

## GRYPHON MARKET COMMENTARY – 31 MAY 2020

	INTERNATIONAL						LOCAL						
	THE PAST						THE PRESENT						
THE PAST	Global equities continued to bounce in May, with the MSCI World Index returning +4.8%, and Emerging Markets, +0.8%. Aggressive monetary and fiscal support continued, and focus shifted to declining rates of infection and economies “re-opening”. Earnings reports revealed little in terms of prospects as most companies refrained from detailing prospects. Commodity prices and oil in particular have rebounded. OPEC+ appears to have reduced supply and, the recent rise in the oil price is likely to result in shale producers returning to the market. Financial markets are pricing in a v-shaped recovery and a speedy “bounce-back” of economic activity. We remain circumspect!						Local equities ended the month essentially flat, only +0.3% higher than they started. Bonds returned 7.0%. Bonds have returned 1.5% year-to-date, as opposed to equities which are down -10.1%. The Rand commenced the year at R14.00 to the dollar, weakened to above R19 and is now trading below R17. Historic experience has been that volatility of this degree damages the cost structure, particularly of importers. The SARB cut interest rates a further 50bps, following earlier cuts of 200bps at emergency meetings in March and April. Inflation has remained well-controlled, however, the recent bounce in the oil price is likely to impact inflation adversely and additional easing from the SARB will be dependent on the degree to which these cost pressures are contained.						
	EQUITY INDICES	MTD	YTD	12M	CURRENCIES/COMMODITIES	VALUE	MTD	YTD	12 M	BONDS	VALUE	YTD BPT Δ	12M BPT Δ
	MSCI WORLD (USD)	4.90%	-7.95%	7.37%	ZAR vs USD	17.54	5%	-25%	-20%	USA BOND 10 YEAR	0.66	-126	-147
	MSCI EMERGING MARKETS (USD)	0.79%	-15.90%	-4.02%	ZAR vs GBP	21.67	7%	-17%	-18%	USA BOND 2 YEAR	0.156	-143	-176
	DOW JONES INDUSTRIAL	4.66%	-10.06%	4.83%	ZAR vs EUR	19.48	4%	-24%	-20%	GERMAN BOND 10 YEAR	-0.44	-25	-23
	S&P 500	4.76%	-4.97%	12.84%	ZAR vs AUD	11.70	3%	-19%	-16%	GERMAN BOND 2 YEAR	-0.653	-5	2
	UK FTSE 100	2.97%	-19.43%	-15.15%	EUR vs USD	1.11	-1%	1%	1%	UK BOND 10 YEAR	0.19	-64	-70
	JAPANESE NIKKEI 225	8.34%	-7.52%	6.20%	GBP vs USD	1.24	2%	7%	2%	UK BOND 2 YEAR	-0.044	-57	-64
	GERMAN DAX	7.51%	-11.41%	0.05%	YEN vs USD	0.01	1%	-1%	0%	RSA LONG TERM GILT	8.948	-1	-3
	FRENCH CAC 40	2.70%	-21.46%	-9.84%	GOLD	1721	0%	13%	32%	RSA 10 YEAR	8.948	-1	-3
	AUSTRALIAN ASX	4.90%	-13.67%	-9.54%	PLATINUM	832	7%	-14%	5%	RSA 3 YEAR	5.594	-161	-187
	JSE ALL SHARE	0.31%	-10.12%	-5.96%	IRON ORE	96	16%	4%	-12%	RSA REPO RATE	3.75	-275	-300
	JSE TOP 40	0.42%	-6.94%	-2.81%	COPPER	5333	2%	-13%	-8%	RSA PRIME LENDING RATE	7.25	-275	-300
	JSE ALL SHARE SWIX	-0.97%	-13.33%	-10.40%	NICKEL	12120	0%	-13%	1%	USA INFLATION RATE	0.3	-200	-170
	JSE TOP 40 SWIX	-1.10%	-9.81%	-7.34%	BRENT OIL	38	43%	-43%	-39%	RSA INFLATION RATE	4.1	10	-40
THE FUTURE	INTERNATIONAL						LOCAL						
	The European Central Bank began the new month with additional stimulus. However, more may be required as inflation in the Euro Area remains moribund and well below the bank's target. In addition to the economic malaise caused by the virus, a number of other factors are conspiring to increase uncertainty across the globe: China's recent encroachment on Hong Kong, civil unrest in the USA as result of police brutality and the likelihood of trade wars on the radar do not bode well for financial markets. The USA has an election in a few months' time, and we are concerned that the "cool heads" required to resolve these issues in the near term may be lacking. Emotions are best left to soap operas. The correlation between emotion and financial returns is negative.						The impact of the virus has not always been in line with expectations. For example, while many thought the healthcare sector would be a clear beneficiary, it is now apparent that, as the result of the sharp decline in elective surgeries and the costs associated with containing the virus, hospital groups have not benefitted as anticipated. We would classify the virus as a “Black Swan” event and would concur that its occurrence was unpredictable. We would, however, caution investors that the impact of this event is yet to be fully understood and that forecasts into the future should be distilled with a higher than usual degree of caution. We remain of the view that long-term investors would do well to simply invest their funds in a low-cost equity tracker which will automatically ensure exposure to tomorrow's winners.”.						
GRYPHON FUNDS	RISK		GRYPHON FUND				POSITIONING						
	LOW  ↑  HIGH		Money Market Fund Dividend Income Fund Prudential Fund of Funds Flexible Fund of Funds All Share Tracker Fund Global Equity Fund				Conservatively managed, superb yield. Enhanced before tax yield. Currently conservatively positioned. Regulation 28 compliant. Currently conservatively positioned. Lowest cost, superbly diversified exposure to equities. Low cost exposure to international diversification with associated currency benefit.						

Email: [invest@gryphon.com](mailto:invest@gryphon.com)

Tel: +27 21 915 5100

Fax: 086 206 2635

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