

Graviton | Monthly Market Highlights

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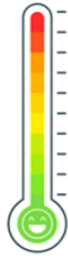
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Monthly edition | June 2023 recap



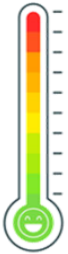
Monthly market recap | June in review

Market news



- Total employment in the formal, non-agricultural sector in South Africa (SA) decreased by 21 000 in the first quarter of 2023, bringing the level of employment to almost 10 million.
- Manufacturing output in SA expanded by 1.4%, with four of the ten manufacturing divisions reporting increased production. Food & Beverages was the largest positive contributor, driven mainly by the production of beverages.
- The yield on the US 10-year Treasury note hovered around 3.7% in the last week of June, as investors weighed fresh economic data pointing to a resilient economy and prospects that interest rates will continue to march higher.

Market stats



- The annual producer price inflation in SA eased further to 7.3% in May 2023, from 8.6% in the previous month.
- Britain's quarterly economic growth was confirmed at 0.1% in the first quarter of 2023, remaining unchanged from the previous three-month period.
- Germany's consumer price inflation increased to 6.4% year-on-year in June 2023, rising from the 14-month low of 6.1% recorded in May.

International markets

MSCI World (\$)	6.05%
Global Bonds (\$)	-0.01%
Global Property (\$)	3.18%
MSCI EM (\$)	3.89%
FTSE (£)	0.99%
S&P 500 (\$)	6.61%

Bond market

All Bond	4.58%
Bonds 1-3 years	2.50%
Bonds 3-7 years	3.71%
Bonds 7-12 years	5.52%
Bonds 12+ years	4.75%

Local markets

FTSE/JSE All Share	1.35%
Industrials	3.65%
Resources	-8.17%
Property	0.92%
Financials	11.39%
Cash	0.65%

Currency

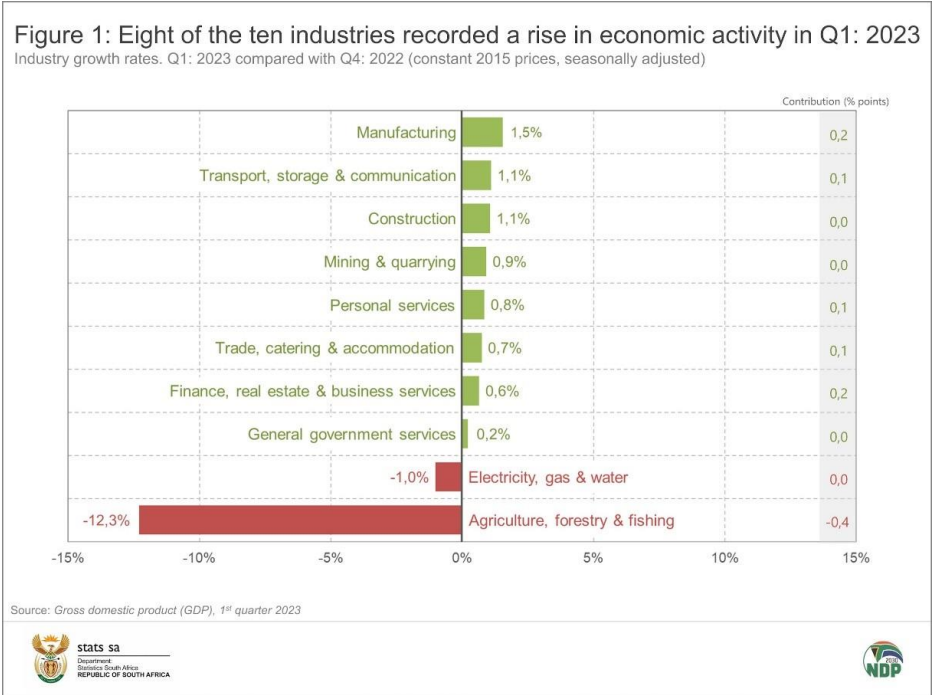
Rand vs USD	4.90%
Rand vs EURO	2.50%
Rand vs GBP	2.26%
Rand vs JPY	7.32%
Rand vs AUD	3.25%

GDP edges higher | South Africa avoids technical recession

- Real gross domestic product (GDP) edged higher in the first quarter of 2023, expanding by an estimated 0.4%.
- The manufacturing and finance industries were the major drivers of growth on the supply side of the economy.
- The demand side was lifted by exports, with smaller positive contributions for household, government, and investment spending.

