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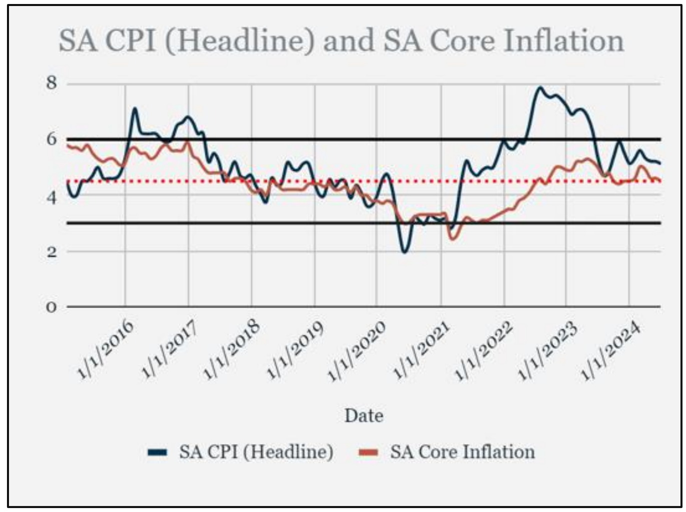
South African Market

The local equity market maintained its positive momentum with another strong month. The FTSE/JSE ALSI index was one of the top performing emerging markets, as the index broke through and closed at a historic high of 82,000 at the end of the month. Local investor sentiment has continued to improve since the GNU was formed, post-election and companies specifically tied to the local economy such as retailers and banks have performed well as the financial sector gained 5.15%. The resource sector gained back some ground after weaker commodity prices impacted the sector in June. The Index rose 5.65%, mostly on the back of rising gold prices.

Local inflation (CPI) edged lower to 5.1% YoY, down from 5.2%, the previous month. The latest print was the lowest reading since December 2023, and is also in line with current expectations. The decline in inflation was helped driven by softer prices for the food component, declining to 4.6%, from 4.7%, the lowest level in 4 years. Weaker global oil prices reduced fuel prices and eased transport costs that declined to 5.5% YoY, from 6.3%. There was also relief for fuel prices, dropping by 4.39%. Core inflation, which excludes food and energy costs, also eased to 4.5% YoY, from 4.6%.

SA inflation Rate:



Source: Trading Economics

The SARB's MPC left interest rates unchanged at 8.25% for the 15th consecutive month at their latest meeting in July, the decision however was not unanimous, with four members preferring an unchanged stance and two favouring a 25bps cut. The SARB have remained hawkish in their stance and the latest decision to leave rates unchanged aims to further reduce inflation to its 4.5% midpoint target and positively anchor market expectations before signalling in a cut in interest rates.

Asset Class Performance (ZAR):

As of 31st July 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	1.73	12.22	19.52	13.62	16.92	15.00
Global Property	5.70	1.87	10.20	3.82	6.75	9.67
Global Bond	2.58	(2.10)	3.74	0.93	2.73	4.65
Global Cash	0.09	2.73	8.11	11.33	7.63	7.26
SA Equity	3.92	9.89	9.04	10.87	11.96	8.50
SA Property	4.39	14.37	28.84	13.50	2.01	3.49
SA Bond	3.96	9.73	15.58	8.72	8.82	8.52
SA Cash	0.72	4.71	8.22	6.32	5.64	6.06

ZAR/USD (negative = Rand strength)	0.13	(0.50)	2.24	7.63	5.16	5.46
Gold	3.24	13.08	18.69	13.98	13.07	9.67
Brent Crude Oil	(8.90)	2.03	(5.53)	8.78	9.25	2.42

*Returns more than 1 year are annualized.

