



DECODING THE MONTH

August 2021

Global

Nasdaq	4.2%
EM Equity	2.6%
All Country	2.5%
Gold (Spot)	0.3%
Bonds (WGBI)	-0.6%

Local

Financials	12.4%
Property	7.5%
Bonds	1.7%
All Share	-1.7%
Resources	-4.9%

Best Shares

MTN	26.6%
Standard Bank	20.4%
Old Mutual	18.9%
Capitec	16.7%
ABSA	15.8%

Worst Shares

AngloGold	-16.6%
Implats	-15.6%
Richemont	-14.3%
Northam	-13.4%
Naspers	-12.1%

Worth Noting

- The Anglo Group paid R30bn in tax in SA for the first six months of the year
- Both the Dow Jones and the S&P 500 have averaged a slight decline since 1950.
- Eskom reduced its debt by R80bn, largely due to government help and rand strength



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A pinch and punch for the first of the month

Commentary

The FTSE/JSE All Share Index felt the pinch during the month, ending down -1.7%. The monthly performance was impacted by both the Industrial and Resources sectors which were down -5.2% and -4.9% respectively, with Financials up 12.4% negating some of the losses.

Naspers and Prosus couldn't escape the limelight as the PRX/NPN share swap and resultant index rebalancing captured the market's attention. Furthermore, the continued focus coming from Chinese regulators placed further pressure on the outlook for these companies.

From an economic perspective, South Africa's unemployment rate rose to 34.4% in 2Q21 - leaving job numbers 1.5 million below the pre COVID-19 period. An acceleration in COVID-19 vaccinations may boost confidence in the economy, but in order to make a real dent in the unemployment numbers, the government needs to implement a variety of growth-boosting structural reforms.

On the global front, US equities continued to punch higher with the S&P500 Index closing out its seventh consecutive winning month, up a further 3.0% for August. The market seemed to be impervious to bad news, such as the Delta variant, higher inflation, Hurricane Ida and the US withdrawal from Afghanistan - effectively ending America's longest war.

Instead, more focus was placed on Jerome Powell and his tapering timeline. The initial "Taper Tantrum" concerns were however put to bed as investors interpreted comments from the Federal Reserve Chairman as dovish with regard to the central bank's plan to start gradually reducing bond purchases by the end of the year.

However, full monetary policy normalisation may still be some years away. After the tapering ends, it is likely that the Fed will take some time before raising short-term interest rates. If history is anything to go on, the last time the US was in this position (in 2013), it was two years before the Fed began to increase interest rates, which took place over a four-year period.

An old saying holds that the Fed's job is to take away the punch bowl just as the party gets going. However, it seems unlikely that the Fed will become an uptight host and thus will remain more accommodative for the foreseeable future.

Large Underweight	Mild Underweight	Neutral Weight	Mild Overweight	Large Overweight
Global Bonds & Local Income	Global Equity		Local Equity	Local Bonds & Global Income

Positioning

Data: Reuters. Indices are the FTSE/JSE, the MSCI and the WGBI.