



INTERNATIONAL MARKETS

- MARCH GROWTH MUTED, FIRST QUARTER POSITIVE

► FEARS OF FALTERING GLOBAL GROWTH DAMPENED MARKETS

Despite soft gains of 1.3% in March 2019, global equity markets performed well for the first quarter of the year, rallying by 12.2%. Markets largely shrugged off lingering trade disputes and geopolitical risk factors in the first two months of the year. However, mounting fears over faltering global growth dampened returns in March 2019. **This was confirmed by Christine Lagarde, Managing Director of the International Monetary Fund (IMF), who said “the global economy is at a ‘delicate moment’” at a recent briefing in Washington.**

Developed equity and emerging equity markets performed equally as well in the month, but gains were larger for developed equity markets using quarterly data. The MSCI Developed Market (DM) Index increased by 12.5% during the first quarter of the year (and 1.3% in March 2019), boosted by US and European markets. The S&P500 Index increased by 13.6% in the first quarter of the year, but monthly gains tapered to 1.9% in March 2019. The Eurostoxx 50 Index climbed 12.3% in the first quarter of 2019, despite only increasing by 1.9% in March 2019. The Nikkei 225 Index lagged the DM composite and traded sideways in March 2019, on disappointing data.

Emerging equity markets outperformed in the month, with the MSCI EM Index increasing by 0.8% in March 2019 and 9.9% for the quarter. During the month, Asian shares drove returns higher, while shares in the Latin American and Europe, Middle East and African (EMEA) indices retreated. The MSCI Asian Index was the outperformer on a quarterly basis, registering an increase of 11.1%. The index climbed 1.8% in March, partly on news during the middle of the month that the deadline on trade negotiations between the US and China would be shifted to April.

► BREXIT STALEMATE CONTINUED IN MARCH

The UK's vote to leave the European Union (EU) has already cost the economy with many businesses moving offices, staff, assets and legal entities from the UK to the EU. Growth in fixed investment has fallen in the UK on the back of elevated policy uncertainty. If the EU refuses to renegotiate a deal, a number of options exist. One option is that another referendum could be held, where the public would vote to remain or leave. This referendum could either be legally non-binding and advisory (as was the case with the 2016 referendum) or binding, where the result would automatically take effect.

LOCAL MARKETS - A MONTH OF DARKNESS

► LOAD SHEDDING DRIVES PESSIMISM

South Africans will probably remember March mostly for the ten consecutive days of power cuts implemented by Eskom. Pessimism peaked halfway through that period when Public Enterprises Minister, Pravin Gordhan, suggested that staff were still getting to the bottom of the issues Eskom was facing and how long it would take to resolve them. Stocks most exposed to South African consumers bore the brunt of this pessimism. Banks were among the worst performers, (ABSA and Nedbank were down 16% and 12%, respectively), while retailer Mr Price declined by 12%.

The power problems also affected indicators like the Purchasing Managers Index (PMI) and Business Confidence Index. The latest PMI number clearly shows that business activity in the private sector deteriorated in March, thanks to the extended periods of power outages. The PMI, which measures private sector business performance, dropped from 50.2 in February to 48.8 in March. A figure greater than 50 indicates improvement in the sector. The RMB/BER business confidence index in South Africa fell 3 points to 28 in the first quarter of 2019, from 31 in the previous period. It is the weakest confidence since the second quarter of 2017 as deterioration was observed in four out of the five sectors: construction, retail, wholesale, manufacturing and new vehicle trade. It is widely expected that the next update of the Consumer Confidence Index (released quarterly), will reflect a similar trend.

