Monthly Review — March 2024

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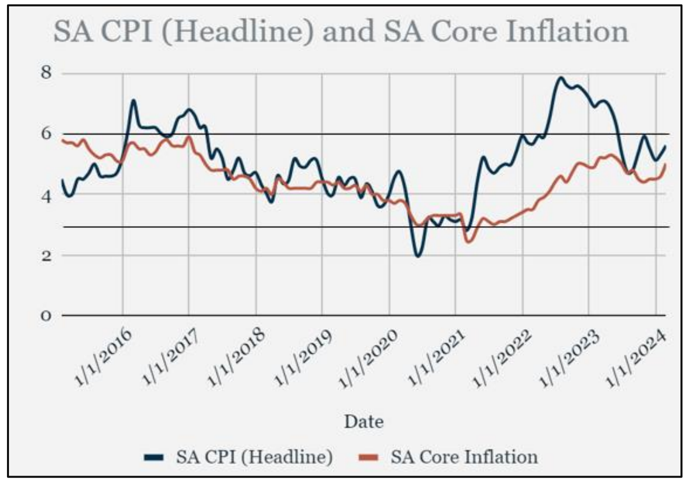
South African Market

Local financial markets rebounded, from the sell-off experienced during the last 2 months, to the best performing market amongst major emerging market peers. The FTSE/JSE ALSI index returned 3.23% in March, with the resource sector being the best performer, returning 15.36%. This was mainly attributed to gold miners and the price of gold posting new all-time highs during the month. Financials, conversely, was the biggest detractor returning (3.49%) with most of these companies posting troublesome earnings.

Local inflation (CPI) increased for a second consecutive month in March to 5.6% YoY, up from 5.3% the previous month and moving closer to the central bank's upper target band. This was the highest reading in four months, mainly due to accelerated prices for goods & services, of which most notably due to an increase in insurance prices. The premiums for all types of insurance have now increased 9.5% over the past year. Fuel prices have climbed for a third straight month, with a 5.23% increase during March. Conversely, inflation primarily slowed for food, reaching a near two-year low of 6.1%, down from 7.2% in the previous month. The core inflation rate, which excludes food and energy costs, picked up to an eight-month high of 5%, from a prior 4.6%.

SA inflation Rate:



Source: Trading Economics

With lingering inflationary pressures, the South African Reserve Bank's MPC decided to keep rates on hold at 8.25% for a fifth consecutive interest rate-setting meeting in March 2024, which keeps SA's benchmark rate at a current 15-year high. The SARB said in their accompanying statement, that headline inflation is now expected to reach the midpoint of its target range only at the end of 2025, later than previously forecast. Economists anticipate that the SARB will wait until the third quarter of the year before cutting interest rates.

Asset Class Performance (ZAR):

As of 31st March 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.88	11.62	31.19	15.94	17.28	15.54
Global Property	1.55	1.40	14.82	8.33	6.56	10.65
Global Bond	(1.03)	0.71	5.17	2.45	3.54	5.30
Global Cash	(0.87)	4.93	12.64	11.79	7.89	7.70
SA Equity	3.23	(2.25)	1.55	8.11	9.68	8.08
SA Property	(1.02)	3.85	20.47	13.94	0.71	3.14
SA Bond	(1.93)	(1.80)	4.19	7.41	7.05	7.69
SA Cash	0.67	1.99	8.10	5.80	5.55	5.96

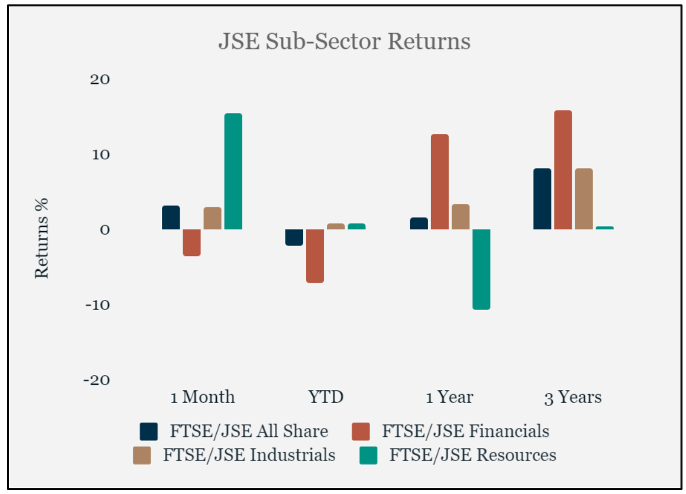
ZAR/USD (negative = Rand strength)	(1.67)	3.13	6.41	8.55	5.42	6.01
Gold	6.50	9.72	13.41	14.53	14.00	9.52
Brent Crude Oil	3.27	17.58	17.04	20.86	10.93	3.97

*Returns more than 1 year are annualized.

