

# Market Overview

## April 2024

Morningstar Investment Management  
May 2024

For Financial Advisers & Their Clients

### Market and Economic Summary

Global equity markets produced mixed returns this month, with developed markets lagging emerging markets. Developed markets halted a 5-month run of strong returns, as most developed market equities sold off during April. Sticky inflation, a reset of interest rate cut expectations, coupled with weaker than expected economic growth hurt sentiment towards risk assets this month. In addition to this, quarterly earnings updates added to the volatility of most developed market returns this month. Japan was a standout underperformer this month, as the news flow surrounding the yen (which is at historical lows versus the US dollar) weighed on sentiment. Global bonds were not spared in the selloff, as weakness crept into bond markets, as yields ticked higher. On the other hand, emerging markets were buoyed by the strong performance of China. We saw a sentiment shift in China, which bounced strongly in April, leading emerging markets higher.

Most developed market central banks kept interest rates unchanged and at over 20-year highs at their third meeting of 2024. Policymakers acknowledged that while inflation has moderated over the past year, it remains elevated, and there has been less progress towards achieving stated inflation objectives in recent months. Importantly, most developed market central banks do not foresee the need for interest rate hikes in the near future, and believe current monetary policy is sufficiently restrictive. The European Central Bank maintained its interest rates at historically high levels during its April meeting, with the main rate remaining at a 22-year high of 4.5%. Turning to the US, the US Federal Reserve left rates at a 23-year high of 5.5% for a sixth consecutive meeting in April 2024, in line with market expectations. Central banks continue to be data driven and dependent on data showing that inflation is cooling sufficiently. This has shifted rate cut expectations across most developed market regions further out.

Developed market inflation numbers produced varying prints this month, barring the US, where inflation rose unexpectedly. The annual CPI inflation rate in the US moved higher to 3.5% (year-on-year to the end of March 2024) compared to 3.2% in February and above forecasts of 3.4%. Energy costs rose more than expected while prices for shelter and food remained unchanged. In addition to this, prices continued to rise sharply for transportation, adding to the tick up in inflation this month. The United Kingdom's inflation rate dropped to 3.2% (year-on-year to the end of March 2024), down from the 3.4% level recorded in February, however, above market expectations of 3.1%. The CPI inflation rate in the Euro Area remained at 2.4% (year-on-year to the end of March 2024), in line with market expectations.

Turning to other important economic releases this month. Unemployment numbers remain robust, however, they have ticked higher recently. The unemployment rate in the US fell slightly to 3.8% at the end of March 2024. Despite recent policy tightening measures by the Fed, the unemployment rate has remained in a narrow range since August 2023, suggesting the labour market remains strong. The

unemployment rate in the UK ticked higher to 4.2% at the end of February, ahead of expectations. Turning to economic growth. US GDP came in weaker than expected at 1.6% (year-on-year to the end of March 2024), with consumer spending and goods consumption falling more than anticipated. The Chinese economy produced a strong 5.3% GDP growth print (year-on-year to the end of March 2024), as the Lunar new year festival boosted consumer spending.

