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INTERNATIONAL MARKETS
– TRADE TENSION CONTINUES AND DRIVES MARKETS DOWN

Continued mixed signals around the US-China trade war appeared to drive global market volatility in September in what has been a dizzying month for markets. No sooner were investors encouraged by the announcement that trade talks with China were set to resume on 7 October, before shares turned sharply lower after US President Donald Trump, in a speech before the United Nations, accused China of “the theft of intellectual property and … trade secrets on a grand scale”, while promising that he would “not accept a bad deal.” Reports also emerged that the White House was discussing whether to limit flows from Chinese investors into the US and delisting Chinese companies from US exchanges. Despite this the US remained on far firmer footing than most of its peers, and not even House Speaker Nancy Pelosi’s official endorsement of an impeachment inquiry in Trump could stop major US indices from ending the month higher.

► STRONG RETURNS FOR NASDAQ AND S&P 500

The tech-heavy Nasdaq (+0.5% MoM; +20.6% YTD), which has come under pressure recently, was cheered by Apple – its share price closed at its highest level this year on Monday (30 September) as the tech giant again pushed above the $1trn market cap. The S&P 500 recorded a 1.7% MoM gain (+18.7% YTD), while the Dow Jones Industrial Average posted a 1.9% MoM gain (+15.4% YTD).

Despite weak economic data and the US-China trade war continuing to dampen sentiment across the region, major European equity markets closed September in the black after two months of declines. Germany’s DAX gained 4.1% MoM (+17.7% YTD), while France’s CAC advanced 3.6% MoM (+20.0% YTD).

The UK’s FTSE 100 gained 2.8% MoM (+10.1% YTD), boosted by hopes for lower UK interest rates and despite continued Brexit fears, as the current 31 October deadline looms. After multiple parliamentary defeats, Prime Minister Boris Johnson and his fellow “Brexiteers” suffered a further setback in September when the Supreme Court upheld an earlier ruling by a Scottish court that Johnson’s move to shut down Parliament was illegal.

Chinese markets remained on the back foot, with the Hang Seng gaining 1.4% (+1.0% YTD), while the Shanghai Composite rose 0.7% (+16.5% YTD) for September. Chinese manufacturing activity came in at a better-than-expected 51.4 – its fastest pace in 19 months, according to *CNN*.

On the commodity front, Brent crude posted its biggest percentage rise on record in the days following the 14 September drone attack on Saudi oil infrastructure. However, supply fears waned towards month-end on news that Saudi is producing 9.9mn-plus barrels a day of crude as it recovers from the attacks. This saw the oil price close September only 0.6% higher (+13.0% YTD). Gold (-3.1% MoM; +14.8% YTD) posted its lowest MoM close in two months as a strong US dollar headwind drew demand away from the yellow metal. The dollar remained strong and rallied to a 52-week high at the end of September, weighing on emerging markets and gold. Benchmark iron ore prices rose by 2.2% MoM, while platinum dropped 5.0% MoM.

LOCAL MARKETS
- UP AND DOWN MONTH FOR THE JSE

Returns on the local equity market were in strong contrast for the first and second halves of the month. The FTSE/JSE All-Share Index climbed 5.3% in the first 16 days of the month, riding the global wave of optimism, before plunging in the second half on elevated sensitivity to trade war rhetoric involving the US and China, as well as poor business sentiment figures released locally. The index ended September 2019 a mere 0.2% higher but underperformed for the quarter at negative 4.6%. Financials, which had in previous months been the hardest hit sector, rebounded and the Fini-15 jumped 1.9% MoM (-5.9% YTD) as Capitec (+17.6% MoM) reported strong results in a difficult macro environment, and FirstRand (+3.7% MoM) recorded robust headline earnings per share. After a strong run in previous months, resources was the worst-performing sector and the Resi-10 declined 2.0% MoM (+5.9% YTD), with large index constituents such as BHP Group, Kumba Iron Ore, Sasol and AngloGold Ashanti falling 0.6%, 4.7%, 14.1% and 17.9% MoM, respectively. The Indi-25 remained under pressure posting a 1.4% MoM decline (+9.4% YTD).

Wilson Bayly Holmes-Ovcon (WBHO), was by far the best-performer. WBHO, now the largest remaining JSE-listed construction firm, saw its share price soar 42.6% MoM (admittedly from a very low base). In second spot was investment holding firm Trencor (+30.5% MoM) with property group, Hammerson plc in third place with a MoM gain of 26.2%. For the second month running Delta was the worst performer, declining by a further 45.5% MoM in September (it was down 39.9% MoM in August). Delta was followed by Accelerate Property Fund (-41.0% MoM) in second spot. With the weaker gold price and a rampant dollar, Harmony Gold (-22.1% MoM) was last month's third worst-performing share.

