

Graviton | Monthly Market highlights

Monthly edition | August 2023 recap

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Monthly market recap | August in review

Market news

- Creditors of the world's most closely-watched bond - the 10-Year US Treasury Note - face the prospect of enduring a historical first, that of losing money on their investment for a third consecutive year. The 10-Year Note has lost 1.2% this year after posting its worst loss ever, 17.8%, in 2022 and dropping 4.4% the previous year.
- South Africa recorded a trade surplus of R15.96 billion in July 2023. This marks the widest trade surplus since September 2022, as exports rose 4.6% over a month to R174 billion, mainly boosted by shipments of vehicles and transport equipment (+61%) and vegetable products (+17%).

Market stats

- The People's Bank of China slashed its one-year loan prime rate by 10bps to a record low of 3.45% while unexpectedly holding steady the five-year rate, a reference for mortgages, at 4.2%.
- US Core personal consumption expenditure prices in the US, which exclude food and energy, increased by 0.2% month-on-month in July 2023, maintaining the same pace as in June and aligning with market expectations.
- US Q2 real gross domestic product growth was revised down to 2.1% which was below expectations. This was driven by weaker inventory and net trade contributions.

International markets

MSCI World (\$)	-2.39%
Global Bonds (\$)	-1.37%
Global Property (\$)	-3.30%
MSCI EM (\$)	-6.14%
FTSE (£)	-2.50%
S&P 500 (\$)	-1.59%

Local markets

FTSE/JSE All Share	-4.77%
Industrials	-5.05%
Resources	-9.57%
Property	0.92%
Financials	-1.78%
Cash	0.69%

Bond market

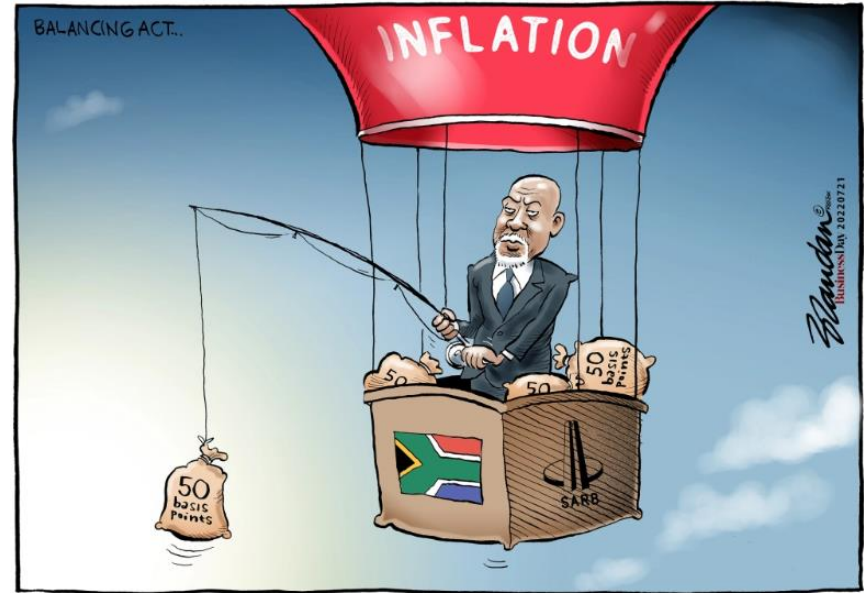
All Bond	-0.23%
Bonds 1-3 years	0.91%
Bonds 3-7 years	0.74%
Bonds 7-12 years	-0.13%
Bonds 12+ years	-1.10%

Currency

Rand vs USD	-6.08%
Rand vs EURO	-4.59%
Rand vs GBP	-4.63%
Rand vs JPY	-2.27%
Rand vs AUD	-1.29%

SA Interest rates | Remained unchanged

- Monetary policy committee (MPC) pauses repo rate at 8.25%.
- The Reserve Bank Governor, Lesetja Kganyago, emphasised that although inflation has recently shown favorable figures, this doesn't mean that the inflation issue is completely resolved, and potential risks must be closely monitored.
- This comes after recent data revealed that South Africa's inflation dropped to a two-year low of 4.7% in July from 5.4% in the previous month.



