

Monthly Market Highlights

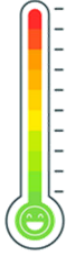
Monthly edition | September 2023 recap

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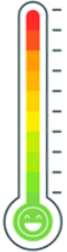


Monthly market recap | September in review



Market news

- The official unemployment rate in SA declined slightly from 32.9% in Q1 2023 to 32.6% in Q2 2023. This is the lowest reading since Q1 2021 (32.6%).
- The Rand Merchant Bank/Bureau for Economic Research South African business confidence index regained some ground to reach 33 in Q3 2023, up from a near three-year low of 27 in the previous period.
- The First National Bank/Bureau for Economic Research South African consumer confidence index increased to -16 points in Q3 2023 from -25 points in the previous period, which was the lowest reading in a year.



Market stats

- SA's annual inflation rate was 4.8% in August 2023, matching market estimates, after four consecutive months of decline. It remains within the South African Reserve Bank's target range of 3% to 6%.
- In the US, manufacturing PMI was above consensus expectations at 48.9 - up from 47.9 in August - but remained in contractionary territory.

International markets

MSCI World (\$)	-4.31%
Global Bonds (\$)	-2.92%
Global Property (\$)	-5.96%
MSCI EM (\$)	-2.57%
FTSE (£)	1.82%
S&P 500 (\$)	-4.77%

Bond market

All Bond	-2.34%
Bonds 1-3 years	-0.36%
Bonds 3-7 years	-1.22%
Bonds 7-12 years	-2.84%
Bonds 12+ years	-2.96%

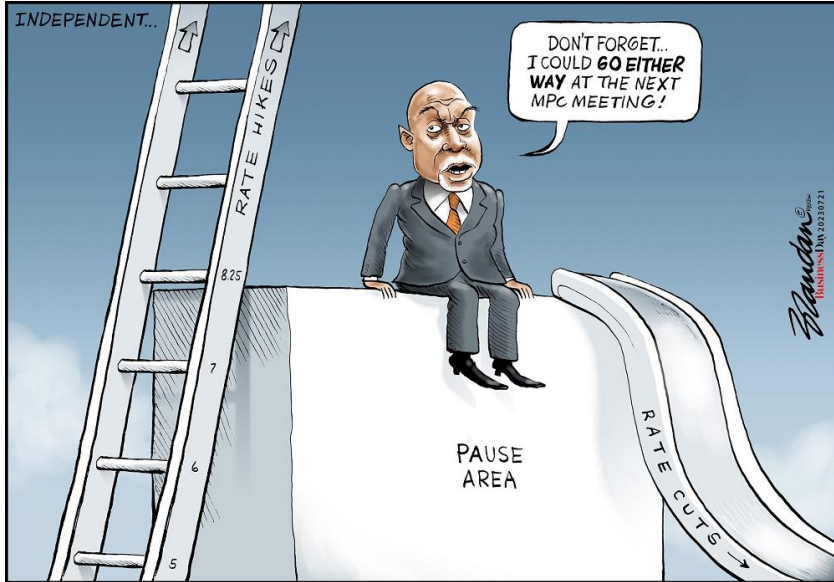
Local markets

FTSE/JSE All Share	-2.55%
Industrials	-4.44%
Resources	0.95%
Property	-4.08%
Financials	-3.83%
Cash	0.68%

Currency

Rand vs USD	0.51%
Rand vs EURO	3.03%
Rand vs GBP	4.34%
Rand vs JPY	-0.17%
Rand vs AUD	-0.65%

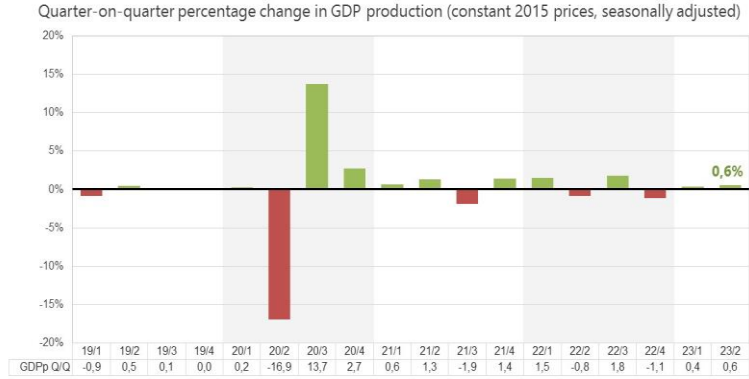
SA's interest rate paused at 8.25%



- The South African Monetary Policy Committee maintained the key interest rate at 8.25% for the second consecutive meeting, aligning with expectations. They considered the slight uptick in consumer price inflation to 4.8% in August.
- Although rates remained unchanged, there is a possibility of a rate hike at the November meeting, due to persistently high domestic food inflation and potential risks to the inflation outlook.
- The Reserve Bank's GDP forecast remains unchanged at 1% growth this year and 1.1% next year.

