

Financial Bulletin



September 2015

Dear Member

The only certainty in the investment world is that the future will surprise and it did not disappoint with the unexpected move by the US Federal Reserve (Fed) during September.

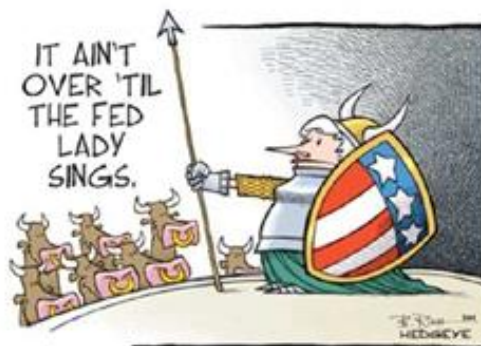
The Fed has been prepping the market for the last two years, indicating that interest rates in the US need to normalise. To prevent any shock to the financial system, they openly and clearly communicated their planned interest rate strategy over the last six years.

Since the beginning of this year, the rhetoric coming from the Fed Chairperson, Janet Yellen, indicated that certain targets set by the Fed had been achieved. So, this would most likely be the year when rates go up. In preparation, the market readied itself during September for the first rate hike in the US in nearly a decade. What happened? The Fed surprised investors and kept rates unchanged, again!

Many argued that the Fed acted outside their mandate when they considered factors such as the economic uncertainty in the rest of the world. Unfortunately, the thing that markets hate the most is 'uncertainty' and the Fed has caused a lot of consternation with their rate decision in September, raising the question with investors: does the Fed know something that they don't? As a result, the fear and volatility in markets continue.

How long will the bull market last?

Will Fed tightening be the catalyst for a bear market?



The Fed, however, was not the only entity to blame for the continued market turmoil. As I mentioned in last month's bulletin, the Chinese economy is losing steam and losing it quickly. This theme continued during September, which in turn put pressure on resource prices and of course, resource stocks.

All this negative sentiment continues to impact on the Rand and other emerging market currencies with the Rand losing a further 4% against the USD during September. The continued weakness of the Rand could eventually force the hand of the South African Reserve Bank to increase local interest rates.

The JSE All Share Index, down 3% during the first week of September, regained all lost ground and by 17 September was up by more than 3%. This massive 6% swing in only 14 days is a clear indication of how volatile

markets currently are. At the end of September despite all this volatility, the JSE All Share Index still managed to squeeze out a positive return of 0,95%.

International equity markets priced in US Dollars, as measured by the MSCI Index, were down by 3.7% for the month. The Rand weakness, however, cushioned local investors to this decline and in Rand terms, the MSCI Index was actually up by 0.4%.

The table below reflects the returns from the major asset classes during September:

Asset class	Return: September 2015
JSE All Share Index	+0,95%
MSCI World Equity Index (USD)	-3,69%
ALBI (Bonds)	-0,07%
STEFI (Cash)	+0,52%
SA Listed Property	+0.82%
ZAR/USD	+4,20% (depreciate)



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