



DECODING THE MONTH

August 2022

Global (\$)

MSCI EM	0.4%
MSCI ACWI	-3.7%
MSCI SA	-4.1%
WGBI Bonds	-4.4%
Nasdaq	-5.1%

Local

Bonds	0.3%
All Share	-1.8%
Financials	-2.3%
Resources	-4.1%
Property	-5.4%

Best Shares

Exxaro	8.1%
Clicks	6.5%
BidCorp	6.2%
Woolworths	5.9%
BAT	4.7%

Worst Shares

MTN	-10.7%
Old Mutual	-10.3%
Gold Fields	-9.9%
Investec Ltd.	-9.2%
Northam Platinum	-8.6%

Worth Noting

- September is usually the worst month of the year for equity returns.
- Gold returned its fifth straight monthly drop, the longest losing run in four years.
- West Texas Intermediate Oil hit its lowest level since January.



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Commentary



The northern hemisphere's summer has been one to remember with temperatures rising to record highs. Unfortunately, the trajectory of stock markets hasn't been as hot as major indices entered a bear market in June, experienced a recovery in July, and have ended in negative territory once again in August - reverting to levels seen three months earlier.

In the US, most of the negative market move came at the end of the month post Fed Chair Jerome Powell's speech at Jackson Hole. Despite the easing of recent US inflationary readings, the Fed Chair remains committed to bringing inflation back down to its 2% target, even if it risks weakening the economy in the process.

While US inflation has appeared to have peaked, the same can't be said for other global jurisdictions. This is mainly due to an impending energy crisis in both the UK and Europe caused by the on-going Russian-Ukrainian war and the severe drought impacting hydroelectric power capabilities in certain regions. As a result, energy prices have surged and inflation remains at record highs. Thus, central banks in Europe and the UK will be forced to keep raising interest rates despite the increase in living expenses and the impact on the underlying economy.

China has also not been able to escape the scorching summer. Record heatwaves have caused widespread droughts threatening both food and electrical production with loadshedding further impacting economic growth in the area. This has led to the People's Bank of China cutting interest rates as the central bank stepped up efforts to revive the economy.

As a result of the above, global markets ended in the red with the S&P 500 down -4.1% for the month (-16.1% YTD). The Nasdaq fared worse ending the month down -5.1% (-24.4% YTD). Furthermore, the Euro Stoxx 50 declined by 5.1% (-16.3% YTD) and the FTSE 100 by -1.1% (+1.6% YTD). Growth Stoxx continued to underperform value ending down -5.3% and (-24.8% YTD) and -3.1% (-11.0% YTD), respectively.

Locally, the FTSE/JSE All Share followed its global counterparties ending the month down -1.8% (-6.2% YTD). This performance was mainly impacted by the resources sector which ended the month down -4.1% (-10.8% YTD).

From an economic perspective, SA inflation increased to 7.8% in July 2022, up from 7.4% in June 2022. This is the highest reading since May 2009 (8%), when the economy was facing the headwind of currency depreciation during the global financial crisis. Despite the high reading, the inflation outlook for August and beyond is more positive as a lower fuel price and stabilisation of cooking oil prices are set to take effect. Nevertheless, inflation is still estimated to remain above the SARB's target range and thus one should expect further interest rates increases to come, albeit at less extreme levels.

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.