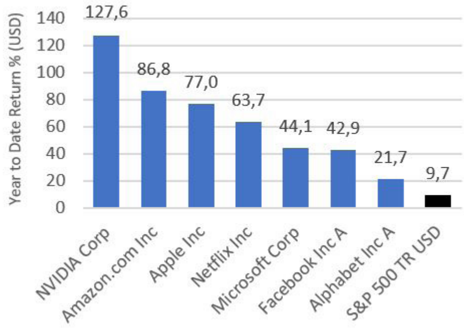
SELECT MANAGER
Newsletter

August 2020

MARKETS

On the global front, August saw positive performance across most markets on the back of optimism around vaccines, reopening of economies, progress in US/China trade talks, and ongoing liquidity. In the United States (US), the S&P 500 hit record highs again, delivering the fifth month of strong returns. This takes the index back to pre-COVID levels and ends the shortest bear market in history. The performance remains very concentrated, however, with the primary drivers being the large-cap Tech stocks (shown in graph), while there is still a majority portion of stocks on the index in the red. The United Kingdom (FTSE 100), Germany (DAX), Japan (Nikkei), and China (Shanghai) equity markets also posted strong returns in August, however, most of these indices are still down year-to-date.



Locally, performance was relatively muted compared to previous months. The All Share Index ended 0.26% lower for the month, as some of the biggest year-to-date performers lost some ground. This included the likes of AngloGold which has still returned more than 50% year to date, and Naspers, which has returned more than 35% year to date. The biggest losers on the index were the property counters, paving the way to becoming the worst-performing asset class for the year (down approximately 44% year to date). The ZAR continued its gradual strengthening path, albeit predominantly due to USD weakness.

ECONOMICS AND POLITICS

Country	Reference	Growth
United States	Q2, QoQ	-9.50%
Germany	Q2, QoQ	-10.10%
Japan	Q2, QoQ	-7.80%
United Kingdom	Q2, QoQ	-20.40%
Italy	Q2, QoQ	-12.40%
France	Q2, QoQ	-13.80%
China	Q2, QoQ	11.50%

The severe impact of the COVID-related lockdowns imposed across economies is becoming clear. Many markets have suffered significant contractions as restrictions on economic activity were in place throughout most of the second quarter. China seems to be the only significant exception after curbing the virus-impact towards the end of March.

At the end of August, the US Fed announced that they will be adopting an inflation-averaging policy rather than point-targeting, which will likely result in slower rate response to rising inflation, and thus points to lower rates for longer. This will likely help soothe market fears regarding a sudden stop of Fed support that usually result in a significant market correction. This support could prove vital as US elections, and the accompanying market volatility, are drawing closer. The US government have, however, still not reached consensus on their second-round relief package, causing some market concerns throughout the month.

In South Africa, CPI increased by 3.2%, which is slightly higher than previous months as activity returned to the economy. The improved activity was also evident in Retail Sales figures, which saw a 6.4% rise in June (released in August) from the previous month, and New Vehicle Sales. With further relaxation of lockdown restrictions by moving to level 2, we could expect to see further signs of increased activity and improved economic indicators. This is, of course, assuming that the recent round of loadshedding does not completely offset the easing of restrictions.

Some positive news from local government this month, if followed through on, was the emergence of an increased resolve from the ANC's National Executive Committee (NEC) to address corruption. Among other things, President Cyril Ramaphosa announced that all those in the ANC formally charged with corruption or any other serious crimes must step down immediately and subject themselves to the Integrity Commission.

From a global perspective, the environment seems to be continuously improving, albeit that one must look through the short-term noise to see the trend. We continue to monitor the indicators, but if macro and earnings data has troughed, we could well see a continued positive performance from more cyclical assets. The risk of policy mistakes or a potential second wave of infections remain however and needs to be navigated.

JSE All Share 2,56% | 55 721,81 ▲	**MSCI World** ***(USD)*** 4,78% | 2 304,98 ▲	**MSCI EM** ***(USD)*** 8,94% | 1 078,92 ▲	**SA Bonds** 0,61% | 705,28 ▲
SA Property - 3,19% | 257,88 ▼	**CPI (y/y)** 2,20% | 114,90 ▲	**Gold** 11,48% | 1 976,28 ▲	**Platinum** 11,89% | 908,50 ▲
Oil 5,46% | 43,52 ▲	**£/R** 3,78% | 22,34 ▲	**€/R** 3,14% | 20,11 ▲	**$/R** - 1,68% | 17,06 ▼