




**Investment  
Market Report  
Week Ended 21  
July 2023**

 **Noble Private  
Portfolios**  
Independent Asset Managers

Stability | Strength | Safety

Market Highlights 21 July 2023		Bi-Weekly Move
JSE ALSI	76,826.63	-2.67%
JSE Top 40	69,509.98	+2.98%
SA Inflation	5.40%	↓
Prime Rate	11.75%	-
Dollar/Rand	17.98	-4.72%
Euro/Rand	20.01	-3.33%
Pound/Rand	23.12	-4.58%
Gold Price (\$/oz)	1921.47	+2.11%

## Domestic Market

The retail trade fell by 1.4 percent lower than market expectations from a year earlier in May marking the sixth consecutive month of drops in retail activity. The Reserve Bank left the repo rate unchanged at a 14-year high of 8.25 percent during its July meeting, after 10 straight rate hikes. However, the Governor pointed out that decision is not a representation of an end to the hiking cycle neither does it signify that interest rates have peaked. Meanwhile, the annual inflation rate dropped to 5.4 percent in June further down from 6.3 percent in May finally falling back within the central bank's target range of 3%-6%.

## Domestic Asset Classes Performance week ended 21 July 2023

	1 Week	1 Month	YTD	1 year
SA Property	1.59%	-2.86%	-6.60%	-4.07%
Equity	-0.31%	0.41%	5.52%	13.94%
SA Int. Bearing	0.30%	1.10%	4.41%	8.78%
Inflation	-	-	-	4.99%

## 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 21 July 2023

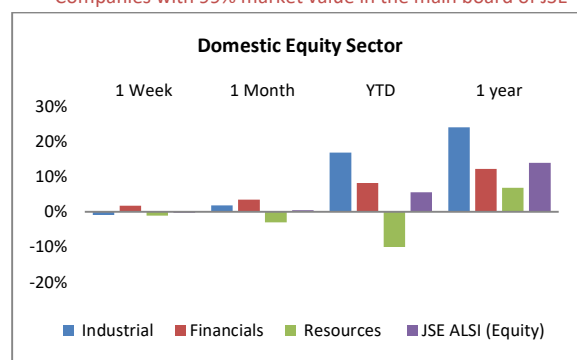
	1 Week	1 Month	YTD	1 year
Industrial*	-0.91%	1.80%	16.79%	24.06%
Financials**	1.74%	3.44%	8.16%	12.15%
Resources***	-1.07%	-3.03%	-10.01%	6.83%
JSE ALSI****	-0.31%	0.41%	5.52%	13.94%
SA Property	1.59%	-2.86%	-6.60%	-4.07%

\*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 21 July 2023

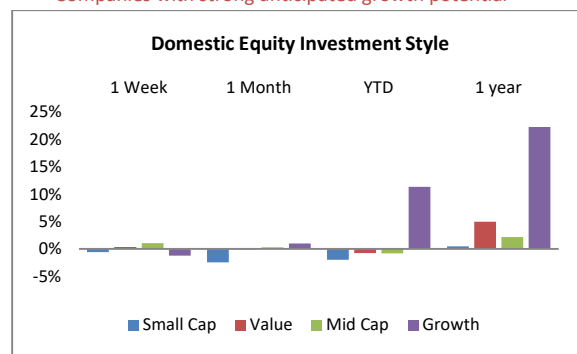
	1 Week	1 Month	YTD	1 year
Small Cap*	-0.58%	-2.43%	-1.98%	0.48%
Value**	0.37%	0.00%	-0.78%	4.95%
Mid Cap***	1.04%	0.28%	-0.84%	2.15%
Growth****	-1.23%	0.97%	11.35%	22.27%

\*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 21 July 2023 (Standard Deviation)

	1 Week	1 Month	YTD	1 year
MSCI South Africa	-	4.9	4.2	3.5
MSCI Europe	-	2.2	2.5	2.7
MSCI USA	-	1.3	1.8	2.3
MSCI Emerging Markets	-	1.9	2.1	2.4
MSCI World	-	1.6	1.8	2.1

- 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 was lower at 3.6 percent in June, falling from 3.7 percent in May. The unemployment rate has ranged between 3.4% and 3.7% in each of the past 15 months. Meanwhile, non-farm employment rose by 209 000 jobs in June 2023, below market expectations for an increase of 230 000.

**Europe** The consumer price inflation rate in the Euro Area rose to 5.5 percent in June, mainly due to a decline in energy prices supporting the view that ECB is likely to continue raising rates in coming months. Industrial production was also higher 0.2 percent month-over-month in May, slightly missing market expectations of 0.3 percent.

**Asia** China economy grew by 0.8 percent in the second quarter of 2023, above market expectations of a 0.5 percent increase lower than the previous quarter. Retail sales also slowed sharply to 3.1 percent in June, marking the weakest performance since last December.

**Brent Crude** China has pledged to support economic growth amid signs of tightening global oil supplies by rolling out policies to boost consumption. On the supply side, Russia's energy ministry said the country will cut oil exports by 2.1 million tons in the third quarter. In the US, EIA data showed crude stocks fell last week.

**Gold** price continues to hover near its strongest levels in two months amid a general dollar weakness, as easing US inflation raised hopes that the Federal Reserve is close to the end of its current monetary policy tightening cycle.

### Global Equity Performance week 21 July 2023

(USD)

	1 Week	1 Month	YTD	1 year
MSCI South Africa	0.35%	3.56%	0.32%	4.74%
MSCI Europe	0.11%	3.21%	14.15%	19.92%
MSCI USA	0.52%	3.48%	18.54%	14.43%
MSCI Emerging Markets	-0.24%	0.48%	6.45%	3.19%
MSCI World	0.27%	2.79%	15.28%	13.29%

### 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

Although 2023 looks worse than 2022 for many South Africans as we wrestle with the country's list of problems and fears of mismanagement, there is an improving global and local backdrop bringing relief. All we have to do is decide where the opportunities lie.

### **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

### **Counterparty Risk**

Counterparty risk is the likelihood or probability that one of those involved in a transaction might default on its contractual obligation. It usually exists in credit transactions.

For sound financial advice, don't hesitate to call:

Piet De Jongh – 082 578 3798

Pieter Van Zyl – 083 445 2181

Hester Du Preez – 082 376 6414

### **Compiled by:**

Mitchell Dibua

+27 8127 333 88