market commentary

Monthly market commentary | June 2023

Risk appetite turned positive again in June as markets reacted well to the pause in interest rate hikes by the US Federal Reserve (Fed), helping the Nasdaq to its best first half of the year in 40 years[1]. This is despite a somewhat hawkish statement from the Fed, which signaled the expectation of two further rate hikes before the end of the year. Locally, a surprising ease in loadshedding, coupled with receding fears around the potential repercussions regarding the alleged sale of arms to Russia, helped locally-focused asset classes bounce back strongly after their dismal performance in May.

Global equities (MSCI ACWI) rallied 5.8% in US dollar (USD) terms[2]. Developed market equities (MSCI World) gained 6.1% over the month[1], supported primarily by US megacap tech shares with the S&P 500 and Nasdaq Composite up 6.6% and 6.7% respectively in USD terms[2.] The UK (FTSE 100) and the rest of Europe (MSCI Europe Ex UK) lagged, up only 4% and 5.1% respectively in USD terms[2]. Emerging market equities (MSCI EM) again trailed developed markets, up only 3.8%[2], as the supposed Chinese growth recovery remains underwhelming. Chinese equities (MSCI China) nevertheless rose 4% in USD terms[2], while Brazilian equities (MSCI Brazil) stole the show with an impressive 16% return in USD terms[2], supported by a stronger currency. The rand regained significant ground over the month, strengthening by 4.7%[2] relative to the USD and muting some of the gains on global asset classes for local investors.

Local equities followed global markets higher with the Capped SWIX up 3.8%[2] for the month, owing to a significant recovery in Financials after its woes in May. Financials rallied an impressive 10.1%[2] in June, supported by strong returns from banks and life insurers as fears abated around the alleged sale of arms to Russia. Industrials delivered 3.7%[2] as local shares rallied on the positive news around loadshedding, while Naspers and Prosus also led the sector higher with the announcement of the potential unwinding of the cross-holding structure to unlock shareholder value. Resources lagged significantly, down 7.6%[2] for the month, led lower by precious metal miners. Local property continued to lag equities, with the ALPI only gaining 0.9%[2].

Global bonds (WGBI) ended the month flat in USD terms despite yields rising across developed markets, with investors now benefitting from the positive yields on offer in the global space to offset the marginal capital losses. In line with other local asset classes, local bonds (ALBI) rallied 4.6%[2] after the sharp sell-off in May. Longer duration bonds rallied the most with the seven to 12-year and 12+ years sectors gaining 5.5% and 4.8% respectively[2]. Inflation-linked bonds lagged nominals, up only 1.2%[2], as May's inflation number surprised to the downside leading to market participants foregoing deliberate inflation protection. Finally, local cash (STeFI composite) continued to slowly tick up month-on-month and ended up 0.7%[2].

Prepared by Equilibrium

Enabling your advice outcomes

[1] https://www.nasdaq.com/articles/nasdaq-celebrates-best-first-half-in-40-years:-etfs-in-focus
[2] Morningstar
[3] Momentum Investments

For more information and the latest DFM updates

Website: eqinvest.co.za

LinkedIn: https://www.linkedin.com/company/eq-invest/