

Graviton | Monthly Market Highlights

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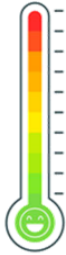
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Monthly edition | July 2023 recap



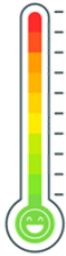
Monthly market recap | July in review

Market news



- As per the South African Revenue Service (SARS), South Africa recorded a trade balance surplus of R10.2 billion in May 2023. The surplus was due to exports of R184.2 billion and imports of R174 billion.
- The world economy is expected to expand by 3% in 2023, which has been revised upwards from the April assessment of 2.8% growth, according to the latest update of the IMF's World Economic Outlook.

Market stats



- In June, retail sales in the United States increased 0.2% month-on-month, below consensus expectations for a 0.5% increase.
- Consumer Price Inflation (CPI) in the Euro area declined from 6.1% to 5.5% year-on-year in June, in line with consensus expectations, but core CPI accelerated to 5.5%.
- South Africa's private sector credit increased by 6.25% year-on-year in June 2023, matching market forecasts, after a 6.85% growth in the previous month.

International markets

MSCI World (\$)	3.36%
Global Bonds (\$)	0.69%
Global Property (\$)	3.73%
MSCI EM (\$)	6.29%
FTSE (£)	2.62%
S&P 500 (\$)	3.21%

Bonds market

All Bond	2.29%
Bonds 1-3 years	1.40%
Bonds 3-7 years	1.87%
Bonds 7-12 years	2.46%
Bonds 12+ years	2.54%

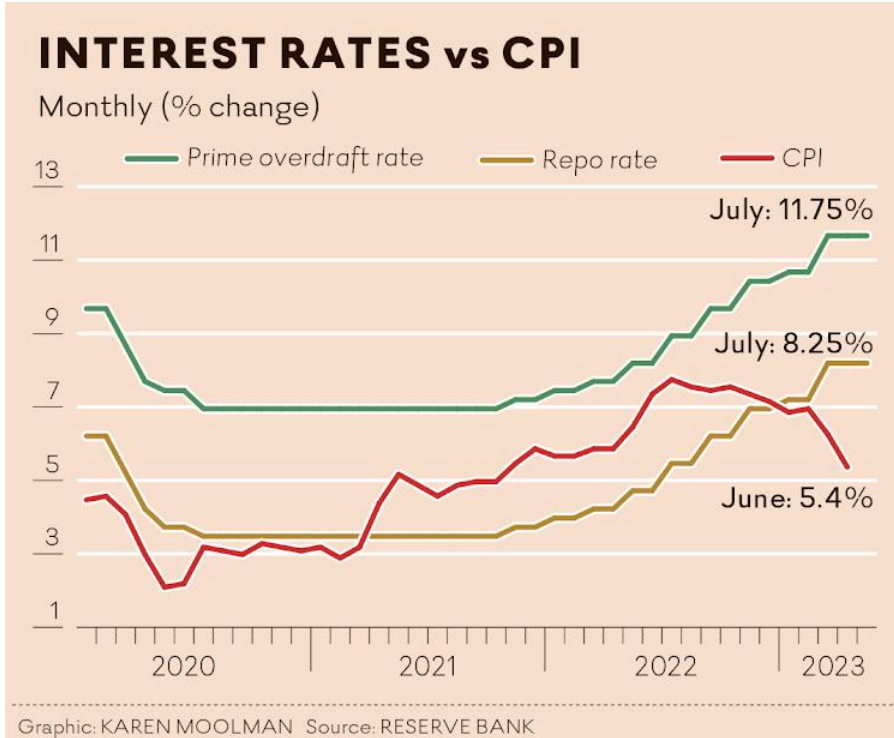
Local markets

FTSE/JSE All Share	4.01%
Industrials	2.76%
Resources	3.66%
Property	2.30%
Financials	7.94%
Cash	0.68%

Currency

Rand vs USD	6.23%
Rand vs EURO	5.11%
Rand vs GBP	4.96%
Rand vs JPY	0.22%
Rand vs AUD	0.004%

SA interest rates | Remained unchanged



- Monetary policy committee (MPC) pauses repo rate at 8.25%.
- Borrowing costs are at their highest level in more than a decade after a prolonged tightening cycle that began towards the end of 2021.
- The Reserve Bank Governor noted the decision does not represent the end of the hiking cycle, and neither does it represent that interest rates have peaked. The next steps will depend on inflation.

