BRENTHURST
THE HOME OF WEALTH

LOCAL MARKETS - SHOCK UNEMPLOYMENT NUMBERS

SA's official unemployment rate increased to a record in the first quarter of 2021 as the country continues to struggle to shake off the effects of 2020's pandemic-induced slump. The country's jobless rate rose to 32.6%, up 0.1 percentage point from the final quarter of 2020 according to the quarterly labour force survey released by Stats SA. That is the highest level since the report was introduced 13 years ago and shows the recovery from the worst slump in a century is not translating to increased hiring in an economy that was hobbled by one of the highest rates of unemployment and inequality even before Covid-19 hit SA.

ANOTHER POSITIVE MONTH FOR LOCAL MARKET

On the JSE, South Africa's JSE All Share Index rose for a seventh-straight month, posting an impressive 1.5% gain for May, with financial shares performing well (the Fini-15 jumped 9.0% MoM and is now up 11.6% YTD), along with the prices of gold shares, and retailers. YTD, the local bourse has given investors a double-digit return having soared 14.4%. Among the sub-indices, the Resi fell 1.4% MoM (+17.5% YTD) and the Indi-25 recorded a 0.9% MoM gain (+11.5% YTD). Looking at the top-20 shares by market cap, Gold Fields (+26.5% MoM) was an outperformer, followed by AngloGold Ashanti (+13.4% MoM), Standard Bank (+15.0% MoM), Capitec (+12.1% MoM), Richemont (+11.1% MoM), FirstRand (+9.8% MoM), MTN Group (+8.5% MoM), and Glencore (+8.4% MoM).

Distell Group Holdings was May's best-performing share, rising 34.5% MoM after Dutch brewer, Heineken NV confirmed that it was in talks with Distell about acquiring the majority of its business. Distell was followed by Dis-Chem Pharmacies in second place, with a MoM share price gain of 29.7% with Mr Price Group in third place (+28.3% MoM). Steinhoff International (-14.2% MoM) was May's worst-performing share, with Hyprop in second place (down 13.8% MoM) and in third spot, Sappi's share price (-11.6% MoM).

INTEREST RATES UNCHANGED

In local economic and related news, the SA Reserve Bank's (SARB) Monetary Policy Committee (MPC) decided unanimously to keep rates at 3.5%, following its meeting of May, as was widely expected. The SARB's 2021 GDP forecast was revised higher to 4.2% YoY (from 3.8% in March). This stronger growth forecast for 2021 is reflective of better sectoral growth performances and more robust terms of trade in 1Q21. However, the SARB highlighted that slow progress with vaccinations, limited energy supply, and policy uncertainty, continue to pose downside risks to growth.

The Organisation for Economic Co-operation and Development (OECD) made special mention of South Africa in its May 2021 Economic Outlook and said in a report SA is only expected to recover its pre-pandemic per capita income levels after five years, in the fourth quarter of 2024, versus 1½ years for the US. Another telling indicator of the gap between the performance of the fastest-growing economies is that SA's GDP per capita is 77% lower than the OECD's best performers, as measured by the population-weighted average of the highest 18 OECD countries.

In a move that should assist in calming market concerns around inflation, the SARB's forecast for 2021 CPI is slightly lower at 4.2% (down from 4.3%) and for 2022 and 2023 unchanged at 4.4% and 4.5%, respectively. April's annual headline inflation, as measured by the consumer price index (CPI), jumped to 4.4% vs 3.2% in March. This was largely due to higher fuel prices in the month. Whilst this is the highest inflation reading since before the COVID-19 induced lockdown (inflation was at 4.6% in February 2020), inflation remains well within the SARB's 3%-6% target band.

On the pandemic front, in an address to the nation on 30 May, President Cyril Ramaphosa announced that SA would reimpose stricter COVID-19 measures (effective 31 May) in light of the third wave of the pandemic having already impacted four of the country's nine provinces. The restrictions include limiting the number of people allowed at public gatherings, funerals etc. and non-essential businesses (restaurants, bars, etc.) having to close by 22:00 with a curfew now starting at 23:00 and ending at 04:00.

The rand put in an impressive performance, strengthening 5.2% MoM (+6.5% YTD) as a confluence of factors supported the local unit including the weaker-than-expected US job numbers in May, which fueled a bout of US dollar weakness, the rand's excessive sell-off through the COVID-19 crisis last year, and stronger commodity prices on the back of global demand being driven by the ongoing economic recovery from the pandemic.

GOOD MONTH FOR VEHICLE SALES

New-vehicle sales in May almost trebled those of a year earlier as the motor industry continued its recovery from 2020's COVID-19 lockdown.

Figures released by the Automotive Business Council show that 38 337 new cars and commercial vehicles were sold in May 2021 — 197.8% more than the 12 874 of May 2020. Car sales improved 169%, from 8 966 to 24 122, and light commercials, mainly bakkies and minibus taxis, by 288.5% from 3 071 to 11 930.

The biggest single improvement was in the market for extra-heavy trucks, where sales leapt 457%, from 86 to 479. For the first five months of 2021, the aggregate market for all vehicles was 189 389 — 44.9% ahead of the 130 703 at the same stage in 2020. Car sales grew 35%, from 89 909 to 121 350 for the period.