SA's economic growth surprises in Q2

The economy grew by 0,6% in Q2: 2023



- The South African economy outperformed expectations in Q2 2023, driven by robust growth in the agriculture and mining sectors.
- The economy expanded by 0.6%, marking its second consecutive period of growth. The economy expanded by 1.6% year-on-year.
- Between April and June, manufacturing and finance were among six industries that showed substantial growth.
- Over the past decade, SA's economic growth has fallen short of the 5.4% annual growth target outlined in the country's 2030 National Development Plan, partly because of the ongoing energy crisis.

Load shedding in 2023 was more severe than in the previous 8 years



- Load shedding in SA reached a critical level in 2023, with 40 days of stage 6 power cuts, with a total gigawatt hour (GWh) impact of 19 794 GWh. This surpassed the combined impact of the previous seven years.
- Eskom is grappling with maintenance challenges and breakdowns, resulting in a record-high level of units out for maintenance and frequent breakdowns.
- Reliance on an aging coal fleet is also a major contributor to the power supply crisis.

Ominous challenges lie ahead for SA



- The South African economy faced significant challenges in the Q3 2023, including increased load shedding, soaring petrol prices, social unrest, and slowing global growth.
- Q2 2023 delivered better-than-expected GDP growth, driven by resilience in manufacturing, finance and consumer spending.
- Load shedding has worsened in Q3 2023, eroding the productivity gains of Q2 2023. In September there were extended stage 6 outages due to planned maintenance and demand pressures.
- Rising petrol prices, which may increase further in October, are impacting household incomes and inflation, while social unrest and potential government spending cuts pose additional economic risks.

Is SA running out of money?



- National Treasury is facing a larger-than-expected budget shortfall in 2023, causing concern among various stakeholders.
- The budget deficit for July was R143.8 billion, the highest deficit since at least 2004, surpassing economists' forecasts of R115.5 billion.
- The projected fiscal deficit for 2023 is estimated to be between 6% and 6.5% of GDP, significantly higher than the initial 4% projection.
- The deficit is attributed to reduced revenue due to factors like soft corporate tax collections and sluggish VAT collections, along with increased government spending on public sector wages and financial support to entities like Eskom. Mitigating measures, including borrowing and concessional financing, are being explored, but potential government spending cuts remain a contentious issue.

US interest rates | Core inflation increases

The US Federal Reserve (Fed) kept interest rates steady at a range of 5.25% to 5.5% and expressed optimism about the economy, as inflation is expected to subside as the economy grows. The Fed hinted at the possibility of one more rate increase in 2023.

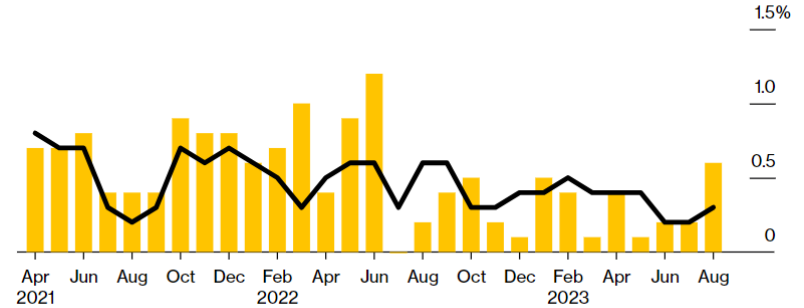


Source: NY Times, Bloomberg, CNBC, Trading Economics—September 2023

Core Inflation Accelerates for First Time in Six Months

Jump in energy prices -- namely gasoline -- boosted overall measure

Change in CPI, excl. food & energy (MoM) Change in CPI (MoM)



Source: Bureau of Labor Statistics

The annual core consumer price inflation rate in the US, which excludes volatile items such as food and energy, fell to 4.3% in August 2023, the lowest since September 2021, from 4.7% in the prior month, in line with market expectations.

UK | Interest rates and inflation

- The Bank of England (BoE) left its policy interest rate unchanged at 5.25%.
- This is the first time since November 2021 that the interest rate was not raised, although it remains at its highest level in 15 years.
- This decision, coupled with the latest data on inflation, raises the possibility that the current cycle of monetary tightening may have peaked.



Source: Economics Observatory, Evening Standard, Reuters – September 2023

Figure 1: UK inflation and interest rates (1989-2023)



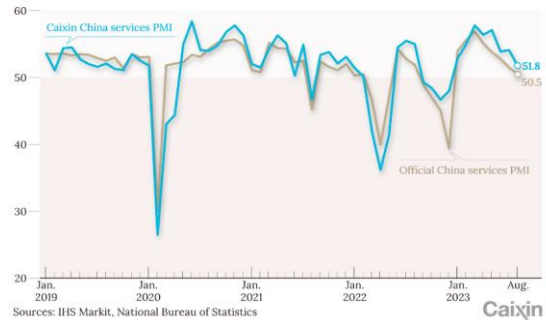
Source: Bank of England, Office for National Statistics (ONS)

- Inflation in the UK fell from 6.8% in July to 6.7% in August.
- The inflation rate is forecast to fall to about 5% by the end of the year, half of January's level. UK Finance Minister Jeremy Hunt said government is on track to halve inflation this year by sticking to its policies, easing pressure on families and businesses.