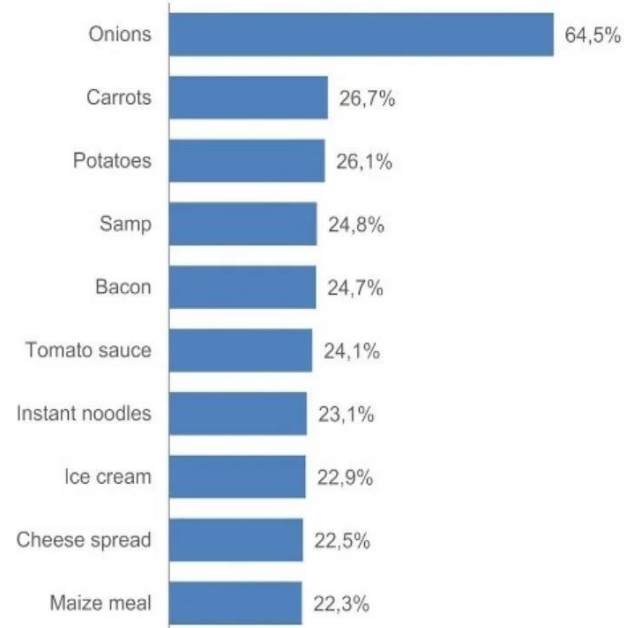
SA inflation | Eases below 6%

- The last time consumer inflation was below the SA Reserve Bank's maximum target of 6% was more than a year ago, in April 2022.
- It is also encouraging that core CPI edged lower to 5.0% in June 2023 from 5.2% in May 2023.
- The latest CPI number shows that residential rent increased by 2.7% in June compared to a year ago. Over the past quarter, rent prices increased by 1.2% - the biggest hike in almost five years.



Products that have become more expensive over the last year

Percentage change in price indices, June 2023 compared with June 2022



Load shedding cuts SA's growth | Sudden easing of power cuts

Increased prices have also forced businesses to consume less, said specialist Tshepo Kgadima, who told AFP:

Even at the height of the winter, demand at peak consumption times is around 30 000 megawatts instead of the 37 000 forecast by the government.

- South Africa's energy crisis may have reduced the nation's economic growth rate by as much as 3.2% last year and is likely to dampen output until at least early 2024, according to the central bank.



- South Africa's crippling blackouts have shrunk from up to 12 hours a day to just over two hours daily in recent weeks, after inflicting a massive hit on the economy.
- Since last month, Eskom has managed to ramp up generation to achieve an average output of 60 percent at its 14 mainly coal-fired power stations.

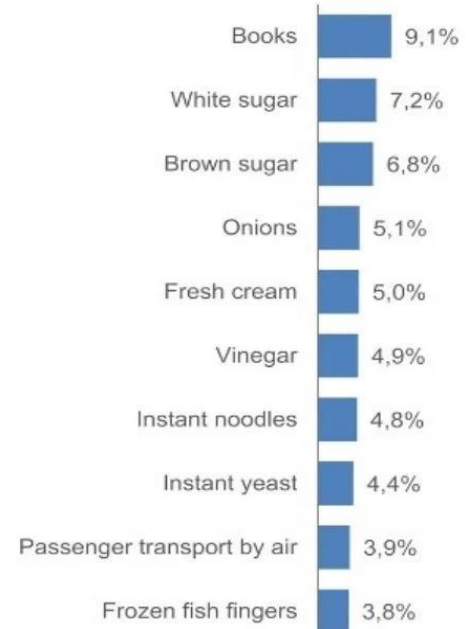


SA consumers | Higher food prices

- South African (SA) food producers, among the biggest on the continent, are spending hundreds of millions of rands mitigating load shedding, water supply issues and crumbling infrastructure.
- This will eventually be passed on to consumers, making food prices higher for longer.
- It comes at a time when SA is already struggling with unemployment and 14-year-high interest rates.



