



INTERNATIONAL MARKETS

LEADING STOCK MARKETS SUFFER LOSSES

► MOST GLOBAL MARKETS WEAKER IN DECEMBER

Global markets ended the year on a sour note with fears of an economic slowdown spooking investors. US President Donald Trump did little to calm these fears as he forced a US government shutdown after the Senate failed to break an impasse over his demand for funding of a US/Mexican border wall and he sent tweets suggesting he may interfere with the independence of the US central bank.

The leading stock markets suffered exceptionally high losses in December, with the S&P 500 shedding -9% – the largest December loss in the US since 1931 and its first negative year since 2008. Europe's DAX traded -6.2% lower, while in Switzerland the SMI is down -6.7% and the SMIM -6.8%. The losses were greater still in Japan, with those sustained by the Nikkei 225 even running into double digits at -10.45%. This put the full-year performance of the stock markets at a disappointing -8.2% for the MSCI World (in USD). The emerging markets closed out a turbulent year down -14.5% (in USD).

► FED HIKES INTEREST RATE

The US Federal Reserve (Fed) delivered a much expected 0.25% interest rate hike at its December meeting (the ninth hike of this cycle) and chairman Jerome Powell did little to quell market fears as he suggested that the Fed was very much still in hiking mode despite financial market wobbles (and numerous tweets from Trump suggesting that the Fed was killing the market).

► BREXIT WOES CONTINUE

In the UK, Brexit woes continued to hog headlines as Prime Minister Theresa May had to cancel a planned parliamentary vote on the Brexit deal she'd negotiated with her European counterparts once it became obvious she didn't have the support to get the deal approved. A few days later May survived a bid by her party to remove her as leader, but with almost 40% of her own party voting against her.

Markets bounced after Christmas, with the S&P 500 Index up 7% in the last few trading days of the year although, even after that rally, December was still the worst month for the S&P 500 since February 2009 and the worst for the MSCI World Index since May 2012.

SMART TIP - TAX EFFICIENT

As the 2019 tax year draws to an end on 28 February 2019, it's a great time to contact your financial advisor for guidance on how to be more TAX EFFICIENT by contributing towards a RETIREMENT ANNUITY or a TAX FREE SAVINGS ACCOUNT. www.bwm.co.za

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LOCAL MARKETS

-DESPITE VOLATILE DECEMBER, JSE ENDS HIGHER

► JSE ENDS ON A POSITIVE NOTE

December was a volatile month for markets all around the world, the JSE included. Despite several ups and downs during the month a surge in the share prices of gold mining and other heavy-weight shares the FTSE JSE All Share Index ended 4.1% up month on month. However, for the year the situation is not looking good and Business Day reported that the JSE All Share – along with other global markets – had a rough year losing 11%; its worst performance in a decade.

The positive finish at the end of December was thanks to higher share prices for Anglo American (+16.3% month on month), BHP Group (+15.2% month on month), Richemont (+5.1% month on month) and Naspers (+4.7% month on month). The Resi again outperformed and recorded a gain of 12.6% for the month, while the Indi-25 closed 2.6% higher and the Fini-15 1.1% higher compared to November.

AngloGold Ashanti (+30.6% month on month) was December's best-performing share, lifted by the gains in the price of gold and media reports indicating that the firm was considering listing on either the London or Toronto stock exchanges – a move that could see it hive off its remaining SA operations. Gold Fields came in second with a 22.2% month on month gain, followed by the only retail share among the top-20 performers in December – Lewis Group - which ended the month 21.1% higher to take the third-best performer spot.

Among December's worst-performing shares it was a mixed bag with most decliners coming out of the property sector which has been under pressure for most of the year. However, food and construction firms also featured prominently. Tongaat Hulett, dropping by 18.4% month on month, took the top spot and was followed by construction Group, Raubex in second position and RCL Foods in third – these two companies posted month on month declines of 17.9% and 17.4%, respectively.

► SA ECONOMY OUT OF RECESSION

On the SA macro front, GDP data released in early December showed that the economy grew by 2.2% in the 3rd quarter, pulling the country out of a "technical recession" and coming in ahead of consensus economist expectations of 1.6% growth. Manufacturing was the key sector here – after contracting by 0.3% in 2Q18, manufacturing output jumped 7.5% in the quarter. Headline consumer price inflation (CPI) slowed to 5.2% year on year in November vs October's 5.1%, while month on month inflation decelerated to 0.2% in November vs 0.5% in October.

► TRADE SURPLUS IN NOVEMBER

SA recorded a trade surplus of R3.49bn in November, according to statistics published by Sars. However, for the 11 months to end-November there was a trade deficit amounting to R4.16bn, a deterioration on the surplus for the comparable period in 2017, of R62.3bn.

Exports year-to-date increased by 6.1% while imports for the same period showed an increase of 13%. The R3.49bn trade surplus for November 2018 is attributable to exports of R118.84bn and imports of R115.35bn. Exports decreased from October to November 2018 by R2.79bn (2.3%) and imports by R10.57bn (8.4%).

► BIG JUMP IN VEHICLE EXPORTS

Figures released by Naamsa show that domestic vehicle sales ended 2018 on a weak note with aggregate industry new vehicle sales for December 2018. At 39 984 units, December 2018 shows a decline of 767 vehicles or -1.9% compared to the 40 751 units sold during the corresponding month of December 2017.

The December 2018 new passenger car market and light commercial vehicle (LCV) market reflected year-on-year volume declines of 0.2% in the case of new

cars and a substantial decrease in the case of light commercial vehicles of 7.0%.

In contrast, export sales had recorded a massive improvement in December 2018 at 31 437 units, an increase of 11 330 vehicles or a remarkable gain of 56.3% compared to the 20 107 vehicles exported during December 2017.

Sources:

Anchor Capital / Wheels24 / Business Day

- BETTER START TO NEW YEAR -

MARKET REVIEW 14 Jan 2019

	Level	Week	YTD		Level	Week	YTD
United States				EMEA			
		%	%			%	%
S&P 500	2,596	2.54	3.57	UAE ADX	4,962	1.19	0.96
Nasdaq	6,601	2.78	4.29	KSA Taduwl	8,210	3.50	4.90
Dow Jones	23,996	2.40	2.87	Qatar All Share	3,217	3.50	4.47
				South Africa	53,653	2.78	1.74
Europe				Other			
		%	%			%	%
FTSE 100	6,918	1.18	2.82	Gold	1,288	0.24	0.40
XDAX	10,896	0.80	2.98	Brent Crude	60.48	5.99	12.42
CAC 40	4,781	0.93	1.07	US 10 Year	2.70	1.50	0.30
				GBP-USD	1.28	0.81	0.68
Asia				EUR-USD	1.15	0.60	0.40
		%	%	USD-INR	70.48	1.05	0.95
Nikkei 225	20,360	4.08	1.72	USD-JPY	108.54	0.06	-0.95
Sensex 30	36,010	0.88	-0.16	VIX	18.19	-14.92	-28.44
Shanghai	2,554	1.55	2.40				
Hang Seng	26,667	4.06	3.18				

Source: Datastream 12.01.2019. Percentage returns, local currency

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