




**Investment
Market Report
Week Ended 26
May 2023**

 **Noble Private
Portfolios**
Independent Asset Managers

Stability | Strength | Safety

Market Highlights 26 May 2023		Bi-Weekly Move
JSE ALSI	76,589.54	-2.22%
JSE Top 40	71,404.27	-2.13%
SA Inflation	6.80%	↓
Prime Rate	11.75%	↑
Dollar/Rand	19.67	+1.81%
Euro/Rand	21.10	+0.62%
Pound/Rand	24.28	+0.87%
Gold Price (\$/oz)	1943.76	-3.50%

Domestic Market

The reserve bank raised the repo rate by 50 bps to 8.25 percent effectively increasing lending costs to their highest level since mid 2009 after the market had anticipated a 25 bps increase. This was largely as a result of significant depreciation of the rand which also puts an upward pressure on inflation. The inflation rate was lower at 6.8 percent but still above the target range of 3%-6%. The composite leading business cycle indicator fell 2 percent, marking the fourth consecutive decline as five out of the seven indicators contributed to the decline.

Domestic Asset Classes Performance week ended 26 May 2023

	1 Week	1 Month	YTD	1 year
SA Property	-2.53%	-6.62%	-8.20%	-7.95%
Equity	-2.56%	-2.49%	4.28%	9.63%
SA Int. Bearing	0.20%	-0.30%	2.29%	6.11%
Inflation	-	-	-	5.72%

Market Expectations

Though interest rate is still expected to start falling later this year, headline inflation is forecasted to be above the upper band of the target range. PWC reports that the speed of supply chain cost inflation is likely slowing.

With regards to GDP and inflation expectation, the SARB forecast a growth of 0.3 percent in 2023 and 1.0 percent in 2024 while headline inflation expectations are expected to be 6.2 percent for 2023 and 5.1 percent for 2024. Risks to inflation are still assessed to the upside due to high food, electricity and fuel costs.

Domestic Equity Sector Performance week ended 26 May 2023

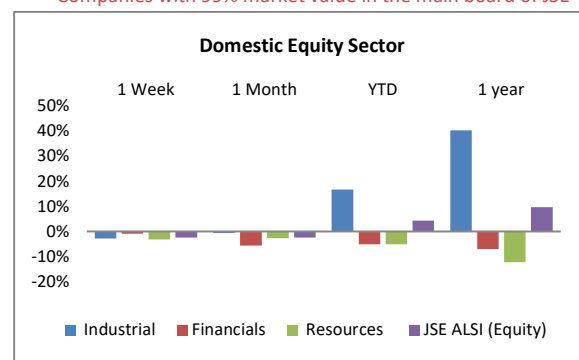
	1 Week	1 Month	YTD	1 year
Industrial*	-2.92%	-0.76%	16.61%	40.17%
Financials**	-1.03%	-5.71%	-5.23%	-7.15%
Resources***	-3.27%	-2.76%	-5.23%	-12.28%
JSE ALSI****	-2.56%	-2.49%	4.28%	9.63%
SA Property	-2.53%	-6.62%	-8.20%	-7.95%

*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 26 May 2023

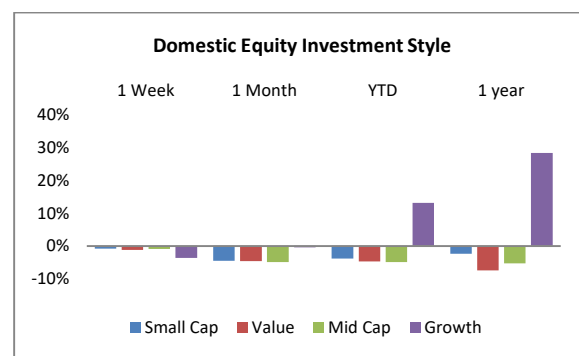
	1 Week	1 Month	YTD	1 year
Small Cap*	-0.84%	-4.55%	-3.89%	-2.37%
Value**	-1.24%	-4.68%	-4.78%	-7.45%
Mid Cap***	-0.95%	-4.99%	-4.91%	-5.33%
Growth****	-3.72%	-0.47%	13.12%	28.32%

