CORION CAPITAL

DECODING THE MONTH

June 2023

Global ($)

MSCI SA	9.5%
Nasdaq	6.6%
MSCI ACWI	5.8%
MSCI EM	3.8%
Bonds	-0.0%

Local

Financials	11.4%
Bonds	4.6%
All Share	1.4%
Property	0.9%
Resources	-8.2%

Best Shares

Woolworths	19.9%
Standard Bank	17.2%
Mr Price	16.2%
Capitec	16.1%
Shoprite	15.6%

Worst Shares

Amplats	-25.0%
Northam Platinum	-22.7%
Implats	-20.9%
AngloGold	-17.6%
Sibanye Stillwater	-17.2%

Worth Noting

- SA's consumer confidence has slumped to the second-lowest on record since 1994.
- The World Bank has revised its global GDP forecast for 2023 from 1.7% to 2.1%.
- Apple has made history, becoming the first company with a market value over $3tn.

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Commentary

Global markets ended the month and the quarter firmly in the green. This came despite continued uncertainty surrounding global interest rates, inflation, economic growth, and the ongoing regional dynamics surrounding the Russian leadership.

The US economy continued to defy growth expectations with the latest revised 1Q23 GDP growth number coming in at +2% (above expectations of +1.4%). The higher revision assists in dismissing the belief that the US is approaching a recession, despite the Fed increasing rates aggressively over the past 16 months. Given the higher GDP growth print and the fact that US core inflation remains sticky, it is likely that we will see further rate increases in the US. The FOMC indicated in its June statement that there was still “a long way to go” in bringing inflation back down to the stated target of 2%.

Elsewhere, the month ended with an increased focus on the dynamics at play in Russia. After the short-lived rebellion, question marks have been placed on whether Putin’s political supremacy may slowly be starting to faulter. However, in terms of near-term impacts, this may either result in Putin escalating his attacks in Ukraine to re-establish dominance or create an opportunity for Ukraine to advance further.

Despite the above, global markets produced solid returns for the month. The S&P 500 increased by +6.6% (YTD: +16.9%) with the Nasdaq also increasing by +6.6% (YTD: +39.4%). The FTSE 100 underperformed on a relative basis increasing by +1.4% (YTD: +3.2%) on the back of a 13th consecutive interest rate hike in June. 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 +27.1% and +4.0%, respectively.

Locally, South Africa’s stance on the Russian/Ukraine conflict continued to come into question with many global ambassadors stating that the South African government needs to take a view on the war and cannot simply remain “neutral”. Despite the global implications, South Africa has stated that it will host the BRICS summit despite Putin’s global arrest warrant. However, this could change at the last minute.

As a result of the political and economic instability, local asset classes continued to underperform global indices over the month, with the FTSE/JSE All Share Index increasing by +1.4% (YTD: +5.9%). The performance was predominantly impacted by the Resources sector which declined by -8.2% (YTD: -10.5%) while the Financials sector negated some of these losses, increasing by a stellar +11.4% for the month (YTD: +6.4%).

Although initially strengthening, the rand also remained weak due to the above uncertainty. As a result, imported inflation remains a key risk to South Africa’s overall inflation outlook. This may impact the SARB’s decisions to increase rates further in their next meeting in July 2023. Furthermore, the SARB will also be looking at the degree to which loadshedding has increased prices. Markets however remain of the view that we may be reaching the peak of our interest rate cycle with anticipated further hikes having decreased significantly.

Positioning

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

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