CORION CAPITAL

DECODING THE MONTH

May 2023

Global ($)

Nasdaq	7.7%
MSCI ACWI	-1.1%
MSCI EM	-1.7%
Bonds	-2.2%
MSCI SA	-14.0%

Local

Resources	-2.2%
All Share	-3.9%
Bonds	-4.8%
Property	-5.3%
Financials	-7.9%

Best Shares

Gold Fields	6.1%
Mondi PLC	5.2%
Amplats	4.8%
Richemont	3.8%
NEPI Rockcastle	1.9%

Worst Shares

Mr Price	-17.5%
MultiChoice	-14.3%
Capitec	-13.5%
ABSA	-13.4%
Sibanye Stillwater	-13.3%

Worth Noting

- The rand lost over 7% against the greenback and is now down over 15% YTD.
- Nvidia's market capitalisation jumped by nearly $200 billion in a single day.
- The US debt ceiling is currently at $31.4 trillion. It has doubled since 2012.

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Commentary

Finding the right balance … sheet

Globally, major indices ended the month mixed as the market continued to try to ascertain whether any progress had been made in terms of the US Federal Reserve's (Fed) debt ceiling negotiations. If one examines previous occurrences, it appears that there is a historical precedent for the US Congress to reach a "last minute" debt-ceiling agreement, often with compromises on both sides.

In addition to the above, Fed officials still appear to be undecided regarding short-term interest rates. Some officials have indicated that there should be additional increases, while others believe a pause would be more suitable. On the back of a strong jobs market, the US consumer appears to be in a fairly sound financial position. This, together with relative stability in the regional banking sector, may provide the Fed with greater flexibility to raise rates once again.

As a result of the above, global equity markets produced mixed returns for the month. The S&P 500 managed to squeeze out a marginally positive return, increasing by +0.4% (YTD: +9.7%). This performance continues to be dwarfed by the Nasdaq 100 which rose by +7.7% (YTD: +30.8%). The FTSE 100 retracted over the month by -4.9% (YTD: +1.8%) on the back of UK core inflation rising to a 21-year high of 6.8%, which resulted in increased expectations of a 13th consecutive interest rate hike in June. The Euro Stoxx 50 declined by -2.2% for the month but still remains one of the best performing global indices YTD, up 13.5%. The global growth style continued to outperform value over the month and remains well ahead on a YTD basis with the MSCI Growth and Value indices having returned +19.6% and -1.9%, respectively.

Locally, political instability and the deteriorating outlook of South Africa's electricity supply continued to place pressure on the South African economic outlook. As a result, the rand has lost 16% of its value against the US Dollar since the beginning of the year.

With the rand continuing to depreciate, imported inflation remains a key risk to South Africa's overall inflation outlook rather than demand-led inflation which the rest of the world has struggled with. The majority of the inflation shock in SA has been caused by supply-side pressures, such as rising food and fuel prices. Against this backdrop, the South African Reserve Bank's (SARB's) Monetary Policy Committee (MPC) hiked rates by a further 50bps in an attempt to reduce overall demand and prevent business from passing on rising input prices.

As a result of the political and economic instability, local asset classes came under increasing scrutiny over the month with the FTSE/JSE All Share Index declining by -3.9% (YTD: +4.5%). The sell off in the bond markets was even more severe, with long-bond yields now approaching pre-pandemic levels.

Investing is a patient game and with all the negative sentiment thrown our way, it is important to remember that when one invests in the dark there is increasing probability of profiting in the light.

Positioning

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