January 2020 Market Commentary

SA Market Overview

The JSE All-share index was battered by mainly external events during January, with global risk on & risk off asset allocations driving most of the price movements. The index performed well up until global risk aversion kicked in on the back of the spreading CoronaVirus in late January. Significant Rand weakness assisted Rand hedge share prices. Property stocks continue to underperform, still plagued by structural issues such as urban overdevelopment, the tabled land expropriation bill and very low general economic activity. The ALBI and Money markets were positive providing real returns and stability in otherwise volatile markets conditions.

With all of the global, health, political and economic uncertainty the Rand was off (7.08%) for the month. Most traders exiting emerging market currencies and, in particular SA was hit hard due to its low GDP growth and forecasts and its very liquid currency markets acting as a proxy for the traders. This resulted in all offshore assets being positive for the month.

High real interest rates persist with the SARB opting to keep rates unchanged, this buoyed South African bond & cash instruments and protected them from external pressures and delivering positive returns.

The Presidency announced on January 10th that Eskom chairman and former acting CEO Jabu Mabuza had resigned from the Board of Directors effective immediately. The resignation followed another bout of unexpected load shedding caused by a conveyor belt failure at Medupi power station. In the resignation letter, Mabuza apologized for Eskom's failure to meet the commitments it had made to the Presidency under his leadership. Many saw this as the first true responsibility being taken by Eskom leadership for the multitude of failures to deliver essential services. The new CEO Andre de Ruyter took over from Mabuza in early January and immediately started engaging ESKOM's biggest customers honestly and openly and together with Pravin Gordhan quick and meaningful changes are being implemented. Load Shedding continues but has remained steady at Level 2 for two weeks.

Retail sales numbers for November saw a 2.6% increase year on year, which has been a welcome relief following disappointing numbers over the last year. While the increase shows some consumer positivity, it must be noted that the numerous "specials" over the month of November, such as "Black Friday" and "Cyber Monday" likely had a strong influence on the upside surprise in retail sales.

The tone between Finance Minister Tito Mboweni and his ANC comrades turned sour during January. Minister Mboweni has made a habit of standing up against members of his party in a bid to ensure that the structural economic reforms that the country needs are implemented. The latest dispute stems from a resolution by senior ANC members that would entail nationalizing the South African Reserve Bank, to which Mboweni responded that the leading party would have to state what they aim to achieve from this action. With the February Budget Presentation fast approaching, investors should expect low conviction trading on SA Inc assets until this crucial event risk is cleared.

Global Market Overview

Global stock markets started the month on the back foot after military tensions between the US and Iran reached fever pitch. This abated somewhat and in addition a conciliatory tone in US-Sino relations took hold and the markets surged to new highs. The spread of the CoronaVirus caused considerable panic later in the month, sending stocks back below the month's opening levels ending the month at -1.3%. Global property performed well in January supported by the bounce in UK property assets following the signing of the withdrawal agreement with the EU. Global bonds outperformed; however, this was more a function of the dollar strength effect with the move to safe haven assets.

The US and China "phase-one" trade deal reduced global policy uncertainty and came as welcome relief after a year dominated by global trade tensions. The deal signed on 15 January covered many topics, the most concerning of which entails a purchase commitment on China's part, which would see them increase their imports from the US by $200 billion over 2020 & 2021, to put these figures into context, the US exports to China totaled on $170 billion in 2017.

Tensions between the US and Iran picked up late last year, culminating in the death of a US civilian contractor in Iraq. The US responded on the 3rd January by using an unmanned drone to carry out an airstrike on a convoy of vehicles making their way from Baghdad International Airport. It was confirmed later that the convoy contained Major General Qasem Soleimani, a high ranking official in the Iranian Islamic Revolutionary Guard. This sparked global panic over the possibility of a major global military conflict, sending both gold and oil prices to multi year highs. After a few days of high tension added to by the accidental shooting down of passenger airliner in Iran by Iranian military both sides stepped back from hostilities and tensions have eased.

It has been over three and a half years since the Brexit referendum tore open rifts in British society, the years of infighting have come to an end with Britain officially leaving the EU at 23:00 GMT on January 31st. Once clarity was gained after votes in parliament Sterling securities rebounded strongly after years of volatile shifts in the market. UK property increased especially sharply on the news that parliament had accepted the Brexit deal proposed by Prime Minister Johnson.

Towards the end of the month, markets reacted negatively to news of a pneumonia-like virus spreading in China, not long thereafter cases started popping up worldwide, including in the US & Africa. The ailment has been dubbed the CoronaVirus and its spread through China has seen gold prices rise and oil prices fall sharply over concerns regarding Chinese oil demand. Travel to China has been discouraged by several countries, with many airlines cancelling flights. At the time of writing the number of confirmed cases stood at 24 324 people, with 490 deaths reported. Already more than the SARS virus outbreak in 2002 & 2003.

ANNEXURE B

Asset Class Performance (ZAR)

As at 31 January 2020	MTD	YTD	1 Year	3 Years*	5 Years*
Global Equity – MSCI ACWI	5.86	5.86	30.96	15.16	14.64
Global Property - FTSE EPRA Nareit DR	8.44	8.44	27.94	13.30	11.47
Global Bond - JPM GBI Global Traded	9.16	9.16	20.37	8.08	7.80
Global Cash - ICE LIBOR 1 Month	7.43	7.43	15.61	5.52	6.52
SA Equity - FTSE/JSE All Share	(1.69)	(1.69)	7.14	5.32	4.99
SA Property - FTSE/JSE SA Listed Prop	(3.06)	(3.06)	(9.50)	(5.23)	(0.84)
SA Bond - Beassa ALBI	1.19	1.19	8.48	9.35	6.66
SA Cash - STeFI Call Deposit	0.53	0.53	6.62	6.68	6.56

Asset Class Performance (USD)

As at 31 January 2020	MTD	YTD	1 Year	3 Years*	5 Years*
Global Equity – MSCI ACWI	(1.31)	(1.31)	15.86	11.13	8.95
Global Property - FTSE EPRA Nareit DR	1.10	1.10	13.19	9.34	5.94
Global Bond - JPM GBI Global Traded	1.77	1.77	6.49	4.30	2.46
Global Cash - ICE LIBOR 1 Month	0.15	0.15	2.28	1.83	1.24
SA Equity - FTSE/JSE All Share	(8.35)	(8.35)	(5.21)	1.64	(0.22)
SA Property - FTSE/JSE SA Listed Prop	(9.62)	(9.62)	(19.94)	(8.54)	(5.76)
SA Bond - Beassa ALBI	(5.67)	(5.67)	(4.03)	5.52	1.37
SA Cash - STeFI Call Deposit	(6.28)	(6.28)	(5.68)	2.95	1.27