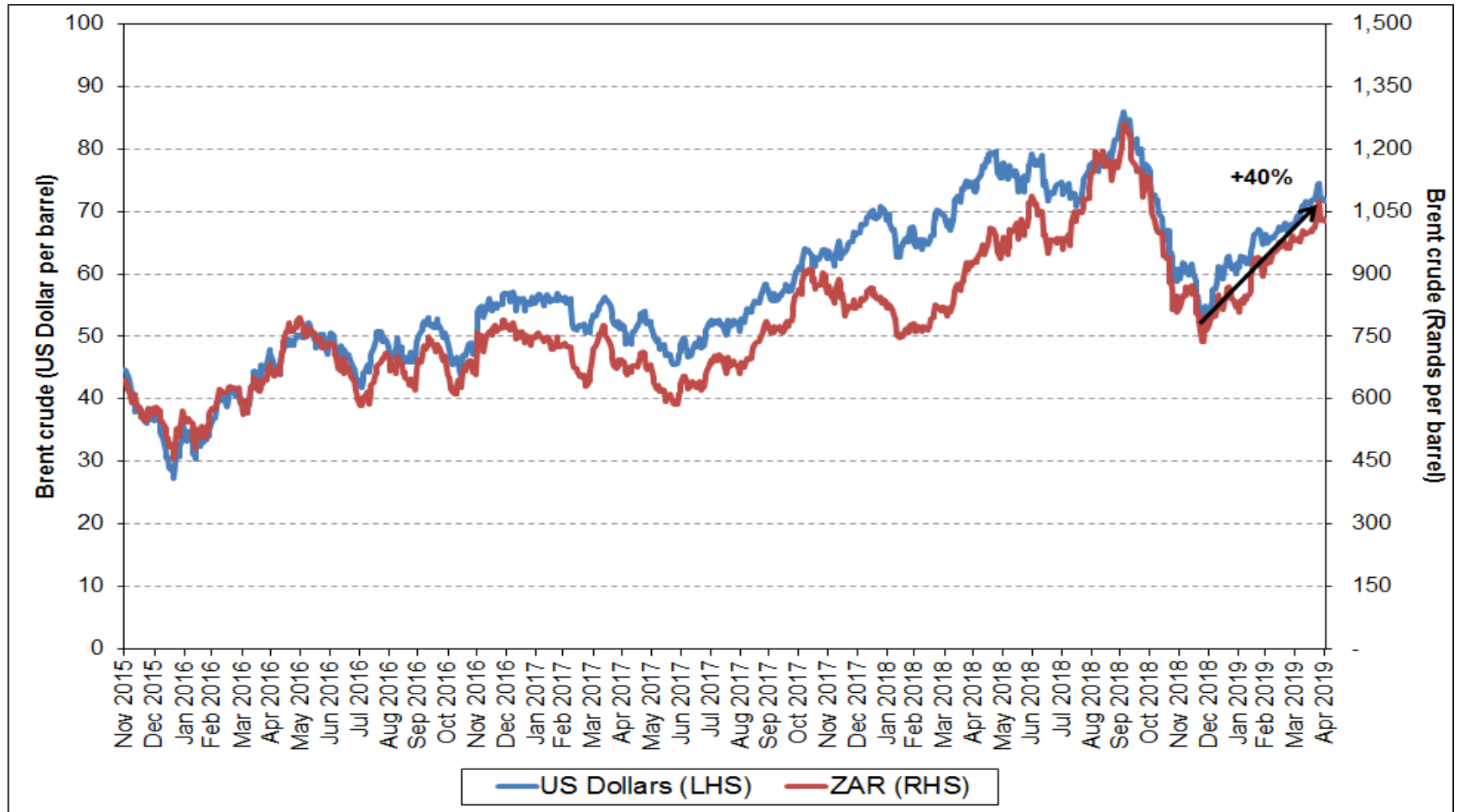
# BUSINESS & CONSUMER CONFIDENCE

## CONSUMER CONFIDENCE FOLLOWS BUSINESS CONFIDENCE LOWER



# OIL PRICE

## MARCHES HIGHER ON THE BACK OF SUPPLY CUTS AND SANCTIONS...



# FUEL PRICES

## ...INCHING BACK TO RECORD HIGHS...

