

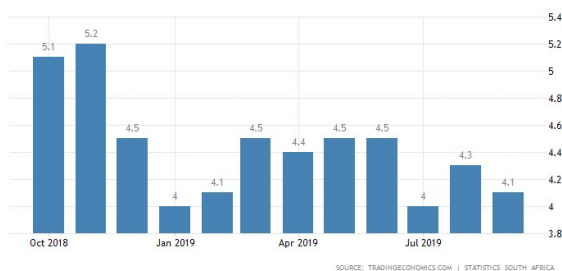
Monthly Market Commentary

October 2019

SA Market Overview

For most of the month, South African Markets were marred by low conviction trading in anticipation of the Medium-Term Budget Policy Statement (MTBPS) delivered by Finance Minister Tito Mboweni on the second last trading day of the month. This resulted in South African markets trading in-line with other emerging markets, influenced mostly by changing global risk appetites during the month.

Finance Minister Tito Mboweni delivered the MTBPS, facing immense pressure due to the unsustainable fiscal position of the nation. He opened his speech by informing parliament that the MTBPS is not a platform to discuss specific financial reforms, which would be discussed in the Budget in February 2020. The speech did however focus heavily on the fact that urgent reform is needed. In the absence of much hoped for specific reforms, markets weakened with the ZAR losing 2.39% on the day and still further by month end. (See graph on the right of the USD-ZAR exchange rate during October).



The annual inflation rate for South Africa edged down to 4.1 percent in September 2019 from 4.3 percent in August, ahead of market expectations of 4.2 percent and the 4.5 percent mid-point of the Reserve Bank's target range of 3-6 percent. Prices slowed most for housing & utilities and transport. On a monthly basis, consumer prices increased 0.3 percent, slightly again better than market expectations of a 0.4 percent gain. (See left a chart showing the year-on-year SA Inflation)

Global Market Overview

The US Federal Reserve cut the target range for the federal funds rate by 25 bps to 1.5-1.75 percent during its October meeting, this was the third rate cut so far this year, amid muted inflation pressures and concerns about a lower economic growth outlook for the US. But at the same time, the central bank signalled a pause in the current easing cycle. The previous reference that it “will act as appropriate” to sustain the economic expansion was removed from the latest policy statement. (See on the [right](#) an illustration of the Fed funds rate over the recent past.)



The UK Prime Minister Boris Johnson received welcome support from the EU in the form of a new BREXIT deal, the British parliament however was not as impressed. Parliament twice voted to not accept the deal without further deliberation, forcing PM Johnson to seek a further extension of the October 31st deadline. The EU obliged, granting an extension to January 31 2020. Johnson has called a snap election on December 12th in an attempt to muster further support for his deal in parliament before the new deadline expires. The election while dealing with many domestic issues is seen as a second referendum on BREXIT and it is hoped will make it clear once and for all what the British voting public actually want, to be in or to be out of the EU.

US President Donald Trump, facing pressure on his re-election bid in 2020, is attempting to give the world economy a boost by lowering overall geopolitical tensions through his trade conflict with China. The President agreed not to roll out the planned early October tariffs, and may even be looking to roll back a few of the tariffs already in place. Global equity markets reacted well to the dip in global uncertainty and showed strong performances across the board during October.

Following the extraction of US troops from Syria, Russian President Vladimir Putin has been growing his nations presence in the Middle East, firmly cementing their place as the new power broker in the region. Russian troops have been deployed on the Turkey Syrian border, prompting threats of US sanctions on Turkey. President Putin also visited Saudi Arabia during October, presumably in talks with Saudi leadership relating to the possible purchasing of the Russian S-400 anti-missile defence system, following the recent attack on Saudi oilfields.

Asset Class Performance (ZAR)

As at 31 October 2019	MTD	YTD	1 Year	3 Years*	5 Years*
Global Equity – MSCI ACWI	2.11	25.17	14.78	15.81	14.45
Global Property - FTSE EPRA Nareit DR	1.74	31.01	24.13	13.79	14.47
Global Bond - JPM GBI Global Traded	(0.21)	12.11	12.47	6.43	8.73
Global Cash - ICE LIBOR 1 Month	(0.47)	6.85	4.49	5.56	7.63
SA Equity - FTSE/JSE All Share	3.14	10.45	11.49	7.06	5.76
SA Property - FTSE/JSE SA Listed Prop	1.89	3.25	0.84	(3.07)	2.27
SA Bond - Beassa ALBI	(0.35)	8.06	12.96	8.54	7.48
SA Cash - STeFI Call Deposit	0.54	5.52	6.65	6.72	6.52

Asset Class Performance (USD)

As at 31 October 2019	MTD	YTD	1 Year	3 Years*	5 Years*
Global Equity – MSCI ACWI	2.78	19.54	12.51	11.61	7.57
Global Property - FTSE EPRA Nareit DR	2.41	25.11	21.68	9.66	7.58
Global Bond - JPM GBI Global Traded	0.45	7.06	10.25	2.57	2.20
Global Cash - ICE LIBOR 1 Month	0.18	2.04	2.43	1.73	1.15
SA Equity - FTSE/JSE All Share	3.82	5.47	9.29	3.17	(0.60)
SA Property - FTSE/JSE SA Listed Prop	2.56	(1.40)	(1.15)	(6.58)	(3.88)
SA Bond - Beassa ALBI	0.31	3.20	10.73	4.61	1.01
SA Cash - STeFI Call Deposit	1.20	0.77	4.54	2.85	0.11