China | Services activity slows down

- In August, China's service sector expanded at its slowest rate in eight months due to ongoing weak demand in the world's second-largest economy, despite government efforts to boost consumption.
- The Caixin/S&P Global Services Purchasing Managers' Index (PMI) dropped to 51.8 in August from 54.1 in July, the lowest reading since December when Covid-19 confined many consumers to their homes.

Expansion in China's Services Activity Weakens



G20 Summit 2023

- Leaders of the world's richest and most powerful countries attended the two-day G20 Summit in New Delhi which started on 9 September.
- Indian Prime Minister Narendra Modi expressed disappointment at the absence of Chinese leader Xi Jinping and Russian leader Vladimir Putin. Putin missed the meeting for the second consecutive year due to the Ukraine conflict and growing tensions between China and India.
- The key issues this year were increasing loans to developing countries through multilateral institutions, restructuring the global debt system, regulating cryptocurrencies, and assessing how geopolitical uncertainties affect food and energy security.



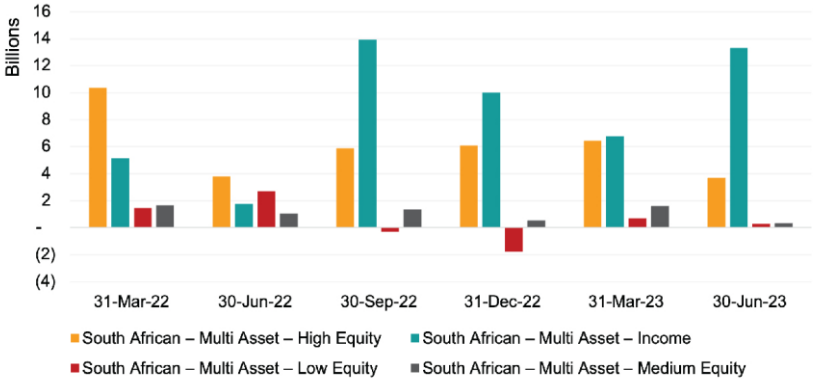
Of interest | South African unit trusts grew AUM

- According to the Association for Savings and Investment SA (Asisa), SA's collective investment schemes grew by 3% to R3.27 trillion in Q2 2023 compared with Q1 2023. This growth was primarily driven by the strong performance of the equity market.
- Despite the overall growth, the industry experienced net outflows of R10.4 billion during the quarter. However, reinvestments of dividends and interest amounting to R26.4 billion offset some of the outflows.



- The composition of assets under management at the end of June showed that 19% were held in SA equity portfolios and 30% in SA interest-bearing portfolios. Half of all assets remain in SA multi-asset portfolios, with the remainder in SA real estate.
- Locally-registered foreign portfolios also grew assets under management to R810 billion by the end of June.

Multi-Asset Income has seen the highest net inflows



Of interest | China bans iPhone use for government employees



- Apple shares fell more than 3% on 7 September 2023, after a 4% decline on the previous day, after several reports suggested that Chinese government workers could be banned from using Apple's iPhones.
- China has ordered officials at central government agencies not to bring iPhones into the office or use them for work.
- China is Apple's third-largest market, accounting for 18% of its total revenue last year.

Of interest | S&P 500's top-earning CEOs

CEO	Company	Sector	Total Pay
Sundar Pichai	Alphabet	Communication Services	\$226M
Michael Rapino	Live Nation Entertainment	Communication Services	\$139M
Tim Cook	Apple	Info Tech	\$99M
Peter Zaffino	American International Group	Financials	\$75M
Hock Tan	Broadcom	Info Tech	\$61M
Vicente Reynal	Ingersoll Rand	Industrials	\$55M
Reed Hastings	Netflix	Communication Services	\$51M
Theodore Sarandos	Netflix	Communication Services	\$50M
Hamid Moghadam	Prologis	Real Estate	\$48M
Stephen Squeri	American Express	Financials	\$48M

The remuneration packages for S&P 500 CEOs include more than just base salaries. They also comprise bonuses, stock grants, and various other motivational components.

A compensation package tied to market valuation implies that these CEOs could potentially receive more or less than their initially allocated pay. This is primarily because the majority of stock awards are not immediately granted when announced. They vest gradually over time, making them susceptible to fluctuations in stock prices.



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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, turbulent 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