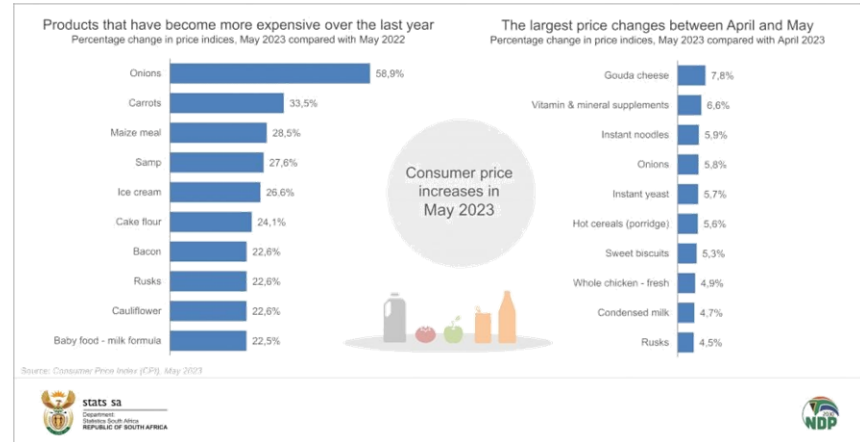
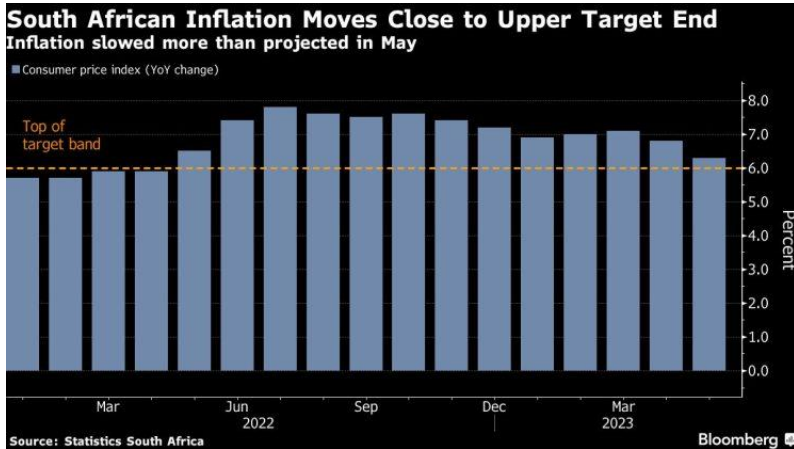


Growth in the first quarter of 2023 means South Africa avoided a technical recession, which is defined as two consecutive quarters of a shrinking economy.



