DECODING THE MONTH

September 2022

Global ($)

WGBI Bonds	-5.1%
MSCI SA	-8.9%
MSCI ACWI	-9.6%
Nasdaq	-10.6%
MSCI EM	-11.7%

Local

Resources	1.3%
Bonds	-2.1%
All Share	-4.1%
Financials	-6.2%
Property	-6.3%

Best Shares

Sibanye	12.0%
Woolworths	11.2%
AngloGold	8.7%
Gold Fields	8.0%
Anglo	7.5%

Worst Shares

Capitec	-24.0%
Discovery	-14.6%
BidCorp	-13.2%
Investec PLC	-12.3%
Investec Ltd	-11.1%

Worth Noting

- South Africa's YoY inflation eased slightly from 7.8% in July to 7.6% in August
- The British pound depreciated to a 37-year low against the US dollar
- The UK slips behind India to become world's sixth biggest economy

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Commentary

Spring has sprung with markets coming undone

To say there has been no place to hide this year would be quite the understatement with global asset classes firmly in the negative year-to-date (YTD). Investor sentiment continues to be influenced by a number of issues, including stubbornly high inflation, aggressive central banks on the monetary policy tightening front, and weakening global growth. Furthermore, the war in Ukraine, an apparent sabotage attack on key gas pipelines to Europe, and rising bond yields are adding further complexities into the mix.

Despite many central banks rapidly raising rates during the month, it was the Bank of England (BOE) that took front and centre with the UK government revealing a fiscal splurge to support its financial system. This came post the announcement of the government planning to subsidize energy bills. The cost to the economy as a result of the above placed the UK's fiscal creditably into question and as a result, the pound depreciated to a 37-year low against the dollar and UK gilt yields surged.

In contrast, the Fed remained resolute in its goal of reducing inflation. They appear to have disregarded the stock market decline, soaring yields and a skyrocketing dollar. The "unwarranted tightening of financing conditions" and "flow of credit to the actual economy" that the BOE has warned about are likewise not a concern for the Fed, and it would probably take a more substantial deterioration in US trading conditions to spark a change in their quantitative policies.

In general, the equity market continued to take its cue from the fixed income market and as a result had a tumultuous month. The S&P 500 ended the month down -9.1% (-23.9% YTD) while the Nasdaq fared even worse ending the month down -10.6% (-32.4% YTD). Furthermore, the Euro Stoxx 50 declined by -5.6% (-23.7% YTD) and the FTSE 100 by -5.2% (-3.7% YTD). Growth stocks continued to underperform value ending down -10.1% (-32.4% YTD) and -8.5% (-18.5% YTD), respectively.

Locally, the FTSE/JSE All Share followed its global counterparties ending the month down -4.1% (-10.1% YTD). This performance was mainly impacted by the industrial and financial sectors which ended the month down -6.5% and -6.2%, respectively.

From an economic perspective, South Africa's inflation eased slightly from 7.8% in July to 7.6% YoY in August – remaining well above the mid-point of the SARB's target range. The SARB hiked the repo rate by a further 75bps with neither the easing of inflation nor the 2Q22 GDP contraction impacting their decision meaningfully. Given that inflation is likely to remain above the SARB's target range for the foreseeable future and that the exchange rate is still being affected by tightening global financial conditions, it is anticipated that the SARB will continue on their rate hiking cycle.

Positioning

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