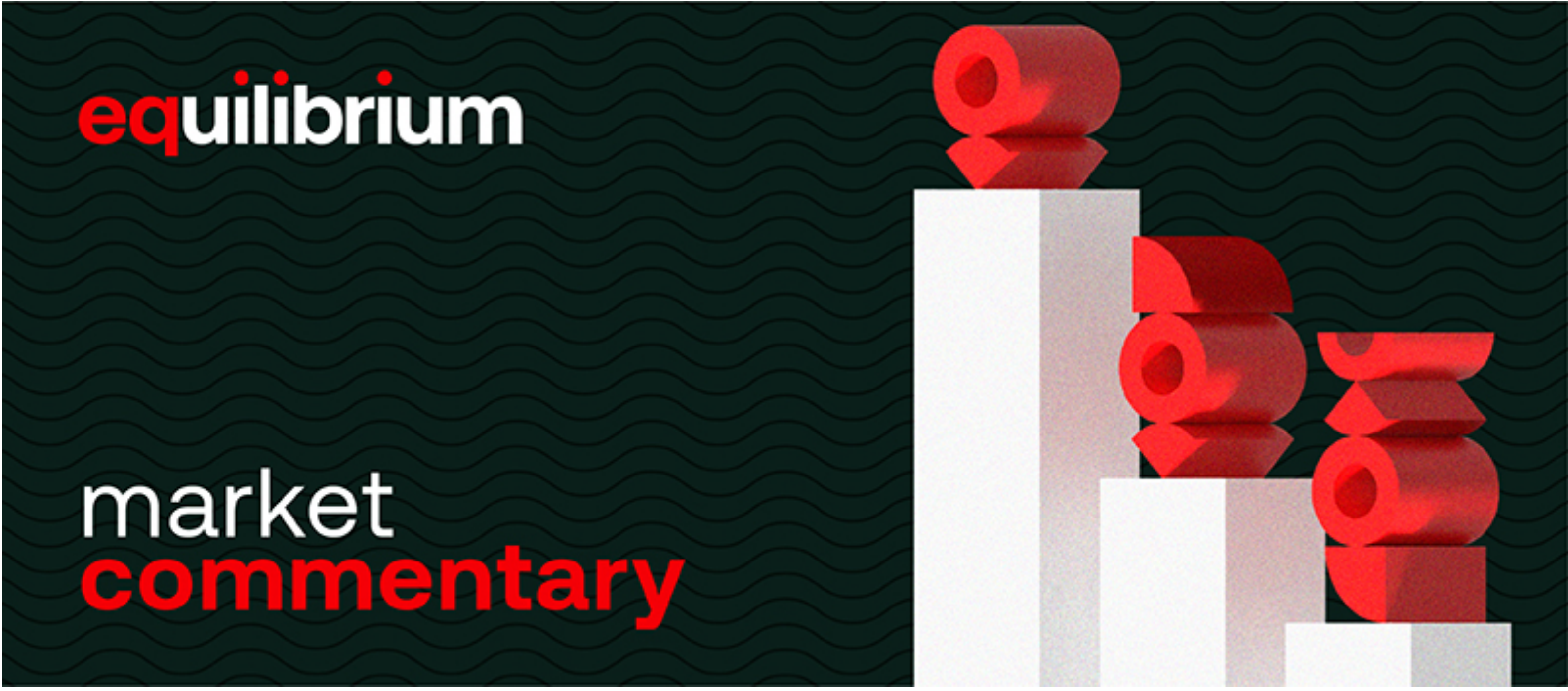

Monthly market commentary | March 2024

As reality set in, the buoyant rally during the first two months of the year began to lose steam. Notably, global equity markets slowed down with the MSCI All Countries World Index (ACWI) returning 3.1%[1] in US dollar (USD) terms. The global interest rate landscape remained a glaring factor for market participants as it became increasingly evident that the path of interest rate cuts would not be as smooth as initially priced in. Furthermore, the magnitude of cuts for 2024 may not be as deep given the strength of the US labour market, which has encouraged further consumption, making inflation rather sticky. This is evidenced by the Federal Open Market Committee (FOMC) participants' revised real growth projections in the US from 1.4% to 2.1% for the year. In light of this reduced optimism on expansionary monetary policy, markets forecast fewer interest rate cuts relative to expectations at the start of the year.

The S&P 500 generated 3.2%[1] in USD terms, while the Dow Jones 100 and the Dow Jones lagged at 2.1%[2] and 1.8%[2] in USD terms, respectively. The MSCI Europe (Ex UK) was up 3.5%[1] in USD terms despite a downward revision in growth by the European Commission for the Euro Area to 0.8%[1] and 1.5%[1] in 2024 and 2025, respectively. Although lagging developed markets, emerging markets (MSCI Emerging Markets Index) continued on a path of recovery, delivering 2.5%[1] in USD terms. Barring country-specific issues, many emerging markets have already commenced with their respective interest rate easing cycles, including Brazil, Mexico and Hungary.

Global property (EPRA NAREIT) followed the path of global equity and returned 3.2%[1] in USD terms. Global bonds (FTSE WGBI) displayed a slight rebound of 0.4%[1] in USD terms, mainly due to yield compression across major developed markets. The US 10-year bond yield compressed by 0.05% to 4.2%[2] in March. The 10-year yield decreased by 0.19% in the UK to end at 3.93%[2], while in Germany it fell by 0.11% to 2.3%[2]. In light of elevated short-term yields, global cash (ICE-BOFA) returned 0.5%[1] in USD terms. We remain observant of global cash due mainly to expectations of rate cuts that may erode the yields on short-term floating rate instruments. The rand strengthened by 1% to R18.94[2] against the USD, causing a detraction from the performance of global asset classes.

Local equities (Capped SWIX) were up 2.9%[1] after being in negative territory for the first two months of the year. Resources were the largest contributors to performance (up 12.9%[1]), while financials caused the biggest lag (down 3%[1]). Local Listed property (ALPI) came under pressure at -1%[2], pulling back on the gains from prior months. While operating performance is encouraging, finance cost pressure remains a concern in the sector and dividend yields have become less attractive.

Local bonds (ALBI) deviated from global bond markets, returning -1.9%[1] as investors remained concerned about the fiscal outlook. The yield on the R2030 bond increased by 0.43%[2], while at the longer end of the curve, the R2048 bond yield increased by 0.52%[2]. Therefore, the largest detractors were bonds in the seven to 12 years and the 12+ years maturity buckets, which pulled back by -2.94%[2] and -2.37%[2], respectively. Despite expectations of interest rate cuts, most notably in the second half of 2024, local cash continued to generate attractive returns due to high short-term yields. The SteFI composite returned 0.4%[1] and continued to deliver inflation beating returns of 8.4%[1] over the last 12 months..

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