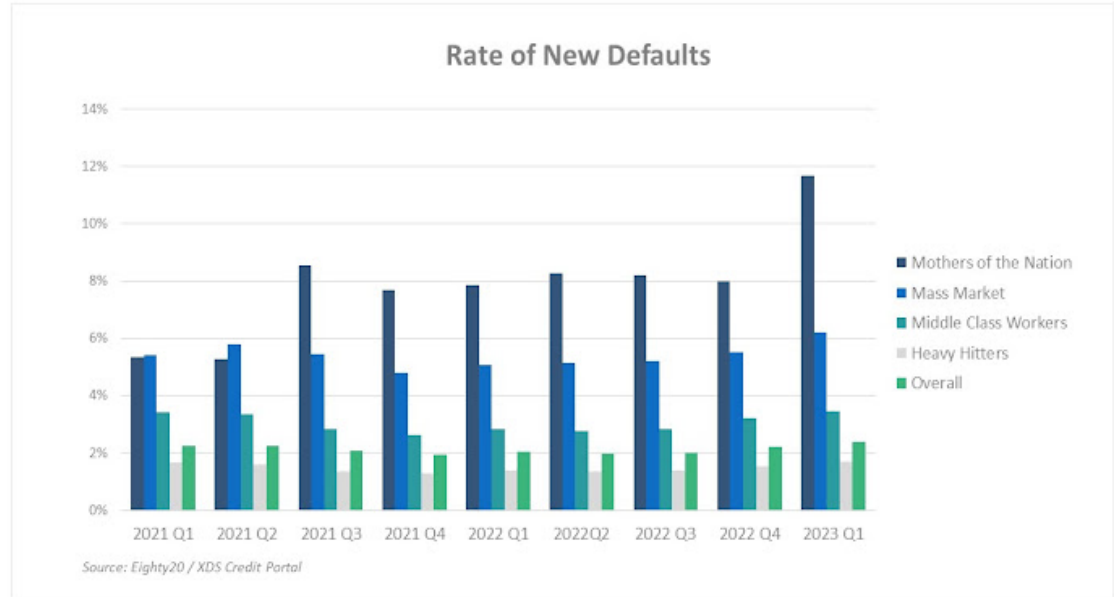
SA Inflation rate | Lowest since April 2022

- South Africa’s inflation rate eased in May 2023 to 6.3%, down from 6.8% in April and below market forecasts of 6.5%, moving closer to the upper limit of the SA Reserve Bank's target range of 3%-6%.
- The reading for May is the lowest since April 2022, when the rate was 5.9%.



New loan defaults rise | Wealthy also feeling the pinch in South Africa

- Loans newly in default (the proportion of current loan balances that went into default during the quarter) was up by 17.4% over the past year.
- This change in rate of new defaults is driven particularly by new defaults in secured products (home loans at 27% and vehicle and asset finance at 12%).
- An increase in middle-income and wealthy South Africans defaulting on home and vehicle loans indicates the country's poor credit health – signalling that everyone is feeling the pain of the current economic climate.



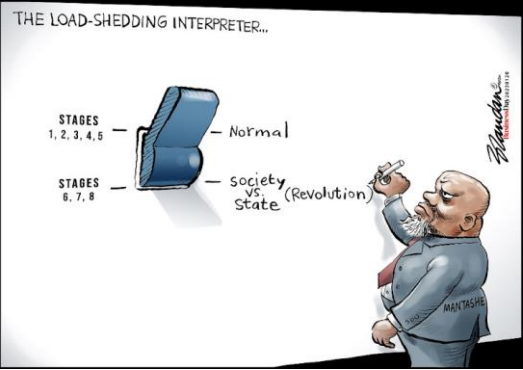
Powering through the darkness

- Cold weather and a lack of scheduled maintenance between June and August are giving South Africans a chance to catch their breath from months of record-high levels of load shedding.
- The improvement in Eskom’s Energy Availability Factor (EAF) has led to load shedding being suspended during the day on some days.



The reasons for the eased load shedding are rooted in several beneficial conditions.

- Better plant performance due to colder weather;
- Increased wind energy production due to stormy weather in the Cape;
- A reduction of planned maintenance by Eskom, typical for this period;
- Lower than anticipated demand from consumers.



SA Business confidence | Plummets 5th consecutive quarter

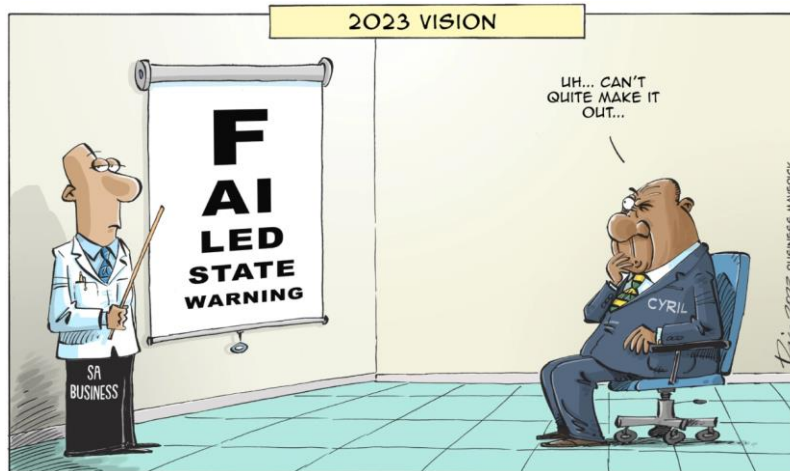
- Business sentiment in South Africa has fallen for the fifth consecutive quarter.
- According to a survey from the Bureau of Economic Research (BER), business confidence dropped by a further two points from Q1 2023's 45 points to 43 points – following a record 23-point drop in that quarter.
- Unrelenting load shedding, rising interest rates, the weak rand and the country's geopolitical position are some of the factors weighing on confidence.

