

# Market Overview

## March 2024

Morningstar Investment Management  
April 2024

For Financial Advisers & Their Clients

### Market and Economic Summary

Global equity markets continued their strong run in the face of more persistent inflation and a delay in the expected interest rate cutting cycle. Central banks continue to keep a close eye on economic conditions as sticky inflation has pushed the expectations for the first rate cut out to later in 2024. Sentiment towards risk assets continued to remain strong, with most global equity markets ending in positive territory. The MSCI World Index posted its 4th best first quarter return in thirty years. Emerging markets followed developed market peers higher this month, as the broad market strength filtered through most emerging markets.

Most developed market central banks kept interest rates unchanged and at over 20-year highs at their second meeting of 2024. Persistent inflationary pressures continue to be front of mind for most central banks, as policy makers keep a watchful eye on the health of the economy. The European Central Bank maintained its interest rates at historically high levels during its March 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 fifth consecutive meeting in March 2024, in line with market expectations. The Bank of England maintained the Bank Rate at 5.25% during its March meeting, its highest level since 2008, as policymakers continued to wait for clearer signals that the country's persistent inflationary pressures had subsided.

Developed market inflation numbers produced varying prints this month, with most moving lower, barring the US, where inflation rose unexpectedly. The annual inflation rate in the US moved higher to 3.2% (year-on-year in February) compared to 3.1% in January and above forecasts of 3.1%. Energy costs dropped less than expected, with gasoline, utility gas and fuel prices falling less than expected. 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 3.4% (year-on-year in February 2024), down from the 4% level recorded in both January and December and falling below the market expectation of 3.5%. It was the lowest rate since September 2021, driven by a slowdown in price increases for food and non-alcoholic beverages. The consumer price inflation rate in the Euro Area was at 2.6% (year-on-year in February 2024), the lowest rate in three months, but still exceeding the European Central Bank's target of 2%.

Turning to unemployment numbers, these continue to remain robust but have ticked higher recently. The unemployment rate in the US rose by 0.2% to 3.9% at the end of February 2024, touching the highest level since January 2022. The unemployment rate in the UK ticked higher to 3.9% at the end of February, ahead of expectations.

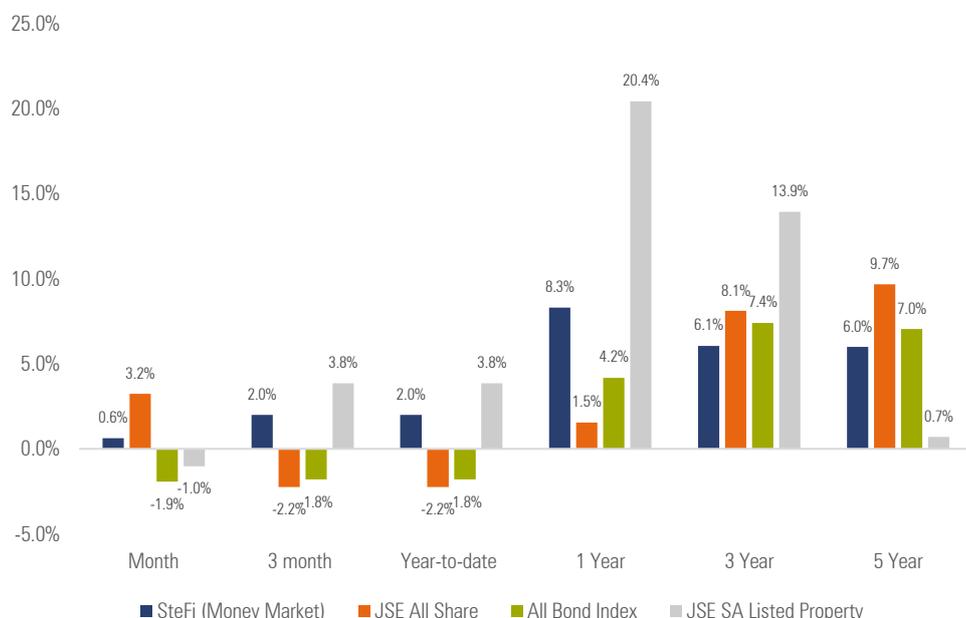
South African asset classes produced mixed returns this month, with local equities leading the way higher, while SA property and SA bonds declined. Local equities, and particularly the Resource sector, rebounded in March, posting strong gains. On the other hand, “SA Inc” stocks, namely SA Financials and SA Retailers produced poor performance this month. South African property counters moved lower, giving up some of their recent strong performance. South African bonds moved lower this month, trailing cash returns, as the yield curve steepened. The rand strengthened against the major crosses this month.

