BRENTHURST
THE HOME OF WEALTH

INTERNATIONAL MARKETS

ROLLERCOASTER FOR MARKETS AHEAD OF G20 SUMMIT

▸ MARKETS NERVOUS AHEAD OF G20 SUMMIT

November was a bit of a rollercoaster ride as markets anticipated the end-of-month trade discussions at the G20 summit between US President Donald Trump and his Chinese counterpart Xi Jinping. Reports of a constructive call between the two leaders in early November kept the momentum behind the late October market rally alive. However, within a week Peter Navarro, Trump's key advisor on trade, threw cold water on the prospects of a sensible outcome.

Oil continued its capitulation during the month with Brent crude falling more than 30% from its $85 per barrel high in early October to finish November at $58 per barrel. Trump put pressure on the Saudis not to try and support the oil price with supply cuts and the Saudis, having blown through much of their political capital over the murder of journalist Jamal Khashoggi, complied. Concessions by the US on Iranian sanctions further exacerbated supply issues at a time when concerns around global growth were also tempering demand expectations.

The US Federal Reserve (Fed) refrained from hiking rates (as expected) at its November meeting and US government bonds were supported by comments from Fed chairman, Jerome Powell, that were interpreted as an about turn from his comments in October that the Fed still had plenty of room to hike before monetary policy became restrictive. The prospects of a shallower rate-hiking cycle going forward cheered equity markets, which appeared desperate for any good news.

▸ FED'S INTEREST RATE STANCE CHEERS MARKETS

Fed's interest rate stance cheers markets Eurozone stock markets ended November in the red, with the MSCI EMU index returning -2.0%. Profit-taking after this year's gains and a strong euro were largely to blame for the downward move.

Real estate was the only sector to register a positive return. Healthcare was the weakest sector after some corporate updates disappointed the market. However, the economic backdrop for the eurozone remained bright. Forward-looking economic indicators pointed to ongoing strong momentum. The Markit flash composite purchasing managers' index for the eurozone reached a 79-month high of 57.5, versus 56.0 in October. Markit's employment index also showed jobs being created at the fastest pace in 17 years.

▸ ASIAN MARKETS MARGINALLY POSITIVE

Asia (Japan excluded) equities finished November in marginally positive territory as an initial run -up in markets early in the month was pared. A sell-off in US technology shares late in the period spread to their Asian counterparts. Chinese stocks finished the month up with consumer and technology stocks gaining more ground. However, a sell-off in the second half of the month, sparked by a spike in bond yields and concerns over deleveraging, limited overall gains. Tighter liquidity rules were also introduced over the month that saw banking regulators announce new restrictions, including on loans to the shadow banking sector. In Hong Kong, stocks delivered positive returns as index heavyweights such as Tencent powered the Hang Seng Index to a 10 -year high before a brief sell-off ensued going into the month end.

OFFSHORE ALLOWANCE

LAST CHANGE TO TAKE ADVANTAGE OF SINGLE DISCRETIONARY OFFSHORE ALLOWANCE

There are only a few weeks left to take advantage of your SDA (single discretionary allowance). Your SDA permits you to take up to R1m offshore annually, without a tax clearance certificate being required. This applies to you, your spouse or partner, and any SA resident of 18 years or older. Your present allowance expires on 31 December 2018. This allowance runs by calendar year, and resets on 1 January.

LOCAL MARKETS -INTEREST RATES UP, JSE LOWER

▸ FINANCIALS DO WELL BUT OVERALL JSE CLOSES LOWER

On the JSE, most indices closed November in the red although financial shares bucked the trend. The FTSE JSE All Share Index closed 3.3% down compared to the previous month (-14.9% year to date) at 50 663.48. Disappointing November performances from heavyweight constituents including British American Tobacco (BAT; -24.8% month on month), Richemont (-17.4% month on month), Glencore (-15.2% month on month), and Anglo American (-12.2% month on month) pulled the JSE lower. Large mining companies, including Anglo American, BHP Group and Glencore weighed on the resources sector, with the Resi-10 being the worst hit – declining by 11.9% month on month (+0.5% year to date). Industrial shares were also down with the Indi-25 dropping 1.1% (-21.5% year to date). Financials were the outperformers recording a 2.4% month on month gain (-9.4% year to date) as heavyweight banking shares including Standard Bank (+7.6%), Nedbank (+6.8%), FirstRand (+3.9%), and ABSA (+3.2%) posted good gains in November.

