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BRENTHURST
THE HOME OF WEALTH

INTERNATIONAL MARKETS
- GLOBAL MARKETS UNDER PRESSURE IN SEPTEMBER

Historically, September has been the worst month for US equities (with October a close second), and this year was no exception in a tumultuous month which saw a wave of selling and the main US equity benchmarks recording their first monthly losses since the start of the recovery rally in late March.

Among the three major US indices, the S&P 500 seesawed for most of the month before ending its five-month winning streak to close September 3.9% lower (up 4.1% YTD). The Dow Jones Industrial Average (DJIA) ended September with a 2.3% MoM decline and is now down 2.7% YTD. Some steep sell-offs of tech shares saw the usually reliable Nasdaq register a 5.2% MoM decline (+24.5% YTD) after five consecutive monthly gains. Nevertheless, despite the difficult September, for the third quarter of 2020 the S&P 500 (+8.5%) and the Dow (+7.6%) still recorded their best back-to-back quarters since 2009, while the Nasdaq's 11.0% gain in the third quarter, marked its best two consecutive quarters since the early 2000s.

On the economic data front, US consumer confidence bounced back in September, with the Conference Board reporting that its index recorded its sharpest rise in 17 years, surging 15.5 points MoM to a reading of 101.8. August pending home sales, released at the end of the month by the National Association of Realtors, posted an 8.8% monthly surge, well ahead of consensus estimates for a 3.1% rise and the index's fourth straight monthly increase. Unemployment data, however, remained elevated with the Labor Department reporting that initial jobless claims for the week ending 19 September came in at 870 000.

COVID-19 CASES SURGE IN EUROPE

European markets came under pressure over concerns around a surge in COVID-19 cases, prompting countries such as France, Spain, and the UK to implement stricter containment measures. Advisers to the UK government warned that without urgent action COVID-19 infections and deaths could soar, resulting in Prime Minister Boris Johnson imposing a raft of restrictions and even fines for non-compliance, which he said could last for six months. UK equity markets came under pressure, with the FTSE 100 Index dropping 1.6% in September (-22.2% YTD). Major European equity markets also closed in the red, with Germany's Dax retreating 1.4% MoM (-3.7% YTD), while France's CAC fell by 2.9% MoM (-19.6% YTD).

In Asia, Japan's Nikkei ended only 0.2% higher MoM and the index is now down 2.0% YTD. September also saw Yoshihide Suga take over from Shinzo Abe as Japan's prime minister after Abe resigned in August due to deteriorating health. China's Shanghai Composite Index fell 5.2% MoM (up 5.5% YTD) and Hong Kong's Hang Seng plummeted 6.8% MoM (-16.8% YTD). China's economic activity continued to rebound in September with expansion in the country's manufacturing sector continuing as the official manufacturing PMI rose to 51.5 vs 51.0 in August.

LOCAL MARKETS
-SLEW OF BAD NEWS FOR SA ECONOMY

Although business activity started to pick up and more people started to return to places of work, several sets of statistics released confirmed the weakness of the local economy and amplified the impact of the lockdown strategies implemented since late March. The most concerning of these are the unemployment figures, the release of which was delayed twice due to the impact of the pandemic.

The Quarterly Labour Force Survey, released by Statistics SÁ late in September, showed that 2.2m jobs were lost in the second quarter (representing 14% of all jobs at the start of the quarter). The period under review accounted for most of the hard lockdown months and the worst impact of the pandemic (the lockdown started on 26 March and the hard lockdown, which halted most economic activities, lasted from 26 March until June). Leading business publication Financial Mail reported that the country seems to have lost a decade's worth of jobs in less than half a year. "Between 2009 and 2019, SA created 2.4-million jobs. Early indications are that in the past four months, we have lost as many as 2.8-million," the magazine noted.

GDP dropped 16.4% quarter on quarter, seasonally adjusted, or 17.1% year on year, pushing the country deeper into a recession. This was SA's fourth consecutive quarterly GDP decline, although it should be noted that the data reflect the months of April, May, and June – the worst period of the COVID-19 lockdown. August annual consumer price inflation (CPI) slowed to 3.1% year on year – barely within the SA Reserve Bank's (SARB's) 3% to 6% target range and a decrease from July's 3.2% year on year annual inflation rate. Month on month, prices rose 0.2%, largely driven by the higher costs of food and beverages, housing, and utilities.

