The investment year kicked off with the expected volatility and no particular fireworks on any front. Best news was a much lower oil price; which brought some relief for South African consumers with the fuel price at its lowest in months.

LOCAL ECONOMIC OUTLOOK:

⇒ On the markets the JSE All Share Index closed at end January on 51 395, up by 3.3% Year-To-Date. Gold counters were the winners for the month, posting double-digit returns, which reaffirms the yellow metal’s status as a safe-haven asset amidst global uncertainty. Half of this month’s Top-10 performing shares came from the gold sector, with top 3 Harmony (53% YTD), DRD Gold (38%) and Sibanye Gold (36%) the star performers.

⇒ Globally markets did not react too well to the slide of the oil price and shares in energy companies took a downward turn.

⇒ The lower oil price will, at least for the short term, have some benefit for inflation but this temporary easing is unlikely to continue and consumers should not get too comfortable.

⇒ Thanks to the reduced pressure on inflation the SA Reserve Bank announced last week – as was widely expected - that interest rates will remain unchanged, with a repo rate at 5.75%, and prime remaining at 9.25%. The outlook for inflation is more dependent on the rand exchange rate coupled with the path of global interest rates, and SA’s ability to continue to fund the current account deficit.

Despite the early ups and downs many analysts are predicting a new record high for the local stock exchange, the first since July, to be on the cards quite soon. This is based on charts of the JSE performance, but thereafter current consensus is a rather flat return for the remainder of the year.

⇒ Public finances also improved somewhat. SA’s trade balance recorded a much needed surplus of R6.848bn, compared to a trade deficit of −R5.3bn in November last year and deficits in all of the preceding 9 months. This is due to an improvement in exports and a sharp decline in imports over the December 2014 period, hopefully meaning an improvement in the current account deficit over the year, but will likely be relatively modest as SA flows to stop weakness of the local currency.
GLOBAL MARKETS:

⇒ International markets had a bit of a shaky start to 2015. The US stock market is down by 3.1% in January compared to January 2014, which is also down 4.5% from its record high at end December, trading at levels previously seen in August last year; just before its sharp correction. The S &P Index is currently around 2 020 (compared to 1 782 a year ago), the Dow Jones is at 17 361 (vs. 15 698 in Feb. 2014), and the NASDAQ sits around roughly 4 676 (4 103 Feb 2014).

⇒ In Europe things are looking better following the European Central Bank’s Quantitative Easing (QE) program announcement. European stocks posted the best month-on-month performance in over three years. The German and French markets gained around 9% in euros last month, however the MSCI Europe Index was flat in dollar terms due to the dollar gaining 6.7% against the euro in one month. However, since June last year, the MSCI Europe Index is still down by 13% in dollar terms.

⇒ Thanks to these market movements investors are flocking from the US markets into Europe to take advantage of weaker currency and cheaper markets, including the QE program. The MSCI Emerging Markets Index outperformed the MSCI World Index by 2.5% in dollar terms over the month of January, which is an improvement from the 7.3% underperformance from last year.

⇒ China was the strongest of the Emerging Markets, up by 2.3% in dollar terms in January, but in order to see continued outperformance, commodity prices need to rise. Oil, most notably, has climbed about 7% since its recent low, over concerns of falling production, and is now trading back above the $51 per barrel mark.

BRENTHURST PORTFOLIO POSITIONING:

AT BRENTHURST we have always advocated a well-balanced portfolio, but in times of uncertainty and lower expected returns for this coming year, we would suggest a more active approach by moving retirement funds such as RA’s, or money coming from pension and provident funds into more conservative portfolios that will still have inflation beating-returns (not pure money market, however). Discretionary capital could be invested more aggressively, and we definitely advocate higher exposure to offshore equities in specific, carefully chosen sectors.

PLEASE CONTACT YOUR BRENTHURST FINANCIAL ADVISER SHOULD YOU WISH TO DISCUSS YOUR PORTFOLIO OR IF YOU ARE CONSIDERING MAKING ANY NEW INVESTMENTS THIS YEAR.

THE FINE ART OF MANAGING INVESTMENTS REQUIRES CONSISTENCY, PATIENCE AND THE CRITICAL ABILITY TO PERCEIVE A LONG-TERM APPROACH TO THE CREATION OF WEALTH AND MOST IMPORTANTLY, THE POWER OF GOOD SOUND INVESTMENT ADVICE.”