MONTHLY MARKET UPDATE
MARCH 2021

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LOCAL MARKETS
- NO NEW TAXES, DEBT REMAINS PROBLEMATIC

Finance Minister Tito Mboweni's 2021 National Budget, presented on 24 February 2021, delivered few surprises and was largely well-received. Some commentators said the budget struck 'a confident note' while Brenthurst Wealth Consulting Economist, Mike Schüssler, highlighted the debt situation. "Public finances have been in an unsustainable position for years, with government continuously spending more than the economy can afford, and consequently borrowing at an increasing rate to fund the shortfall," Schüssler said in a special 2021 Budget Report.

Thanks to an improved tax collection situation no new taxes were introduced but existing taxes, including taxes on fuel, alcohol and tobacco products, were increased. A sharp increase in tax payments from mines (predominantly driven by commodities booming) and a faster-than-expected recovery in value-added tax (VAT), led to the state earning R99.6bn more in tax revenue than it had expected. This allowed the Finance Minister to allocate R19.3bn to fund COVID-19 vaccines without introducing new taxes for their procurement.

JSE POSTS MORE GAINS

The JSE All Share Index rose for a fourth straight month, closing February 5.9% higher (YTD, the index is up 11.3%), surging past the 66 000 mark to end the month at 66 138.05. The JSE's continued impressive gains were largely thanks to blowout performances from commodity shares, with the Resi-10 soaring 11.7% MoM (+17.2% YTD). Large-cap resources companies such as Anglo-American Platinum (+20.8% MoM), Glencore (+19.2% MoM), Sibanye Stillwater, Impala Platinum (both up 18.8% MoM), Anglo American Plc (+16.1% MoM) and BHP Group (+14.4% MoM) rose by double-digits on the back of higher metals prices and good results. The Indi-25 was up 2.0% MoM (+10.6% YTD), with Prosus, the JSE's largest share by market cap, and Naspers (the fourth largest) gaining 0.6% and 1.1% MoM, respectively. After lagging in January, the Fini-15 rose 4.4% last month (YTD, the index is up 1.2%) as the shares of financial services companies gained ground. Shares such as Nedbank, ABSA Group, Sanlam, and FirstRand all closed higher month on month. The rand was basically unchanged MoM, posting a slight 0.3% MoM advance (-2.9% YTD) vs a firmer US dollar.

ArcelorMittal SA was February's top-performing share – up 77.6% MoM. The steelmaker reported full year results in February, which showed that it had swung into a profit in the second half of 2020. Nampak (+56.9% MoM) followed in second spot, with the share price surging over 28% on 5 February alone. UK-based RDI REIT Plc (+39.7% MoM), was February's third best-performing share. Pan African Resources was the worst-performing share – down 25.8% MoM, despite reporting strong full year results and reiterating its aim to be debt-free during 2021. It was followed by Ascendis Health (-23.1% MoM) in second spot, with Brait (-19.0% MoM) the third-worst performing share.

INFLATION EDGES UP

In local economic data, January annual consumer price inflation (CPI) increased to 3.2% vs December's 3.1% – still at the lower end of the SA Reserve Bank's (SARB's) 3%-6% inflation target. MoM, CPI rose 0.3%, vs a 0.2% gain between November and December. The increase in local fuel prices, food and non-alcoholic beverages were the biggest contributors to the increase. December retail sales were down 1.3% YoY, following November's revised 4.3% YoY contraction. Nevertheless, retail sales continued to recover from lows during the COVID pandemic, although the pace of recovery is gradual, as consumers remain cautious in the current uncertain environment. SA's trade surplus narrowed to R11.83bn in January vs a revised R33.06bn in December. SA's seasonally adjusted Absa PMI expanded at a faster pace last month compared with January, supported by an increase in new sales and business activity. The index rose to 53 points in February from 50.9 points in January, remaining above the 50-point mark that separates expansion from contraction.

VEHICLE SALES STILL SUBDUED

With total sales at 37 521 vehicle sales were 13.3% behind the 43 296 of February 2020. That brought aggregate sales for the first two months of this year to 72 170 – 13.8% behind the 83 709 at the same stage in 2020.

Car sales lost more ground in February. At 24 270, they were 18.1% weaker than the 29 622 of a year earlier.

AGRICULTURE SHINES

Despite the major logistical disruptions created by the pandemic, SA's agricultural exports hit $10.2bn in 2020, a 3% increase from the previous year and the second-largest level on record.

At the same time, agricultural imports fell 8% year on year, leading to a 26% year-on-year increase in the agricultural trade surplus, which widened to $4.3bn. SA's exports were underpinned by large domestic agricultural output thanks to favourable weather.