The Rand saw some reprieve during March, after four straight months of declines. The Rand recovered from the R19/$ barrier to end the month at R18.87/$, gaining 1.67%. The local currency was amongst the stronger EM currencies compared to the US Dollar, placing it in the top half of the currency group. While the currency, hurt by weak economic data, is down 3.13% against the Dollar year-to-date, the recent gold price surge has offered the rand some relief. The Rand continues to wait the start of US rate cuts and is expected to strengthen once the US cutting cycle is firmly underway, barring any negative domestic developments.

As markets price in rate cuts from major central banks this year, the gold price has reaped the benefits. Gold shares on the JSE were shining on the back of bullish gold prices, which rallied to more than $2 300 (R43 692) an ounce at the end of the month, the highest selling point for the precious metal. Even though gold's contribution to the South African economy has declined significantly over the years, it still contributes about 15% to overall SA mining output. With local and international central banks diminishing the chance of robust rate cuts, gold has entrenched its status as a safe haven against uncertainty.

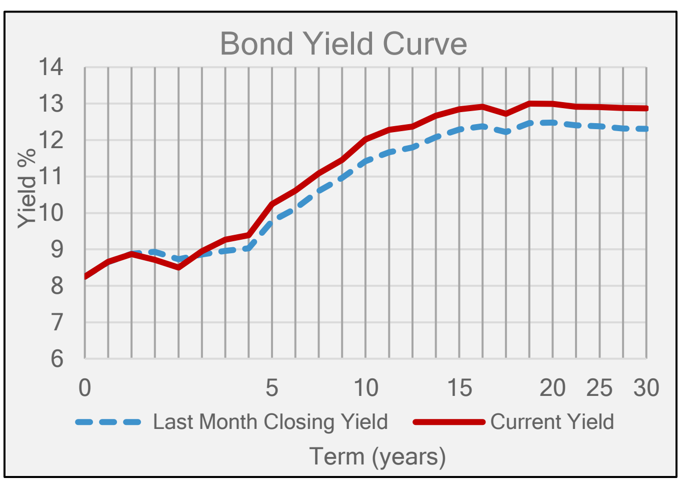
JSE Sub-Sector Returns:



Source: Morningstar (Returns more than 1 year are annualized)

South African manufacturing activity declined in March. The seasonally adjusted PMI fell to 49.2 points in March from 51.7 in February, dropping below the 50-point mark that separates expansion from contraction. Absa said in a statement with the release of the figures, that the PMI was choppy in recent months, but the average for the first quarter of this year was equal to the final quarter of last year. Both the business activity and new sales orders index declined in March to 44.5 and 45.5 respectively – although both the indices remained above recent lows seen in January. The pullback in sales and the creeping up of price pressures suggests that the economy still faces a tricky economic environment. South Africa's business confidence also slipped in first quarter of 2024 amid ongoing load shedding, port congestion and inflation. The business confidence index fell to 30 points in the first quarter from 31 points in the previous three months according to a survey compiled by the Bureau for Economic Research.

South Africa Bond Yield Curve:



Source: Rbond

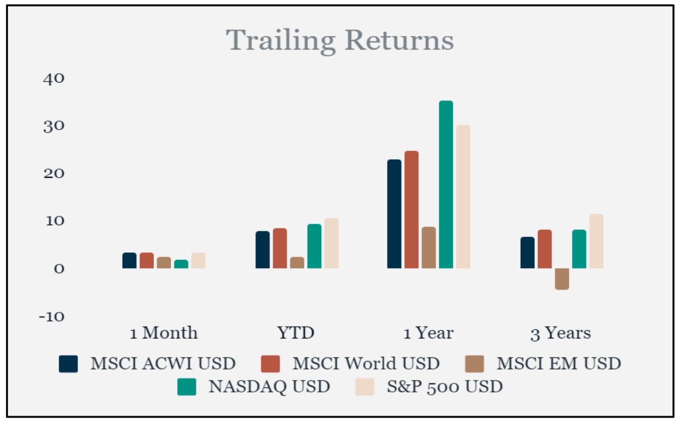
Local bonds experienced a sell-off in March, which pushed yields up, especially on the longer end of the yield curve, as shorter dated bonds their value better. The ALBI declined (1.93%) during March, pushing the year-to-date figure into negative territory. The SA 10-year government bond yield ended the month at 12.02%, up from 11.42 the previous month, with yields on the longer end of the curve now offering yields above 13%. The increased local yields also raised the SA-US bond spreads up again to 6.29%, the highest since October 2023.