Eskom | Municipal debt

- Eskom reported a loss of R5 billion before tax for the three months ending 30 June 2023, despite a revenue increase.
- The increase in revenue was mainly due to the 18.65% tariff hike that came into effect on 1 April 2023.
- Municipalities in South Africa are a major factor in Eskom's poor financial performance. Currently the total debt is sitting at R63.7 billion as at 30 June 2023.



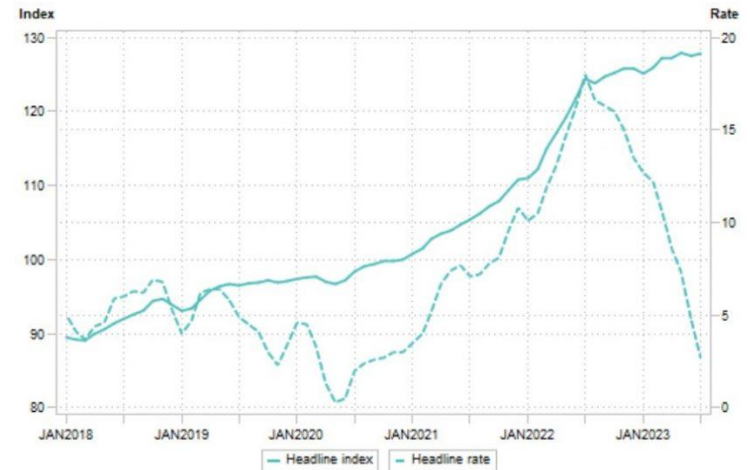
Thursday, August 24 2023

SA Inflation | Producer Price Index (PPI)

- Producer price inflation (PPI) for final manufactured goods saw a notable decline from 4.8% in June 2023 to 2.7% in July 2023.
- This reduction in PPI is anticipated to contribute to easing consumer prices, potentially preventing further interest rate hikes. However, sectors like food products and certain commodities continue to face elevated production costs, while economists caution that future inflation risks are still present due to various economic factors domestically and globally.



Figure 1 – PPI headline index numbers and year-on-year rate of change



Taxi strike | Counting the costs

- Western Cape Mobility MEC Ricardo McKenzie briefed the National Assembly's transport committee about a recent strike in Cape Town and the province.
- The strike disrupted multiple sectors and followed a court order sealing an agreement between the South African National Taxi Council, the City of Cape Town, and the provincial government.
- The strike had a significant economic impact, causing approximately R5 billion in losses to the economy.
- The minibus taxi industry alone reported daily losses of nearly R16 million and the estimated cost to the city of Cape Town was R18 million.

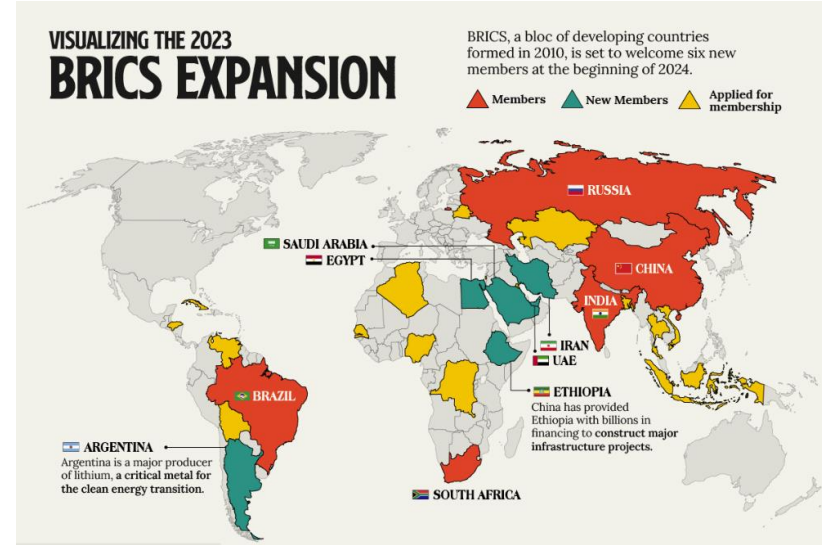


BRICS | Enter the oil giants

- BRICS, consisting of Brazil, Russia, India, China, and South Africa, is embarking on an ambitious expansion strategy that will see the inclusion of several new member nations, namely Saudi Arabia, Iran, Egypt, Ethiopia, Argentina, and the UAE.