The poor state of the local economy is evident in the latest consumer and business index numbers. SA's consumer confidence levels deteriorated substantially during the third quarter of 2018, according to the latest FNB/BER Consumer Confidence Index. It shows that consumer confidence fell from +22 in the second quarter to +7 in the third quarter of the year. The latest business confidence index by Rand Merchant Bank and the BER, also showed that business confidence in SA fell to the lowest level since Fitch and S&P Global downgraded SA's sovereign credit rating to non-investment grade.

▸ CONSUMER CONFIDENCE DIPS IN 3RD QUARTER

On the macro front, October headline consumer price inflation (CPI) rose to 5.1% year on year, in-line with expectations, vs the 4.9% year on year announced for September.

Month on month inflation accelerated to 0.5% – unchanged from September. Core inflation, excluding the volatile food, beverages and energy categories, was unchanged from September's 4.2% year on year. Month on month core CPI came in at 0.1% vs September's 0.5%. At its meeting last month, the South African Reserve Bank's (SARB) hiked interest rates by 25 basis points, increasing the repo rate from 6.50% to 6.75%. The October trade deficit widened to R5.55bn, its biggest increase in 10 months and up from a revised R3.83bn recorded in September.

US Federal Reserve (Fed) Chair Jerome Powell's dovish remarks indicating the likelihood of a halt in rate hikes after December's near-certain interest rate increase saw emerging-market (EM) currencies benefit. The rand, which suffered more than most from an Emerging Markets currency collapse earlier this year, posted a 6.2% month on month gain against the US dollar.

▸ HOUSING MARKET SLOWDOWN CONTINUES

The FNB House Price Index continues to hover in single-digit growth territory, not too far from 4% year on year. On a year on year basis, the index's growth rate accelerated slightly to 4.2% in November, from a slightly lower revised 4.1% rate in October. The low single-digit growth in nominal terms continues to translate into a year-on-year price decline in "real" terms, when adjusting for CPI inflation. This means that the gradual housing market price "correction" continues, as it has since early-2016. John Loos, Property Sector Specialist at FNB, says the research shows it now takes, on average, 18 weeks for a property to be sold compared to 11 weeks in 2016. "Sellers are struggling," Loos said in conversation with Classic1027FM Business Breakfast programme. "This means sellers must become more realistic with pricing," he added. He expects continued low nominal property price increases in 2019.

▸ TRUCK SALES TAKE EDGE OFF WEAK VEHICLE MARKET

A fifth successive month of improved truck sales took the edge off a disappointing November for the vehicle market. The latest figures show that aggregate sale of new vehicles at 47 486 units in November fell 4.6% compared to the 49 751 sold in November 2017. Car sales were down 5.4% while sales of light commercial vehicles – bakkies and minibuses – tumbled 6.1%. Sales of medium and heavy trucks improved year on year for the fifth month running.

Sales of medium sized trucks were 17.5% higher compared to November last year while sales of heavy trucks improved by 34.1%. Though encouraging, some commentators said the improved figure for trucks was more about the overdue replacement of ageing vehicles than actual market growth.

Sources:
Business Day / Fin24 / Anchor Capital
Moneyweb / Schroders

- BRENTHURST OFFICE CLOSURE -

BRENTHURST OFFICES WILL BE CLOSING ON 21 DECEMBER 2018 & WILL BE REOPENING 7 JANUARY 2019

MAY THIS SEASON BE WRAPPED UP WITH CHEER & FILLED WITH

celebration

FOR THE NEW YEAR.

IN CASE OF EMERGENCY ALL FINANCIAL PLANNERS WILL BE REACHABLE ON THEIR EMAILS OR CELL PHONES OVER THIS TIME.

MAURITIUS	+230 584 35215
JOHANNESBURG	+27 (0) 11 799 8100
SANDTON	+27 (0) 10 035 1391
PRETORIA	+27 (0) 12 347 8240
NEWLANDS	+27 (0) 21 418 1236
BELLVILLE	+27 (0) 21 914 9646
STELLENBOSCH	+27 (0) 21 882 8706