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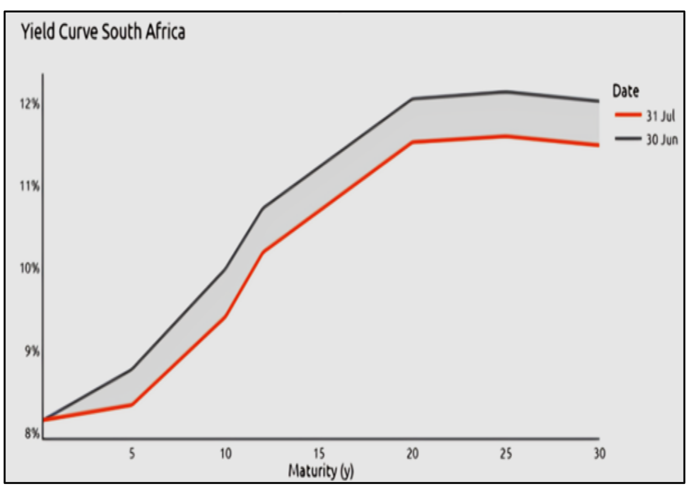
After two consecutive months of strong gains, the Rand depreciated marginally by 0.13% against the Dollar, to R18.20/USD. The currency's movement was influenced by the performance of the US Dollar, which strengthened as the Federal Reserve maintained interest rates at 5.25-5.5%. The Rand has experienced increased volatility in recent months, initially impacted by both international and domestic factors, including weaker commodity prices. However, the recent national election outcome was viewed as a significant positive shift for South Africa, with the Rand improving from +R19/USD before the election to its current level. This positive market sentiment has also bolstered the outlook for the currency.

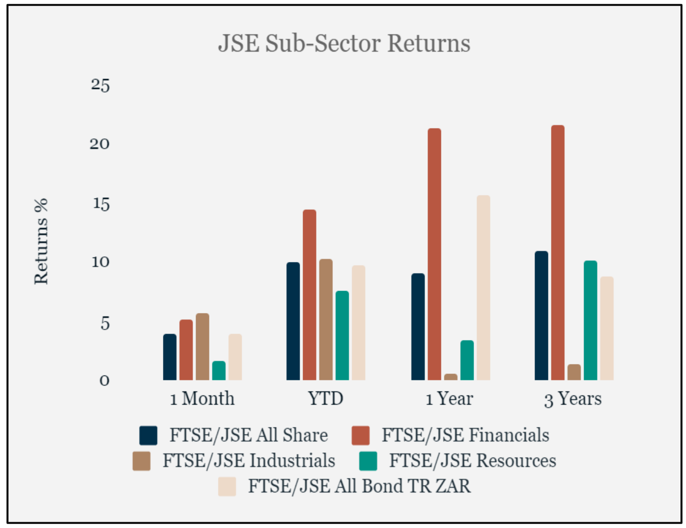
The Absa Purchasing Managers' Index (PMI) rose by 6.7 points in July, reaching 52.4 from 45.7 in June, signalling a return to positive territory and a strong start to the third quarter for the manufacturing sector. The survey, released by the Bureau for Economic Research (BER), also indicated that both domestic and global demand have picked up, leading to higher activity levels. The business activity index increased to 50.8 in July, driven by new sales orders and a significant rise in export sales. Business confidence in South Africa has also begun to improve, largely due to the suspension of load shedding for a full four months.

South Africa Yield Curve:



Source: Refinitiv

JSE Sub-Sector Returns:



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

Local bonds had a strong month in July. The All-Bond Index (ALBI), gained 3.96%, again outperforming the local equity market, and bringing the year-to-date returns to 9.73%. The 10-year government bond yield fell below 11% for the first time since 2023, dropping to 10.74%, down from 11.24% the previous month. The long end of the yield curve has also further flattened, with longer dated bond yields falling to below 11.5%. The yield spread between South African and US bonds narrowed further decreasing to 5.30% from 5.64%. The SA bond market has now returned 10.31% year to date in Dollar terms, outperforming the rest of its EM market peers. Demand for South African bonds have significantly increased since the start of the year as foreign investors have been net buyers of the local bonds accumulating R23.4 bn this year and is on track for the largest annual inflow since 2019.