Global Markets

Global financial markets continued its positive sentiment into March with global equity having its best start to a year since 2019. With the technology sector contributing to most of the returns for the first 2 months of the year, the recent rally has now broadened to other sectors such as energy and materials returning 10.6% and 6.5% respectively in March. The S&P 500 and the Nasdaq also reached fresh highs during the month, which is notable given that two of the Magnificent 7 stocks (Apple & Tesla) have relatively underperformed this year. The MSCI ACWI returned 3.22% in March, with the Index now up 7.79% YTD. The recent rally is not only contained to the developed market, as both the MSCI World and MSCI EM indices returned 3.34% and 2.52% respectively.

The inflation rate in the US rose to 3.2% YoY, in March, up from 3.1% the previous month. For the past nine months, the annual rate of inflation was held between 3% and 4% but still above the 2% goal that the Fed is targeting. The US Bureau of labour statistics reported a 2.3% increase in energy costs, which helped boost the inflation number. Food costs were flat on the month, while shelter rose another 0.4%. Crucially for the outlook for Fed rate movements, the core inflation rate, which excludes prices for food and energy, fell to 3.8%, down from 3.9% the previous month.

Global Indices Trailing Returns:



Source: Morningstar (Returns more than 1 year are annualized)

The Federal Reserve announced during their March meeting, that its federal funds rate would be held, unchanged, at about 5.5% as it continues to fight persistent inflation in the economy. In their latest statement, the central bank's committee noted that job gains remain strong and the unemployment rate remains low, while price growth remains elevated, even as it has cooled since peaking in 2022. Regarding the extent of cuts, the Fed did not shift away from its projection of three rate cuts in 2024. Though it still remains a possibility that there will be fewer as the committee wants to see more data that gives higher confidence that inflation is moving down sustainably towards 2%.

Asset Class Performance (USD):

As of 31st March 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	3.22	7.79	22.92	6.71	11.06	8.94
Global Property	2.88	(2.08)	7.59	(0.29)	0.91	4.33
Global Bond	0.26	(2.74)	(1.46)	(5.70)	(1.95)	(0.71)
Global Cash	0.42	1.34	5.54	2.89	2.17	1.55
SA Equity	4.58	(5.60)	(4.85)	(0.50)	3.86	1.91
SA Property	0.27	0.29	12.87	4.88	(4.63)	(2.75)
SA Bond	(0.64)	(5.16)	(2.38)	(1.14)	1.37	1.54
SA Cash	1.99	(1.51)	1.29	(2.62)	(0.05)	(0.09)

ZAR/USD (negative = Dollar strength)	1.70	(3.03)	(6.03)	(7.87)	(5.14)	(5.67)
Gold	7.89	5.96	6.26	5.42	7.95	3.26
Brent Crude Oil	4.62	13.55	9.67	11.25	5.05	(1.96)

*Returns more than 1 year are annualized.

Inflation in the UK came in lower than expected at 3.4% YoY down from 4% the previous month and its lowest reading since September 2021. The drop in inflation was widespread across most categories, with food inflation declining from 7% to 5% (down from a peak of 19.1% in March last year). Core inflation, which strips out prices for food and energy, declined from 5.1% to 4.5%. The BoE kept its main interest rate unchanged at 5.25%, which was widely anticipated in financial markets. The bank's Monetary Policy Committee acknowledged that inflation has been trending lower and could fall below the 2% target in the second quarter of the year.

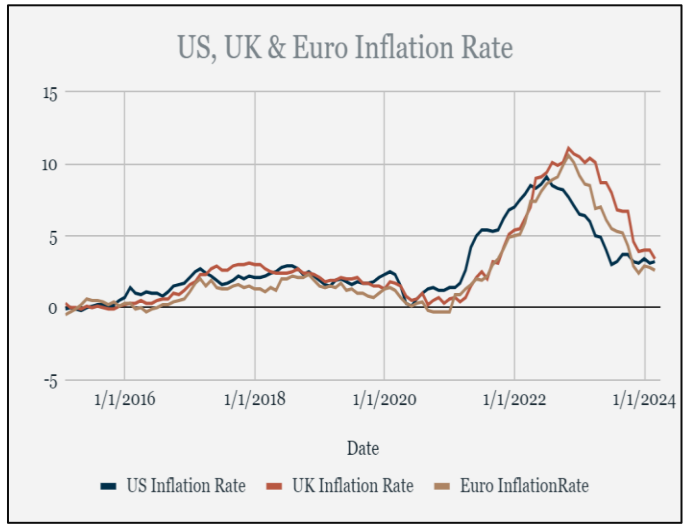
Global Government bond yields continue to adjust in response to shifting market sentiments and economic indicators. Government bond yields fell across the board during the month with the US 10-year yield retracting from 4.26% to 4.21%, while the UK 10-Year yield fell from 4.12% to 3.94%. Since the start of the year, however, global bond yields increased as a whole, mainly in response to news that major central banks would start cutting rates by March, which has now been pushed out to the second half of the year. Global government bonds posted its first monthly gain of the year, returning 0.26%.

