CORION CAPITAL

DECODING THE MONTH

June 2022

Global ($)

WGBI Bonds	-3.1%
MSCI EM	-6.6%
MSCI ACWI	-8.4%
Nasdaq	-8.9%
MSCI SA	-12.7%

Local

Bonds	-3.1%
All Share	-8.0%
Property	-10.3%
Financials	-13.6%
Resources	-17.2%

Best Shares

Naspers	38.1%
Prosus	30.1%
BAT	1.5%
Gold Fields	0%
AB InBev	-0.3%

Worst Shares

Anglo American	-23.8%
MTN	-21.8%
Sanlam	-21.6%
Sibanye	-20.4%
Amplats	-16.8%

Worth Noting

- Foreigners holdings of SA bonds fell to the lowest level in more than a decade.
- Most markets are now in bear market territory (losing more than 20%).
- The Japanese yen fell to a level not seen since September 1998.

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Commentary

There is no avoiding the fact that the first half of the year has been tough. There have been limited places to hide, with almost all asset classes in the red year-to-date (YTD). Unusually high levels of inflation, slowing economic growth, rising interest rates, Fed policy uncertainty, China's Covid restrictions and Russia's war on Ukraine are all headwinds that continue to drive the markets lower.

Focusing on the US, the market still appears to be adjusting to the Fed's efforts to rein in inflation. The lead bank took a more restrictive monetary policy stance in June, by increasing rates by 75bps – the largest hike in 28 years. Additionally, the Fed began selling $30 billion of Treasury holdings. This is aimed at decreasing the amount of liquidity in the economy, with the goal of lowering demand and ultimately lowering inflation. However, the overall effectiveness of the above is always lagged and thus many commentators predict that it ¬could be at least two years until we see normalised inflation back to c. 2%.

As a result of the uncertainty, equities continued their negative monthly performance, with the S&P 500 Index declining by -8.3% over the month. The Nasdaq 100 Index fared even worse, ending the month down -8.9%. European stocks were not immune, with the EURO STOXX 50 Index declining by -8.8% (YTD). The UK-focused FTSE 100 Index also declined during the month, ending down -5.5%.

Locally, index heavyweights Naspers and Prosus had a stellar month ending up 38.1% and 30.1% respectively. Their share price performance was predominantly impacted by a significant one-day move – post the announcement that the companies will steadily sell down their stake in Tencent and return the proceeds to shareholders by way of buying back Naspers and Prosus shares.

Despite the strong performance from these counters, the FTSE/JSE All Share Index still had a difficult month ending down -8.0%. This performance was impacted by double digit declines in both the Resources and Financial indices, which ended down -17.2% and -13.6%, respectively.

From an economic perspective, inflation in South Africa came in at 6.5% in May – the highest level since January 2017 and above the upper limit of the SARB's 3–6% target range. Based on the latest inflation print, many expect that the SARB will likely hike rates by 50bps in July.

As with many of our global counterparties, the dilemma remains the ability for central banks to tame inflation without pushing economies into recessions. Unfortunately, only time will tell if their decisions were correct but in the meantime volatility amongst asset classes is likely to continue.

Positioning

Large Underweight	Mild Underweight	Neutral Weight	Mild Overweight	Large Overweight
Local Income	Global Bonds & Global Equity	Global Income	Local Equity	Local Bonds

Data: Reuters. Indices are the FTSE/JSE , the MSCI and the WGBI.