After a slight decrease in GDP figures for Q1 2024, expectations indicate that growth in Q2 and Q3 2024 will edge slightly higher on better macroeconomic fundamentals. The IMF, in its latest World Economic Outlook (WEO) report, retained South Africa's 2024 GDP growth forecast at 0.9%, citing the positive impact of the substantially reduced load shedding on output levels.

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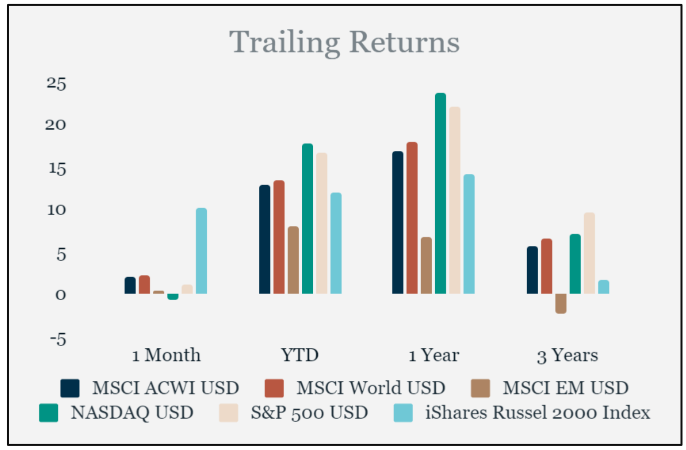
Global Markets

Global equity markets continued their upward momentum, with the MSCI ACWI index gaining 2.96%. However, the month was characterized with sharp rotations in the market. Investors, started to move out of the heavily favoured growth companies, such as mega-cap tech stocks, and shifted towards more value-oriented companies and small-cap stocks amid expectations of a fall in interest rates. The dispersion in the market performance was also influenced by the latest second-quarter earnings reports, with some companies reporting weaker-than-expected growth and others expressing concerns about potential setbacks in the AI infrastructure buildout. Emerging market equities gained 0.37% in USD terms, supported by a weaker Dollar and hopes of US interest rate cuts. However, poor performances from index heavyweights China and Taiwan proved a drag on the MSCI EM index.

The Inflation rate in the US eased for a third straight month to 3.0% YoY, the lowest level since 2021, down from 3.3% the previous month. While Fed policymakers target inflation at 2% annually, the latest inflation report has seen inflation trend downwards even further. The broad moderation in inflation has aligned with reports from retailers about consumers pushing back against higher prices. A 2.5% drop in gasoline prices held back inflation for the month, offsetting the 0.2% increases for both food prices and shelter.

Global Indices Trailing Returns:



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

The US Federal Reserve announced at its July FOMC meeting that it will keep its benchmark interest rate unchanged at 5.25% to 5.5%. However, the stance of the committee has now moved from a hawkish tone, to more neutral, leaving the door open for a first cut in rates in September. Chairman Powell's statement after the release of the report has put further emphasis on the committee's shift from focusing mainly on inflation to splitting their focus between inflation and the effect higher rates have had on the job market. Since the committee's last meeting (held in June), key economic data have pointed to signs that the job market is starting to cool off.

Asset Class Performance (USD):

As of 31st July 2024	MTD	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global Equity	2.12	12.81	16.84	5.66	11.23	9.07
Global Property	6.10	2.41	7.73	(3.45)	1.55	4.02
Global Bond	2.96	(1.58)	1.42	(6.14)	(2.27)	(0.74)
Global Cash	0.47	3.27	5.69	3.53	2.39	1.74
SA Equity	4.31	10.48	6.60	3.10	6.50	2.91
SA Property	4.79	14.97	25.95	5.55	(2.95)	(1.84)
SA Bond	4.35	10.31	12.99	1.10	3.53	2.92
SA Cash	1.10	5.26	5.80	(1.13)	0.50	0.59
ZAR/USD (negative = Dollar strength)	3.61	0.64	3.60	(7.68)	(4.98)	(5.23)
Gold	3.63	13.68	16.03	5.99	7.56	4.01
Brent Crude Oil	(8.55)	2.57	(7.64)	1.16	3.93	(2.86)

