




**Investment
Market Report
Week Ended 04
August 2023**

 **Noble Private
Portfolios**
Independent Asset Managers

Stability | Strength | Safety

Market Highlights 04 August 2023		Bi-Weekly Move
JSE ALSI	76,960.61	-0.17%
JSE Top 40	71,603.86	+3.01%
SA Inflation	5.40%	↓
Prime Rate	11.75%	-
Dollar/Rand	18.42	+2.45%
Euro/Rand	20.28	+0.35%
Pound/Rand	23.48	+1.55%
Gold Price (\$/oz)	1942.83	+1.11%

Domestic Market

The Absa Purchasing Managers' Index fell to 47.3 in July, from 47.6 June marking the sixth consecutive month of contraction in manufacturing activity. Also, the S&P Global South Africa PMI declined to 48.2 in July, fifth consecutive month of contraction as elevated prices, weak confidence and capacity constraints weighed on overall demand. Firms also reported a lack of orders due to ongoing load shedding, and subsequent decline in production.

Domestic Asset Classes Performance week ended 04 August 2023

	1 Week	1 Month	YTD	1 year
SA Property	1.35%	2.66%	-3.53%	-2.91%
Equity	-2.24%	0.69%	5.06%	11.69%
SA Int. Bearing	0.04%	0.97%	4.86%	7.92%
Inflation	-	-	-	3.78%

Market Expectations

The SARB reports that South Africa's economic conditions appeared to have improved. The path of South Africa's headline inflation rate has been shaped primarily by fuel, electricity and food price inflation having fallen within the target range. While fuel price and food price were lower, electricity price was unchanged.

The Bank's forecast for South Africa's GDP growth in 2023 is slightly higher than in May, at 0.4% (from 0.3%). Energy and logistical constraints remain binding on the growth outlook, limiting economic activity and increasing costs. GDP growth forecast for 2024 and 2025 remains unchanged at 1.0% and 1.1%, respectively.

Domestic Equity Sector Performance week ended 04 August 2023

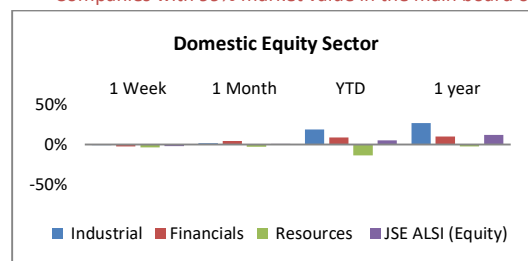
	1 Week	1 Month	YTD	1 year
Industrial*	-1.12%	1.54%	18.76%	26.64%
Financials**	-2.59%	4.23%	8.73%	9.71%
Resources***	-3.75%	-2.97%	-13.92%	-2.44%
JSE ALSI****	-2.24%	0.69%	5.06%	11.69%
SA Property	1.35%	2.66%	-3.53%	-2.91%

*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 Investment Style Performance week ended 04 August 2023

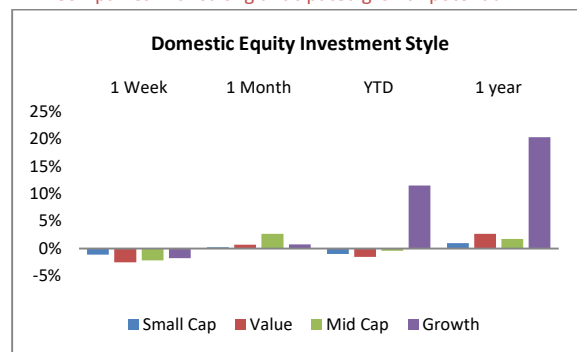
	1 Week	1 Month	YTD	1 year
Small Cap*	-1.15%	0.21%	-1.04%	0.97%
Value**	-2.55%	0.65%	-1.58%	2.63%
Mid Cap***	-2.19%	2.61%	-0.44%	1.70%
Growth****	-1.82%	0.74%	11.45%	20.32%

*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 Risk comparison week ended 04 August 2023 (Standard Deviation)

	1 Week	1 Month	YTD	1 year
MSCI South Africa	-	4.3	4.2	4.7
MSCI Europe	-	2.2	2.4	2.9
MSCI USA	-	1.2	1.8	2.3
MSCI Emerging Markets	-	1.4	2.1	2.5
MSCI World	-	1.4	1.7	2.2

- 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 unemployment rate fell to 3.5 percent in July from 3.6 percent in June, below market expectations as the economy created fewer jobs in July. Meanwhile, new orders for manufactured goods rose by 2.3 percent. Fitch Ratings downgraded the US long-term default rating from AAA to AA+ due to fiscal deterioration and rising government debt burden.