INTERNATIONAL MARKETS
- POSITIVE MONTH ON GLOBAL MARKETS

Most major world markets closed May higher, although gains for some indices were modest. This as buying interest remained somewhat subdued on concerns over inflation and the pace of the global economic recovery continued to weigh on sentiment. Still, for the most part, this past month also saw optimism around the US economic recovery (as well as some strong US economic data) and the prospect of further stimulus measures as investors closely watched negotiations in Washington. Last week, Senate Republicans unveiled a US$928bn infrastructure counteroffer, well-below US President Joe Biden's most recent proposal of a US$1.7trn infrastructure spending package aimed at further bolstering the US economic recovery.

Two of the major US indices closed May in the green, with the blue-chip S&P 500 notching up its fourth-straight month of gains (up 0.5% MoM and 11.9% YTD) and coming within a whisker of an all-time high on 28 May, while the Dow Jones rose 1.9% MoM (+12.8% YTD). The tech-heavy Nasdaq (-1.5% MoM; +6.7% YTD) underperformed major equity benchmarks, ending a six-month positive run and recording its first MoM decline since October 2020, despite the index gaining 2.1% in the last week of the month.

On the US economic front, data released late in May showed that the US jobs market was getting closer to pre-pandemic levels, as first-time jobless claims totaled 406 000 for the week ended 22 May – still significantly above the pre-COVID-19 norm but a drop from the prior week's 444 000 and a new pandemic low according to the US Labor Department. US 1Q21 GDP grew by an annualised 6.4% – matching the initial estimate and quite a bit higher than 4Q20's 4.3% GDP growth. After reaching a pandemic high number of 88.3 in April, The University of Michigan's consumer sentiment index dropped to 82.8 in May – the lowest reading since February. This as confidence in the US economy declined, likely brought about by higher living costs and as the euphoria around, and momentum from, the economy reopening starts to wane.

BETTER SENTIMENT IN EUROZONE

Elsewhere, optimism around Europe's economic recovery prospects continued to drive markets higher with the region's largest economy, Germany's DAX rising 1.9% MoM (+12.4% YTD), while the eurozone's second-biggest economy, France saw its CAC Index end May 2.8% higher (+16.1% YTD). In terms of economic data, in May eurozone economic sentiment climbed more than expected (to a three-year high), as the European Commission's index rose to 114.5 points vs 110.5 in April.

The UK's FTSE 100 Index gained 0.8% MoM (+8.7% YTD), while the UK economy recorded a GDP decline of 1.5% in 1Q21 (when the country was under a third lockdown) – slightly better than initially feared. The Bank of England said in May that the UK economy was on course to grow by 5% in 2Q21 as the country moves forward with Europe's fastest vaccination programme and if COVID-19 restrictions are lifted. Unfortunately, Prime Minister Boris Johnson last week warned that a full lifting of restrictions on 21 June may have to be postponed as cases of the COVID-19 variant first detected in India doubled in May.

In Asia, Chinese markets recorded good performances as Hong Kong's Hang Seng Index gained 1.5% MoM (+7.1% YTD), while the Shanghai Composite Index jumped by an impressive 4.9% MoM (+4.1% YTD). In terms of economic data, China's official May manufacturing purchasing managers' index (PMI) contracted slightly to 51.0 (a three-month low) vs April (51.1) and Reuters consensus analyst expectations of 51.1. Japan's Nikkei closed the month 0.2% up (+5.2% YTD), while the total value of the country's April retail sales fell by a seasonally adjusted 4.5% MoM, missing consensus expectations of a 2% MoM gain. YoY, retail sales jumped 12.0% (off a low base), but again missed consensus expectations of a 15.3% YoY gain.

On the commodity front, oil prices (+3.1% MoM/+33.8% YTD) firmed in May gaining 5% in the last week of the month alone and reaching two-year highs (close to the US$70/bbl. level) on the back of expectations of a rebound in global oil demand. Gold rose 7.8% MoM (+0.4% YTD), as concerns around global inflation, a weaker US dollar, and extreme volatility in cryptocurrencies buoyed the yellow metal, which last touched on five-month highs on the last days of the month.

Sources: Anchor Capital; The Daily Maverick; Business Day

BRENTHURST GLOBAL BALANCED FUND CELEBRATES 10 YEARS

Ten years ago, Brenthurst Wealth took the bold and brave step of setting up its own globally managed fund for exclusive use of its clients. Not only has the fund survived and grown the investments of its clients handsomely, it also beat the performance of some of the better known brand names on the investments landscape.

Magnus Heystek, co-founder, director, and investment strategist of Brenthurst Wealth says setting up this fund was an important component of the company's strategy to increasingly focus investments on offshore markets. "As global markets started to recover from the so-called 'great depression' of 2007/2008 the risks to the South African economy and the long term outlook of muted to poor returns became evident, it was the perfect time to launch our own global fund."

SMART TIP |GET READY FOR TAX SEASON

The South African Revenue Services (SARS) has announced that taxpayers will be able to file their tax returns from 1 July 2021. The revenue collector added that a significant number of individual taxpayers will be auto-assessed once again this year, and that this process will also start around the same period. Important dates that taxpayers should be aware of are:

1 July to 23 November 2021 (This is the period for taxpayers who file online).
Taxpayers who cannot file online can do so at a SARS branch. **1 July to 28 January 2022.**
(This is the period for Provisional taxpayers including Trusts may file via eFiling or SARS MobiApp.)

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- BRENTHURST AWARDED TOP WEALTH MANAGER IN SOUTH AFRICA 2020 -

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