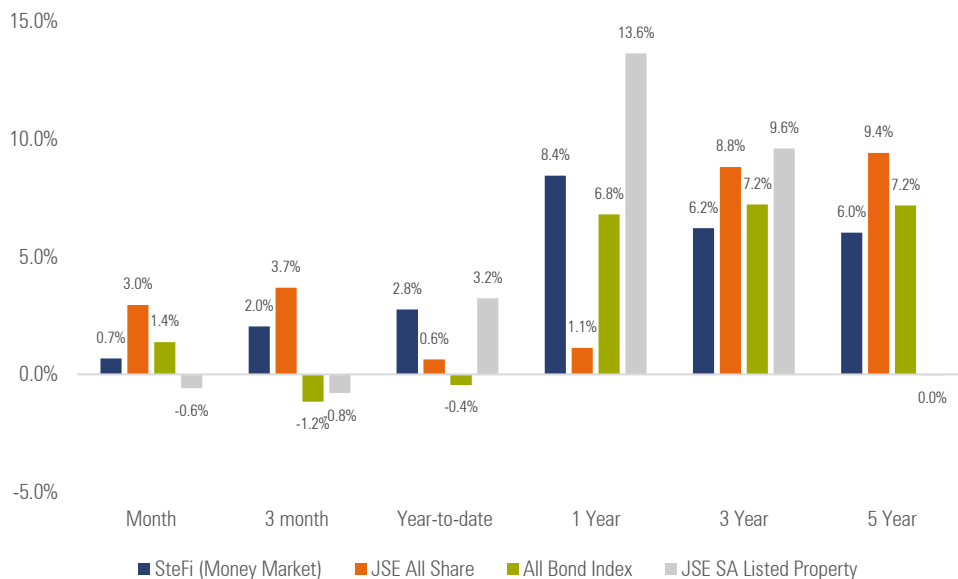
South African asset classes produced strong returns this month, with local equities and bonds leading the way higher, while SA property declined. Local equities, and particularly the Resources sector, continued its strong run in April, posting healthy gains. "SA Inc" stocks, namely SA Financials and SA Retailers rebounded in April, producing strong returns, while on the other hand rand hedges struggled to generate meaningful returns in the face of a stronger rand and a weaker global equity market. South African property counters moved lower, as property counters continue to remain under pressure, giving up their gains from the strong performance recorded in the first few months of 2024. South African bonds moved higher this month, ahead of cash returns, as the yield curve fell as some of the election overhang subsided. The rand strengthened against the major crosses this month.

The strength in South African equities was largely driven by the Resources sector, which moved higher over the month due to a significant rise in the share price of the index heavy weight Anglo American PLC (+32.6%). During the month, BHP Group made an all share takeover bid for Anglo American PLC for 31.1 billion pounds (approximately 15% premium to the current market cap), which led the share price higher. Further to that, we saw strong performance from diversified miners and platinum holdings. Industrials generated a positive return this month, however, the sector lagged the broader equity market, as most rand hedges came under pressure. Richemont (-8.3%), British American Tobacco (-4.0%) and ABInBev (-1.5%) all ended the month in negative territory. On the other hand, strong performance from the SA Retailers and Naspers (+7.4%) and Prosus (+6.7%) added to the performance of the SA Industrials bucket this month. Financials produced a positive return this month, primarily due to strength in the larger banking counters, including Capitec (+11.1%), Firststrand Ltd (+5.6%), and Absa (+2.8%).

Local bonds ended the month higher, rebounding from two months of negative returns. Yields moved lower (and prices higher), as the election risk overhang receded, as recent election surveys suggest that the potential for a more rational governing coalition post-election is more likely. The SA bond market will likely be volatile this month as we approach elections.

Local listed property moved lower this month after a strong start to the year. Index heavyweights Nepi Rockcastle (-2.9%) and Fortress REIT (-0.9%) moved lower.

### Exhibit 1 | SA Market Performance (total returns)



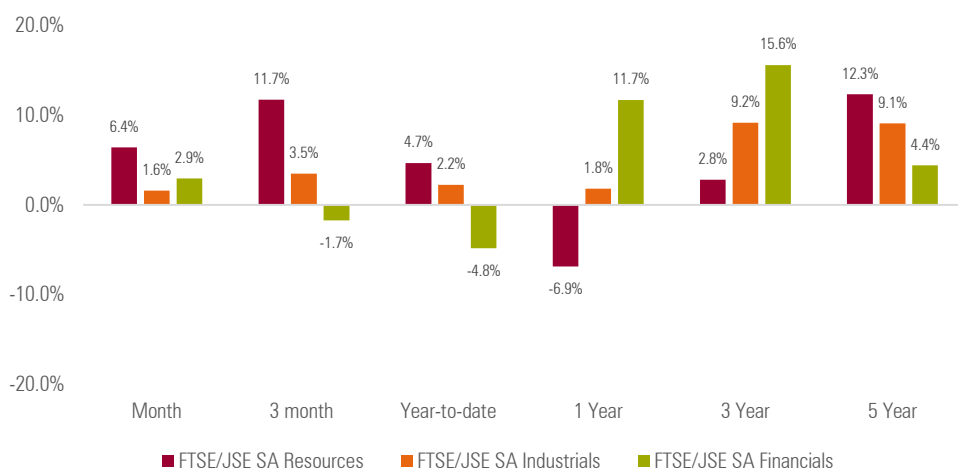
Source: Morningstar Direct as at 30/04/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