Europe Euro Area economy grew by 0.3 percent in the second quarter of the year, the recovery was due to moderation in inflationary pressures. However, higher interest rates and falling confidence continue to weigh on the area. Meanwhile, the manufacturing PMI fell to 42.7 in July from 43.4 in June, the lowest in three years. Also, services confidence indicator in the area fell for a third consecutive month to 5.7 in July.

Asia China General Services PMI rose from 53.9 in June to 54.1 in July above estimates of 52.5 pointing to a seven consecutive month of rally in services activity amid an accelerated rise in new orders and a further rise in job creation.

Brent Crude China has pledged to support economic growth amid signs of tightening global oil supplies by rolling out policies to boost consumption. However, concerns of weak recovery continue to weigh. On the supply side, Russia maintains that it will still continue its plan to cut supply.

Gold World Gold Council said that global demand for gold demand fell 2 percent year-on-year in the second quarter as central banks slowed their purchases and consumption by the technology sector remained suppressed.

Global Equity Performance week 04 August 2023 (USD)

	1 Week	1 Month	YTD	1 year
MSCI South Africa	-6.85%	3.80%	-2.13%	-0.25%
MSCI Europe	-2.60%	0.50%	11.67%	13.02%
MSCI USA	-2.29%	0.64%	17.07%	7.68%
MSCI Emerging Markets	-2.41%	0.99%	6.45%	2.36%
MSCI World	-2.34%	0.55%	13.81%	7.50%

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 the tough times.

- **Keep capital in tact** investors should be more geared towards investments that protect and preserve capital as uncertainty affects 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 situation 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.
- **Seek advice** In situations where an investor may not know what to do or is unsure the impact of any event on their investments, it is advisable for the investors to engage with one of our 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 conservative exposure on foreign investments.

Hope for the Future

Inflation: Are we at the end of the rate cycle?

Looking at the economic condition of South Africa, things appear to be improving at least considering the inflation and the strengthening of the rand. However, the longer-term outlook appears to be marred with uncertainty of the global environment. Energy supply continues to waver with Russia still threatening to cut production and dwindling demand emanating from China as the recovery of the economy appears to be sluggish. These factors continue to weigh on fuel prices presenting inflationary risk to South Africa.

Nonetheless, the annual headline inflation continues to ease falling to a 19-month low of 5.4 percent - below market forecast of 5.6 percent, moving back into the upper end of SARB target range and is forecast to revert to the midpoint of the target range by 2025. The most significant result of the impact of the drop is the Central Bank decision to leave repo rate unchanged. However, SARB has maintained that inflation hasn't peaked and that risk to inflation remains assessed to the upside.

Looking at the trend of fuel prices since the beginning of 2023, data from Automobile Association of South Africa (AA) shows that the price of diesel on average has fallen since the beginning of the year while the prices of 93 and 95 unleaded petrol have risen. Electricity price has also increased even as load shedding continues to affect consumers and businesses. Electricity is forecasted to increase by 13.4 percent in 2024 before dropping to 10.9 percent in 2025. Logistics constraint has also added to increasing cost. Food prices were lower at the time of the July meeting, according to SARB.

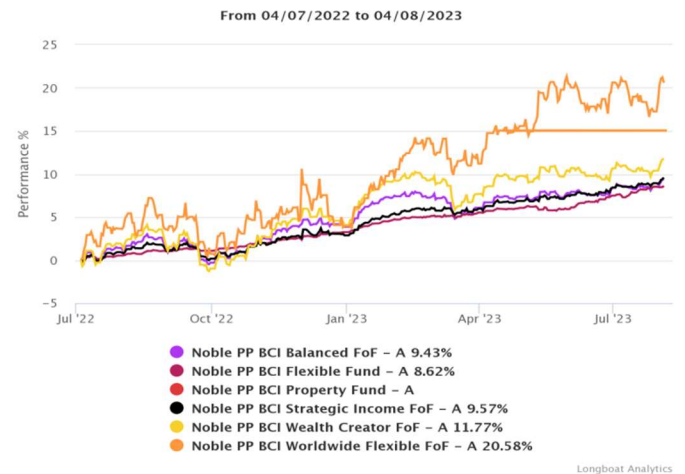
These points to the likelihood that we may be moving closer to the inflation peak cycle even though at a slow rate. Consumers may take succour that the regime of aggressive rate tightening may finally be coming to an end. Obviously the central bank will continue balancing global economic effects on the local economy especially with respect to energy and food prices, but the reality that South Africans might not be facing aggressive rate hikes and a potential reduction in rates present some form of relief.

TERM OF THE WEEK

Creative destruction

Creative destruction is the intentional dismantling of established processes in order to make way for improved methods usually driven by innovation. Internet can be viewed as a method for creative destruction.

Noble PP One Year Fund Performance



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