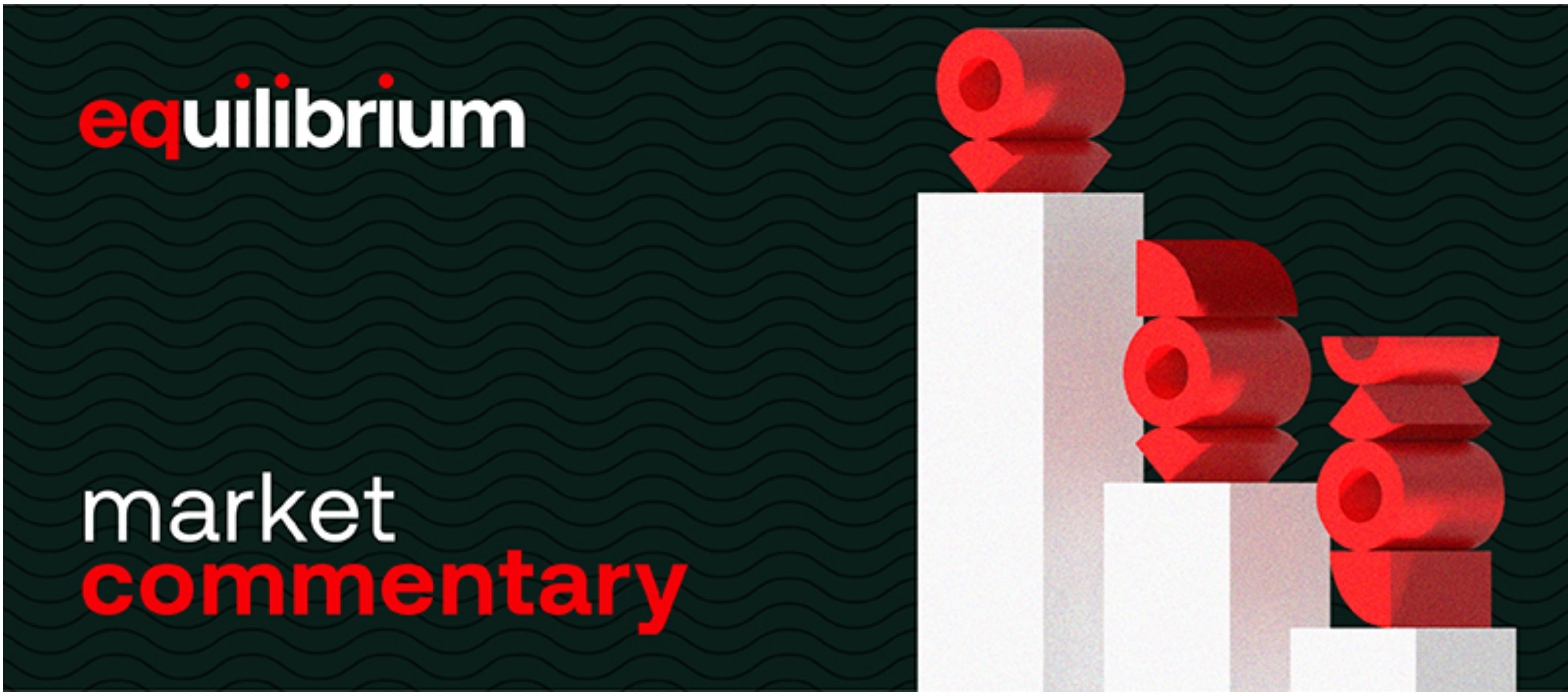

Monthly market commentary | February 2024

Global equity markets continued their positive momentum, with the MSCI All Countries World Index (ACWI) returning 4.3%[1] in US dollar (USD) terms. The technology sector was still a dominant force, with positive sentiment broadening to other markets as well. Central bank activity continued to dominate the headlines, with investors now more realistically factoring in rate cuts towards the middle of the year as opposed to prior expectations for cuts as early as March. Geopolitical tensions across the globe continued to create some angst among investors. Locally, the 2024/25 budget by the Minister of Finance delivered little surprises, with the big event being the introduction of the Global and Foreign Exchange Contingency Reserve Account (GFECRA) as a funding source to the tune of R150 billion to lower debt and the interest bill.

The earnings season continued with five of the ‘magnificent seven’ US stocks reporting results for the previous quarter and contributing to a 5.3%[1] gain in the S&P 500 over the month. After recording its best January in 25 years, the Nikkei had its best month in 12 years with a return of 7.9%[2] in USD terms and returning 43%[2] over the last 12 months in USD terms. Emerging markets (MSCI Emerging Markets Index) saw a robust recovery on the back of a solid rebound from Chinese equities delivering 4.8%[1] in USD terms. Chinese equities (MSCI China Index) returned 8.4%[1] in USD terms after authorities introduced additional stimulus measures to boost economic activity. Global property (EPRA NAREIT) did not follow through on the returns from global equity returning -0.4%[1] in USD terms.

Global bond markets (WGBI) suffered given the decreased likelihood of imminent rate cuts, with a return of -1.30%[1] for the month in USD terms. In light of elevated global short-term yields, global cash (ICE-BOFA) returned 0.4%[1] in USD terms. For the second month in a row, the rand weakened against the USD, down 2.7%[2] at R19.17 to the USD.

Local equities (Capped SWIX) were unable to maintain upward momentum, bucking the positive trend seen offshore, ending the month at -2.3%[1], and underperforming most emerging markets. Resources was the biggest underperformer at -6.9%[1], while financials and industrials detracted further with returns of -1.0%[1] and -0.7%[1] respectively.

SA bonds (ALBI) followed suit from global bond markets returning -0.6%[1] as, locally, investors also remain concerned about the fiscal outlook. The three-to-7-year maturity spectrum was the biggest detractor ending at -0.88%[1] followed by the seven-to-12-year maturities at -0.78%[1]. Inflation-linked bonds also ended the month down at -0.7%[1] for the month. SA listed property (ALPI) continued its positive growth trajectory during February, though more muted returning 0.8%[1] for a return of 17.6%[1] over the past 12 months. While operating performance is encouraging, financial cost pressure remains a concern in the sector.

As the market speculates on the path of the repo rate amid the extent of interest rate cuts for the remainder of the year, local cash (SteFI composite) returned 0.7%[1] and continued to deliver inflation beating returns of 8.3%[1] over the last 12 months.

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