



SELECT MANAGER

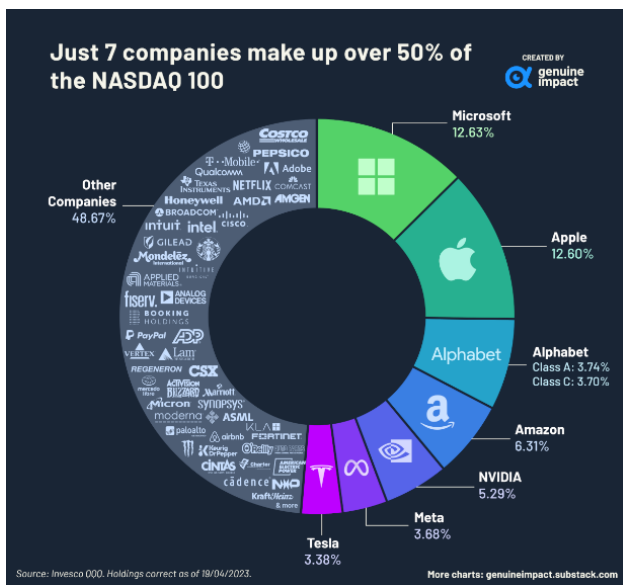
Newsletter

June 2023

MARKETS AND ECONOMICS

While it feels like it was another rollercoaster month of news and events to end off the second quarter and first half of 2023, local assets experienced a significant bounce back after the May sell-offs. Local bonds recovered especially well, while financial stocks were the best performers on the local equity exchange. Offshore markets also had a strong run, however, the recovery in the local currency led to most offshore investments ending the month lower when priced back into rand.

In global equity markets, technology shares, once again, delivered a strong performance. The Nasdaq had its best first-half performance since 1983, returning more than 30% year-to-date, as a combination of better-than-expected results from corporates and continued momentum in the artificial intelligence (AI) theme boosted the top technology names. 50% of the Nasdaq 100 consists of only seven companies, all of which have benefitted from the AI theme. These seven shares, or the so-called "Magnificent Seven", with the addition of three others, have accounted for 100% of the rise in the S&P 500 over the last year, while the other 490 shares, on average, are down year-to-date. At the end of the month, Apple also made history by becoming the first company with a market value of more than \$3 trillion, with the closest follower being Microsoft at \$2.5 trillion.



Source: Truman Du, Visual Capitalist (www.visualcapitalist.com).

In global economic news, the United States (US) Federal Reserve Bank's (Fed's) Federal Open Market Committee held rates steady in line with expectations. Fed Chair, Jerome Powell, did, however, comment that we will likely see another two interest rate hikes

this year, despite inflation that is continuing to cool. The May change in the Consumer Price Index came in at 4% year-on-year (4.9% in April) in the US. In other markets, the Bank of England decided to increase interest rates by an unexpected 0.5% (up to 5%). Indications are to expect another hike in August and again in September of 0.5% and 0.25% respectively, taking their terminal rate up to 5.75%. Inflation in the United Kingdom is proving to be stubborn, with core inflation increasing to 7.1% in May, far above expectations. This is also the highest rate since 1992. In China, after a period of continued growth concerns, policymakers have confirmed their continued support and vowed to implement policies that will boost activity. During June, after the latest round of economic indicators disappointed again in May, the People's Bank of China lowered various term policy rates and key lending facility rates.

In local news, the South African Reserve Bank (SARB), in its bi-annual Financial Stability Review, highlighted the risk of secondary sanctions being imposed on South Africa (SA), particularly by the US, amid political missteps and geopolitical tensions. This was amid growing concerns around the government's stance on the Ukraine invasion and mixed signals on whether they will honour the International Criminal Court's arrest warrant for Russian President Vladimir Putin. Fortunately, as we moved through June, several government interventions and actions seemed to calm nerves slightly. Further relief came when reports started to circulate that the Russian President may skip the BRICS (Brazil, Russia, India, China, and SA) Summit later in 2023, after an aborted mutiny attempt in Russia and ongoing internal conflicts. This, combined with a much less disruptive month of load shedding, helped the local currency to gain approximately 5% during June.

Local economic releases included economic growth figures for the first quarter, showing that the South African economy expanded by 0.4% for the quarter, thereby avoiding a technical recession. Furthermore, local inflation continued its downward trend in May, down to 6.3% (from 6.8% in April), with many commentators expecting the next data point to be within the SARB's 3% to 6% target band.

JSE All Share 1,35% 76 027,83 ▲	MSCI World (USD) 6,05% 2 966,72 ▲	MSCI EM (USD) 3,80% 989,48 ▲
SA Bonds 4,58% 873,28 ▲	SA Property 0,92% 294,42 ▲	CPI (y/y) 6,30% 109,60 ▲
Gold - 1,87% 1 919,63 ▼	Platinum - 9,38% 901,00 ▼	Oil 3,87% 75,41 ▲
\$/R - 4,46% 18,85 ▼	€/R - 2,45% 20,57 ▼	£/R - 2,47% 23,94 ▼