Figure Other services confidence declines for a second quarter



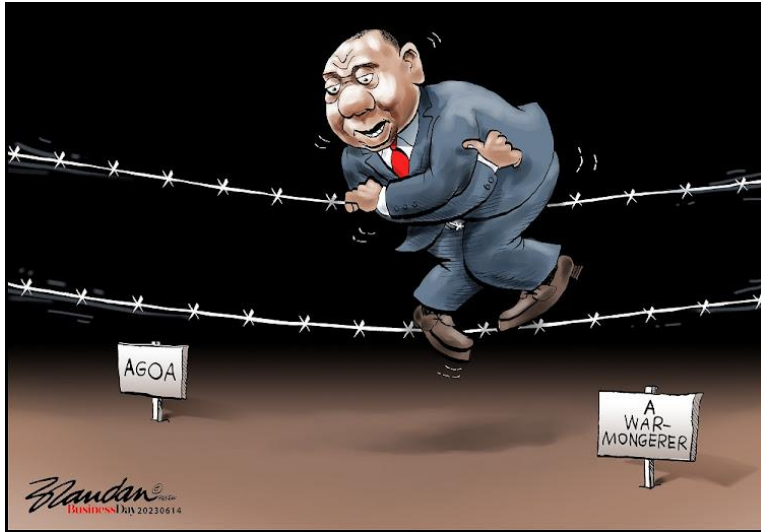
Source: BER, SARB

Note: business cycle downswings are shaded



South Africa's AGOA debacle

The possible exclusion of South Africa (SA) from the African Growth and Opportunity Act (AGOA) will have far-reaching negative ramifications on the country's economy and international relations, with several experts only disagreeing on just how bad the backlash could be.



Significance of AGOA

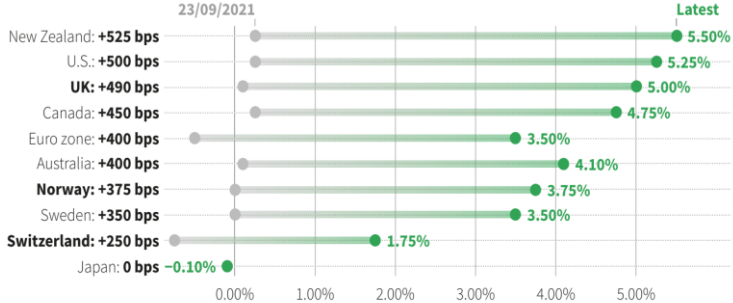
- AGOA provides duty-free access for South African goods to the United States (US) market.
- Industry lobby groups in the US have argued that SA shouldn't be classified as a "developing country" and therefore shouldn't benefit from tariff-free trade with the world's biggest economy.
- When the deal is up for renewal in 2025, South Africa's continued membership will be up for discussion once again.
- Most recently, US lawmakers have been calling on the White House to potentially cut SA out of AGOA because of our perceived closeness to Russia.

Central banks | Race to raise interest rates

- To date, nine developed economies have raised rates by a combined 3 740 basis points (bps) in this cycle.
- The graph below indicates where central banks stand, ranked in terms of how much they have hiked rates so far this cycle.

The race to raise rates

Change in policy rates by central banks overseeing the 10 most traded currencies since the start of the interest rate tightening cycle in September 2021.



