BRENTHURST
THE HOME OF WEALTH
THE HOME OF WEALTH

LOCAL MARKETS
- RECORD UNEMPLOYMENT RATE ANNOUNCED

Unemployment has hit a record high of 34.4%, or 7.8 million jobless people, according to the Stats SA Quarterly Labour Force Survey (QLFS) for the second quarter, released late in August. This is the highest unemployment rate recorded since the survey started in 2008. The unemployment rate was previously 32.6%, and the number of jobless people was 7.2 million. The expanded definition of unemployment - which accounts for those discouraged from seeking work - has increased 1.2 percentage points to 44.4%. Formal sector employment - which accounts for 68.3% of total employment - saw a loss of 375 000 jobs during the quarter. However, employment in the informal sector, private households and agriculture increased.

In better news manufacturing rebounded following the unrest in July as well as the relaxing of lockdown restrictions. The August edition of the Absa Purchasing Managers' Index (PMI) - a survey conducted by the Bureau for Economic Research (BER) which measures economic activity - showed that it climbed to 57.9 points, after plummeting to 43.5 points in July. A move above 50 signals an improvement in activity, while a move below 50 indicates a deterioration.

On the JSE, the All-Share Index retreated by 2.2% MoM, although the index is still 13.5% up YTD. Commodity, industrial metals, and materials shares weighed on the local bourse. The Resi-10 fell 6.1% MoM (+15.3% YTD), while the Indi-25 dropped by 5.2% MoM (+7.1% YTD). However, financials (+12.4% MoM/+20.3% YTD) recorded good gains. Prosus and Naspers retreated by 2.7% and 12.1% MoM, respectively, weighed down by ongoing regulatory tightening in China. In late August, China said it will limit online gaming by minors to three hours per week and with its c. 28.9% stake, Prosus is the biggest shareholder of Chinese gaming and internet group, Tencent. BHP Group, which was this month overtaken by Prosus as the biggest company on the JSE by market cap, declined 4.4% MoM, while Anheuser Busch InBev, British American Tobacco, Richemont, and Glencore declined by 4.0%, 0.7%, 14.3%, and 0.8% MoM.

Steinhoff International was by far the best-performing share in August (after dropping 14.8% MoM in July), with a MoM gain of 106.2%. The share price surge came after the company released a trading update which showed that the gradual easing of global lockdown restrictions had boosted its revenue. Accelerate Property Fund was the month's second-best performer – up 52.2% MoM, followed by Blue Label Telecoms with an August gain of 28.8%.

Most of August's worst-performing shares came from the resources and precious metals sectors as commodity prices came under pressure in August. The prices of gold, iron ore, platinum, and palladium fell by 0.03%, 11.3%, 3.4%, and 7.2% MoM, respectively, dragging the share prices of mining companies lower. Royal Bafokeng Platinum (-24.0% MoM) was the worst-performing share despite announcing record interim profits. August's second worst-performing share was AngloGold Ashanti (-16.8% MoM), which reported a 10% YoY drop in 1H21 headline earnings (to US$363mn) in August. AngloGold was followed by Impala Platinum (-15.6% MoM) in the third spot.

EXODUS OF FOREIGN INVESTORS IN JSE

The JSE raised concerns last month about the capital outflows from South Africa, which has steadily increased over the last few years. In a written submission to parliament on Treasury's new tax bills, the JSE said South Africa's macro environment has deteriorated over the past five years. All three global rating agencies lowered their ratings of South Africa's sovereign credit standing in 2020. As a result, South Africa has either exited key global indices or become severely diluted, it said.

BusinessTech reported that the effect of this negative macro environment has been significant net outflows in trading by foreigners in South African bonds and equities. "Limiting the re-use of collateral will lead to a significant decline in liquidity in the South African capital markets, the diminished attractiveness of South Africa as an investment destination and further capital outflows," according to the report.

Headline inflation, as measured by the consumer price index (CPI), came in at 4.6% YoY – down from 4.9% in June, with the main contributors once again being food and non-alcoholic beverages, housing, and utilities and transport. Overall, inflationary pressures continue to moderate downwards as expected, as base effects (from fuel price movements and the imputations of unavailable pricing data during the hard lockdowns last year) dissipate. Notably, more muted inflation will assist the SA Reserve Bank (SARB) in keeping rates lower for longer. August's trade balance shrank to a R36.96bn surplus vs a revised R54.48bn surplus in July.

VEHICLE SALES RECOVER

New-vehicle sales bounced back in August, but exports suffered from the previous month's unrest and cyberattacks. Figures released on Tuesday by the Automotive Business Council show that domestic sales of cars and commercial vehicles totalled 41,425 in August.

That was a good recovery from July's 33,061 and a 24.6% improvement on the 33,259 of August 2020. This took the aggregate market for the first eight months of 2021 to 301,997 — 32.4% ahead of the 228,010 at the same stage in 2020.

New-car sales in August 2021, at 27,157, were 40.5% better than the 19,335 of August 2020. The motor industry exported 19,446 vehicles in August. While better than July's miserable 16,252, it was 15.6% below the 23,029 of August 2020. Business Day reported that Business Council CEO, Mikel Mabasa, blamed this on the lingering effects of the July riots, which forced some vehicle manufacturers to suspend production, and cyberattacks on state transport operator Transnet, affecting rail and port operations.

