

Market Summary

As of 2023/07/31



MARKET INDICES (R)

	1 month	3 months	1 year	3 years	4 years	5 years
FTSE/JSE All Share	4.01	1.28	19.34	16.66	12.70	10.51
FTSE/JSE SA Listed Property	2.30	-2.26	3.42	13.40	-3.77	-3.01
All Bond Index	2.29	1.86	8.07	8.20	7.20	7.37
STeFI(Cash)	0.68	1.99	7.04	5.07	5.46	5.83
MSCI World	-2.70	5.55	21.14	13.29	16.99	16.00
MSCI EM	0.00	5.44	15.66	2.94	8.71	8.13
Oil Price	7.54	4.63	-16.98	27.31	13.29	9.36
Gold Price	-2.99	-3.32	19.98	1.56	14.72	16.99

MARKET COMMENTARY

Global markets continued on an upward trend this month, driven by economic data that exceeded expectations. Market participants shifted from recessionary projections to a cautiously optimistic outlook, anticipating a "soft landing" for most economies and the decreased possibility of a recession. Riskier assets gained traction as a result, while global bonds struggled to generate positive returns. The prevailing sentiment is that the strong economic numbers will likely help most global economies avoid a recession, fostering a sense of cautious optimism among investors regarding the future and continued growth during the ongoing economic recovery.

Positive global sentiment bolstered emerging markets, pushing South African asset classes higher this month. The prevailing global risk-on sentiment drove local equities and bonds higher, attracting foreign investors as net buyers of SA assets. However, the significant rand strength dampened currency-exposed index heavyweights, leading to local equities slightly underperforming compared to the broader emerging market complex. South African equities ended the month higher, as all sectors produced positive returns. Financials produced a robust return this month, driven higher by index heavy weights Capitec (+14.4%) and ABSA (+12.8%). Resources also performed strongly, benefiting from a rebound in precious metals and platinum group metals (PGM's) prices. Industrials ended higher, however, lagged the broader market on the back of the performance from currency-exposed holdings whose performance was negatively impacted by the strong rand. Index heavyweights Richemont (-10.1%) and Anheuser-Busch InBev (-3.7%) ended the month lower. Local bonds ended the month higher, continuing a strong run for the asset class, which started in June. This positive move was primarily driven by the prevailing global risk-on sentiment, however, a lower-than-expected local inflation print as well as the decision of the South African Reserve Bank (SARB) to keep policy rates unchanged further contributed to the positive performance. Local property followed other South African asset classes higher this month. Index heavyweight Growthpoint (+8.7%) outperformed this month, while Europe focused counter Nepi Rockcastle (-3.0%) struggled to post a positive return as the rand strength acted as a headwind to the performance of offshore counters.

The South African Reserve Bank (SARB) kept interest rates unchanged at a 14-year high of 8.25% at its July meeting, in line with expectations. The SARB governor did note that the direction of interest rates will be dependent on inflation data going forward. However, many market participants are forecasting that this is possibly the end of the rate hiking cycle. South Africa's annual inflation rate followed the global trend lower and fell to a 19-month low of 5.4% (year-on-year to the end of June). Headline inflation is back to within the central bank target range of between 3%-6% for the first time in 14 months. Core inflation slowed to 5% in June, broadly in line with market estimates of 5.1%. South Africa recorded a trade deficit of R3.5 billion in June 2023, compared to a downwardly revised R9.6 billion surplus in the previous month and way below market estimates of a R11.9 billion surplus. Exports fell by 8.6% from the previous month to R167.6 billion, mainly due to shipments of vehicles and transport equipment. Meanwhile, imports dropped 1.6% over a month earlier to R171.2 billion, mainly driven by a decline in purchases of precious metals and stones.

The **JSE All Share Index** (+4.0%) ended July higher, propelled by the Financials sector. The strong performance of South African equities was broad based across the different local equity sectors during the month, with **Financials** (+7.8%), **Industrials** (+2.6%) and **Resources** (+3.2%) all moving higher. **Listed property** (+2.3%) ended the month higher, rebounding from the poor performance recorded in June. Property continues to be the only local asset class in negative territory on a year-to-date basis. **Local bonds** (+2.3) ended the month higher, as the yield curve steepened in July in reaction to the SARB's decision to keep interest rates unchanged. **Cash** continues to yield a positive return. Cash delivered +0.7% in July, with the outlook for the asset class improving post the recent interest rate hikes from the SARB.

The rand strengthened against most of the major crosses this month. The currency gained ground against the **US dollar** (+5.9%), **euro** (+4.9%), and the **pound sterling** (+4.7%) during the month.

*All data is sourced from Morningstar Direct as at 31/07/2023. The performance of South African asset classes is quoted in rands.

Returns greater than a year have been annualised. Returns prior to launch date are simulated and are based on the underlying funds at the initial weightings. Returns are net of TIC. The average weighted Total Investment Charge (TIC) shown is equal to the sum of the unit trust's total expense ratio (TER) and transaction costs (TC). This is merely an indication as the underlying fund weightings vary daily and share classes may differ from one platform to another. TIC is inclusive of VAT. TIC excludes the Discretionary Management fee, Financial Advisor and Platform fees.
The SA CPI benchmark figure is lagged by one month as it gets calculated before the current month's inflation rate has been released.
Underlying asset allocations are lagged by one month. Share classes may differ depending on the platform the portfolio is loaded onto.
Portfolio Size refers to total assets in the portfolio as at the last quarter end.
©2023 Morningstar. All Rights Reserved. The Morningstar name and logo are registered trademarks of Morningstar, Inc. The information, data, analyses, and opinions contained herein (1) include the proprietary information of Morningstar Inc. and its subsidiaries, (2) may not be reproduced, disseminated or disclosed without our prior written approval, (3) do not constitute investment advice offered by Morningstar, (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be correct, complete, or accurate. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. It is important to note that investments in securities involve risk and will not always be profitable. MIM does not guarantee that the results of its investment decisions or the objectives of the portfolio will be achieved. MIM does not guarantee that negative returns can or will be avoided in any of its portfolios. An investment made in a security may differ substantially from its historical performance and as a result, you may incur a loss. Past performance is not a guide to future returns. Market data and statistical information has been obtained from various sources that we consider to be reliable. However, we make no representation as to, and accept no responsibility or liability whatsoever for, the accuracy or completeness of such information. The Morningstar Investment Management group comprises Morningstar Inc.'s registered entities worldwide, including South Africa. Morningstar Investment Management South Africa (Pty) Ltd is an authorised financial services provider (FSP 45679).