

Market Review – Sihle Ndhala

January 2020

The outbreak of the deadly coronavirus in China is shaking markets worldwide. The major fear, apart from the human cost, is that global trade will slow down markedly, although at this point it is too early to assess the impact. The quarantine has had a drastic impact on both manufacturing production and consumer spending.

You can see the impact in the table below. Although technology so far have come out unscathed, both developed markets and developing markets (the emerging markets index was down 4.69%) had a negative month.

International Markets	Region	Jan-20	YTD
Nasdaq Composite index	Americas	1.99%	1.99%
S&P 500 index	Americas	-0.16%	-0.16%
Dow Jones Industrial Average	Americas	-0.99%	-0.99%
Nikkei 225	Asia	-1.91%	-1.91%
Deutsche Borse AG German Stock Index DAX	Europe and Middle East	-2.02%	-2.02%
Euro Stoxx 50 price EUR	Europe and Middle East	-2.78%	-2.78%
CAC 40 index	Europe and Middle East	-2.87%	-2.87%
FTSE 100 Index	Europe and Middle East	-3.40%	-3.40%
Hong Kong Hang Seng index	Asia	-6.66%	-6.66%

Here in SA, problems halfway across the world appear to have had only a limited impact on markets during January. While the Rand fell 7.3% against the Dollar, JSE equities were down only 1.8%, and bonds actually rose by 1.2%. Listed property, with a 3.1% drop, continued its dismal downwards trajectory from 2019.

Asset Classes	Jan-20	YTD
Bonds - All Bond Composite (ALBI)	1.2%	1.2%
Property - FTSE/JSE SA Listed Property	-3.1%	-3.1%
Equity - FTSE/JSE All Share Index	-1.8%	-1.8%
Currency* - ZAR/USD	7.3%	7.3%

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

Among JSE sectors, technology was the standout performer with a 6.58% return for the month. The other sector with a positive return was consumer goods (+1.33%). The two worst performing sectors were industrials (-6.1%) and financials (-5.26%). It can be argued that much of this damage is short-term in nature, directly the result of a more general risk-off attitude among investors worldwide while they assess the impact of this virus outbreak.

Equity Indices	Jan-20	YTD
Technology	6.58%	6.58%
Consumer Goods	1.33%	1.33%
Small Cap	-1.03%	-1.03%
Telecommunication	-1.11%	-1.11%
Health Care	-1.40%	-1.40%
Top40 - (Tradable)	-1.46%	-1.46%
Mid Cap	-3.44%	-3.44%
Basic Materials	-3.48%	-3.48%
Consumer Services	-4.88%	-4.88%
Financials	-5.26%	-5.26%
Industrials	-6.10%	-6.10%

We can see in the JSE Top 40 Index top performers are British American Tobacco (+10.3%) -- a classic risk-off stock -- and the precious metals stocks (Sibanye and Gold Fields), also regarded as defensive havens in times of market turmoil. And rand weakness certainly aided the good showing of Naspers and its spun-off international assets in Prosus.

On the downside, we know all about the operational problems at Sasol -- which prompted another terrible 21.2% drop in the stock. And overall weakness in consumer spending (and business sentiment) was reflected in the bad numbers shown by banks and companies like Woolworths. Overall, it was a month for stock-pickers, the results of which can be seen below in Emperor's managed portfolios and Easy Equities bundles.

JSE Top 40 - Top performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	January	YTD
BTI	BRITISH AMERICAN TOBACCO PLC	Consumer, Non-cyclical	1,500,570	10.3%	10.3%
SGL	SIBANYE GOLD LTD	Basic Materials	108,029	8.9%	8.9%
NPN	NASPERS LTD-N SHS	Communications	1,136,820	7.4%	7.4%
PRX	PROSUS NV	Communications	1,823,093	2.5%	2.5%
GFI	GOLD FIELDS LTD	Basic Materials	78,430	2.0%	2.0%
VOD	VODACOM GROUP LTD	Communications	213,750	1.7%	1.7%
JSE Top 40 - Worst performing shares					
Share Code	Company Name	Industry Sector	Market Cap (Rmn)	January	YTD
RMH	RMB HOLDINGS LTD	Financial	105,878	-8.3%	-8.3%
MCG	MULTICHOICE GROUP LTD	Communications	46,083	-8.4%	-8.4%
NED	NEDBANK GROUP LTD	Financial	98,506	-8.7%	-8.7%
WHL	WOOLWORTHS HOLDINGS LTD	Consumer, Non-cyclical	46,681	-8.7%	-8.7%
OMU	OLD MUTUAL LTD	Financial	81,599	-12.0%	-12.0%
SOL	SASOL LTD	Basic Materials	146,418	-21.2%	-21.2%

LEVERAGED EQUITY (RFS)

Given the generally negative investment environment, the fund did exceptionally well with a 8.05% return.

LONG- SHORT 140/40 (SJR)

Another good showing by the fund, up 6% in January. International technology stocks provided strong impetus, with help from SA gold miners. On the downside were basic materials stocks with high exposure to Chinese demand such as Kumba Iron Ore.

EASYEQUITIES BUNDLES

The core international portfolio (with a lot of assistance from the weaker rand) shot out the lights, with strong performances also by more defensive bundles with conservative, moderate, balanced, or flexible mandates. Overall, the bundles had a very good showing, with only two building blocks showing negative returns in January.

Investment Products		January
Segregated Portfolios	Leveraged Equity (RFS)	8.05%
Segregated Portfolios	Long-Short 140/40 (SJR)	6.07%
Easy Equities - Bundles	Core Income Plus (Elbrus)	1.76%
Easy Equities - Bundles	Core Conservative (Kilimanjaro)	2.89%
Easy Equities - Bundles	Core Moderate (Denali)	2.46%
Easy Equities - Bundles	Core Balanced (Aconcagua)	1.99%
Easy Equities - Bundles	Core Flexible Equity (Everest)	1.59%
Easy Equities - Bundles	Enhanced Conservative (Kilimanjaro)	3.18%
Easy Equities - Bundles	Enhanced Moderate (Denali)	3.23%
Easy Equities - Bundles	Enhanced Balanced (Aconcagua)	2.78%
Easy Equities - Bundles	Enhanced Flexible Equity (Everest)	3.48%
Easy Equities - Bundles	Core International Portfolio	9.06%
Easy Equities - Bundles	International Equity Bundle (USD)	3.40%

All Performance data sourced from Bloomberg on 31 January 2020.

Happy investing!

Sihle Ndhala

Emperor Asset Management

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