SELECT MANAGER

Newsletter

July 2024

MARKETS AND ECONOMICS

Global markets experienced a notable shift in July, with the tech stocks that previously drove market gains stumbling and market performance broadening out. The S&P 500 saw declines in only two sectors during the month, i.e. communication services and information technology, marking a surprising inversion from the first half of 2024. Weaker-than-expected United States (US) Consumer Price Index (CPI) readings and labour market data early in the month, bolstered expectations for the Federal Reserve (Fed) to begin cutting interest rates in September. This led to a significant rotation towards small-cap equity stocks and other asset classes that are more sensitive to interest rate cuts (including listed property and bonds), resulting in the largest one-month outperformance of the Russell 2000 Index versus the Nasdaq-100 in more than two decades. Investors are now pricing in almost three US rate cuts this year, with around 150 basis points worth of cuts by June 2025.

Additionally, growth stocks fell as investors grew more sceptical about the valuations and potential for future returns from investment in artificial intelligence (AI). As part of the second quarter US earnings season, the first set of results from major tech companies were released for Tesla and Alphabet, both of which encountered notable losses following their announcements. The Nasdaq Index, with a high concentration in these tech stocks, consequently experienced its most significant one-day decline since October 2022, falling 3.6%.

Politics also remained in the spotlight during the month, with increasing pressure on US President Joe Biden to step out of the election race (this included pressure from within his own party), resulting in his withdrawal and subsequent endorsement of Vice President Kamala Harris to succeed him as the Democratic candidate. In the United Kingdom (UK), following the 4 July elections, the Labour Party experienced a large-margin win to end the 14-year Conservative Party majority. The swing was relatively expected and, therefore, it did not result in significant market movements. This is in contrast with the election results in France during June. Locally, President Cyril Ramaphosa delivered his Opening of Parliament Address (OPA), where he emphasised inclusive economic growth and reducing unnecessary regulatory burdens.

South African assets continued to deliver positive momentum from political shifts and an improved growth outlook, delivering strong returns and outperforming global counterparts. The FTSE JSE All Share Index even reached a record high of 82,765.12 at the end of July, driven by a strong performance in resources and the financial sector during the month. Local inflation data eased slightly to 5.1% year-on-year, as the food and non-alcoholic beverages and transport categories cooled from previous months. Slowing inflation and the anticipation of interest rate cuts by global central banks have raised expectations for a similar move by the South African Reserve Bank (SARB). At their July policy meeting, the SARB decided to leave rates unchanged at 8.25%, however, two of the monetary policy committee members voted for a rate cut of 0.25%.

JSE All Share 3,92% | 82 765,12	**MSCI World (USD)** 1,76% | 3 571,58	**MSCI EM (USD)** 0,30% | 1 084,77
SA Bonds 3,96% | 1 032,51	**SA Property** 4,39% | 361,31	**CPI (y/y)** 5,10% | 115,40
Gold 3,90% | 2 417,07	**Platinum** - 2,31% | 971,38	**Oil** - 4,89% | 80,84
$/R 0,00% | 18,19	**€/R** 1,01% | 19,69	**£/R** 1,74% | 23,41

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