CORION CAPITAL

DECODING THE MONTH

July 2023

Global ($)

MSCI SA	12.6%
MSCI EM	6.2%
Nasdaq	3.8%
MSCI ACWI	3.7%
Bonds	0.3%

Local

Financials	7.9%
All Share	4.0%
Resources	3.7%
Bonds	2.3%
Property	2.3%

Best Shares

Northam	20.4%
Sibanye	16.6%
Shoprite	14.5%
Capitec	14.4%
Absa	12.8%

Worst Shares

Richemont	-10.1%
MultiChoice	-7.3%
AB InBev	-3.6%
NEPI Rockcastle	-3.0%
BAT	-2.0%

Worth Noting

- The SARB expects the SA economy will grow 0.4% in 2023 and 1.0% in 2024.
- The Dow Jones had a historic streak of 13 straight daily gains during the month.
- Japan’s population declined by 800 000 in 2022. The largest decline on record.

Data Source: Morningstar, FTSE/JSE Indices

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Commentary

The Northern Hemisphere's summer has been one to remember with temperatures rising to record highs. However, record highs are not new to global markets as they continue to run hot despite the many macro-economic variables that are warning that seasons do eventually change.

Global interest rates and inflation remain key macro-economic factors adding fuel to the fire as investors try to ascertain whether major central banks have reached the peak of their rate-hiking cycle or if there is still more to come to quench the inflation heat.

Based on the Fed's latest comments, they appear to be unconvinced that inflation is on track to reach its 2% target and that economic weakness may be the only way to get there. In their mind, resilient GDP growth as well as healthy consumer spending are signs that the demand in the economy is still strong. The ECB also thinks that for inflation to fall below its target level there must be economic weakness. It increased rates again during the month but indicated that their tightening bias was over and that a new period of data-dependency has begun.

Unlike our Northern Hemisphere compatriots, the South African Reserve Bank left interest rates unchanged at 8.25%, as they believe that the current rates are already in restrictive territory. However, the risk to further increases has not abated as the SARB has indicated that certain risk factors, such as the impact of loadshedding and a weaker rand, could reverse the recent slowing inflationary trend. Although inflation is once again falling within the Reserve Bank's 3% to 6% target range, it is crucial to keep in mind that the Reserve Bank now targets the midpoint (of 4.5%) and that falling inflation falling below 6% does not qualify as a triumph in their mind.

Despite the above, global markets produced solid returns for the month. The S&P 500 increased by +3.2% (YTD: +20.7%) with the Nasdaq also increasing by +3.8% (YTD: +44.7%). The blue-chip Dow Jones Industrial Average added about +3.4% for the month (YTD: +8.5%) with the index posting a consecutive 13-day advance that matched its longest streak of gains going back to 1987. The Euro STOXX 50 underperformed on a relative basis increasing by +1.7% (YTD: +3.2%) while the FTSE 100 increased by +2.4% (YTD: +5.7%). The global growth style underperformed value over the month but remains well ahead on a YTD basis with the MSCI Growth and Value indices having returned +30.8% and +8.0%, respectively.

Locally, the FTSE/JSE All Share Index also had a strong month, increasing by +4.0% (YTD: +10.1%). The performance was predominantly driven by the Financials sector which ended the month up +7.9%. Resources and Industrials also had a positive month ending up +3.7% and +2.5% respectively. Despite listed property increasing by +2.3% over the month, it remains the worst performing asset class (vs equities, bonds and cash) on a YTD basis having declined by -2.2%.

As we assess the current market conditions, it is evident that global equity valuations have reached stretched levels reflecting a prolonged period of elevated temperatures in the financial landscape. With uncertainty surrounding global economic recovery, geopolitical tensions, and shifting investor sentiment, it is important to adopt a balanced approach in order to navigate the hot and unpredictable climate of the financial markets.

Positioning

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

Decoding the Now

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