CORION CAPITAL

DECODING THE MONTH

July 2022

Global ($)

Nasdaq	12.6%
MSCI ACWI	7.0%
WGBI Bonds	1.8%
MSCI SA	0.3%
MSCI EM	-0.2%

Local

Property	8.8%
All Share	4.2%
Financials	4.1%
Bonds	2.4%
Resources	0.8%

Best Shares

Richemont	14.5%
Shoprite	13.3%
ABSA	10.0%
Growthpoint	9.7%
Mondi PLC	8.5%

Worst Shares

Amplats	-10.8%
BAT	-6.5%
Sasol	-5.9%
Woolworths	-2.5%
Naspers	-0.5%

Worth Noting

- S&P 500 posted its biggest monthly return since Nov 2020.
- Global bonds also rallied the most since Nov 2020.
- 78% of S&P 500 companies beat earnings estimates this quarter.

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July

Commentary

July ended on a great note for markets with most global equity indices ending in the green. Who would have thought this would be the case considering all the main negative market themes don't appear to have abated? Inflation is still high, rates keep rising, recession fears continue and Russia's war on Ukraine lingers on.

The news coming out this month hasn't been particularly good, but it may be less bad than anticipated. The US central bank raised rates by 0.75%, a move that was not a surprise and had already been priced into the market. However, the Fed did indicate that the federal funds rate was now at a level that could be considered neutral, and that the probability of further steep increases had lessened. Furthermore, the bad news of US GDP declining for a second quarter in a row (down 0.9% in annualised terms) was taken as good news for equity markets in this case, as a downturn could further prompt the Fed to adopt a less hawkish stance sooner than anticipated.

This, together with US earnings reports being less "bad" than feared prompted the late month equity rally. In the US, the S&P 500 and Nasdaq were both up substantially for the month, increasing by +9.2% (-12.6% YTD) and +12.6% (-20.3% YTD) respectively.

Other regions also fared well during the month. Despite worries about Italy's political and economic stability as well as growing concerns about a European natural gas shortage as winter approaches, the EURO STOXX 50 increased by almost 7.5% for the month (-11.8% YTD). In the UK, the FTSE 100 increased by a further 3.7% over the month, making it one of the few equity indices providing a positive return YTD, up 2.7%.

From a local standpoint, the FTSE/JSE All Share Index followed its global counterparties ending the month up +4.2% (-4.4% YTD). This performance was supported by both the Industrials and Financial indices, which ended up 5.9% and 4.1% for the month, respectively. Listed property also had a stellar month, ending up 8.8%.

From an economic perspective, the South African Reserve Bank (SARB) also decided to take a more aggressive standpoint by increasing interest rates by 0.75% on the back of headline inflation increasing to a 13-year high of 7.4% in June. While this more than likely will be negative for our economy, it reflects the SARB's ambition to rein in inflation closer to their target range (3-6%) sooner rather than later.

Sentiment continues to be as volatile as the Southern Ocean. As we have seen this month, any reasonably modest data changes the current. However, as the adage says, only when the tide goes out do you discover who has really been swimming naked.

Positioning

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