The largest price changes between May and June
Percentage change in price indices, June 2023 compared with May 2023



SA ramps efforts to get off the grey list | Fitch credit rating unchanged

- South Africa is intensifying efforts across key institutions to secure the country's removal from the global financial watchdog's so-called grey list.
- The implications of not being able to be removed within the 24-month period are "too ghastly to contemplate," says Financial Sector Conduct Authority commissioner Unathi Kamlana.



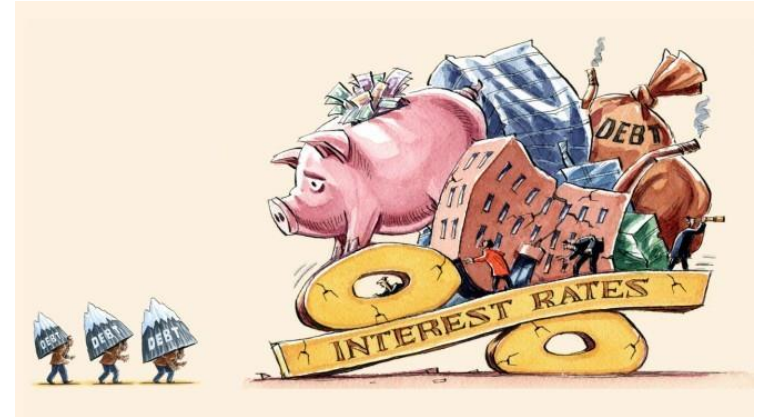
TDF/DAILYFRIEND.CO.ZA



- Fitch kept its credit rating of South Africa unchanged.
- Fitch previously expected the local economy to grow by more than 1% in 2023, whereas it now expects zero real GDP growth in 2023 due to load shedding.

Debt | 65% of South African's income to service debt

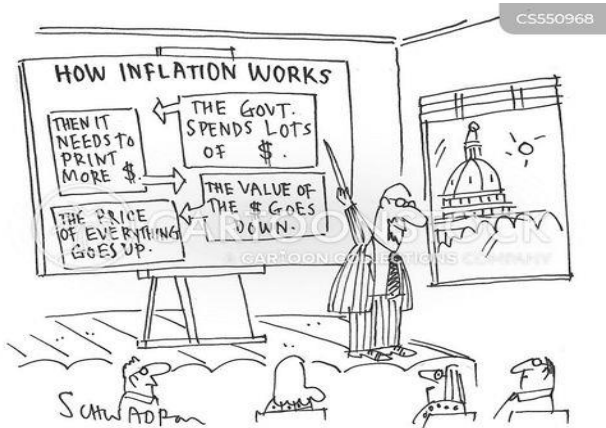
- South Africans are using 65% of their net income to service debt.
- This is according to a 2023 first quarter survey by DebtBusters, South Africa's largest debt management company.
- The SA Reserve Bank noted that due to a combination of greater debt and interest rates, the cost of servicing household debt as a percentage of nominal disposable income climbed from 7.5% in the third quarter of 2022 to 8.1% in the fourth quarter.



Data from Floatpays, an early-wage payment solutions provider, has found that 76% of South Africans regularly run out of money before the end of the month, and more than half run out halfway through the month.

US inflation | Eased in June

- **US inflation dropped to 3% in June, lower than expected**, in the latest sign that the US Federal Reserve's interest rate rises are affecting price pressures.
- The annual increase in the Consumer Price Index slowed from 4% in May to 3%, the slowest rate of inflation since March 2021.



