Newsflash

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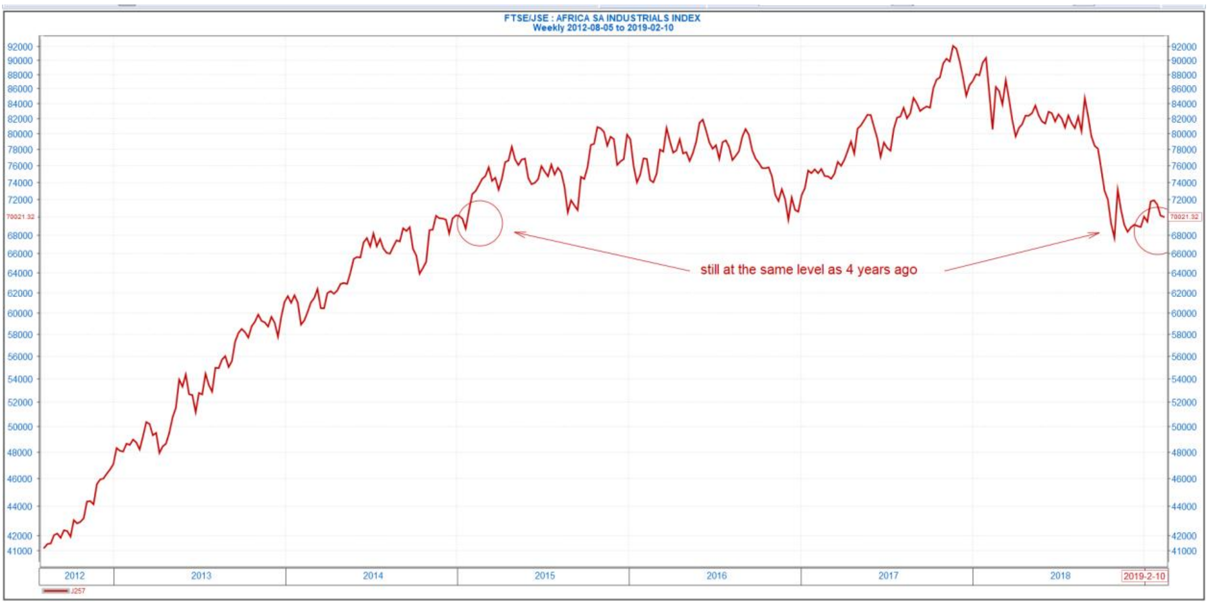
Market Comment

