

Roxburgh Market Summary



MAY 2024

MARKET INDICES (% in ZAR) (*ANNUALISED)

	1 month	3 months	YTD	1 year	3 years*	5 years*	7 years*
FTSE/JSE All Share	0.96	7.30	1.60	6.27	8.60	10.71	9.10
FTSE/JSE SA Listed Property	0.16	-1.45	3.40	20.25	10.74	0.17	-1.52
FTSE/JSE All Bond	0.75	0.17	0.30	13.03	6.19	7.21	7.74
STeFi (Cash)	0.70	2.09	3.47	8.52	6.35	6.04	6.41
MSCI World	4.42	1.89	12.75	18.69	18.53	18.71	16.40
MSCI EM	0.52	1.60	6.46	6.78	4.20	9.01	8.50
Oil Price	-7.72	-4.80	8.39	6.06	17.10	10.22	12.65
Gold Price	1.74	12.53	16.32	13.58	19.26	18.58	14.93

MARKET COMMENTARY

Global equity markets produced strong returns this month, with developed markets producing robust returns and outpacing emerging markets. Developed equity markets, after a pause in April, continued its strong run this month, with multiple markets hitting all-time highs in May. Given the risk on environment, global bonds moved higher, as yields fell. Growth and in particular technology companies produced strong returns this month, as market participants looked through the "higher for longer" rhetoric, leading most developed markets higher. Emerging markets lagged developed market peers as Brazil and China produced negative performance this month.

South African asset classes produced positive returns this month, however, they lagged developed market peers. The positive headline move masked the volatile nature of South African asset classes this month, as the election news weighed on sentiment. However, given the risk on global environment we saw most SA asset classes end the month in positive territory, as local equities, property and bonds ended the month higher. Local equities, and particularly the Industrials sector, posted strong returns, as the weak rand coupled with strong global equity markets led rand hedges higher. On the other hand, "SA Inc" stocks, namely SA Financials and SA Retailers produced weak returns in May. The rand weakened against the major crosses this month. The strength in South African equities was largely driven by the Industrials sector, which moved higher over the month due to a positive move in SA rand hedge shares including Richemont (+12.7%), British American Tobacco (+4.5) and Prosus (+5.8%). On the other hand, SA retailers Woolworths (-9.8%), which fell on results and Foschini (-4.6%), ended the month lower. SA Resources produce mixed returns this month, as platinum holdings rebounded, while Energy and diversified miners ended the month lower. Financials produced a negative return this month, primarily due to weakness in Capitec (-7.2%) and Discovery (-8.8%). Local bonds ended the month higher, as yields ticked lower (and prices higher) over the month. The positive bond moves masked the volatile nature of SA nominal bonds this month. In the first three weeks we saw yields move lower (and prices higher), but this unravelled somewhat towards the election in South Africa as yields came under pressure. Given the fractured nature of the election outcome, it will most likely continue to be a volatile local bond market going forward. South African property counters moved higher this month, as the risk on environment favoured global listed property. Local listed property moved higher, in line with global peers this month. Index heavyweights and rand hedge Nepi Rockcastle (+2.2%) moved higher this month, pushing the market return into positive territory.

South Africa's annual inflation rate eased to a four-month low of 5.2% (year-on-year to the end of April 2024), down from 5.3% in March and slightly below market forecasts of 5.3%. Inflation remains above the central bank's preferred level of 4.5%. In terms of price moves, prices softened primarily for food and non-alcoholic beverages. Meanwhile, prices picked up for restaurants, hotels, and transportation. The core inflation rate, excluding volatile items such as food and non-alcoholic beverages, fuels, and energy, fell for the second month to 4.6% (year-on-year to the end of April). On the back of inflation remaining higher than the reserve bank's preferred midpoint, the South African Reserve Bank (SARB) unanimously decided to keep its key repo rate at 8.25% in May, as widely expected. While the inflation forecast risks were assessed as broadly balanced, the SARB believes that high inflation expectations necessitate achieving their target sooner rather than later to re-anchor these expectations. Forecasts now indicate that inflation is expected to reach the midpoint of its target range in the second quarter of 2025, sooner than previously predicted. The headline news event from a South African perspective was the widely anticipated elections, which saw the ANC lose its majority. The IEC announced the election results recently, with over 16 million South Africans casting their votes (of the 27 million registered voters, leading to a participation rate of 58.6%). The results showed a significant decrease in the ANC support (40.2% support versus 57.5% in 2019) and the newly formed uMkhonto WeSizwe (MK) party gained 14.6% of the vote. The Democratic Alliance (DA) secured 21.8% of the vote, while the Economic Freedom Fighters (EFF) secured 9.5%. On the back of the recent results and the need for a coalition partner with the ANC, it is likely to expect continued volatility in the performance of South African asset classes as we gain insight on the preferred coalition partners.

The **JSE All Share Index** (+1.0%) ended May higher, driven largely by the Industrials and Resources indexes. The performance from South African equities was mixed, with SA Resources and Industrials sectors ending in positive territory, while Financials ended the month lower. **Industrials** (+1.7%) drove the bulk of the performance on the back of a strong performance from rand hedges during the month. **Resources** (+1.0%) produced a strong return, as platinum stocks rebounded and ended the month higher. **Financials** (-0.1%) ended in negative territory, driven lower by the banks and life insurers. **Listed property** (+0.2%) ended the month higher, on the back of strong performance from Nepi Rockcastle (+2.2%). Local listed property continues to be the best performing local asset class on a one-year basis. **Local bonds** (+0.8%) ended the month higher, in a particularly volatile month for the South African bond market. Yields moved lower on the back of the market expectations that the interest rate hiking cycle is done. Cash continues to yield a positive return. **Cash** delivered +0.7% in May.

The rand produced mixed returns against the major crosses this month. The currency was flat against the **US dollar** (+0.0%), however, it lost ground against the **pound sterling** (-1.6%) and the **euro** (-1.5%) during the month.

*All data is sourced from Morningstar Direct as at 31/05/2024. The performance of South African asset classes is quoted in rands.

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Sources: Morningstar Direct.

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