Source: Reuters, Visual Capitalist – August 2023



- The target date for admitting these new members into BRICS is set for January 2024, signaling a sense of urgency and a complex interplay of motives and geopolitical alliances among the current and prospective members.

US Inflation | Central bankers in Jackson Hole

- Federal Reserve Chair Jerome Powell calls for continued vigilance in addressing inflation.
- Powell warns that additional interest rate increases may be necessary although some progress has been made. He also notes that inflation remains higher than the US Fed's comfort level.



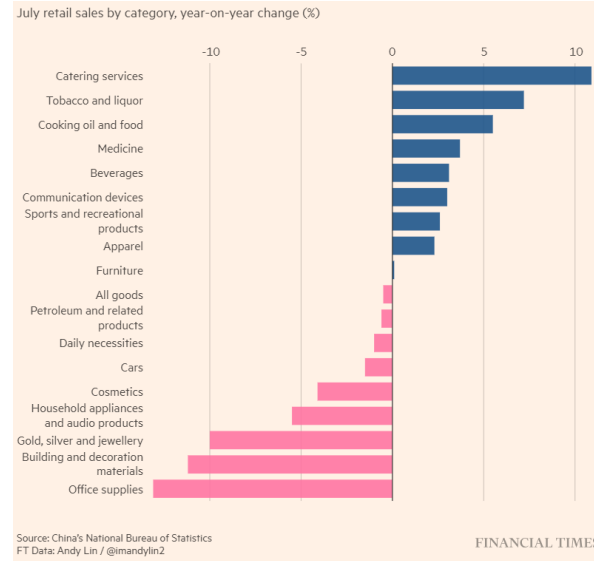
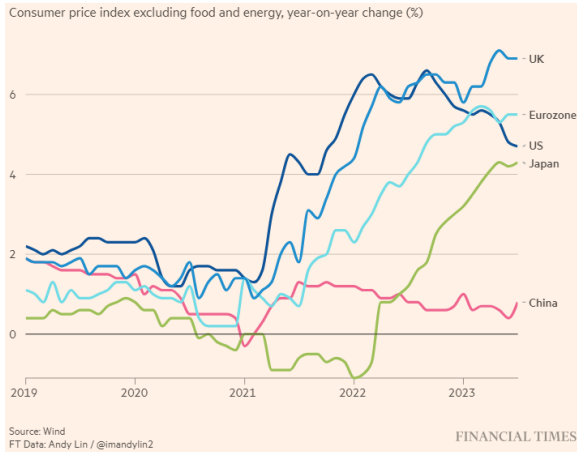
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- Powell's remarks resemble his previous warnings at the Jackson Hole retreat, where he emphasised the potential challenges of addressing inflation, as they attempt to pull runaway inflation back to its 2% goal.

China deflation | A hindrance to growth

- China has entered deflation for the first time since 2021, with consumer prices falling by 0.3% year-on-year in July.
- The primary driver of this deflation is a significant 26% decrease in pork prices, influenced by increased pork supply.



- Despite expectations of increased consumer demand following the removal of Covid-19 restrictions, overall price increases remain weak, with core inflation (excluding food and energy) at just 0.8%.

UK Interest rates | Approaching the peak

- Economists predict that UK interest rates will peak at 5.5% next month.
- A Reuters poll of economists indicates that the Bank of England is likely to approve a 15th consecutive interest rate increase at its upcoming meeting on 21 September.
- Weakness in the UK services and manufacturing sectors, as indicated by the PMI, has raised concerns about the economy's health. Some experts even predict a potential recession in the third quarter.