At its September meeting, the SARB's Monetary Policy Committee kept the repo rate at 3.5% with Governor Lesetja Kganyago saying the bank now forecasts a GDP contraction of 8.2% in 2020 vs its July forecast of a 7.3% contraction for the year. While the rand reached its highest level in six month earlier in September, from around mid-month the local unit was weighed down by US dollar strength. MoM the rand was 1.1% stronger, but YTD the local currency is down 20% against the dollar.
JSE follows global markets weaker

The FTSE JSE All Share Index ended September 2.2% in the red (-4.9% YTD), as the local market tracked global equity markets lower. Some large-cap resource shares and major index constituents such as Glencore (-13.3% MoM), Prosus (-9.3% MoM), Annheuser Busch InBev (-7.9% MoM), BHP Group (-5.6% MoM), and Naspers (-4.3% MoM) recorded significant share prices drops. Large-cap gold shares including AngloGold Ashanti (-12.4% MoM), Harmony (-19.4% MoM), and Gold Fields (-7.2% MoM) plummeted as the gold price weakened by 4.2% for the month. The Resi-10 fell by 4.0% MoM (+8.4% YTD), followed by the Indi-25 with a 2.1% MoM decline (+5.6% YTD). The Fini-15 outperformed, gaining 3.3% in September (-35.7% YTD) as the share prices of major companies including Capitec Bank, ABSA, FirstRand, Nedbank, and Standard Bank posted share price jumps of 24.2%, 15.6%, 8.9%, 5.0%, and 2.3% MoM, respectively.

Auto dealership and car rental (through Europcar and Tempest) Group, Motus was September's best-performing share, with its share price rocketing 56.8% MoM, albeit from a low base. In second spot, vehicle tracking busines, Cartrack (+32.2% MoM) released a favourable trading update for the six months to end August last week, saying it expects half-year headline earnings per share to rise by between 20% and 22% YoY.

Agricultural and chemicals company, Omnia (+24.7% MoM) was September's third best-performing share as it emerged from the pandemic with better liquidity and expansion plans vs big financial losses and increasing debt previously. London and JSE-listed property development and investment company, Hammerson Plc was September's worst performer, with a 32.6% MoM decline. Accelerate Property Fund was the month's second worst-performing share, with a 29.7% MoM fall, followed by Tsogo Sun Hotels, which recorded a 27.0% MoM decline, in third spot.

VEHICLE SALES AND PMI IMPROVE

The latest vehicle sales figures released by Naamsa, showed that 37 403 cars and commercial vehicles were sold in September. That was 23.9% fewer than the September 2019 market of 49 140. Aggregate sales for the first nine months of 2020, at 265 412, were down 33.4% from 398 290 in 2019. September car sales of 22 798 were 31.2% weaker than the previous September's 33 120. For the year so far, it is 34.4% lower.

Manufacturing conditions steadily recovered in September as a shift to level 1 lockdown in the middle of the month likely drove improvements in the sector. The Absa Purchasing Managers' Index (PMI) - released in conjunction with Stellenbosch University's Bureau for Economic Research - rose to a 21 year high, reaching 58.3 index points. But this does not translate to official manufacturing activity being back to pre-pandemic levels, the bank said in a statement when the figures were released.

Sources: Anchor Capital; BusinessLive; Financial Mail

To celebrate its title as the 2020 TOP BOUTIQUE WEALTH MANAGER IN SA, as awarded by Intellidex, Brenthurst Wealth published a special report in Financial Mail in September.

Read the full report for more about our investment philosophy and our team here:
Brenthurst Wealth Corporate Report.

SMART TIP

KEEP DETAILS AND FINANCIAL PLAN UPDATED

Remember to adjust your financial plan and investment strategy if your circumstances change.

Whether through divorce or the death of a spouse, major life events have an impact on personal finances. Also, if you change jobs or move to a new location, it is important to update the new information with your financial advisor and all financial services providers. Another important element of an overall financial plan, a will, must also be updated regularly should circumstances change.

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR OFFICES COUNTRYWIDE
– BRENTHURST AWARDED TOP WEALTH MANAGER IN SOUTH AFRICA 2020 –

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