The weaker rand also made SA agricultural products more globally competitive, while the government's decision to leave the food and agricultural sectors fully operational during the various lockdowns was equally supportive.

INTERNATIONAL MARKETS
- GLOBAL MARKETS HIGHER DESPITE MARKET TURBULENCE

Despite share prices slumping and major global indices recording losses in the last week of February amid bond market volatility, pressure from rising interest rates, inflation concerns and worries that markets are overheating, MoM most major US and global indices still ended February in the green. The yield on the benchmark US 10-year bond rose as high as 1.6% on 25 February before falling back to 1.41% towards the end of the month. Still, major US indices were boosted by a strong start to the US earnings season (according to *FactSet* over 75% of S&P 500 companies reported better-than-expected revenue and earnings in the 4th quarter), positive news on vaccine rollouts, and another US stimulus package on the horizon. The $1.9trn COVID relief bill was passed by the US House of Representatives and the US Senate will now consider the legislation.

Despite the market ups and downs the major US indices closed February firmer (and all three of the below-mentioned indices set new all-time highs during the course of last month). The Dow Jones gained 3.2% and the S&P 500 rose by 2.6% MoM (these two indices are up 1.1% and 1.5% YTD, respectively). The tech-heavy Nasdaq pulled back in the last week of the month but still managed a gain of 0.9% MoM (+2.4% YTD) – its fourth consecutive positive month.

Weekly jobless claims dropped sharply to 730 000 for the week ended 20 February, representing a significant decrease from the prior week's 841 000. Still, although the overall number fell, Americans filing through pandemic-related programmes continued to increase, with just over 1 million more claims on the Pandemic Emergency programme, which compensates those whose regular benefits have run out.

UK AND EUROPEAN MARKETS CLOSE HIGHER

In the UK, the FTSE 100 gained 1.2% MoM (+0.4% YTD), despite the index dropping 2.5% on 26 February alone – its biggest one day decline since the end of October 2020. The UK government announced a roadmap to lifting lockdown restrictions (and all legal limits on social contact) by 21 June, if certain conditions were met. Major European markets also closed in the green despite some declines during the month, with the region's largest economy, Germany's DAX up 2.6% MoM (+0.5% YTD), while France's CAC rose 5.6% MoM (+2.7% YTD).

In China, the Hang Seng gained 2.5% MoM (+6.4% YTD), while Hong Kong's Shanghai Composite Index closed February 0.7% higher (+1.0% YTD). China's official February manufacturing PMI came in at 50.6, a slower pace than January's reading of 51.3 but nevertheless above the 50-point level separating contraction from expansion. In Japan, the Nikkei ended the month 4.7% higher (+5.5% YTD)

On the commodity front, a robust demand recovery saw crude oil prices soar (+18.3% MoM; 27.7% YTD). In the short term, the oil price was buoyed by the freezing weather gripping parts of the US, pushing prices to levels last seen in January 2020, with a crippled US energy supply supporting the supply-demand imbalance that has been a major market driver. While gold ended 2020 higher (+25.1% YoY – its best annual performance in a decade), to date 2021 has not been kind to the yellow metal – down 6.1% MoM and 8.7% YTD. After an impressive run in December (+29% MoM), iron ore was down 1.9% MoM in January but gained ground again in February (up 4% MoM) as demand from China's steel sector remained strong and doubts have been raised regarding shipments from Brazil after a fire at a Vale iron ore terminal last month. Copper (+18.3% MoM), platinum (+10.5% MoM), and silver (+1.5% MoM), took centre stage in February, soaring to multi-year highs with these industrial metals expected to continue to benefit from tight supplies, strong demand, and the global recovery.

Sources: Anchor Capital; Business Day

SMART TIP | REVIEW FINANCES REGULARLY

Always review your entire financial plan regularly. Is your will up to date? Is your risk cover still relevant for your needs? Is your retirement investment plan on track? Remember it is prudent to update your financial plan as your circumstances change. Also, if you missed any of the insights or comments by our team to make the most of your personal financial situation, find it here: Investment Reports

AWARD WINNING ECONOMIST JOINS BRENTHURST

Award winning economist, Mike Schüssler, joined Manager Brenthurst Wealth as a consulting economist to provide his expert economic insight and analysis to the company's clients and advisory team.
He compiled a comprehensive report about the 2021 National Budget exclusively for Brenthurst Wealth.
Find it here: **2021 Budget Review.**

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– BRENTHURST AWARDED TOP WEALTH MANAGER IN SOUTH AFRICA 2020 –

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