




**Investment  
Market Report  
Week Ended 02  
September 2022**

 **Noble Private  
Portfolios**  
**Independent Asset Managers**

Stability | Strength | Safety

| Market Highlights 02<br>September 2022 |           | Bi-Weekly<br>Move |
|--|-----------|-------------------|
| JSE ALSI                               | 67,378.31 | -3.36%            |
| JSE Top 40                             | 60,854.02 | -3.37%            |
| SA Inflation (y/y)                     | 7.80%     | ↑                 |
| Prime Rate                             | 9.00%     | ↑                 |
| Dollar/Rand                            | 17.30     | +1.70%            |
| Euro/Rand                              | 17.22     | +0.88%            |
| Pound/Rand                             | 19.92     | -0.94%            |
| Gold Price (\$/oz)                     | 1,712.84  | -1.96%            |

## Domestic Market

Prices continue to be elevated as the annual inflation accelerated to a fresh record high of 7.8 percent in July from 7.4 percent in June, largely driven by food and fuel prices. Core inflation which excludes fuel and energy prices was up 4.6 percent in July. Furthermore, the producer inflation was also at a fresh record, reaching 18 percent above market forecasts of 17.6 percent. Meanwhile the Absa PMI rose to 52.1. However, the unemployment rate fell to 33.9 percent in the second quarter after reaching 35.3 percent in the last quarter of 2021.

## Domestic Asset Classes Performance week ended 02 September 2022

|                 | 1 Week | 1 Month | YTD    | 1 year |
|-----------------|--------|---------|--------|--------|
| SA Property     | -4.7%  | -6.2%   | -15.0% | -11.6% |
| Equity          | -4.0%  | -0.9%   | -8.6%  | 1.1%   |
| SA Int. Bearing | -0.2%  | 0.5%    | 2.9%   | 4.8%   |
| Inflation       | -      | -       | 5.8%   | 7.4%   |

## Market Expectations

**Interest Bearing securities** Considering the inflation outlook and guidance from the SARB, the outlook of interest rate shows that there is an expectation that the Monetary Policy Committee (MPC) will further raise the repo rate in September by about 50bps for the rest of 2022 and 75bps for 2023 considering the inflation risk is currently

to the upside. However, the MPC policy decisions are often data driven which means, depending on inflation outcome, the SARB might increase the interest rate significantly on the short term if inflation risk worsens; in this case the interest rate might rise to more than 50bps for the next six months of 2022.

**Inflation** is expected to continue to increase as rising food and petrol costs continue to put a strain on consumer spending. Inflationary pressure is also driving up household debt servicing costs. According to PWC, 38 percent of South Africa's credit consumers have their credit accounts either in arrears or in an adverse status. Debt service cost is also expected to increase from 8.5 percent of household income in 2022, up one percentage point from 2021.

**Property** Higher rates and inflation are expected to put downward pressure on property values but this will also likely to reduce demand for property investment.

## Domestic Equity Sector Performance week ended 02 September 2022

|              | 1 Week | 1 Month | YTD    | 1 year |
|--------------|--------|---------|--------|--------|
| Industrial*  | -2.5%  | -0.3%   | -12.7% | -1.5%  |
| Financials** | -4.4%  | -0.2%   | 1.8%   | 5.1%   |
| Resources*** | -6.6%  | -3.2%   | -15.1% | -5.0%  |
| JSE ALSI**** | -4.0%  | -0.9%   | -8.6%  | 1.1%   |
| SA Property  | -4.7%  | -6.2%   | -15.0% | -11.6% |

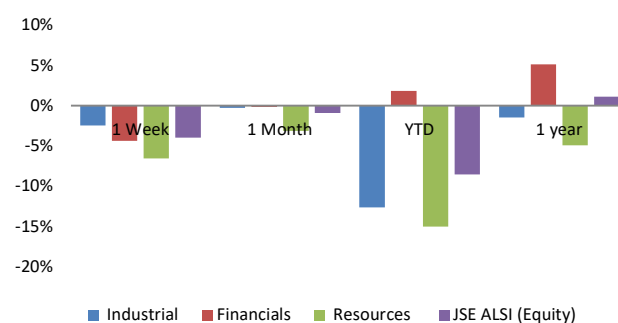
\*25 largest industrial companies in the ALSI.

\*\*15 largest financial companies in the ALSI.

\*\*\*20 largest basic resources and energy companies in the ALSI.

\*\*\*\* Companies with 99% market value in the main board of JSE

## Domestic Equity Sector



## Domestic Equity Investment Style Performance week ended 02 September 2022

|            | 1 Week | 1 Month | YTD  | 1 year |
|------------|--------|---------|------|--------|
| Small Cap* | -1.8%  | 2.3%    | 2.1% | 15.2%  |

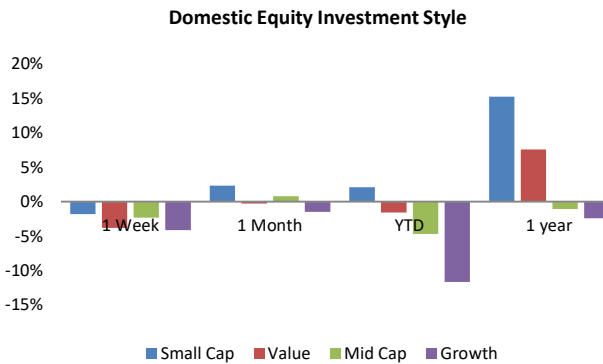
|            |       |       |        |       |
|------------|-------|-------|--------|-------|
| Value**    | -3.8% | -0.3% | -1.6%  | 7.5%  |
| Mid Cap*** | -2.3% | 0.8%  | -4.7%  | -1.1% |
| Growth**** | -4.1% | -1.5% | -11.7% | -2.4% |

\*Market cap is below R 1 Billion.