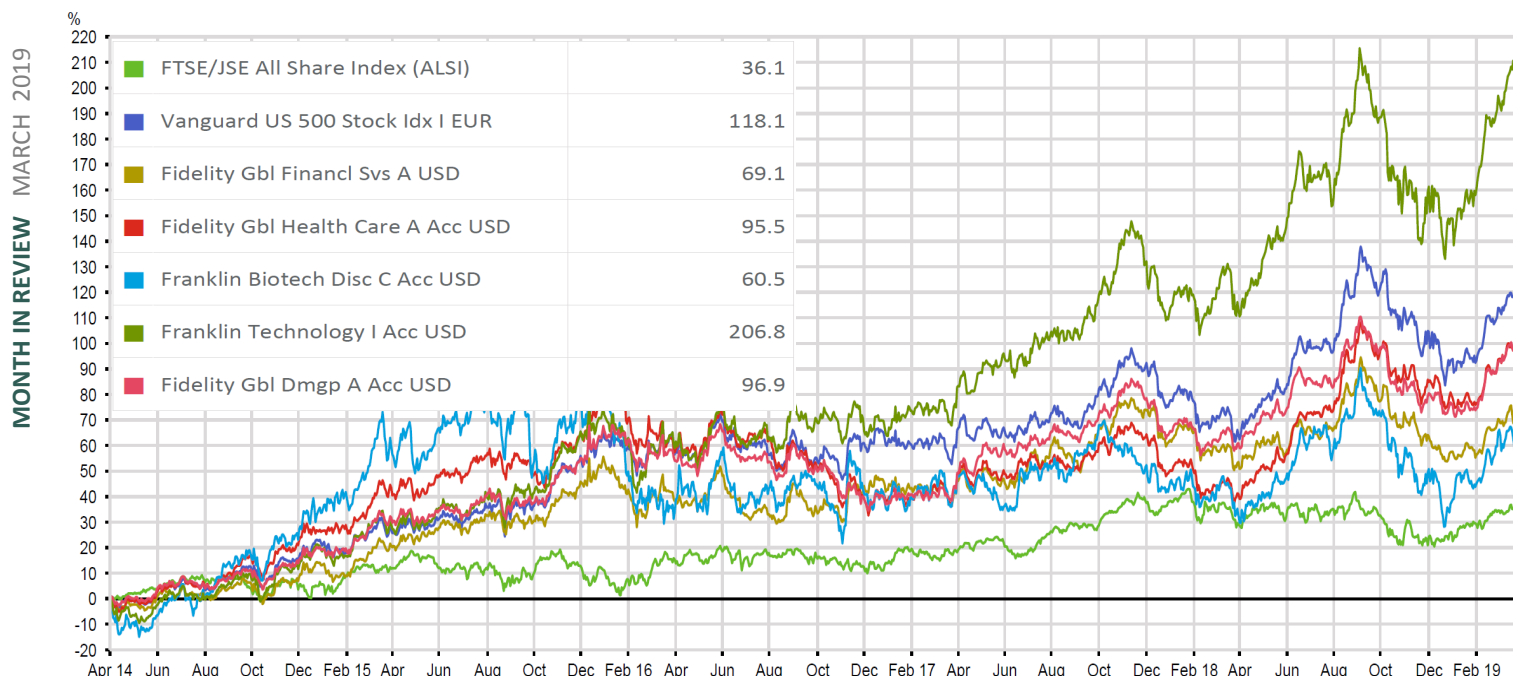
► POOR QUARTER FOR JSE

The resources sector was the best performer for the month with the Resi-Index closing 4.7% higher than in February. This supported the bourse's overall performance to close at 1.6% higher month on month. The Industrials index also closed higher (+2.9%) but financial shares declined by 4% for the month. The biggest positive contributors for the month though, were Naspers, where Tencent was up again in March (7.5%) and mining companies, where earnings estimates continued to be upgraded to increasingly factor in higher commodity prices. As domestic companies continued to release earnings, the worst performer amongst the 40 largest South African shares was Aspen, which plunged 30% the day after it announced results which showed mounting debt growing faster than operational cash flows.

Looking at the numbers for the first quarter of the year the SA equity market underperformed global markets. The FTSE/JSE All Share Index strengthened 8% in comparison to global equity markets, which were, on average, 12.2% higher in the same period. Resources were the star performers of the quarter and recorded an increase of 17.8%. The graph and table below tell the story of the JSE's lacklustre performance compared to a range of global funds for the past five years. Also note the market performance table at the end of this report.

LOCAL MARKETS

– SA LOSING THE INVESTMENT RACE



► RAND WEAKER

The SA rand weakened by 2.8% against the US dollar, 1.5% against the euro and 1.2% against sterling in the month. Although the Eskom problems had some effect, the rand took most of its direction from global events. Although lower the local currency did fare better than the currencies of countries like Argentina (-9.8%), Brazil (-4.2%), Turkey (-4.1%) and Chile (-4.1%). The SARB Monetary Policy Committee (MPC) left interest rates unchanged at 6.75% at its second interest-rate-setting meeting for the year.

The lethargic state of the local economy was confirmed in a report by Bloomberg, which noted that despite being the largest economies on the continent, economic growth in South Africa and Nigeria lag behind that of other African countries. A report published by the African Development Bank shows that Nigeria's GDP will expand by 2.3 percent in 2019, which is below the rate of population growth.

South Africa's expansion will be even slower, at 1.7%, as the continent's most-industrialized economy battles to recover from last year's recession. Both countries are in the Bank's list of 10 slowest-growing African economies.

The declining trend of sales in the new vehicle market since the beginning of the year continued in March 2019, as reported by Naamsa. Aggregate domestic sales were reported as 47 718 units, a decrease of 1 512 units (-3.1%) compared to the 49 230 vehicles sold in March 2018. Export sales had again registered strong growth reflecting a substantial improvement of 7 135 vehicles or a gain of 23.7%, compared to the 30 161 vehicles exported in March last year.

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MARKET PERFORMANCE

Table finalised: 3 April 2019 YTD

	Level	YTD
USA		%
S&P 500	2834	13.07
NASDAQ	7379	16.57
DOW JONES	25929	11.15
EUROPE		%
FTSE 100	7279	8.19
XDAX	11549	9.15
CAC 40	5351	13.1
ASIA		%
Nikkei 225	21206	5.95
Sensex 30	38673	7.22
Shanghai	3091	23.93
Hang Seng	29051	12.4

	Level	YTD
EMERGING MKTS		%
UAE ADX	5101	3.78
KSA Taduwul	8789	12.29
Qatar	3071	-0.26
South Africa	56463	7.06
OTHER		%
Gold	1292	0.73
Oil	68.39	27.12
USA 10 year	2.41	-10.29
Pound/Dollar	1.3	2.31
Euro/Dollar	1.12	-1.78

Sources: Anchor Capital, Momentum, Bloomberg, Wheels24, Fidelity International

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