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Newsletter

October 2023

MARKETS AND ECONOMICS

October marked the third consecutive month of a negative market downturn. For the most part, the same themes that plagued markets during August and September continued into October. Increased government debt issuance, combined with markets pricing in a lower likelihood of interest rate cuts in the United States (US) (thanks to continued resilient US economic data and comments from various central bankers supporting higher interest rates for longer), pushed bond yields even higher in October. The US 10-year yield reached an intra-month peak of more than 5%; this is a 16-year high. Apart from resulting in higher borrowing costs for corporates and consumers, higher bond yields (which are used as risk-free rates) also reduce the present value of cash flows on other assets and, therefore, impact their valuations. China, although still ending the month lower in investment terms, showed some positive economic data during the month. Economic growth surpassed expectations by posting a 4.9% growth rate for the third quarter, with consumption and industrial activity also surprising on the upside. It seems that the various policy measures implemented by authorities in China could well be taking hold, with the 5% growth target for 2023 still within reach.

The major exception to the existing market trends was the sudden escalation in conflict between Israel and Palestine at the start of the month when Hamas launched an attack on Israel from the Gaza Strip. Since then, Israel has retaliated aggressively, with more than 13 000 casualties over the past month. While the market's reaction to the war was relatively muted, the oil price moved higher during the first half of the month amid concerns about the conflict directly impacting oil supply from some of the world's largest producers in the area. By mid-month, weakening global demand and slowing global activity overshadowed these supply fears. Prices, subsequently, continued their downward trends from their September peaks to end the month almost 8% lower.

In addition to it being a relatively busy month for economic and geopolitical data, October was filled with corporate results as the earnings season continued in the US and Europe. While results in Europe have been somewhat disappointing, companies in the US have been performing ahead of estimates: 82% of S&P 500 companies that have reported thus far posted earnings ahead of estimates. The market was, however, swift in punishing those who disappointed, with especially tech companies, such as Alphabet, being sold down aggressively for any signal of falling behind in the artificial intelligence race.

Local markets were, once again, predominantly driven by global developments during October. With all of the uncertainty around interest rates and geopolitical tensions, there was little appetite for emerging markets such as South Africa. The strong gains in the gold price, amid investors seeking safe-haven assets, provided strong support for local gold miners, making it one of the few positive areas on the exchange for October. The local budget speech by Finance Minister Enoch Godongwana prioritised fiscal consolidation, also providing some relief to the market. Local bonds defied the global bond trend to deliver a positive return for the month, while the local currency also managed to move against trend to end the month stronger against the major currencies.

JSE All Share	- 3,44%	69 653,44
MSCI World (USD)	- 2,90%	2 768,62
MSCI EM (USD)	- 3,89%	915,20
SA Bonds	1,71%	885,25
SA Property	- 2,98%	276,94
CPI (y/y)	5,40%	111,80
Gold	7,98%	1 996,13
Platinum	3,23%	933,71
Oil	- 7,79%	85,02
$/R	- 1,44%	18,65
€/R	- 1,42%	19,73
£/R	- 1,84%	22,66

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