

Weekly Digest

21 October 2019

Getting it over the line

– Jackson Franks

Kimi Ga Yo, Shosholoza, Swing Low, Waltzing Matilda, Ireland's Call, Kamete Kamete Ka Ora Ora, Bread of Heaven, and Allez les Blues were this weekend's battle anthems at the 2019 Rugby World Cup. For those that didn't see the matches, England redeemed themselves from their 2015 world cup humiliation by beating Australia, France's lack of discipline cost them a semi-final place by losing late to Wales, New Zealand did what New Zealand does by beating Ireland by 30+ points and South Africa ensured they were not left red faced (again) when they ended Japan's dream of making it to the semi-final. For those that watched the South Africa vs Japan match, you would have seen one of the tries of the tournament with South Africa driving Japan back 50m before scoring under the posts. Having watched this South African try unfold it made me think of the similarities the 48 second passage of play had to developing a real estate asset. At Momentum, we invest directly into the property market through our own African Real Estate fund known as MAREF, which develops A grade commercial real estate in sub-Saharan Africa ex South Africa.

The line out

Without the accuracy of Malcolm Marx's throw, the timing of RG Snyman and Duane Vermeulen's lift, and the catch by Lood de Jager then the blog today would be very different, and I firmly believe that the Japanese dream would still be alive as there would be no try (some readers may disagree!) As this perfectly-planned and executed line out created the platform for the try, our platform with a MAREF development is to pre-let 60% of the building upfront. The cash flows from the tenant is what completes the success of a real estate development and without a tenant there is no development.

The drive

The structuring of the maul is what enabled South Africa to drive 50m to achieve 7 points. As with MAREF, the structuring of a development enables the fund to deliver an international grade A asset to the African market. As Lood de Jager was brought down from the air, the team gathered around him. Vincent Koch and Steven Kitshoff wrapped around the lifters, whilst Lood de Jager offloaded to Siya Kolisi to protect the ball. Once the team was in place, the try was inevitable, everyone knew their jobs, the legs started pumping and the drive towards the try line was on. The team for a MAREF development includes seasoned professionals including the Architect, Quantity Surveyor, Structural Engineer, Electrical Engineer, Mechanical Engineer, Civil Engineer, Fire and Safety and Wet Services Engineer. Without the team, there will be no delivery, however hard you might try.

The try

As South Africa drove 50m and the try line beckoned, the player in which the passage of play started with, Malcolm Marx, ended it. Malcolm Marx broke free from the maul before off-loading a pass to Faf De Klerk to score the try. With MAREF once the construction phase has completed it is time to hand off the building to the property management team. The property management team ensures that our tenants can operate their business in an environment conducive to growth and success.

The Marketplace

- A lacklustre week saw most markets post modest gains
- Brent crude fell -1.8% to \$59.4 a barrel
- Gold rose 0.5% to \$1492.0 an ounce
- Brexit uncertainty rumbles on

Market Focus

US

- US markets posted moderate gains last week following better than expected Q3 earnings
- Retail sales declined by 0.3% in September, the first fall in six months
- The 10-year Treasury yield declined slightly last week
- US equities rose 0.5% last week.

Europe

- Germany's government lowered its growth forecast for 2020 to 1%, from a prior forecast of 1.5%. The forecast of 0.5% for 2019 was unchanged
- European equities increased 0.2% last week
- The German 10-year Bund yield broke above -0.4% at -0.387% last week

- The European Central Bank's chief economist has indicated that he and the wider bank advocate more fiscal easing saying that "if there were fiscal expansion in these current conditions, the multiplier will be quite big".

UK

- Boris Johnson sends a letter to the EU requesting a further extension to Brexit after his bid to get a revised deal through parliament was rejected pending further scrutiny. He is attempting to get his deal through again today but is likely to face opposition from the speaker
- UK equities fell -1.3% on the week
- The 10-year UK gilt yield increased by 0.1% over the week.

Asia/Rest of The World

- The main gauge of Japanese equities rose by 3.2% last week
- Chinese equities fell 1.2% as Q3 growth fell below forecasts to a 27-year low. The ongoing trade dispute with the US was the driving factor of this decline. Over the weekend China's VP indicated that progress has been made on a 'phase one' agreement over trade with the US
- Turkish equities fell 0.6% last week after Trump sent a highly charged letter threatening President Erdogan with sanctions.