Source: Refinitiv Datastream | Reuters, June 22, 2023 | By Sumanta Sen

The Reserve Bank of New Zealand	Raised rates by 25bps in May 2023 to 5.5%. The highest in more than 14 years.
The Bank of England	Raised rates by 50bps to 5%, the highest since 2008 and the largest increase since February 2023.
The Bank of Canada	The interest rate was raised to 4.75% in June 2023. The highest in 22 years.
The Reserve Bank of Australia	The central bank raised interest rates by 25bps in June 2023 to an 11-year high of 4.1%.
The European Central Bank	The policy rate was raised by 25bps in June 2023 to 3.5%. This is the eighth consecutive hike since the start of the tightening cycle and the highest level in 22 years.
The Norges Bank	Rates were raised by 50bps to a 15-year high of 3.75%

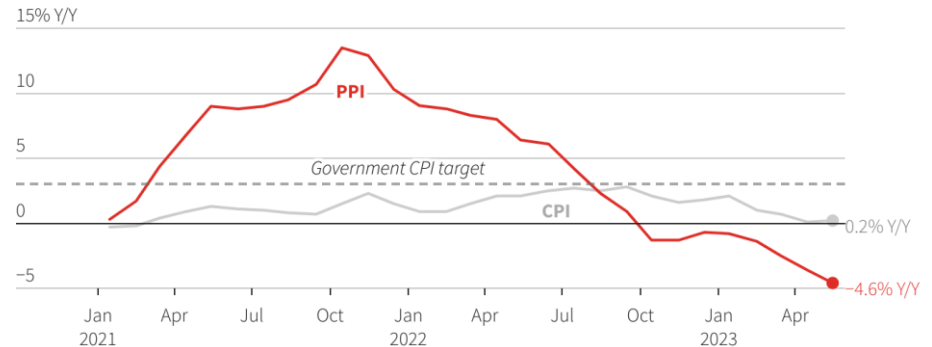
China's factory deflation steepens | Declining demand



- As rising interest rates and inflation squeeze demand in the United States and Europe, China - in contrast – is battling a sharp decline in prices, with factories receiving less for their products from key overseas markets.
- The Producer Price Index fell 4.6% in May, marking the steepest year-on-year drop in seven years, when producer prices saw a year-on-year drop of 7.2% in May 2016.
- China's economy grew faster than expected in the first quarter, but recent indicators show demand is rapidly weakening with exports, imports and factory activity falling in May.

China's factory gate deflation deepens in May

China's factory gate prices fell at the fastest pace in seven years in May as faltering demand weighed on manufacturing and the fragile economic recovery.



Several major banks cut China 2023 GDP forecasts | Worker unrest in factories

- UBS, Standard Chartered, Bank of America, and JPMorgan revised China's GDP growth outlook downward, to between 5.1% and 5.7% this year, from an earlier range of 5.5% to 6.3%.
- China's economy stumbled in May, with industrial output and retail sales growth missing forecasts.

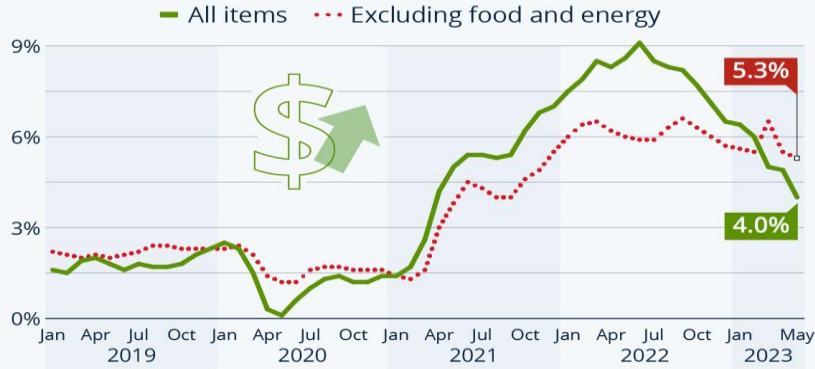


- Strikes at Chinese factories have surged to a seven-year high.
- Strikes are expected to become more frequent as weak global demand forces exporters to cut workers' pay and shut down plants.
- Some factories have closed or are struggling to pay wages or severance for laid-off workers as a result, according to Chinese labour researchers.