► ECONOMY AVOIDS RECESSION

Local economic data showed that the country avoided a second recession in two years, with GDP growing by a stronger-than-expected 3.1% year on year in 2Q19 (*Reuters* consensus economist forecasts had expected 2.4% growth). SA's headline consumer price inflation rose by a higher-than-expected 4.3% year on year in August (vs 4.0% in July), with increases in the prices of food and non-alcoholic beverages (+3.9% YTD) the main drivers. Core inflation, which excludes the volatile food, non-alcoholic beverages, petrol and energy categories, advanced slightly at 4.3% year on year (vs 4.2% in July). The latest retail sales numbers showed a 2.0% year on year rise for July vs June's 2.4% year on year gain. SA also reported an August trade surplus of R6.8bn vs a July trade deficit of R2.9bn. Meanwhile, the SA Reserve Bank's (SARB) Monetary Policy Committee voted unanimously to keep the repo rate unchanged at 6.5% at its September meeting.

The SA rand strengthened by 0.3% against the US dollar and 1.2% against the euro in spite of mounting concerns over the conflict between the US and China (triggered by accusations by President Trump that China was using massive market barriers and was guilty of currency manipulation and intellectual property theft) as well as a confirmation by the Sarb that the local economy had entered month 70 of the current economic downturn.

► VEHICLE INDUSTRY CAUTIOUSLY HOPEFUL

Sales of new vehicles hit the highest monthly level of 2019 in September, raising hopes that a prolonged period of market misery could be coming to an end. Although still below the number of September 2018 it was only 0.9% below the total of the previous year. *Business Day* noted that there is a sense of relief in the industry but that the National Association of Automobile Manufacturers (Naamsa) urged caution. "Consumers and businesses will continue to delay purchasing decisions on big items like new vehicles until there is great economic stability all round," the newspaper reported. Vehicle exports continued the growth achieved most months this year. *BusinessTech* reported that vehicle exports from SA could reach a record R140 billion ($9.25 billion) in 2019, partially offsetting the drop in domestic sales.

► FITCH LOWERS ESKOM OUTLOOK

The troubled utility continues to make drive negative headlines when it was announced that rating agency Fitch Ratings downgraded its outlook on Eskom's junk-status credit rating to negative. "The embattled electricity provider's revenue prospects had darkened," *Business Day* reported. Eskom's standalone credit profile was lowered to ccc- on expectations of higher primary energy costs and lower tariff awards, pointing to high levels of credit risk and a substantial risk of default.

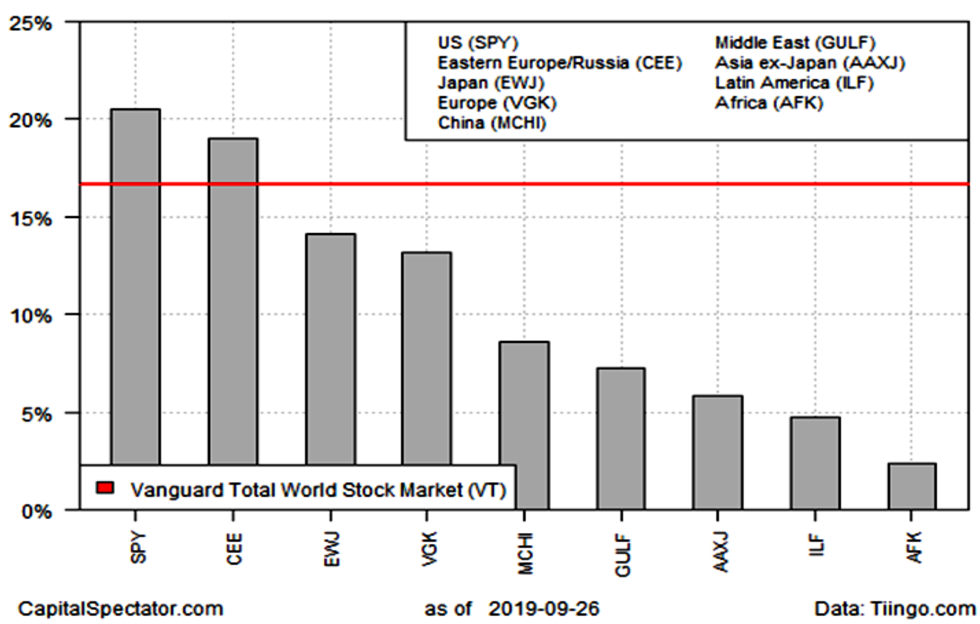
Source: Seeking Alpha, Anchor, Momentum, Business Day, BusinessTech,

NEWSFLASH

US MARKETS OUTPERFORM

Despite the various factors driving volatility on global markets, US markets continue to do well and year to date the S&P 500 is well ahead of most others. "Although all the world's major equity regions are reporting year-to-date gains, US shares continue to lead, in most cases by a wide margin, based on a set of exchange-traded products," reports market analysis service *Seeking Alpha*. See the graph below for a quick glance of exactly how strong the outperformance is. Brenthurst Wealth has advocated global diversification for several years now. CONTACT OUR ADVISORS FOR ASSISTANCE WITH YOUR PORTFOLIO FOR GLOBAL WEALTH CREATION. **https://www.bwm.co.za**

WORLD REGIONAL EQUITY MARKETS
YTD PERFORMANCE



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Pretoria	+27 (0) 12 347 8240	**Stellenbosch**	+27 (0) 21 882 8706
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