Inflation Cools to Lowest Level Since March 2021

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



* not seasonally adjusted

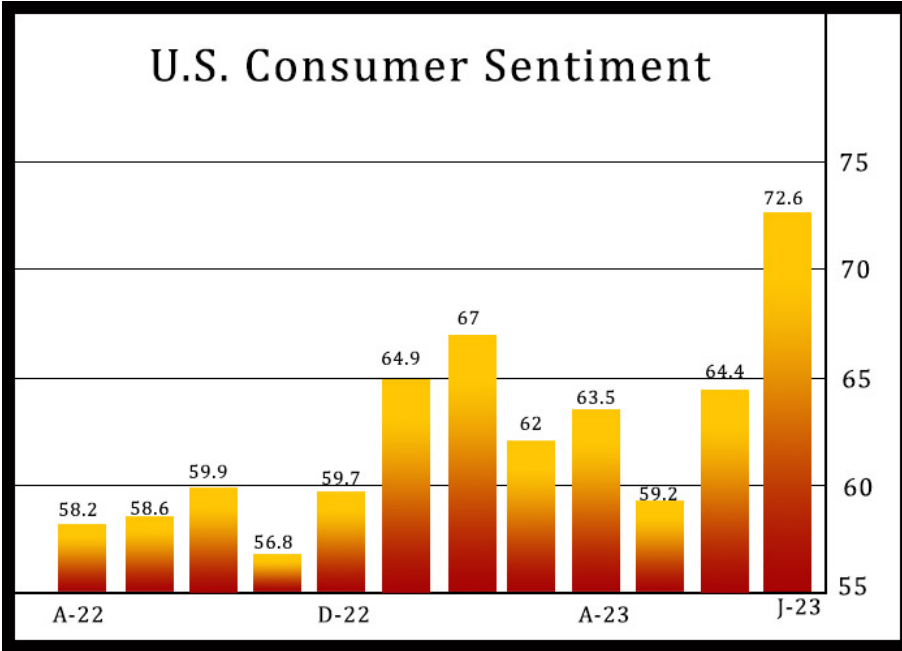
Source: Bureau of Labor Statistics



statista

Core inflation, a broad measure which excludes volatile food and energy prices, only grew by 0.2% month-on-month in June, after steadily rising by 0.4% or more for the past six months.

US consumer sentiment | Rises for 2nd month

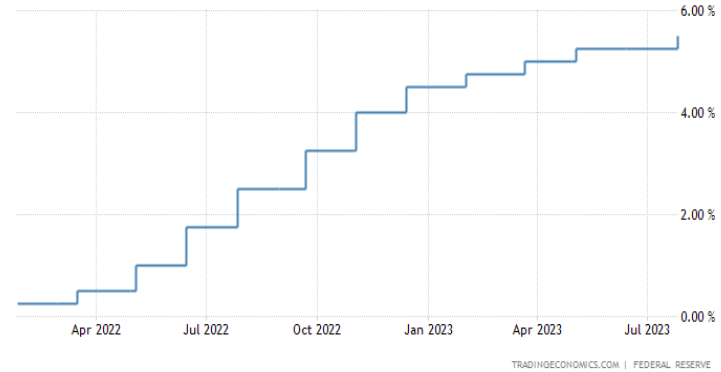


- **Consumer sentiment** in the United States (US) **rose for the second straight month** in July, reaching its highest level since September 2021.
- US Index of Consumer Sentiment is at a current level of 71.60, up from 64.40 last month and up from 51.50 one year ago.
- This is a change of 11.18% from last month and 39.03% from one year ago.

US Fed hikes interest rates

- The US Federal Reserve (Fed) approved a much-anticipated interest rate hike of 25 basis points (bps). **This takes benchmark borrowing costs to their highest level in more than 22 years.**
- The 25bps increase will bring the fed funds rate to a target range of 5.25%-5.5%.
- It's the **11th rate increase** since the US Fed began its inflation fight in **March 2022**, and comes just one month after the central bank hit pause in order to assess the state of the economy after the failures of three regional banks since the spring.

