

Market Review – Sihle Ndhala

June 2019

June was an all-round great month on the markets, calming fears that the global economy was beginning to struggle. US President Donald Trump's repeated calls to the Federal Reserve to cut rates fell on deaf ears, and in hindsight there was no need for monetary stimulus. The stock market bounced back well after May, when jitters about US-China trade caused certain sensitive sectors such as semiconductors to sell off heavily.

The Nasdaq was the best performer among international markets in June, up 7.42%, closely followed by the Dow Jones and S&P 500. It was good to see the gains spread widely across Europe, led by France's CAC 40, into Germany, the UK, Hong Kong and Japan.

<i>International Markets</i>	<i>Region</i>	<i>Jun-19</i>	<i>YTD</i>
Nasdaq Composite index	Americas	7.42%	20.66%
Dow Jones Industrial Average	Americas	7.19%	14.03%
S&P 500 index	Americas	6.89%	17.35%
CAC 40 index	Europe and Middle East	6.36%	17.09%
Hong Kong Hang Seng index	Asia	6.10%	10.43%
Euro Stoxx 50 price EUR	Europe and Middle East	5.89%	15.73%
Deutsche Borse AG German Stock Index DAX	Europe and Middle East	5.73%	17.42%
FTSE 100 Index	Europe and Middle East	3.69%	10.37%
Nikkei 225	Asia	3.28%	6.30%

In the year to date, stock markets have been buoyant, with particularly satisfying returns of over 20% from US technology companies on the Nasdaq. Even emerging markets have done well, with a 9.22% return in the six months to the end of June. Both gold and oil strengthened in June.

<i>Equity Indices</i>	<i>Jun-19</i>	<i>YTD</i>
Basic Materials	10.16%	18.57%
Consumer Goods	7.98%	17.38%
Top40 - (Tradable)	5.27%	11.71%
Technology	4.36%	5.01%
Telecommunication	3.01%	12.10%
Mid Cap	1.89%	2.12%
Financials	1.15%	2.11%
Consumer Services	0.11%	4.81%
Small Cap	-0.76%	-3.65%
Health Care	-1.24%	-20.97%
Industrials	-4.34%	-7.26%

It was probably to be expected that South African markets would not totally share in the gains shown in the northern hemisphere. The country is still trying to digest the ramifications of the general election and what President Cyril Ramaphosa plans to do to get the economy moving.

The state of the nation address provided very little detail, so it was no surprise that investment markets showed no great reaction. The JSE All Share index rose 4.6% in June, bringing gains for the year to 10.4%. Given the political environment, this is an excellent performance. Bonds and property have been more muted, but both remain positive for 2019.

Asset Classes	Jun-19	YTD
Bonds - All Bond Composite (ALBI)	2.3%	7.7%
Property - FTSE/JSE SA Listed Property	1.8%	1.5%
Equity - FTSE/JSE All Share Index	4.6%	10.4%
Currency* - ZAR/USD	-3.4%	-2.4%

* reflects the impact of currency on a US based investment.

Among JSE sectors, basic materials is by far the standout performer, with June's 10% rise bringing gains for the year to nearly 19%. Although the sector is not as heavily weighted on the JSE Top 40 as it used to be, mining and related commodity stocks have made strong contributions to the blue-chip local market index. We can be relatively pleased that the Top 40 has managed to rise 11.7% in the year to date.

Consumer goods, technology, and telecommunications have remained relatively strong throughout 2019, and there is a sense that financials and industrials could soon make up lost ground. Healthcare remains the biggest single headache on the JSE due to falling consumer spending combined with high costs.