US inflation declines | Interest rates unchanged

Inflation Cools to 26-Month Low in May

Year-over-year change in the Consumer Price Index for All Urban Consumers in the U.S.*



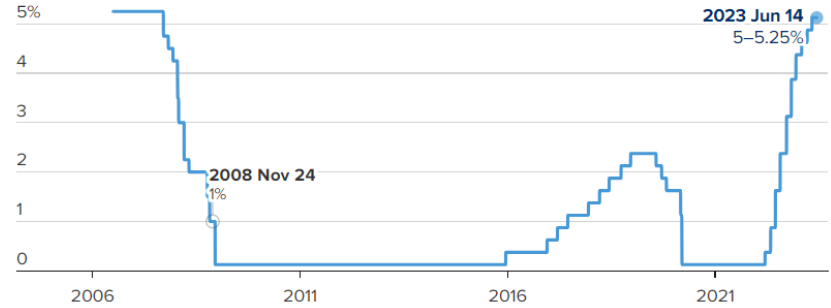
* not seasonally adjusted

Source: Bureau of Labor Statistics



statista

Federal funds target rate since 2006



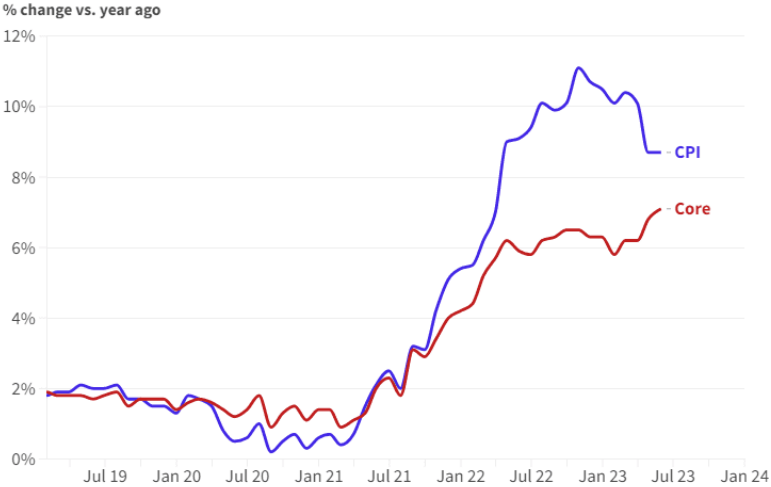
Note: From December 2008 to present, the chart shows the midpoint of the Federal Reserve's target range.

- The consumer price inflation in the US declined to 4.0% in May 2023, the lowest since March 2021 and slightly below market expectations of 4.1%, driven by a decline in energy prices.
- The US Federal Reserve left interest rates unchanged. The central bank has signalled in new projections that borrowing costs may still need two more 25bps hikes this year.

UK CPI unchanged | Increase in retail sales

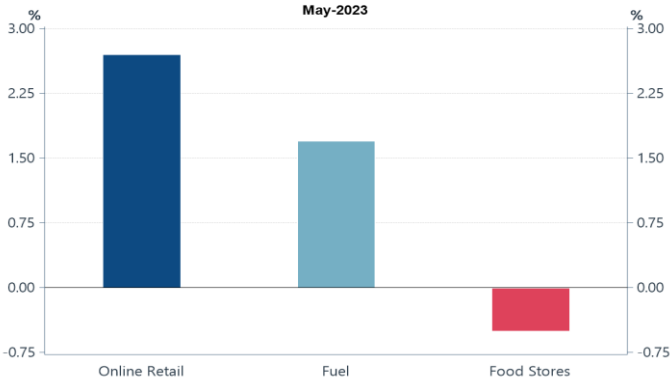
- UK Consumer Price Index (CPI) in May was at 8.7% year-on-year, unchanged from April but above expectations of a moderation to 8.4%.