United States Fed Funds Rate



Interest rate hikes since September 2022



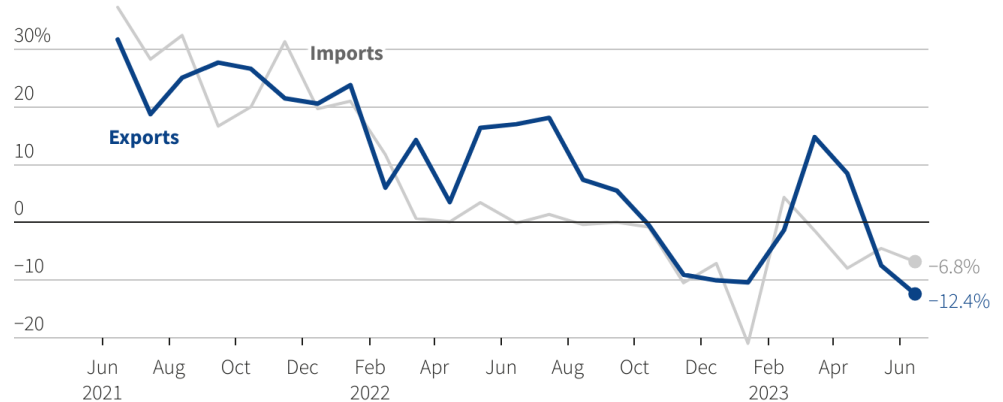
Chinese exports | Biggest drop since 2020

- China's exports fell 12.4% in dollar terms in June from a year earlier, the second straight month of **declines and the biggest drop since Covid hit in early 2020.**
- Exports to the US fell almost 24%, the 11th straight month of declines and also the worst result since the start of the pandemic.
- Global consumer demand has weakened after the US Fed and central banks in Europe and Asia raised interest rates to bring inflation down from near multi-decade highs by reining in business and consumer activity.

China's export slide steepens in June

China's June exports had the biggest fall since February 2020 as sluggish overseas economies struggling with inflation and rising interest rates buy up fewer goods from Chinese factories.

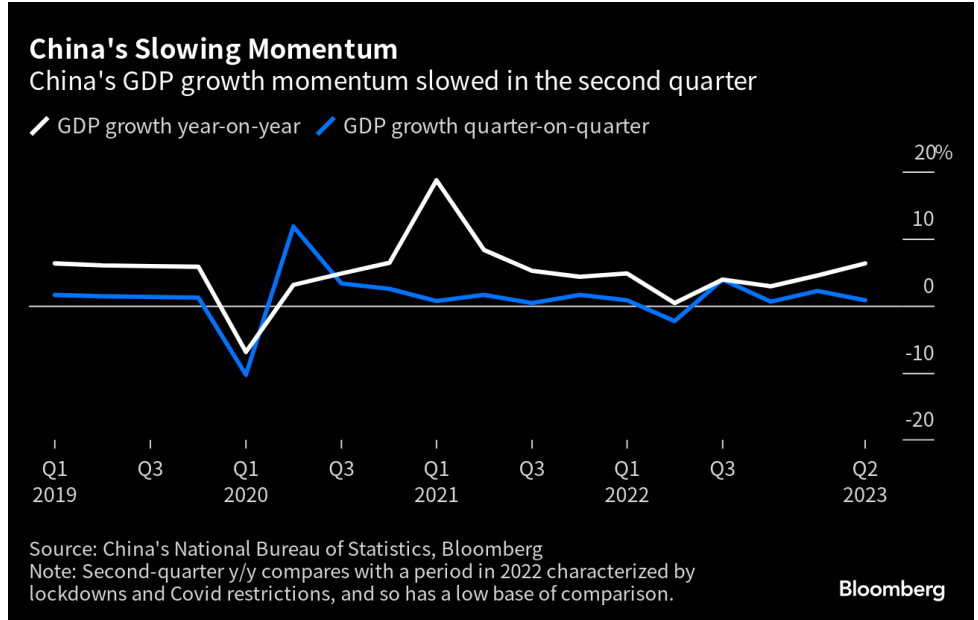
Change in dollar-denominated exports and imports (Y/Y)