The South African Chamber of Commerce and Industry (SACCI) business confidence index moved to an over one-year high of 114.7 in March 2024. The latest reading painted an improved environment for businesses despite various local economic challenges. The positive global economic environment along with the increase in local tourism have both played roles in increasing business confidence.

As we approach the SA elections later this month, it is interesting to see how the recent polls stacks up. The most recent Ipsos poll (2 545 registered voters) showed that Jacob Zuma’s uMkhonto weSizwe (MK) party has gained traction. The Ipsos poll showed that the newly formed MK Party has the support of 8.4% of voters. That compares with 11.5% for the EFF, down from 19.6% in February. The ANC is expected to fall below 50% in the elections scheduled for later this month and the DA is expected to have just over 20% of the support according to the poll. Regardless of the polling, it is likely to expect continued volatility in the performance of South African asset classes as we approach election day.

South Africa’s annual inflation rate cooled to 5.3% (year-on-year to the end of March 2024), in line with market forecasts. The decrease was mainly due to softening of prices for food, transport, and alcoholic beverages. Core inflation, which excludes volatile items such as food and non-alcoholic beverages, fuels, and energy, eased slightly to 4.9% in March 2024, down from an eight-month high of 5% in February.

### Exhibit 2 | SA Sector Performance (total returns)



Source: Morningstar Direct as at 30/04/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

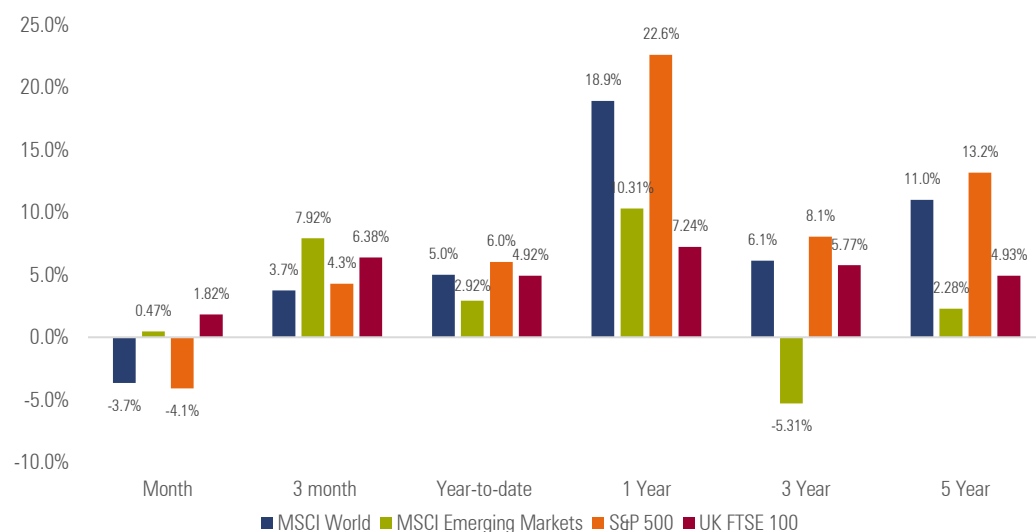
Most of the major developed equity markets ended the month lower. The **MSCI World Index** delivered a return of -3.7%, which was behind that of emerging market peers.

