

POLITICAL OVERVIEW

- 2^P US political news during the quarter imitated reality television. Both Trump and Clinton are embroiled in scandal as it also came to light that the Russians likely completed their hat-trick by having swayed the Presidential election in 2016 after purchasing \$43,800 worth of targeted swing-state Facebook advertising.
- 2^P The ECB confirmed its continued support for QE, keeping rates on hold, while the BoE took the opportunity to raise rates for the first time in a decade amidst ongoing confusion around how to progress Brexit negotiations.
- 2^P Trump's focus shifted to tax "reform" as he announced Janet Yellen's successor, Jerome Powell. Meanwhile both Shinzo Abe in Japan and Xi Jinping in China saw their political bases bolstered as their parties confirmed their respective support.
- 2^P Global growth continued its steady march during the quarter as positive fundamentals across most regions provided the fuel for a continued, broad based global equity rally.

EQUITIES

- 2^P Christmas came early this year for most equity investors as a particularly prosperous Q3 was followed by an equally bullish month in October. In the US, all three major US equity indices repeatedly hit record after record high.
- 2^P What makes the most recent market advances remarkable is not the speed, valuations or levels achieved, but the extraordinarily low levels of volatility which have coincided with these latest market rallies. So far 2017 is set to go down in the history as being one of the least volatile years for equities, alongside one of the longest global recoveries in terms of business cycle. "Do not confuse lack of volatility with stability, ever" - Nassim Taleb.
- 2^P The S&P 500 was up 4.5% for Q3 and added another 2.3% in the month of October, bringing the total year-to-date return for the index to a rather attractive 16.9%. Over the past 12 months the S&P is therefore up 21.5%, whereas the Dow and Nasdaq are up a staggering 29.1% and 31.5% respectively!
- 2^P The local JSE index was similarly up 8.9% for the quarter, only to jump by a further 6.3% in October - to bring the cumulative YTD return to 19.6% (and 20.1% over last 12 months).

BONDS, PROPERTY & FIXED INCOME

- 2^P The Bank of England raised rates in October despite weakening consumer sentiment and amidst confusion as to how best proceed with Brexit negotiations. In contrast, EU credit markets rejoiced as ECB president Draghi indicated no immediate urgency in trimming back quantitative stimulus or raising interest rates.
- 2^P International developed market bond yields overall remain very unattractively priced, both within the treasury as well as more recently the investment grade space. This has seen investors in search of global yield move up the risk spectrum, typically either into high yield or emerging market issuances, as global developed market inflation remains bizarrely absent.
- 2^P Both US and EU treasuries in our view only make sense as a partial hedge for long-only investors and do not represent value, particularly within the European government bond space.
- 2^P After an initially very uninspiring first 6 months from local listed property, the index rallied alongside equities to close the quarter 5.7% up, as well as inching up a further 2% during October, bringing cumulative YTD returns to 10.3% and 11.1% over the last 12 months.

AFRICA & EMERGING MARKETS

- 2^P It was yet another roaring quarter for Emerging Markets, up 7.9% for Q3, only to close a further 3.5% up in October. This brings the YTD return for EM to 32.3% (in USD).
- 2^P The FTSE/JSE All Share index rose +8.9% for the quarter and is up 19.6% year-to-date, driven by strong returns in Resources and Industrials.
- 2^P Political focus during October shifted to China where the ruling Communist Party of China held its 19th national congress, further solidifying Xi Jinping's power within the party.
- 2^P South Africans are hoping that this is not mirrored locally when the ANC holds its 54th national conference in Gauteng from 16-20 December. Regardless of outcome, South Africa faces increasing challenges in financing future expenditure, challenges from labour in upcoming wage negotiation season, as well as growing prospects for a ratings downgrade (more likely to occur early next year rather than in November, as many predict).

