



# MONTHLY NEWSLETTER

JUNE 2017

The month of May saw world equity markets in the main trading water near recent highs in low volatility trading. Europe was a standout as the recovery gained steam with developed country PMIs the best in a decade.

The US market continued to show resilience in the face of lofty valuations and Trump antics with big Technology, defence and travel companies leading the way while retail, financial and industrial stocks came under severe pressure as Trump's reflation trade dwindled and US treasuries strengthened, flattening the yield curve in the process. Most of these reflation sectors are now back to election levels in November.

Locally our market has underperformed world bourses significantly with bank and material stocks being the main

culprits as the banking levy, speculation about a cooling housing market and weaker commodity prices took centre stage. The weakness in commodity prices was even more surprising given the weak US dollar. The big miners have come well off their recent highs while bank losses post dividends have been in excess of 10 percent.

Early June saw significant risk events like the British election and former FBI Director James Comey's testimony to Congress pass with little effect. The poor Conservative party performance saw a weakening of the pound but little equity market volatility and Comey's testimony was perceived by the market as throwing up nothing new. A more sensational testimony with increased impeachment speculation would probably have seen some pressure on markets as the market's refusal to

retreat has been based mainly around the possibility of Trump initiating tax cuts and infrastructure spending in late 2017, early 2018.

Probably the most notable event in early June was the massive single day reallocation of funds out of the huge technology stocks which had led the march higher into the beleaguered financial and industrial stocks. At one stage the tech heavy NASDAQ was down 200 points (3 percent) while the Dow was flat. This may be the signature move as we head into the northern summer.

Summer is generally a soft period in US markets on low volumes so it will be interesting to see how this summer treats us. At the moment the trend is your friend and we believe any dips should be treated as opportunities.