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2019 | A TALE OF TWO PARTS

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'It was the best of times, it was the worst of times'.

The opening line to Charles Dickens' "A Tale of two Cities" is apt for investment markets in 2019.

In 2018, investment market performance was dismal, with a record number of global and local asset classes giving negative returns.

2019 saw higher financial market returns than 2018, despite subdued economic growth in many countries because of trade tensions and global market growth slowing. The South African All Share Index grew by over 12% for the calendar year in 2019, up from -8% in 2018. Other emerging markets returned around 19% for the year.

It was the spring of hope

The US market rallied strongly and earned a return of 30% for the 2019 year. The recovery in most global markets brought relief after the low returns in 2018.

At times, optimism and hopes of a market turnaround came from easing geopolitical risks (trade war tensions and Brexit) and the accommodative monetary policies that were introduced by central banks.

It was the winter of despair

When sentiments changed, financial markets provided negative returns as familiar risks rose again. Internationally, the hope of a truce in the trade war waned and there was unrest in the Middle East.

In South Africa, the credit rating outlook was revised downward as a result of dismal growth prospects and climbing debt levels.



It was the season of darkness as South Africa once again experienced load shedding that reached stage 6 for the first time. This severely impacted the already struggling economy.

South Africa reached some low points during the year, such as the rise of gender violence that shocked the country. On the other side of the spectrum, it was also the season of light as Load shedding was suspended just before the end of the year. Unfortunately, the electricity supply issues are a long-term concern for the country. Adding to the glimmer, the rand ended 2019 on a high and strengthened by nearly 3% against the US dollar for the year. South African bonds offered extremely attractive yields to investors seeking return as the All Bond Index returned over 10% for the year. At the second investment summit held by President Ramaphosa, foreign investors pledged to invest \$25bn, 25% more than what was pledged the previous year. South African Zozibini Tunzi became Miss Universe and the South African team won the Rugby World Cup, creating much-needed patriotism.

Focus on the long term

There will always be periods of heightened fear and subsequent periods of calmness. It is important for investors to remember this on their investment journey, as things won't always be rosy, nor always gloomy - although the downs may feel longer than the ups!

*There is uncertainty in the outlook for 2020, particularly with unforeseen and unpredictable geopolitical risks. If you are invested in a diversified portfolio with equities, bonds and cash you will participate in any recovery. **'It was the age of wisdom, it was the age of foolishness'**, and as any turning point cannot be predicted, it is wise not to get react in fear but rather remain invested for the long term.*