\*\*with price lower than that of companies in the same industry

\*\*\*Market cap of between R 1 Billion and R 10 Billion.

\*\*\*\* Companies with strong anticipated growth potential



## Global Markets

### Global Equity Performance week ended 02 September (USD)

|                       | 1 Week | 1 Month | YTD    | 1 year |
|-----------------------|--------|---------|--------|--------|
| MSCI South Africa     | -6.5%  | -3.4%   | -12.5% | -17.3% |
| MSCI Europe           | -2.3%  | -6.2%   | -23.8% | -24.7% |
| MSCI USA              | -3.4%  | -4.1%   | -18.7% | -15.4% |
| MSCI Emerging Markets | -3.4%  | -1.3%   | -21.1% | -25.9% |
| MSCI World            | -3.3%  | -4.2%   | -19.6% | -18.6% |

### Global Equity Risk comparison week ended 02 September 2022 (Standard Deviation)

|                       | 1 Week | 1 Month | YTD | 1 year |
|-----------------------|--------|---------|-----|--------|
| MSCI South Africa     | -      | 4.7     | 4.1 | 3.7    |
| MSCI Europe           | -      | 2.2     | 3.1 | 2.8    |
| MSCI USA              | -      | 3.5     | 3.2 | 2.8    |
| MSCI Emerging Markets | -      | 1.6     | 2.5 | 2.3    |
| MSCI World            | -      | 2.9     | 2.7 | 2.5    |

- MSCI is a global provider of securities and portfolio analysis tools.
- Standard deviation is a measure of risk or market volatility

**United States** The US central bank continues with its aggressive monetary policy as the Fed chair Powell stated that the Fed will continue to target inflation even at the risk of a recession. New order for manufactured goods was lower at 1 percent m/m, the unemployment rate was up 3.7

percent even as the economy added fewer jobs in August than it did in July.

**Europe** The annual inflation rate rose to 9.1 percent even as energy prices across the area remains elevated. Meanwhile, the unemployment was down 6.6 percent in July and the

S&P Global Euro zone Manufacturing PMI was also lower at 49.7 due to weaker demand, causing manufacturers to cut back on buying activities.

**Asia** Resurgence of COVID-19 cases in China leading to a widespread lockdown has spurred contraction in economic activities. The official non-manufacturing PMI down 52.6 in August from 53.8 in July, However, the manufacturing PMI was up in August.

**Brent Crude** clashes in Libya and Iran continue to weigh on market. However, there are talks to revive Iran nuclear deal which will boost the country's export. On the demand side, top importer China faces fresh COVID-19 lockdown.

**Gold** prices continue to face downward pressure as global central banks pursue aggressive monetary policy. The US Fed has stated that it will continue to keep borrowing costs up and European Central Bank policymakers are reportedly considering bigger interest rate hike in September.

## Market Expectations and Impact

We outline expectations of data to be released for the new week and their impact and implications to enable our investors make informed decisions.

### Domestic

We expect data on the economic growth.

### Global

In the US, the S&P Global PMI and ISM Non-manufacturing PMI is due next week. Meanwhile, the ECB policymakers will meet for a decision on interest rate. It is widely expected that the ECB will be raising rate by at least 50bps.

## Managing Your Investments in Volatile times

We understand the uncertainty of these times therefore we are providing our clients with some tips that can help them navigate tough times.

- **Keep capital in tact** investors should be more geared towards investment that protects and preserves capital as uncertainty drives performance of asset classes.

- **Spend responsibly** budgeting and priority spending help stay on course with expenses. There might be some spending that needs to be postponed after careful consideration of the economic and revisited at a later stage.
- **Conservative asset class framework** Keep the basket of investment within a conservative asset class structure helps reduce downside risk and of course in line with the investor's risk tolerance and capacity.
- **Be focused on your strategy** investors should maintain their long term strategic allocation and avoid panic. The market is characterised by fluctuations and therefore should not pose a significant threat to the investor.
- **Be wary of News** volatility is mainly driven by events, as news on a particular asset is factored into the asset so does the movement, an investor that is constantly watching the market will have their emotions fluctuating with the volatility and may result in irrational decisions that will influence the outcome of their investments.
- **Seek advice** In situations where an investor may not know to do or is unsure the impact of any event on their investments, it is advisable for the investors to engage with their financial advisors for guidance.

#### Pensioners

Due to the investment nature of our pension clients, we recommend the following;

- Low equity exposure and higher exposure on interest bearing securities.
- Stick to 20 percent exposure on foreign investments.

#### Noble PP BCI Fund Ranking as at 02 September

| Fund                              | Ranking | Count* |
|-----------------------------------|---------|--------|
| Noble PP BCI Strategic Income FoF | 67 /    | 159    |
| Noble PP BCI Balanced FoF         | 43 /    | 97     |
| Noble PP BCI Wealth Creator FoF   | 92 /    | 214    |
| Noble PP BCI All Weather FoF      | 37 /    | 53     |
| Noble PP BCI Flexible Fund        | 12 /    | 53     |

## TERM OF THE WEEK

### Fiscal policy

Fiscal policy is the use of government spending and taxation in order to influence macroeconomic conditions. It is often in the form of lower tax or increased government spending to boost economic activity.

Compiled by;  
**Mitchell Dibua**  
 +27 81 27 333 88