



SELECT MANAGER

Newsletter

April 2024

MARKETS AND ECONOMICS

April was a tough month for global financial markets, as continued economic resilience and higher-than-expected inflation prints again flared up fears that central banks will keep interest rates at higher levels for longer. Consequently, bond yields moved higher and put pressure on equity markets, especially those with lofty valuations such as the United States (US). The shift in interest rate expectations also resulted in significant drawdowns from rate-sensitive assets, such as property markets, small caps, and growth stocks. While the strong economic backdrop has played havoc with inflation and interest rate expectations, it has been very supportive of corporate earnings, with first-quarter earnings broadly beating expectations so far. Markets have, however, been quick to punish any missteps. A good example during April was Meta, which saw its share price drop 13% after signalling a significant increase in costs over the coming years and giving slower-than-expected revenue guidance. Resource counters and commodity-exporting countries were some of the best-performing areas of the market during the month, as higher demand expectations and fears of escalation in the Middle East continued to support commodity prices.

Local equities, supported by a strong performance from resources and broader strength in the emerging market group, moved into positive year-to-date performance on a total return basis during April. Big news in the local market was mining giant BHP's \$39 billion takeover bid for Anglo American. Anglo, however, rejected the offer soon after, calling it an opportunistic attempt that significantly undervalues the business and its prospects. Rumours of other interested parties and potential offers started circulating towards the end of the month, with BHP also having until 22 May to sweeten their bid. The share price of Anglo American ended the month up by more than 30%. Index heavyweights Naspers and Prosus also both added around 7%, benefitting from a 14% rally

in their underlying investment in Tencent after the company announced an earlier-than-anticipated debut of one of the year's most eagerly awaited mobile games.

In terms of global economic headlines, the US, once again, registered hotter-than-expected inflation increases in March (released in April), as prices rose 3.5%, primarily driven by shelter and energy costs. Meanwhile, the preliminary first-quarter gross domestic product (GDP) figures disappointed markets, showing 1.6% growth versus the expectation of 2.4%, causing some fears of deflation in the US. A deeper dive into the data, however, indicated continued strength in private demand. Chinese economic data provided one of the relatively few positive surprises for the month, with the release of their first-quarter GDP figures showing a 5.3% growth year-on-year.

Key local economic releases included a slight moderation in inflation figures, down to 5.3% from 5.6% in the previous month. Following a tough start to the year, production figures released for February indicated a strong rebound in mining during the month. Mining production rose 9.9% for the year after an upwardly revised 2.8% contraction was posted in January. Positive developments were also registered at the South African Revenue Service, with tax collections exceeding estimates after net revenue increased by 3.2% for the year.

JSE All Share 2,95% 76 076,17 ▲	MSCI World (USD) -3,85% 3 305,30 ▼	MSCI EM (USD) 0,26% 1 045,95 ▲
SA Bonds 1,37% 936,73 ▲	SA Property -0,59% 330,85 ▼	CPI (y/y) 5,30% 114,80 ▲
Gold 3,82% 2 317,98 ▲	Platinum 4,47% 941,20 ▲	Oil -0,77% 86,33 ▼
\$/R -0,53% 18,79 ▼	€/R -1,65% 20,05 ▼	£/R -1,56% 23,47 ▼