

# GRYPHON

with purpose

## GRYPHON MARKET COMMENTARY – 31 AUGUST 2020

	INTERNATIONAL						LOCAL											
	EQUITY INDICES	MTD	YTD	12M	CURRENCIES/COMMODITIES	VALUE	MTD	YTD	12 M	BONDS	VALUE	YTD BPT Δ	12M BPT Δ					
THE PAST	Global equities continued to rally in August. The outperformance of emerging markets ended as the MSCI World Index's +6.7%, outperformed the MSCI Emerging Markets' +2.2%. The US Federal Reserve Chairman announced a subtle but important change in their approach, indicating that their future target would be an "average" of 2% inflation in the U.S. thereby conveying that policy was likely to be more accommodative in the periods that this target was exceeded. The real impact of this change will only become evident into the future. There is , however, a risk that in achieving this, central bankers become too relaxed about inflation, which may then require more stringent policy.						Local equities did not participate in the global rally, ending the month -0.3%. Earnings from South African banks came in below expectations with caution about underlying consumer debt. The current account reflected a surplus to GDP, for the first time since 2013, as exports increased while imports declined. We are concerned that this reflects poor demand as a result of the stretched financial conditions of the local consumer. Corruption continued to plague the ruling party. How the balance of power evolves as these matters are brought to light and addressed will define South Africa's ability to resurrect from its current distressed fiscal position. Inflation has picked up and, while still muted, the impact of the currency and underlying oil prices cannot be ignored.											
	MSCI WORLD (USD)						6.72%	5.73%	17.41%	ZAR vs USD	16.94	1%	-21%	-12%	USA BOND 10 YEAR	0.7	-122	-80
	MSCI EMERGING MARKETS (USD)						2.24%	0.68%	14.88%	ZAR vs GBP	22.64	-1%	-22%	-23%	USA BOND 2 YEAR	0.141	-144	-137
	DOW JONES INDUSTRIAL						7.92%	1.30%	10.27%	ZAR vs EUR	20.22	-1%	-29%	-21%	GERMAN BOND 10 YEAR	-0.39	-20	32
	S&P 500						7.19%	9.74%	21.94%	ZAR vs AUD	12.49	-3%	-27%	-22%	GERMAN BOND 2 YEAR	-0.653	-5	27
	UK FTSE 100						1.12%	-20.93%	-17.26%	EUR vs USD	1.19	-1%	-6%	-9%	UK BOND 10 YEAR	0.32	-51	-17
	JAPANESE NIKKEI 225						6.59%	-2.18%	11.76%	GBP vs USD	1.34	-2%	-1%	-10%	UK BOND 2 YEAR	-0.065	-59	-47
	GERMAN DAX						5.41%	-2.01%	8.91%	YEN vs USD	0.01	0%	-3%	0%	RSA LONG TERM GILT	9.352	39	54
	FRENCH CAC 40						3.42%	-17.24%	-9.73%	GOLD	1958	-1%	28%	29%	RSA 10 YEAR	9.352	39	54
	AUSTRALIAN ASX						3.10%	-8.18%	-6.75%	PLATINUM	930	2%	-4%	0%	RSA 3 YEAR	4.974	-223	-220
	JSE ALL SHARE						-0.26%	-0.94%	3.85%	IRON ORE	123	12%	34%	44%	RSA REPO RATE	3.5	-300	-300
	JSE TOP 40						-0.09%	2.72%	7.40%	COPPER	6728	4%	9%	19%	RSA PRIME LENDING RATE	7	-300	-300
	JSE ALL SHARE SWIX						-1.03%	-5.09%	-0.20%	NICKEL	15414	12%	10%	-14%	USA INFLATION RATE	1	-130	-80
	JSE TOP 40 SWIX						-0.93%	-0.86%	4.02%	BRENT OIL	45	4%	-32%	-23%	RSA INFLATION RATE	3.2	-80	-80
THE PRESENT	INTERNATIONAL						LOCAL											
	The Democratic and Republican National Conventions ended without providing much further direction as to who is likely to triumph in November. Financial markets have traditionally been trendless in the run up to elections. However, this year may be different due to the very strong run in US equity markets to date. Last month we questioned whether underlying economic growth and valuations actually still matter. The Nasdaq closed on the 2 <sup>nd</sup> of September, at an all-time high of 12056. It closed at 11313 on the 4 <sup>th</sup> of September. A decline of 6.2%. Tesla reached an all-time high of \$502 on the 1 <sup>st</sup> of September and declined 16.7% to close at \$418 on the 4 <sup>th</sup> . We have for some time expressed concern about valuations globally. Perhaps the volatility is reflective of the fact that we are not alone in our concerns?						While the easing of lockdown brought some economic relief, the re-imposition of load shedding spoiled the party. Vehicle sales for August continue to reflect very low demand. The tourism and leisure industries are major buyers of vehicles and are likely to remain absent until tourism demand returns. Globally, consensus remains that economic activity will rebound quickly. On reflection of our personal existence around schooling, work, holidays, shopping, etc. we continue to be cautious about the speed with which economic growth will recover to levels which existed prior to COVID19. While Central Bankers have provided more than adequate stimulus to keep economies ticking over, the decision to spend and invest remains a very personal one.											
THE FUTURE	INTERNATIONAL						LOCAL											
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GRYPHON FUNDS	RISK		GRYPHON FUND				POSITIONING											
	LOW ↑ HIGH		<ul style="list-style-type: none"> <li>Money Market Fund</li> <li>Dividend Income Fund</li> <li>Prudential Fund of Funds</li> <li>Flexible Fund of Funds</li> <li>All Share Tracker Fund</li> <li>Global Equity Fund</li> </ul>				<ul style="list-style-type: none"> <li>Conservatively managed, superb yield.</li> <li>Enhanced before tax yield.</li> <li>Currently conservatively positioned. Regulation 28 compliant.</li> <li>Currently conservatively positioned.</li> <li>Lowest cost, superbly diversified exposure to equities.</li> <li>Low cost exposure to international diversification with associated currency benefit.</li> </ul>											

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