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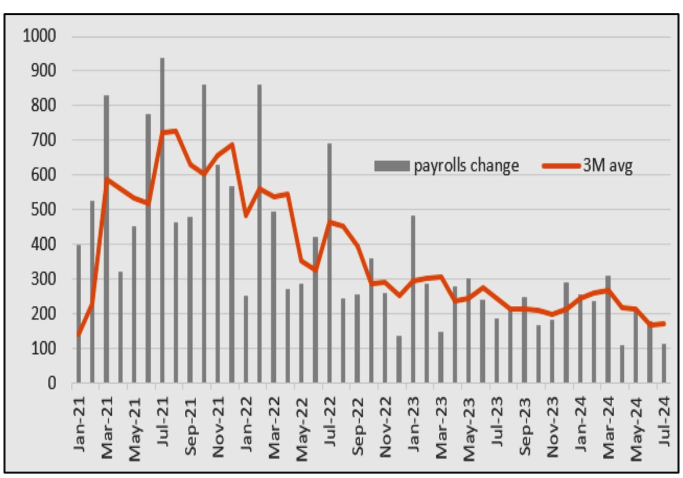
UK equities had a strong performance in July, bolstered by a decisive Labour Party victory in the general election early in the month, that helped fuelled optimism for a sustained recovery in the economy. UK inflation defied forecasts for a fractional fall and held at 2% unchanged from the previous month. Services inflation, that policymakers have been watching for signs of continued domestic price pressures, held steady at 5.7% for the second straight month. Core inflation, which excludes food and energy prices, was 3.5%, also on par with the 3.5% recorded the previous month. The BoE, in a surprise move, cut interest rates by 25 bps at their latest meeting, for the first time since the start of COVID-19 in early 2020. Policymakers ultimately voted 5-4 in favour of the reduction, with Governor Andrew Bailey saying that the committee would move ahead cautiously. Bailey's comments suggest that significant rate cuts are unlikely in the near future, as the BoE anticipates a rise in inflation during the second half of the year due to increasing energy bills in the colder months.

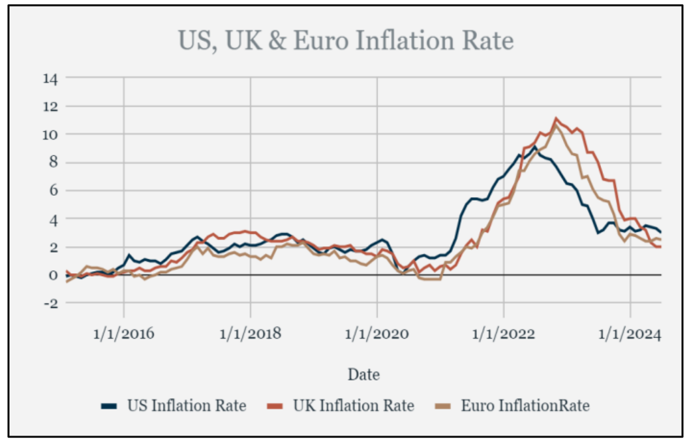
In the foreign exchange markets, the US Dollar fell to a three-month low, ending the month weaker against a basket of major currencies, down (1.63%). This decline was largely driven by the appreciation of the Japanese Yen and expectations of monetary easing in the US. The Japanese Yen strengthened from 162 to 150 Yen against the US Dollar in July as the Bank of Japan increased rates to 0.25% from a 0%-0.1% range.

US Labour Market:



Source: Bloomberg Financial

US/UK/Euro Inflation Rate:



Source: Trading Economics

July was a positive month for global bond markets. Government bond yields, which move inversely to bond prices, dropped across all major markets, propelled by expected interest rate cuts as inflationary pressures continue to ease. The global bond index gained 2.96% for its best month of the year gaining back some of its YTD losses. However, the index is still down (1.58%) year-to-date. Yields on benchmark US 10-year treasuries fell to 4.09%, from 4.20% as economic growth continues to cool.