Source: Refinitiv Datastream | Reuters, July 13, 2023 | By Kripa Jayaram

Chinese economy | Recovery looks bleak

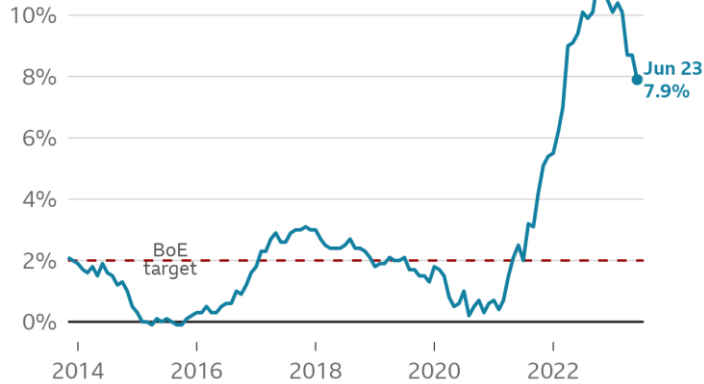
- Gross domestic product grew at a slower-than-expected pace of 6.3% in the second quarter compared with a year earlier, when dozens of Chinese cities were in lockdown, but just less than 1% from the first quarter.
- As shown by the data, deflation is now a major risk, with economy-wide prices declining for the first time since 2020, while youth unemployment climbed to above 21%.
- Beijing has hinted that stimulus measures this year will likely be limited in scale, reflecting its relatively modest growth target of around 5% for the year.



UK economy contracts | Inflation cools

- The United Kingdom (UK)'s economy shrank by 0,1% in May 2023, which was less than expected by economists.
- All sectors of the economy contracted with the exception of services, which showed no growth.

UK inflation at 7.9% in June 2023



Source: Office for National Statistics



UK ECONOMY SHRINKS BY 0.1% IN MAY 2023



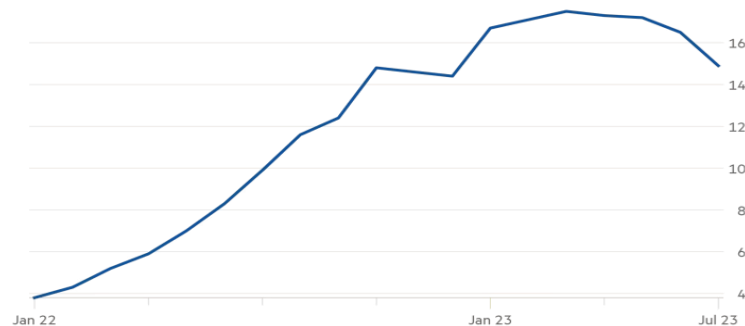
- UK inflation cooled significantly in June, coming in below consensus expectations at 7.9%, the lowest level in more than a year.
- Core inflation — which excludes volatile energy, food, alcohol and tobacco prices — remained sticky at an annualised 6.9% but fell from a 31-year high of 7.1% in May.

UK consumer confidence plummets | Grocery inflation eases

- **Consumer confidence has suffered a sudden collapse** as “reality bites” amid relentless inflation and rising interest rates, according to a long-running survey.
- GfK’s Consumer Confidence Index plunged six points in July to minus 30, with concerns for personal finances and the wider UK economy over the coming year down six and eight points respectively.