The strength in South African equities was largely driven by the Resource sector, which moved higher over the month due to a rebound in performance from gold, diversified miners, and platinum holdings. Harmony Gold (+40.4%), Gold Fields (+22.5%) and Anglogold (+18.1%) produced strong performance on the back of the strong bounce in the Gold price. Other outperformers included Thungela (+16.1%), Glencore (+14.2%), and Anglo-American PLC (+12.6%). Industrials generated a positive return this month, however, the sector lagged the broader market, as SA Retailers came under pressure. Spar (-9.4%), the Foschini Group (-4.8%) and Woolworths (-5.5%) all ended the month in negative territory. Financials produced a negative return this month, primarily due to weakness in the larger banking and insurance counters, including Absa (-9.4%), Sanlam (-5.7%), and Discovery (-11.2%).

Local bonds ended the month lower, producing a second month of negative returns. Yields continued to tick higher (and prices lower), as concerns surrounding South Africa’s fiscal position as well as the uncertainty of an election year weighed on sentiment.

Local listed property moved lower this month after a strong start to the year. Index heavyweights Growth Point (-3.8%) and Nepi Rockcastle (-0.6%) moved lower, giving up some of the gains recorded in the first two months of 2024.

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



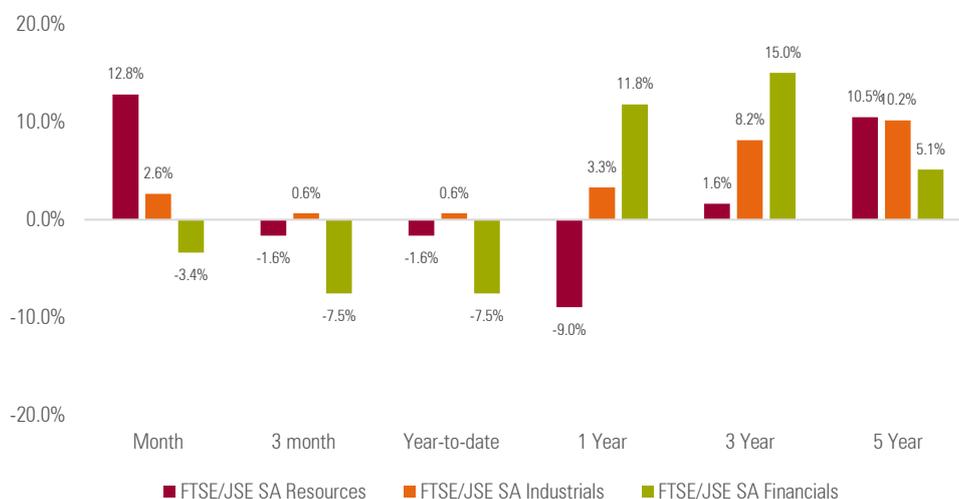
Source: Morningstar Direct as at 31/03/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

The RMB/BER business confidence index in South Africa fell for the second straight quarter to 30 in Q1 2024, compared to 31 in Q3 2023, signaling a growing pessimism among businesses. The continued supply constraints, including load-shedding, logistical challenges, and heightened global and domestic policy uncertainty, has kept South African businesses pessimistic about business conditions.

South Africa's economy avoided a technical recession, as GDP grew quarter-on-quarter by 0.1% in Q4 2023 and grew by 1.2% (year-on-year ending Q4 2023), which was better than market estimates of a 0.9% rise. For historic context, the annual GDP growth rate in South Africa averaged 2.4% from 1994 until 2023, reaching an all-time high of 19.2% in the second quarter of 2021 and a record low of -16.2% percent in the second quarter of 2020.

South Africa's annual inflation rate rose to 5.6% (year-on-year in February 2024), above market forecasts of 5.5% and moving to the upper end of the reserve bank's target. The increase was mainly due to higher prices for transport, housing, and utilities. On the back of inflation continuing to be at the upper end of the central bank's target, the South African Reserve Bank unanimously decided to leave its key repo rate for the fifth time in a row at 8.25% in March, as widely anticipated.

