

Market Review – Sihle Ndhlala

April 2019

After a storming first quarter of 2019, investors could be forgiven for showing signs of anxiety during April. The initial inkling that there may be a few clouds in the outlook came via the US bond market, where long-term yields suggested that a slowdown - if not outright recession - was on the horizon. There were also concerns about earnings season - whether the bellwethers of the US (and global) economy could produce the goods on the back of what has been a surprisingly long rebound from the dark days of 2007/8.

Asset Classes	Apr-19	YTD
Bonds - All Bond Composite (ALBI)	0.8%	4.6%
Property - FTSE/JSE SA Listed Property	1.4%	1.6%
Equity - FTSE/JSE All Share Index	3.7%	11.0%
Currency* - ZAR/USD	-1.4%	-0.9%
* reflects the impact of currency on a US based investment.		

International Markets	Region	Apr-19	YTD
Deutsche Borse AG German Stock Index DAX	Europe and Middle East	7.10%	16.91%
Nikkei 225	Asia	4.97%	11.21%
Euro Stoxx 50 price EUR	Europe and Middle East	4.86%	17.10%
Nasdaq Composite index	Americas	4.74%	22.01%
CAC 40 index	Europe and Middle East	4.41%	18.09%
S&P 500 index	Americas	3.93%	17.51%
Dow Jones Industrial Average	Americas	2.56%	14.00%
Hong Kong Hang Seng index	Asia	2.23%	14.91%
FTSE 100 Index	Europe and Middle East	1.91%	10.26%

As it happened, the jitters subsided, and the broader S&P 500 index in the US surged with a gain of nearly 4% in April - bettered by the tech-heavy Nasdaq with a 4.74% gain. It was extremely heartening to see such optimism mirrored everywhere from Germany to the UK, Japan and Hong Kong. Gains for developed-world markets for the first three months of 2019 are well above 10%, in some instances exceeding the 20% mark.

So what of the developing world? While emerging markets could not match the wins racked up by their larger counterparts, solid 2% gains added to a very positive 2019 performance of close to 12%. Here in South Africa, we may feel we are missing out to some extent, but many institutional investors, optimistic for an upswing post-election, foresee a period of healthy catch-up by local stocks. As it was, the JSE all share index was up 3.7% in April, gaining momentum on its year-to-date 11% gains. Given the often gloomy political mood, this is some cause for celebration.

Equity Indices	Apr-19	YTD
Telecommunication	13.09%	8.00%
Technology	9.69%	12.06%
Consumer Services	6.73%	8.10%
Industrials	5.89%	0.88%
Health Care	4.94%	-8.93%
Financials	4.60%	3.56%
Small Cap	4.56%	0.16%
Top40 - (Tradable)	3.98%	11.87%
Mid Cap	2.25%	3.89%
Consumer Goods	-0.62%	11.01%
Basic Materials	-2.29%	13.49%

On the JSE, there were some notable rebounds from unhappy periods of underperformance. Long-term admirers of Aspen, for example, at last saw some respite from the pain. The stock rose nearly 11% in April, barely offsetting the year-to-date loss of close to 24%. Investors will have to do their own analysis on whether or not the homegrown pharmaceutical giant deserved the slap-down it has received over the past five years, or if the selloff was justified. Either way, the bounce was well overdue. A similar reversal of fortune smiled upon Mr Price, until recently the leading light in quick-turnover apparel and home furnishings that ran into serious discomfort in the early months of the year. The 14% bounce in April was most welcome.

The basic materials sector, which alone seemed to drive the JSE in the first quarter of 2019, took a breather. With a gain of 34% in three months, it was to be expected that Anglo American Platinum saw some profit-taking. So too with BHP Group, reacting to a cool-off in commodities prices. After an early-April spike in the gold price, spurred by recession talk in the US, miners such as AngloGold Ashanti saw a notable slump in form. After the settlement of a long, damaging strike at Sibanye-Stillwater, we await with some interest if the global appetite for gold and platinum counters will continue to gather momentum

JSE Top 40 - Top performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	April	YTD
MTN	MTN GROUP LTD	Communications	194,400	16.6%	16.1%
MRP	MR PRICE GROUP LTD	Consumer, Cyclical	58,875	14.3%	-12.0%
TFG	THE FOSCHINI GROUP LTD	Consumer, Cyclical	44,304	13.3%	11.1%
BVT	BIDVEST GROUP LTD	Consumer, Cyclical	75,154	12.2%	5.0%
APN	ASPEN PHARMACARE HOLDINGS LT	Consumer, Non-cyclical	47,608	10.7%	-23.7%
RMH	RMB HOLDINGS LTD	Financial	120,757	9.9%	5.8%
JSE Top 40 - Worst performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	April	YTD
NRP	NEPI ROCKCASTLE PLC	Financial	68,573	-1.8%	5.5%
AMS	ANGLO AMERICAN PLATINUM LTD	Basic Materials	190,899	-1.9%	34.2%
BHP	BHP GROUP PLC	Basic Materials	1,812,546	-2.8%	11.2%
AGL	ANGLO AMERICAN PLC	Basic Materials	472,808	-4.7%	14.0%
BTI	BRITISH AMERICAN TOBACCO PLC	Consumer, Non-cyclical	1,252,699	-6.8%	18.7%
ANG	ANGLOGOLD ASHANTI LTD	Basic Materials	70,165	-10.1%	-5.2%

Locally, markets in April were subdued by yet another increase in fuel prices, further adding to the downbeat mood that prompted the IMF to lower SA's growth forecast to 1.2%. Given the generally sour sense of market sentiment in the month before elections, a reasonably positive stock market was the most we could expect.

