

GRYPHON MARKET COMMENTARY – 30 JUNE 2017

THE PAST													
INTERNATIONAL						LOCAL							
<p>Global equity markets continued the trend of positive US Dollar returns in June. For the year-to-date MSCI Emerging Markets achieved +18.6% against Developed Markets +11.0%. Not only has more positive earnings momentum assisted the performance of Emerging Markets, currency appreciation against the dollar has also helped. The UK election early in June, was not favourable for Theresa May and her gamble on a snap election failed. In the U.S. markets appear to be growing weary of President Trump's inability to enact domestic stimulus, however, economic growth has matched or exceeded expectations. The FOMC hiked 25bps as expected. The oil price continues to be weak.</p>						<p>The local market returned -3.5% for the month, continuing the weak trend of May. For the year-to-date, equities have returned +3.4%, Bonds +4.0% and Cash +3.7%. Moody's cut our foreign-and-local currency ratings and kept the outlook at negative. Proposed mining legislation caused havoc on resource counters; however, the prospect of a judicial review resulted in the restoration of some value towards month end. Barclays PLC sold its stake in ABSA down to below 15%. Telkom and Gold shares bore the brunt of selling on the JSE.</p>							
THE PRESENT													
EQUITY INDICES	MTD	YTD	12m	CURRENCIES / COMMODITIES	Value	MTD	YTD	12m	BONDS	Value	YTD BPS Δ	12M BPS Δ	
MSCI WORLD (USD)	0%	9%	16%	ZAR vs USD	13.06	0%	5%	11%	USA BOND 10 YEAR	2.28%	-18	82	
MSCI EMERGING MARKETS (USD)	1%	17%	21%	ZAR vs GBP	16.97	-1%	-2%	13%	USA BOND 2 YEAR	1.38%	22	78	
DOW JONES INDUSTRIAL	2%	9%	22%	ZAR vs EUR	14.92	-1%	-3%	9%	GERMAN BOND 10 YEAR	0.47%	36	60	
S&P 500	1%	9%	18%	ZAR vs AUD	10.04	-3%	-2%	8%	GERMAN BOND 2 YEAR	-0.57%	23	9	
UK FTSE 100	-3%	2%	12%	EUR vs USD	1.14	2%	9%	3%	UK BOND 10 YEAR	1.33%	9	33	
JAPANESE NIKKEI 225	2%	2%	29%	GBP vs USD	1.30	1%	6%	-2%	UK BOND 2 YEAR	0.37%	26	26	
GERMAN DAX	-2%	9%	27%	YEN vs USD	112.38	-1%	4%	-9%	RSA 10 YEAR	8.89%	-3	11	
FRENCH CAC 40	-3%	5%	21%	GOLD	1242	-2%	8%	-6%	RSA 3 YEAR	7.67%	-44	-32	
AUSTRALIAN ASX	0%	1%	9%	PLATINUM	927	-2%	3%	-9%	RSA REPO RATE	7.00%	0	0	
JSE ALL SHARE	-3%	3%	2%	IRON ORE	65	14%	-18%	17%	RSA PRIME LENDING RATE	10.50%	0	0	
JSE TOP 40	-4%	5%	2%	COPPER	5908	5%	7%	22%	RSA LONG TERM GILT	8.89%	-3	11	
JSE ALL SHARE SWIX	-4%	3%	0%	NICKEL	9280	5%	-7%	-1%					
				BRENT OIL	48.77	-4%	-14%	-3%					
THE FUTURE													
INTERNATIONAL						LOCAL							
<p>The recently released FOMC Minutes continue to reflect a measured approach to hiking interest rates in the U.S. However, the stage has been set for the winding down of the Balance Sheet. Recent strength in the Eurozone and the ECB's assessment that economic risks are balanced, rather than tilted to the downside has seen the dollar weaken against the euro. Impending elections in Japan have not attracted much attention yet, however, we remain concerned that political risk globally is being underestimated.</p>						<p>The ANC Policy Conference suggests that the succession strategy followed by Deputy President Ramaphosa may be gaining some ground. However, it also confirmed the deep divisions within the ANC. Vehicle sales for June reflected muted growth. However, this was against fairly negative expectations and this and increased electricity usage has given some economists hope that the economy may be holding up despite the political turmoil. Government intervention in healthcare and proposed debt-forgiveness is a reminder to investors not to overpay! Debt-forgiveness is likely to be negative for our credit clothing and furniture retailers. The SAA bailout won't fly!</p>							
OUR FUNDS													
RISK	GRYPHON FUND						POSITIONING						
LOW	Money Market Fund						Conservatively managed, superb yield.						
↑	Dividend Income Fund						Enhanced before tax yield of over 10.00%. A stable interest rate cycle increases the attraction.						
	Prudential Fund of Funds						Aggressively exposed to SA equities and SA properties. Regulation 28 compliant.						
	Flexible Fund of Funds						Aggressively exposed to SA equities and SA properties.						
	All Share Tracker Fund						Lowest cost, superbly diversified exposure to equities.						
↓	All Share Tracker Fund						Lowest cost, superbly diversified exposure to equities.						
HIGH	Global Equity Fund						Low cost exposure to the internationally diversified with associated currency benefit.						

Email: invest@gryphon.com

Tel: +27 21 915 5100

Fax: 086 206 2635

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