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



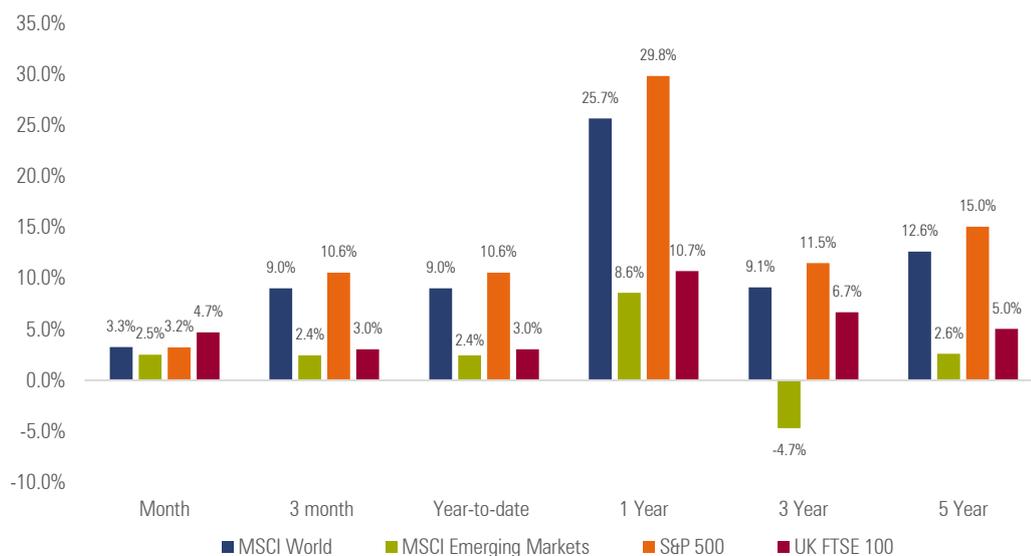
Source: Morningstar Direct as at 31/03/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Most of the major developed equity markets ended the month higher. The **MSCI World Index** delivered a return of +3.3%, which was ahead 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. The **MSCI Emerging Markets Index** ended the month +2.5% higher in March.

Most major global equity markets produced positive returns in March, as broad-based positive sentiment filtered through most developed market indices. The **Nikkei 225** (+2.6%), Germany's **FSE DAX** (+4.4%), the UK's **FTSE 100** (+4.7%) and China's **Shanghai SE Composite** (+0.4%) ended in positive territory.

US equities moved higher in March, continuing their strong run. The tech-heavy **NASDAQ 100** (+1.2%) posted a strong return in March, as tech stocks continue to produce strong returns. The **S&P 500** (+3.2%) also ended the month higher, as most sectors ended in positive territory.

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

Source: Morningstar Direct as at 31/03/2024. Returns are in US dollars and have been annualised for periods longer than 1 year.

**Impact on client portfolios**

From a portfolio perspective, investors managed to generate a positive performance on the back of strong performance from local and global equities. Local bonds detracted from performance this month, however, the impact was mitigated by strong performance from local and global equity allocations. Rand strength acted as a 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 second quarter, inflation and the direction of interest rates continue to be the key talking points among investors. Additionally, the upcoming elections carry the potential for increased market volatility and uncertainty. 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	3.23	-2.25	1.55	8.11	9.68	8.99
JSE Capped SWIX	2.89	-2.30	2.87	7.48	7.65	6.18
JSE SA Listed Property	-1.02	3.85	20.47	13.94	0.71	-1.37
All Bond Index	-1.93	-1.80	4.19	7.41	7.05	7.79
STeFI (Money Market)	0.63	2.00	8.32	6.06	5.99	6.38
<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	3.82	-2.27	0.27	7.98	10.19	9.71
JSE Mid Cap	2.31	-3.54	6.83	8.21	5.94	3.98
JSE Small Cap	-0.72	-1.05	9.13	15.79	13.26	6.10
FTSE/JSE SA Resources	12.80	-1.63	-8.98	1.64	10.50	14.48
FTSE/JSE Ind/Financials	-3.36	-7.55	11.82	15.04	5.12	5.15
FTSE/JSE SA Industrials	2.64	0.64	3.30	8.16	10.16	7.43
<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	3.27	9.01	25.72	9.13	12.63	11.67
MSCI Emerging Markets	2.52	2.44	8.59	-4.68	2.61	4.11
S&P 500	3.22	10.56	29.88	11.49	15.05	14.09
NASDAQ 100	1.23	8.72	39.65	12.63	20.90	20.00
FTSE 100	4.71	3.04	10.73	6.68	5.04	5.33
SSE Composite	0.38	0.31	-11.65	-7.12	-1.76	-1.50
Nikkei 225	2.63	13.21	28.96	2.38	8.97	8.81
FSE DAX	4.40	7.93	17.62	4.23	9.06	6.13
US T-Bill 3m	0.45	1.36	5.57	2.97	2.16	2.04
<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	4.62	13.55	9.67	11.25	5.05	7.47
Gold	8.12	6.54	11.85	9.40	11.32	8.58
Platinum	2.25	-9.30	-7.54	-8.45	1.31	-0.51
Copper	4.16	2.39	-4.91	-1.19	4.88	4.11

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 31/03/2024.

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