JSE Top 40 - Top performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	June	YTD
ANG	ANGLOGOLD ASHANTI LTD	Basic Materials	105,955	30.5%	39.8%
GFI	GOLD FIELDS LTD	Basic Materials	62,313	17.3%	55.6%
AGL	ANGLO AMERICAN PLC	Basic Materials	514,643	15.6%	24.9%
AMS	ANGLO AMERICAN PLATINUM LTD	Basic Materials	218,002	14.2%	55.6%
CFR	FINANCIERE RICHEMONT-DEP REC	Consumer, Cyclical	678,130	12.3%	27.6%
BHP	BHP GROUP PLC	Basic Materials	2,002,088	10.1%	18.8%
JSE Top 40 - Worst performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	June	YTD
SPP	SPAR GROUP LIMITED/THE	Consumer, Non-cyclical	35,558	-2.4%	-10.0%
BTI	BRITISH AMERICAN TOBACCO PLC	Consumer, Non-cyclical	1,211,998	-2.5%	5.4%
NED	NEDBANK GROUP LTD	Financial	123,105	-3.4%	-7.8%
SOL	SASOL LTD	Basic Materials	214,977	-4.5%	-17.6%
SHP	SHOPRITE HOLDINGS LTD	Consumer, Non-cyclical	92,468	-8.3%	-17.1%
BVT	BIDVEST GROUP LTD	Consumer, Cyclical	63,905	-8.6%	-8.5%

Among individual shares on the JSE, the notably stronger bullion price lit a fuse under AngloGold Ashanti and Gold Fields, spilling over into broader commodities (Anglo American and BHP) and precious metals (Anglo American Platinum). Gains in these counters have made up for disappointing performances elsewhere among South African businesses that depend on local consumers. Globally diversified stocks have been winners for at least the past two years. Bidvest and Shoprite were the worst performers on the JSE during June, both falling about 8%.

LEVERAGED EQUITY (RFS)

Boosted by the general strength in the market, the fund rose 4.53% in June. The good performance came mostly on the back of basic materials stocks such as Impala Platinum (up 20%) and AngloGold Ashanti (up 30%).

LONG- SHORT 140/40 (SJR)

The fund was up 3.79% in June, boosted by holdings in basic materials and long positions in the Nasdaq and S&P 500. Short positions in insurance, property and healthcare added to returns.

EASY EQUITIES BUNDLES

International equities showed a lot of strength, with the bundle up 7.35% for the month in dollars. On the local front, the momentum building block was a clear winner with a performance of +8.32%. Bundles were positive across the board, with perhaps a slight edge shown by products with a flexible equity focus.

<i>Investment Products</i>		<i>June</i>
Segregated Portfolios	Leveraged Equity (RFS)	4.53%
Segregated Portfolios	Long-Short 140/40 (SJR)	3.79%
Easy Equities - Bundles	Core Income Plus (Elbrus)	1.53%
Easy Equities - Bundles	Core Conservative (Kilimanjaro)	2.30%
Easy Equities - Bundles	Core Moderate (Denali)	2.50%
Easy Equities - Bundles	Core Balanced (Aconcagua)	2.75%
Easy Equities - Bundles	Core Flexible Equity (Everest)	4.07%
Easy Equities - Bundles	Enhanced Conservative (Kilimanjaro)	2.40%
Easy Equities - Bundles	Enhanced Moderate (Denali)	2.75%
Easy Equities - Bundles	Enhanced Balanced (Aconcagua)	3.14%
Easy Equities - Bundles	Enhanced Flexible Equity (Everest)	3.54%
Easy Equities - Bundles	Quality Building Block	2.89%
Easy Equities - Bundles	Stability Building Block	1.08%
Easy Equities - Bundles	Value Building Block	1.87%
Easy Equities - Bundles	Momentum Building Block	8.32%
Easy Equities - Bundles	Core International Portfolio	3.48%
Easy Equities - Bundles	International Equity Bundle (USD)	7.35%

TECHNICAL REVIEW

There was some nervousness in the market during May, but it seemed to subside and then turn positive in June. At the 52,199 level, the JSE Top 40 is showing nicely positive signs. It may even be winding up in the next few months for an attempt to breach the 55,000 barrier it last hit in the latter part of 2017. All in all, given the generally poor state of local stocks in 2018, the current year has proven to be a bit of an eye-opener. Without much in the way of fiscal or monetary stimulus, companies in South Africa are showing some admirable resilience. Let us hope the second six months of 2019 are as positive for investors.

JSE Top 40 Index



Source: Bloomberg

Happy investing!

Sihle Ndhkala

Junior Fund Manager

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