📹 All but one of the 62 economists predicted the Bank of England would raise interest rates by 0.25 percentage points next month. Photograph: Maja Smiejkowska/Reuters

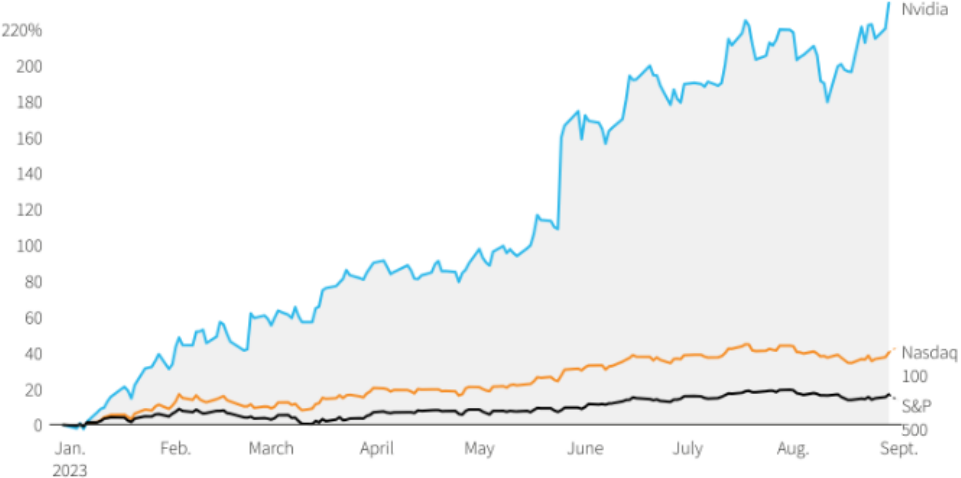
Of interest | Nvidia Corp's ascent to \$1.2 trillion

- Nvidia Corp. achieved a record-high market capitalisation of \$1.2 trillion for the first time, due to the demand that the AI industry has created.
- In just over a year, Nvidia's market capitalisation has increased by nearly \$1 trillion, with a substantial gain of \$925 billion since its stock price low in 2022.
- Nvidia shares have seen a remarkable 234% increase year-to-date, far outperforming the S&P 500's 17% gain and potentially surpassing their strongest one-year gain of 308% achieved in 2001.



Nvidia shares soar in 2023

YTD performance



Source: Refinitiv | Graphic by Lewis Krauskopf

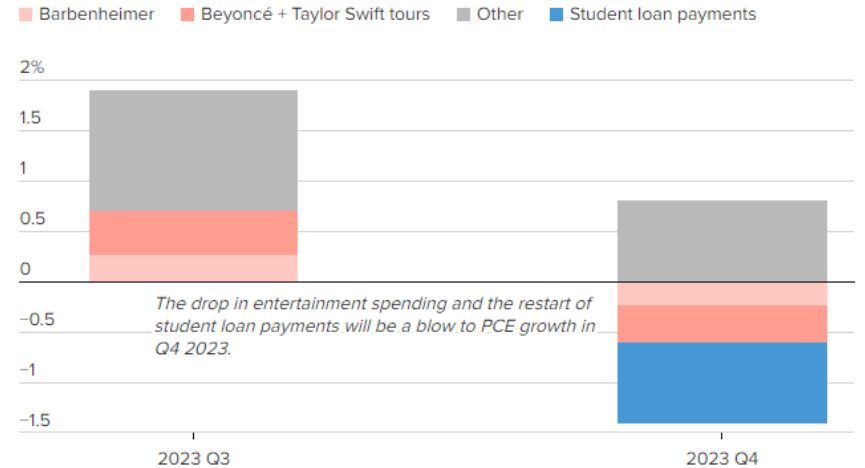
Of interest | Unlikely sources of economic growth

- Morgan Stanley predicts that real spending in the third quarter is expected to increase by 1.9%, due to factors such as stadium tours by music stars Taylor Swift and Beyoncé and blockbuster movies like "Barbie" and "Oppenheimer."



Barbenheimer, Beyoncé and Taylor

The very real impact of the summer's pop culture phenomenons to real PCE growth in Q3 and Q4 in 2023



Source: Morgan Stanley



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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.

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Thank You