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Asset Class/Region	Currency	Currency returns			
		Week ending 18 Oct. 2019	Month to date	YTD 2019	12 months
Developed Market Equities					
United States	USD	0.5%	0.4%	20.5%	9.4%
United Kingdom	GBP	-1.3%	-3.3%	10.1%	5.9%
Continental Europe	EUR	0.2%	-0.2%	20.4%	12.7%
Japan	JPY	1.7%	2.2%	11.1%	-2.4%
Asia Pacific (ex Japan)	USD	1.5%	2.2%	10.1%	9.8%
Australia	AUD	0.6%	-0.6%	21.9%	16.8%
Global	USD	0.7%	0.8%	18.5%	8.5%
Emerging markets equities					
Emerging Europe	USD	1.7%	2.4%	20.1%	17.4%
Emerging Asia	USD	1.5%	2.6%	8.7%	9.1%
Emerging Latin America	USD	0.5%	1.9%	8.3%	3.8%
BRICs	USD	0.9%	2.4%	11.2%	12.8%
MENA countries	USD	0.3%	-2.5%	1.1%	1.9%
South Africa	USD	0.7%	6.1%	3.2%	7.6%
India	USD	3.0%	1.1%	6.5%	16.8%
Global emerging markets	USD	1.3%	2.4%	8.4%	8.2%
Bonds					
US Treasuries	USD	0.0%	-0.4%	7.7%	11.2%
US Treasuries (inflation protected)	USD	0.2%	0.0%	8.0%	8.8%
US Corporate (investment grade)	USD	0.3%	-0.1%	13.1%	14.0%
US High Yield	USD	0.4%	0.2%	11.7%	7.5%
UK Gilts	GBP	-0.1%	-2.9%	8.9%	11.4%
UK Corporate (investment grade)	GBP	0.6%	-1.2%	9.9%	9.9%
Euro Government Bonds	EUR	-0.2%	-1.2%	8.7%	11.2%
Euro Corporate (investment grade)	EUR	-0.1%	-0.5%	6.3%	5.5%
Euro High Yield	EUR	0.2%	-0.1%	9.2%	5.8%
Japanese Government	JPY	-0.3%	-0.5%	2.8%	4.7%
Australian Government	AUD	-0.7%	-0.8%	9.6%	12.9%
Global Government Bonds	USD	0.3%	0.0%	6.6%	9.5%
Global Bonds	USD	0.3%	0.3%	6.8%	8.9%
Global Convertible Bonds	USD	0.2%	0.8%	6.9%	4.7%
Emerging Market Bonds	USD	-0.3%	0.4%	9.4%	10.5%

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Asset Class/Region	Currency	Currency returns			
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Property					
US Property Securities	USD	1.3%	1.0%	27.0%	22.6%
Australian Property Securities	AUD	0.2%	0.3%	17.4%	16.2%
Asia Property Securities	USD	1.6%	2.2%	10.5%	17.1%
Global Property Securities	USD	1.5%	2.2%	21.6%	20.2%
Currencies					
Euro	USD	1.0%	2.3%	-2.6%	-2.7%
UK Pound Sterling	USD	2.1%	5.2%	1.4%	-0.9%
Japanese Yen	USD	0.0%	-0.3%	1.1%	3.5%
Australian Dollar	USD	0.7%	1.5%	-2.8%	-3.7%
South African Rand	USD	-0.2%	2.6%	-2.7%	-2.7%
Swiss Franc	USD	1.2%	1.3%	-0.2%	1.0%
Chinese Yuan	USD	0.1%	0.9%	-2.9%	-2.0%
Commodities & Alternatives					
Commodities	USD	0.0%	1.7%	6.2%	-6.9%
Agricultural Commodities	USD	0.7%	2.6%	-3.8%	-7.4%
Oil	USD	-1.8%	-2.2%	10.4%	-25.1%
Gold	USD	0.5%	1.5%	16.4%	21.5%
Hedge funds	USD	0.0%	0.0%	5.9%	2.4%

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