



SELECT MANAGER

Newsletter

June 2024

MARKETS AND ECONOMICS

June marks the end of a very rewarding first half of 2024 for investors as well as an especially strong second quarter for local assets (including the rand). For the month itself, however, heightened political uncertainty across the world, signs of slowing economic activity, and easing inflation pressures resulted in a relatively mixed bag of returns across regions.

The United States (US) equity market continued its concentrated rally during the month, again driven by the large tech companies, albeit an increasingly smaller number of them. Nvidia ended June 13% higher, despite a roughly \$430 billion sell-off intra-month after the company saw its share price drop 15% as a result of valuation concerns. This drop occurred shortly after the company overtook Microsoft to become the world's most valuable company. Almost a third of the S&P 500's 14% return for the year-to-date has been solely driven by Nvidia, again highlighting how narrow market performance has been. The top 10 stocks in the S&P 500 now account for close to 40% of the index's market cap weight but less than 30% of the index's earnings.

South African assets were also part of the winner's circle during June, as the local market experienced a strong rally mid-month, fuelled by a positive reaction to the forming of the local Government of National Unity. While there was a slight pullback in anticipation of the Cabinet announcement, which took President Cyril Ramaphosa 11 days to finalise and announce given the multiple parties involved and negotiation complexities, both business and markets had a relatively favourable reaction to the Cabinet's composition and changes.

The United Kingdom (UK) and Europe were noteworthy detractors for the month, as political noise dominated investor sentiment. Following the European Parliament elections at the start of June, French President Emmanuel Macron called for a snap election that subsequently resulted in a significant swing to the far right in the first round of elections. France, the second largest economy in Europe, now faces a hung parliament after no party was able to secure an absolute majority in the National Assembly. Meanwhile,

in the UK, polls for the general election (that occurred on 4 July) pointed to an end to the 14-year leadership of the Conservative Party, with Labour eventually succeeding in winning the majority.

It is, furthermore, worth mentioning the Emerging Market Index's outperformance of its developed market counterpart, as a surge in TSMC (the Taiwanese chipmaker) shares, as well as a strong performance from India following the re-election of Prime Minister Narendra Modi, managed to offset losses from China. China continued to struggle with disappointing economic activity, low consumer confidence, and a downward trend in the housing market despite government stimulus measures.

A few other country-specific economic highlights for June included:

- + South Africa recorded its first primary budget surplus in 15 years at 0.4% of gross domestic product for the year ending March 2024. In addition, local inflation figures released for May remained unchanged from April at 5.2% for the year, while the monthly change was registered at 0.2%.
- + The US Federal Reserve kept interest rates unchanged at their June policy meeting, while also projecting only one rate cut for the year. Given the softening consumer and labour market data, as well as lower inflation figures, markets are still pricing in two potential rate cuts in the US, with the first expected in September.
- + As widely expected, the European Central Bank (ECB) cut interest rates by 0.25% during June despite stickier-than-expected services inflation. The ECB emphasised that further rate movements will be heavily data-dependent.

JSE All Share 4,08% 79 707,11 ▲	MSCI World (USD) 2,03% 3 511,78 ▲	MSCI EM (USD) 3,94% 1 086,25 ▲
SA Bonds 5,24% 993,23 ▲	SA Property 5,95% 346,40 ▲	CPI (y/y) 5,20% 115,30 ▲
Gold - 0,03% 2 326,43 ▼	Platinum - 4,87% 994,40 ▼	Oil 4,80% 85,00 ▲
\$/R - 3,17% 18,19 ▼	€/R - 4,33% 19,50 ▼	£/R - 3,93% 23,01 ▼