The July 2024 jobs report, released at the beginning of August, revealed a significant cooling in the US labour market. Only 114,000 jobs were added in July, falling short of the 180,000 expected by economists and marking a notable decline from the 179,000 jobs added in June. This brings the three-month average employment gain to 170,000, slightly lower than previously reported, underscoring the impact of the Federal Reserve's restrictive interest rate policies curbing job growth. The decrease in the three-month average also triggered the "Sahm Rule," a reliable recession indicator that signals a recession when the three-month moving average of the US unemployment rate rises by 0.5 percentage points or more above its lowest level in the past 12 months. The headline unemployment rate also increased to 4.3%, its highest since October 2021, up from 4.1% the previous month, which could prompt the Fed to consider easing policy by September.

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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 July 2024.

	YTD	7/2024	7/2023	7/2022	7/2021	7/2020	7/2019	7/2018	7/2017	7/2016	7/2015	7/2014	7/2013
Best	SA Property 14.4	SA Property 28.8	Global Equity 20.6	Global Cash 14.5	SA Property 28.5	Global Fixed Income 29.1	Global Property 17.4	SA Fixed Income 11.2	Global Equity 12.1	Global Property 30.2	SA Property 31.0	SA Equity 28.3	Global Equity 47.3
	Global Equity 12.2	Global Equity 19.5	SA Equity 19.3	SA Property 9.7	SA Equity 27.1	Global Equity 28.1	Global Fixed Income 13.9	Global Equity 10.9	SA Equity 7.6	Global Fixed Income 23.0	Global Property 24.5	Global Equity 25.9	Global Property 30.9
	SA Equity 9.9	SA Fixed Income 15.6	Global Cash 11.5	SA Equity 4.7	Global Property 17.7	Global Cash 21.7	Global Equity 10.9	SA Equity 7.2	SA Fixed Income 7.2	Global Equity 10.3	Global Equity 21.8	Global Property 24.1	SA Equity 23.0
	SA Fixed Income 9.7	Global Property 10.2	SA Fixed Income 8.1	SA Cash 3.9	Global Equity 16.3	SA Cash 5.8	Global Cash 10.8	SA Cash 6.7	SA Cash 7.0	Global Cash 10.3	Global Cash 17.9	Global Fixed Income 12.9	Global Cash 20.9
	SA Cash 4.7	SA Equity 9.0	SA Cash 6.8	Global Property 3.1	SA Fixed Income 13.9	Global Property 5.2	SA Fixed Income 8.1	Global Property 4.6	SA Property 3.3	SA Property 9.0	SA Fixed Income 8.2	SA Property 12.7	Global Fixed Income 15.4
	Global Cash 2.7	SA Cash 8.2	SA Property 3.4	SA Fixed Income 2.9	SA Cash 3.5	SA Fixed Income 4.2	SA Cash 6.6	Global Cash 0.9	Global Cash -4.0	SA Fixed Income 6.4	Global Fixed Income 7.9	Global Cash 8.3	SA Property 9.4
	Global Property 1.9	Global Cash 8.1	Global Fixed Income 3.0	Global Equity 1.7	Global Fixed Income -13.8	SA Equity 1.6	SA Equity 2.2	Global Fixed Income -1.2	Global Fixed Income -7.8	SA Cash 6.4	SA Cash 5.7	SA Fixed Income 7.2	SA Cash 4.8
Worst	Global Fixed Income -2.1	Global Fixed Income 3.7	Global Property -1.5	Global Fixed Income -3.8	Global Cash -14.0	SA Property -41.2	SA Property 0.1	SA Property -13.6	Global Property -8.7	SA Equity 4.5	SA Equity 4.4	SA Cash 5.1	SA Fixed Income 1.6

Source: Morningstar Direct

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