UK inflation rate remains unchanged at 8.7% in May



Source: Goldman Sachs, CNBC, Haver Analytics – June 2023

Great Britain: Retail Sales Volumes: M/M Contribution to Growth by Sector



- Retail sales volume rose by 0.3% month-on-month in April, following a rise of 0.5% in April.
- The increase in volume was predominantly driven by a rise in online activity which benefitted from an increase in demand for outdoor equipment and summer clothing.
- May also saw a return to growth for fuel sales.
- Food stores' sales volume fell by 0.5% following a monthly gain of 0.6% in April.

In the news | Wagner Group revolt against Putin

The Wagner Group was poised to launch a coup on the Russian military, but it was called off after the President of Belarus got involved.

CAPTURED ROSTOV, CAME WITHIN 200KM OF MOSCOW

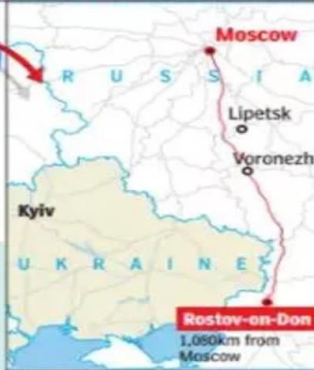


> Prigozhin, a former hot-dog seller termed 'Putin's chef', commands a murderous flock of 'wild geese' in the thousands. About 20,000 prisoners convicted of brutal crimes were recruited for the Ukraine war

> Prigozhin said while his men were just 200km from Moscow, he decided to make them turn back to avoid 'shedding Russian blood'. He didn't say if Moscow responded to his demand to oust defence minister Sergei Shoigu

> Belarusian President Alexander Lukashenko said he had negotiated a deal with Prigozhin after discussing the issue with Putin

> Yevgeny Prigozhin's Wagner Group, a shadowy private military company with close ties to Russian President Vladimir Putin, had taken on the Russian state with the capture of Rostov-on-Don



> Defensive positions had earlier been set up around Moscow as the city braced for battle. Red Square was closed

> Ukrainian leader Volodymyr Zelensky had called the brief uprising divine justice

RUSSIA-UKRAINE WAR

Wagner Group's revolt against Russia

On June 24, Russian mercenary fighters from the Wagner Group took control of Rostov-on-Don, one of Russia's largest cities and were making their way to Moscow before their leader Yevgeny Prigozhin ordered them to return to base to avoid bloodshed. Putin described the actions as an act of treason.



Of interest | Embracing the future with the power of AI



Artificial Intelligence Industry Overview



Market Size Growth

The AI industry could be worth more than \$15 trillion by 2030. 80% of emerging technologies will have AI foundations by 2021.

80%



Challenges

59% of organizations named 'shortage of data science talent' as the primary barrier to realizing value from their big data technologies.

59%



AI vs. Human Labor

Cognitive technologies such as robots, AI, machine learning, and automation will replace 16% of U.S. jobs by 2025.

16%



Business Adoption

37% of organizations in 2019 use AI in the workplace. The number of enterprises using AI in business grew by 270% between 2015 and 2019.

37%



Executives say the primary goals of AI implementation are:

Enhancing the features, functions, and performance of their products

51%



Optimize internal operations

Freeing up workers

36%

36%



Sources:
PwC's Global Artificial Intelligence Study: Exploiting the AI Revolution
Gartner
GlobalNewswire Outlook on Artificial Intelligence in the Enterprise 2016
Harvard Business Review
Forrester, Robots, AI Will Replace 7% Of US Jobs By 2025

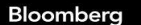
AI-Themed Funds Gain Traction

AI and Robotics ETFs in the US see five straight months of inflows

■ US AI & Robotics Monthly Fund Flows



Source: Bloomberg Intelligence



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An aerial photograph of a white speedboat with a dark interior, moving across the dark blue ocean. The boat is leaving a large, white, frothy wake. The entire image is overlaid with a dark grid pattern. A solid blue square is positioned on the left side of the image, containing the text 'for your future' in white. To the right of this square, the words 'Thank You' are written in a large, white, sans-serif font.

for
your
future

Thank You