Most emerging equity markets moved higher during the month on the back of continued positive sentiment buoying demand for emerging market equities, and particularly Chinese equities. The **MSCI Emerging Markets Index** ended the month +0.5% higher in April.

Most major global equity markets produced negative returns in April, as broad-based negative sentiment filtered through most developed market indices. The **Nikkei 225** (-8.5%) and Germany's **FSE DAX** (-4.0%) ended the month lower. On the other hand, the UK's **FTSE 100** (+1.8%) and China's **Shanghai SE Composite** (+1.9%) ended in positive territory.

US equities moved lower in April, halting their strong run. The tech-heavy **NASDAQ 100** (-4.4%) posted a weak return in April, as tech stocks gave up some of their strong gains. The **S&P 500** (-4.1%) also ended the month lower, as most sectors ended in negative territory.

### Exhibit 3 | International Market Performance (total returns)



Source: Morningstar Direct as at 30/04/2024. Returns are in US dollars and have been annualised for periods longer than 1 year.

### **Impact on client portfolios**

From a portfolio perspective, investors generate mixed performance this month, with local equities and bonds leading the way higher, while global allocations detracted. Global asset classes detracted from performance this month, as negative sentiment impacted most global asset classes. Rand strength acted as a further headwind to the performance of global allocations, as the local unit was firmer against most of the major crosses during the month.

Moving into the month of May, the upcoming elections carry the potential for increased market volatility and uncertainty. We expect markets to remain choppy going into elections, as market participants try to gauge whether the outcome will be favourable or unfavourable for South Africa. This underscores the importance of constructing portfolios that effectively manage risk and maximize returns across various market conditions. It reinforces the need for robustness and diversification in portfolios.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio independent of the prevailing market environment.

<b>Local Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE All Share	2.95	0.64	1.14	8.81	9.41	8.89
JSE Capped SWIX	2.92	0.55	2.36	8.23	7.22	6.09
JSE SA Listed Property	-0.59	3.24	13.67	9.61	-0.04	-1.53
All Bond Index	1.37	-0.45	6.81	7.22	7.18	7.78
STeFI (Money Market)	0.68	2.75	8.46	6.22	6.02	6.40
<b>Local Market Sectors</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE Top 40	3.18	0.84	-0.04	8.89	9.89	9.52
JSE Mid Cap	1.48	-2.11	4.39	7.88	5.70	4.32
JSE Small Cap	2.02	0.95	9.13	14.48	12.65	6.80
FTSE/JSE SA Resources	6.40	4.67	-6.87	2.79	12.34	15.49
FTSE/JSE Ind/Financials	2.95	-4.82	11.72	15.60	4.40	5.06
FTSE/JSE SA Industrials	1.58	2.23	1.82	9.16	9.11	6.89
<b>Global Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
MSCI World	-3.67	5.01	18.96	6.14	11.00	10.83
MSCI Emerging Markets	0.47	2.92	10.33	-5.31	2.28	3.85
S&P 500	-4.08	6.04	22.66	8.06	13.19	13.25
NASDAQ 100	-4.43	3.90	32.77	8.84	18.53	18.76
FTSE 100	1.82	4.92	7.25	5.77	4.93	5.29
SSE Composite	1.90	2.21	-10.62	-6.98	-1.27	-0.92
Nikkei 225	-8.50	3.59	17.31	-0.55	6.15	7.21
FSE DAX	-3.99	3.62	9.08	1.71	6.75	5.09
US T-Bill 3m	0.45	1.82	5.59	3.12	2.21	2.09
<b>Commodities</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
Oil Price Brent Crude	0.43	14.04	10.46	9.32	3.83	7.86
Gold	4.18	11.00	16.37	9.28	12.46	8.95
Platinum	3.53	-6.10	-12.57	-8.31	1.10	-0.11
Copper	13.26	15.97	13.41	-0.71	7.82	6.32

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 30/04/2024.

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