The Dollar Index, which measures the US currency against six major counterparts, continued its march forward, as the strong US economy and high interest rates kept the currency on strong footing, the index is now up 2.76% YTD. The gains of the Dollar in March was mainly attributed to a global shift in monetary policy, as the Swiss National Bank was the first developed country to start cutting rates. The Yen was close to its 34-year low versus the greenback as the Bank of Japan's historic policy shift to end eight years of negative interest rates has failed so far to bolster the currency.

US Monthly job growth (In Thousands):

Source: Bureau of Labour Statistics

US Bond Yields:



Source: Bloomberg

The US GDP figure for Q4 2023 was revised slightly upwards to 3.4%, from 3.2% previously reported. A key in ingredient in the growth has been a resilient consumer boosted by a strong labour market and wage growth. The economy added another 275,000 jobs in February, while March payrolls rose unexpectedly to 303 thousand. The increase is however skewed heavily to part-time positions and the unemployment rate rose to 3.9%, the highest since January 2022. US manufacturing grew for the first time in 16 Months, with the PMI increasing to 50.3 from 47.8 as production rebounded sharply. The sector has now moved into expansion for the first time since September 2022. Business activity also continued to expand in March, albeit at a more moderate pace coming in at 51.4 from 52.6. Growth in the US still seems to be relatively strong, even with a slight slowdown in new orders growth. Brent crude prices also continued its upward trend, gaining 4.62% during March settling at its highest level since October 2023. The increase comes amid growing geopolitical tensions in the Middle East and production cuts by the OPEC.

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Historic Asset Class Performance Matrix

The below performance matrix shows returns (colour coded) for the 4 main indicative sources of return per asset class and separated for South Africa and Global. **All performance figures here shown in ZAR.** The performances show the one-year performance of each asset class up to the displayed date (X-axis) except for the column showing YTD returns up to 31st March 2024.

	YTD	3/2024	3/2023	3/2022	3/2021	3/2020	3/2019	3/2018	3/2017	3/2016	3/2015	3/2014	3/2013
Best	Global Equity 11.6	Global Equity 31.2	Global Cash 25.2	SA Property 27.1	SA Equity 54.0	Global Fixed Income 29.9	Global Property 39.9	SA Fixed Income 16.2	SA Fixed Income 11.0	Global Fixed Income 28.6	SA Property 41.4	Global Equity 35.0	Global Property 41.2
	Global Cash 4.9	SA Property 20.5	Global Equity 12.6	SA Equity 18.6	SA Property 34.4	Global Cash 26.3	Global Cash 24.5	SA Equity 9.6	SA Cash 7.0	Global Property 26.7	Global Property 36.1	SA Equity 23.6	SA Property 37.3
	SA Property 3.8	Global Property 14.8	Global Fixed Income 10.5	Global Property 16.5	Global Equity 31.1	Global Equity 8.6	Global Equity 24.5	SA Cash 6.8	Global Equity 5.8	Global Cash 21.7	Global Equity 21.6	Global Property 18.9	Global Equity 33.4
	SA Cash 1.9	Global Cash 12.6	SA Fixed Income 5.8	SA Fixed Income 12.4	SA Fixed Income 17.0	SA Cash 6.6	Global Fixed Income 19.6	Global Equity 2.2	SA Equity 2.5	Global Equity 16.8	Global Cash 15.4	Global Fixed Income 15.8	SA Equity 22.5
	Global Property 1.4	SA Cash 8.0	SA Cash 5.7	Global Equity 5.5	Global Property 12.5	SA Fixed Income -3.0	SA Cash 6.6	Global Fixed Income -4.4	SA Property 1.5	SA Cash 6.0	SA Equity 12.5	Global Cash 14.8	Global Cash 19.8
	Global Fixed Income 0.7	Global Fixed Income 5.2	SA Equity 4.9	SA Cash 3.6	SA Cash 3.8	Global Property -3.9	SA Equity 5.0	SA Property -7.1	Global Cash -8.3	SA Property 4.6	SA Fixed Income 12.4	SA Cash 4.9	Global Fixed Income 18.9
	SA Fixed Income -1.8	SA Fixed Income 4.2	SA Property -3.4	Global Cash -0.9	Global Fixed Income -14.8	SA Equity -18.4	SA Fixed Income 3.5	Global Property -9.5	Global Property -8.3	SA Equity 3.2	Global Fixed Income 8.5	SA Property 1.1	SA Fixed Income 14.3
Worst	SA Equity -2.2	SA Equity 1.5	Global Property -4.9	Global Fixed Income -7.4	Global Cash -17.2	SA Property -47.9	SA Property -5.7	Global Cash -10.4	Global Fixed Income -11.8	SA Fixed Income -0.6	SA Cash 5.6	SA Fixed Income 0.6	SA Cash 5.0

Source: Morningstar Direct