UK grocery inflation eased sharply in July

Annual % change

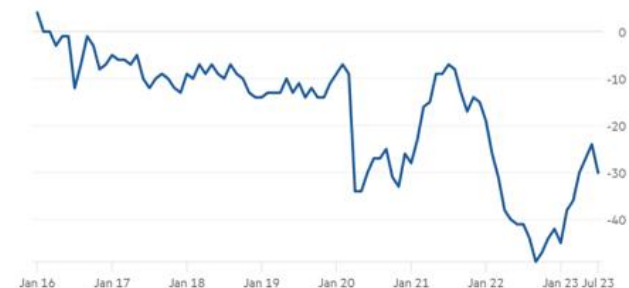


Source: Kantar
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Source: The Independent, Financial Times, – July 2023

UK consumer confidence recorded its largest drop for more than one year

GfK consumer confidence index



Source: GfK
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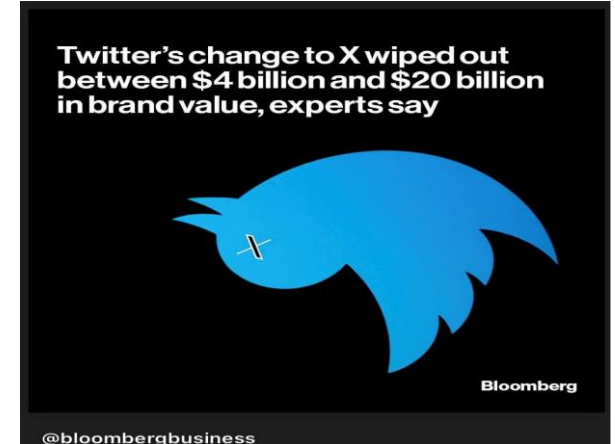
- The annual pace of grocery inflation cooled to 14.9% over the four weeks to 9 July, down from 16.5% a month earlier.
- According to the retail industry data provider Kantar, it has **dropped to the slowest annual rate of growth since Christmas.**

Of interest | Emergence of “Threads”



Elon Musk has changed Twitter’s logo, replacing its signature blue bird with a stylised X as part of the billionaire’s vision of transforming the 17-year-old service into an everything app.

- Meta’s Twitter rival, Threads, has become Twitter’s biggest threat in just one week.
- After immediately racing to the top of app store charts, it became the fastest growing app of all time.
- In just five days, it grew to more than 100 million users, beating ChatGPT and TikTok which both previously held the record.



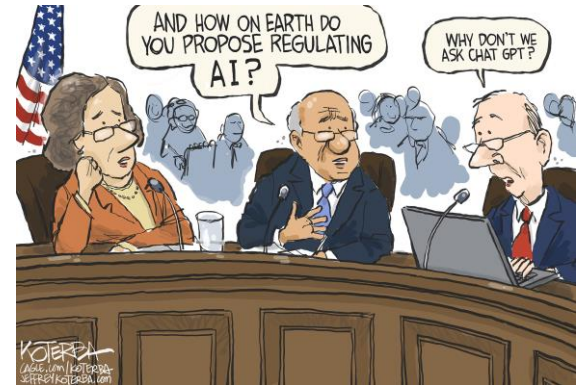
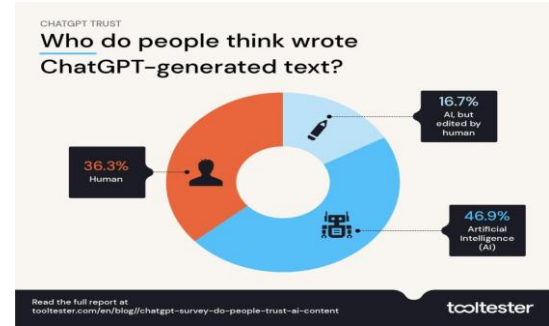
Of interest | ChatGPT

ChatGPT Sprints to One Million Users

Time it took for selected online services to reach one million users



* one million backers ** one million nights booked *** one million downloads





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