- In January the SA Listed Property Index thumped the other asset classes (after its shocking performance last year), returning +9.2%, followed by the All Bond Index (which did best last year and over the past 5 years) with +2.9%, then the JSE ALSI with +2.8% (+11.4% in dollars) and finally Cash with +0.6%.
- The ALSI 40 did +2.7%, the Mid-Cap Index +2.3% and the Small-Cap Index +2%.
- Financials had the best sector return with +6% (Banks +7.6%), then Resources with +3.3% despite Sasol's -5.8% (Mining +5.5% after +20.8% last year…and now at its highest level in 11 years since the 2008 crash, led by both Anglos and Anglo Platinum consistently hitting 7-year highs; even Anglogold hit a one year high on Friday).
- The Industrial Index, by far the biggest index in the ALSI, returned just +0.9% in January, despite the biggest share Naspers returning +5.1%. Rand strength contributed to the weak performance of the big Industrial shares, with Richemont -3%, Reinet -8.1%, British American Tobacco -0.7% and Mediclinic -8.3%.
- Also heavyweight AVI fell -8.5% in January (poor earnings), Bidvest -2.1% and MTN -2.2%, while poor earnings hurt Shoprite -13.9%, Massmart -11.1%, Mr Price -9.4%, Truworths -9.1%, Dischem -11.5% (not reported yet), Family Brands -8.4% and Vodacom -8.7%.
- Kumba gained +19.6%, Angloplats +18.6%, Assore +18.5%, Absa +14.2%, Resilient +13.3% and Sibanye +12.3%.
- Last week British American Tobacco finally bounced a bit off its lows, +10.1% on the week.
- Many SA shares are hurting from weak earnings reports, with General Retailers -5.3% in January.
- Anglo Platinum had the best 12-month return to end-January with +81.8%, then Capitec +47.6%, Anglogold +42.5%, Echo Polska +40.7%, Telkom +30.7%, Harmony +33.3% and PSG Konsult +26.8%.
- Impala Platinum is +9% today at R42, its best level in 14 months, boosted by the big jump in both palladium and rhodium prices.
- Some of the worst performers over the past 12 months were EOH -58%, Tongaat -55%, Aspen -45%, Mediclinic -43%, Coronation -42%, British American Tobacco -38.5%, Tiger Brands -37.7% and Pioneer Foods -36.3%.
- On the offshore front, the MSCI World Index did +7.8% in dollars, the highest January return in the 32-year history of the index (-0.5% in rands), the MSCI Emerging Markets Index +8.8% (+0.3% in rands) and the FTSE World Government Bond Index +0.8% (-7% in rands).
- Of course in December the S&P 500 Index fell -9.2%, its worst December return since 1931.
- The S&P 500 is now at its highest level since early December, -7.6% below its September record high. It is up +15% from its low on 24 December! That's in 5 weeks.
- So far in 2019 the S&P 500 is +8.4%, led by Energy +13.4%, Industrials +12.1%, Financials +9.7%, Real Estate +9.4% and Consumer Discretionary +8.9%.
- The MSCI Europe Index, which includes the UK, returned +6.9% in dollars in January, but remains -14% below the peak of a year ago. MSCI Japan returned +6.1%, but is -14.5% below its peak of a year ago.
- US Listed Property did -14% in December and then +16% in January as bond yields fell and risk-taking returned and of course the Fed changed tack on interest rates.
- Looking ahead, earnings are certainly hurting our market and earnings in the US and Europe in 2019 may be flat. The next big move in markets could come IF the US and China find a solution. They have to find some solution if "The Donald" wants to get re-elected, this being the crucial third year of his Presidency. Chinese markets and the economy need help too.

- Value managers are seeing value in our market and buying. That's usually a good sign. The rest is patience.
- The JSE Industrial Index (graph below), (everything excluding Financials and Resources) remains very depressed, trading at the same level as four years ago in early 2015, down -25% from its November 2017 high.
- Naspers is 39% of the index, Richemont 14%, then MTN, British American Tobacco, Remgro, Bidcorp, Shoprite, Vodacom, Bidvest, Mr Price, Aspen, Clicks, Woolies, Tigerbrands etc.
- Over the last three years this index has returned -0.7% per year, way below the +25.2% per year return of the JSE Resources Index, even the +8.1% per year return of the JSE Financials Index.
- Over the past 10 years Industrials lead though with +16.5% per year, then SA Financials with +16.4% and Resources with just +4.6%.



Other Commentators

US Market Analyst, Elaine Garzarelli

- The Fed voted 10-0 last week to leave rates unchanged in a range of 2.2-2.5%.
- Mild inflation in the US and slower growth in the US and globally have weakened the case for more rate hikes.
- China has announced over $370bn in tax cuts and infrastructure spending, while the European Central Bank's Mario Draghi said they would be open to resuming quantitative easing if needed.
- The quant model's reading remains at a bullish 75%.
- 60% of a share price's movement is due to the overall direction of the stock market, 30% is due to the sector the share is in and only 10% due to fundamentals of the share itself. So Garza sets out to predict where the overall market is going and the sectors that should outperform.
- She remains overweight Tech, Financials, Consumer Discretionary, Industrials, Energy and Materials.
- Earnings estimates for the fourth quarter for the S&P 500 Index have increased to +16.2% year-on-year.
- Fair value for the S&P 500 Index is +5.4% above current levels at 2,844, based on earnings of 158 for 2019 and a fair PE ratio of 18 times forecast by the quants model.

BCA Research

- The Fed is unlikely to get anxious about core inflation until the core rate threatens to exceed 2.5% (currently just under 2%).
- Despite the S&P 500's gains of late, BCA remains overweight equities, believing that the September record high could be revisited. Sentiment remains fairly weak.
- They don't like bonds and think that inflation will move higher later in 2019 because of the tight labour market, which could spur the Fed to hike more after June.

Paul Hansen

Director: Retail Investing