LEVERAGED EQUITY (RFS)

The portfolio gained 3.51% in April, boosted by a rebound in financial stocks led by RMB Holdings, which was up nearly 10% in April and 5.8% in the year to date. The leading light of the consumer sector in 2019, Foschini, charged forward with a 13.3% gain.

LONG- SHORT 140/40 (SJR)

Up 4% in the month. Naspers, rising 9.7%, gave the portfolio a major kick, aided by Tsogo Sun (+11.4%). After a long period of outperformance, the basic materials sector gave up some gains with Impala Platinum (-6.1%) and Anglo American Plc (-4.7%) leading the losses.

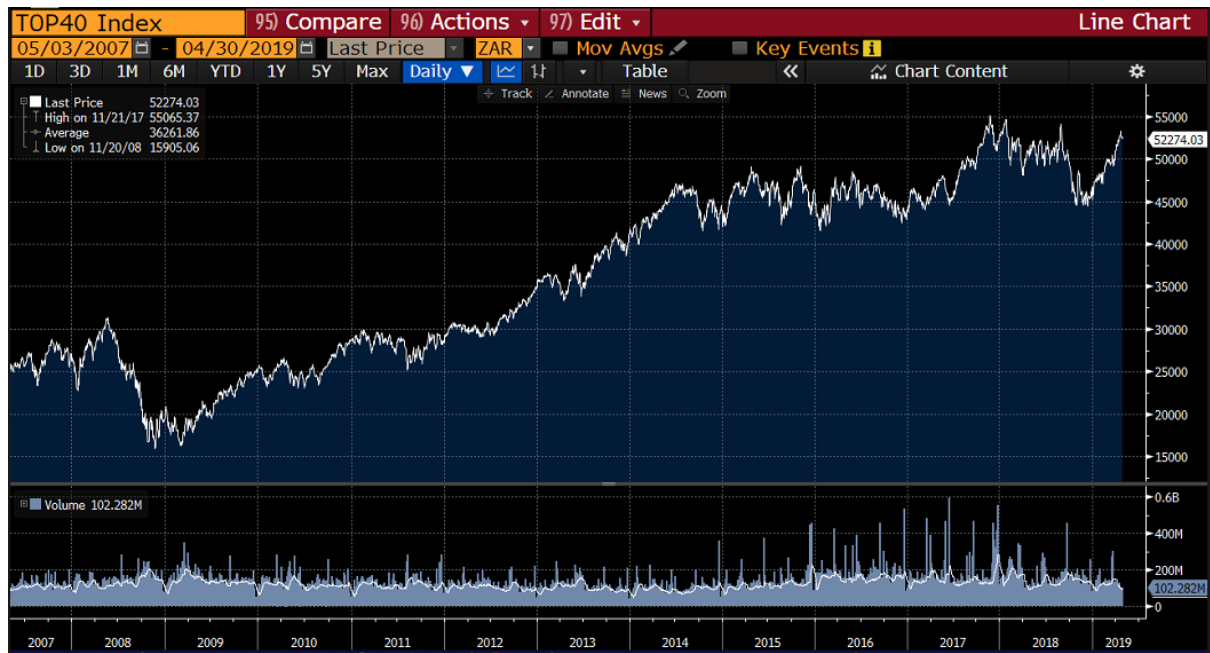
EASY EQUITIES BUNDLES

The building blocks of stability and value came through strongly in April, with a perhaps more cautious strategy built on balanced and flexible portfolios showing most positively for the month.

<i>Investment Products</i>		<i>April</i>
Segregated Portfolios	Leveraged Equity (RFS)	3.51%
Segregated Portfolios	Long-Short 140/40 (SJR)	4.02%
Easy Equities - Bundles	Core Income Plus (Elbrus)	1.49%
Easy Equities - Bundles	Core Conservative (Kilimanjaro)	2.15%
Easy Equities - Bundles	Core Moderate (Denali)	2.48%
Easy Equities - Bundles	Core Balanced (Aconcagua)	3.41%
Easy Equities - Bundles	Core Flexible Equity (Everest)	3.56%
Easy Equities - Bundles	Enhanced Conservative (Kilimanjaro)	2.47%
Easy Equities - Bundles	Enhanced Moderate (Denali)	2.73%
Easy Equities - Bundles	Enhanced Balanced (Aconcagua)	3.37%
Easy Equities - Bundles	Enhanced Flexible Equity (Everest)	4.17%
Easy Equities - Bundles	Quality Building Block	4.37%
Easy Equities - Bundles	Stability Building Block	5.34%
Easy Equities - Bundles	Value Building Block	3.16%
Easy Equities - Bundles	Momentum Building Block	0.26%
Easy Equities - Bundles	Core International Portfolio	3.25%
Easy Equities - Bundles	International Equity Bundle (USD)	4.82%

TECHNICAL REVIEW

Last month we alluded to the mystical (as it seems now) level of 55,000 on the JSE Top 40 index. We haven't reached there yet, but local markets are doing their utmost. We closed April on 52,274, which you can see from the graph is an extremely healthy bounce from the vexed 45,000 level that provided a floor after the late-2018 selloff in global stocks. As we have been longing for months now, 55,000 is the target from which the JSE will either knock its head and regroup, or break on through to the other side. We live (and invest) in hope.



Source: Bloomberg

Happy investing!

Sihle Ndhlala

Junior Fund Manager

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