*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 26 May 2023 (Standard Deviation)

	1 Week	1 Month	YTD	1 year
MSCI South Africa	-	1.8	3.5	4.4
MSCI Europe	-	0.7	2.3	3.1
MSCI USA	-	0.8	1.9	2.9
MSCI Emerging Markets	-	0.6	2.0	2.5
MSCI World	-	0.8	1.7	2.6

- 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 Core PCE price index increased by 4.7 percent in April, fuelling expectations that the US Fed will continue with its aggressive monetary policy longer than expected. Meanwhile, the economy grew by an annualized 1.3 percent in the first quarter of 2023, beating market estimate of a 1.1 growth.

Europe Business activity growth in the Eurozone fell more than expected in May due to a significant decline in manufacturing production and weak expansion in the service sector. However, the European Central Bank is expected to continue increasing interest rates throughout the year.

Asia China's weak industrial production and retail sales data in April continue to pose a significant challenge to its economic recovery path. As a result, authorities are facing pressure to initiate policies that will boost the country's economy.

Brent Crude Brent crude futures were weighed down by concerns that weak global economic growth and tightening financial conditions could have an adverse effect on energy demand and slow economic recovery in China also added to the bearish sentiment.

Gold has been recently weighed down by the strengthening of the US dollar as it is becoming likely that US interest rates could stay elevated longer than previously expected.

Global Equity Performance week 26 May 2023 (USD)

	1 Week	1 Month	YTD	1 year
MSCI South Africa	-2.79%	-11.27%	-13.28%	-19.09%
MSCI Europe	-2.30%	-3.42%	9.23%	5.91%
MSCI USA	0.39%	3.82%	9.66%	3.52%
MSCI Emerging Markets	-0.45%	0.52%	1.72%	-4.90%
MSCI World	-0.51%	1.60%	7.87%	2.15%

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 intact.** Investors should be more geared towards investments that protect and preserve capital as uncertainty affects performance of asset classes and disposable income.
- **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 investments 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 long-term threat to the investor.
- **Seek advice.** In situations where an investor may not know what to do or is unsure of 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

Keeping the head in the game

South Africa is in a situation where a lot is going on. From load shedding to rising borrowing costs, the extreme volatility of the rand and rising inflation among others. These are all weighing on investors sentiments and in turn these sentiments also have a way of filtering into the market causing a spiral of irrational investment actions which can hurt overall portfolio performance.

Financial markets are characterised by periods of booms and busts. These often come with a corresponding impact on emotional sentiments of investors. However, investors respond more strongly to periods of negative market movements. These challenging situations are often beyond the control of the investor creating panic and anxiety. Nonetheless, as long as the investor can keep these emotions under control, they can weather the storm.

Therefore, in this period of negative sentiment both locally and globally, it's imperative to manage emotions and understand that investments are long term. Thus, periods of negative market movement will pass. This necessitates keeping a cool disposition throughout the period of negative market outcomes by avoiding panic. In the market, emotions can be an investor's enemy because driven by emotions; investors often sell at the worst possible time leading to portfolio underperformance.

However, it is not all gloomy. Inflation is slowly falling and there's a likelihood that the SARB will start reducing the pace of rate hikes which will lead to interest rates falling. Eskom on the other hand seems to be slowly getting its house in order though significant work still needs to be done.

Overall, at this time, The South African government bond yields offer an attractive source of return. The SA government bonds carry more attractive yields relative to other emerging markets. Most of the increase in the yields is as a result of the inflation premium. Bonds offer attractive returns in the period when inflation is rising.

TERM OF THE WEEK

Debt Ceiling

Debt ceiling is the maximum amount of money the United States government can borrow by issuing bonds. The importance of the debt ceiling being raised is to prevent debt default of the US government.

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

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