The rand firmed 0.6% against the dollar and on a YTD basis, the local unit has strengthened by 1.2%.

INTERNATIONAL MARKETS
- GLOBAL MARKETS CLOSE HIGHER

The US and other major global equity markets ended August in the green despite a few hiccups along the way. Investor sentiment had been dented by some disappointing US economic data releases during the month (indicating that the robust economic growth from the depths of the pandemic could be losing some steam) and continued reports of supply chain bottlenecks, which accompanied a resurgence of the more infectious COVID-19 Delta strain in the US and other parts of the globe. The potential geopolitical implications of the collapse of the Afghanistan government also weighed on sentiment. However, major US equity benchmarks hit all-time highs towards the end of the month, as the US Federal Reserve (Fed) appeared in no rush to move away from its massive stimulus programme.

US equities recorded their seventh straight month of gains in August on the back of strong corporate profits, with the blue-chip S&P 500 notching up its seventh consecutive positive month (+2.9% MoM/+20.4% YTD) and closing at all-time highs a total of 12 times during the month – more than any other August in history. The tech-heavy Nasdaq added 4.0% MoM (+18.4% YTD) and the Dow Jones rose by 1.2% MoM (+15.5% YTD).

In terms of US economic data, several releases in August disappointed – consumer confidence fell sharply, while reports on retail sales and the pace of new home construction were weaker than expected. US consumer sentiment fell to its lowest level in 11 years on the back of growing concern around the economy's prospects, inflation, and a surge in COVID-19 cases. The US house price boom continued and, according to June's S&P CoreLogic Case-Shiller Index, the price of a single-family home surged 18.6% YoY – the thirteenth consecutive month of accelerating prices since the first lockdown started driving demand for larger houses away from urban centres.

In Europe's largest economy, Germany's DAX advanced by 1.9% MoM (+15.4% YTD), while in the eurozone's second-biggest economy, France's CAC Index ended August 1.0% higher (+20.3% YTD). On the economic data front, the European Commission's August economic sentiment index recorded a larger-than-expected decline to 117.5, from an all-time high of 119.0 in July, negatively impacted by a sharp drop in consumer optimism in France and the Netherlands, with optimism deteriorating in all major sectors. Data also showed that eurozone inflation surged to a decade high in August (at 3% on an annual basis), significantly above the European Central Bank's target.

The UK's FTSE 100 Index closed August 1.2% higher (+10.2% YTD), after a lacklustre performance in July. In economic data, UK GDP grew 4.8% QoQ in 2Q21 and by 1.0% in June 2021 (compared to May) – its fifth consecutive month of growth. However, June GDP remained 2.2% below the pre-pandemic levels of February 2020 and expectations are that the Delta variant will likely also slow progress in July.

JSE CLOSES HIGHER

In Asia, Chinese stocks had another volatile month following July's huge losses as disappointing economic data and ongoing concerns around that country's regulatory clampdowns weighed on markets. China announced it will restrict the time spent by children playing video games and signalled that the country will escalate its fight against anti-competitive behaviour and pollution. Nevertheless, Hong Kong's Hang Seng Index slid by only 0.3% MoM (-5.0% YTD), while China's Shanghai Composite Index regained some of July's lost ground, closing 4.3% higher MoM (+2.0% YTD).

On Japan, the Nikkei closed 3.0% up MoM (+2.4% YTD), while on the economic data front, preliminary GDP data released in August, showed that the country's economy rebounded more than forecast in 2Q21, growing by an annualised 1.3% following a revised 3.7% slump in 1Q21.

On the commodity front, oil prices came under pressure in August (-4.4% MoM/+40.9% YTD) as a spike in COVID-19 Delta variant cases threatened to slow a demand-fuelled recovery. The oil price was also weighed down by concerns that power outages and flooding in Louisiana after Hurricane Ida would cut crude demand from refineries while global producers plan to raise output. After gaining 2.5% MoM in July, the gold price was basically unchanged in August (-0.03% MoM/-4.5% YTD). Iron ore was down c. 14.0% MoM (+0.1% YTD).

Sources: Anchor Capital, Business Day, Fin24, BusinessTech

SMART TIP |HOW TO FIT AN EQUITY PORTFOLIO INTO YOUR FINANCIAL PLAN

Investors interested in investing directly in shares of their choice can pursue that option with the guidance of their financial advisor. Brenthurst has partnered with DFM Global to enhance its share portfolio service provided to investors. Read more about this opportunity for global diversification here: Offshore investing.

Johannesburg	+27 (0) 11 799 8100	**Claremont**	+27 (0) 21 418 1236
Sandton	+27 (0) 10 035 1391	**Bellville**	+27 (0) 21 914 9646
Pretoria	+27 (0) 12 347 8240	**Stellenbosch**	+27 (0) 21 882 8706
Cape Town Waterfront	+27 (0) 21 418 1236	**Val de Vie Estate**	+27 (0) 21 100 3901
		Mauritius	00 230 5843 5215

BRENTHURST SATELLITE OFFICES:

GARDEN ROUTE | KWAZULU-NATAL | FREE STATE | MPUMALANGA | NORTH WEST