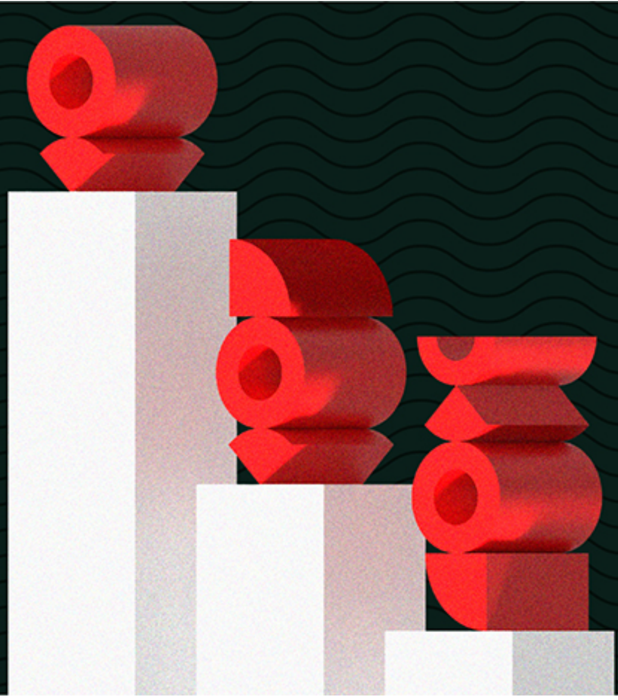
equilibrium
by momentum

market
commentary



Monthly market commentary | July 2023

July proved to be a breath of fresh air for investors, as all major global equity markets delivered positive returns. This positivity in markets was stimulated by the release of lower-than-expected US inflation data, which marked the twelfth consecutive monthly drop in the print, as well as strong US earnings reports, where aggregate earnings came in ahead of expectations. The positivity in global markets filtered through locally, leading to a positive month in South African markets and the continued recovery in the rand.

Global equities (MSCI ACWI) ticked 3.7% higher in USD terms[2]. Developed Market equities (MSCI World) gained 3.4% over the month[1], with similar contributions across most of the developed markets. The S&P 500 gained 3.2% in USD terms[2], the UK (FTSE 100) 3.6%[2] and the rest of Europe (MSCI Europe Ex UK) lagged slightly with 3%[2]. Emerging market equities (MSCI EM) ended their five-month streak of trailing developed markets with a 6.2%[2] return for the month. This was mainly supported by Chinese equities (MSCI China), which rose an impressive 10.8% in USD terms[2], coming off the back of improving sentiment toward Chinese assets. The rand continued its recovery throughout July, strengthening by an impressive 5.3%[2] relative to the US dollar to close the month at R17.85[1] to the dollar.

Local equities followed global markets higher with the Capped SWIX up 4.1%[2] for the month owing to the continued recovery in Financials. The sector delivered a notable 7.9%[2] return over the month, as banks and life insurers rallied. Industrials came in lower with a 2.6%[2] return, led by strong performances from domestically focused companies, particularly discretionary and general retailers. Finally, Resources ended the month up 3.2%[2], primarily supported by higher commodity prices and Chinese announcements that hinted at a potential imminent increase in Chinese demand for resources. Local property (ALPI) ended the month lower than local equities with a 2.5%[2] return, meaning the asset class has now underperformed its local equity counterpart by a staggering 12.5% over the last 12 months.

Despite the notable drop in yields by mid-month, global bonds (WGBI) ended the month up a muted 0.3% in USD terms[2] as yields then bounced back by the end of the month, after US economic growth came in stronger-than-anticipated. Local bonds (ALBI) ticked up 2.3%[2] with the main drivers being the longer duration bonds in the seven to 12-year and 12+ years sectors, with both sectors gaining

2.5%[1] over the month. Inflation-linked bonds lagged nominals for the second month, up only 1.4%[2] as June's inflation print came in lower than market forecasts and investors continue to forego deliberate inflation protection. Finally, local cash (STeFI composite) continued to slowly tick up month-on-month and ended 0.7%[2] higher.

Prepared by Equilibrium

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[1] RMB Asset Class Returns
[2] Morningstar

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