

MONTHLY market overview



AUGUST 2024 IN REVIEW

Jerome Powell, the chair of the Federal Reserve, clearly signalled at the Kansas Federal Reserve's 2024 Economic Policy Symposium held in Jackson Hole, that the central bank was poised to cut interest rates in September. While he stopped short of giving a clear hint at just how large that move might be, he forcefully underscored that the central bank stands prepared to adjust policy to protect the job market from weakening further and to keep the economy on a path for a soft landing. "The time has come for policy to adjust," Mr. Powell said. "The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook and the balance of risks."

The Eurozone's flash estimate of consumer price inflation for August showed a clear drop toward the target: the annual inflation rate fell to 2.2%, down 0.4% from July's level and the lowest since July 2021. There was also a decline in the main measure of 'core' inflation, which excludes energy, food, alcohol, and tobacco, dropping from 2.9% year-on-year in July to 2.8%.

Consumer price inflation in South Africa moderated to 4.6% year-on-year in July, marking the first sub 5% reading since August 2023 and the lowest since early 2021. This deceleration from June's 5.1% reading was broad-based, with most categories showing slower price increases, except for health and communication.

Following a five-point increase in the second quarter, the RMB/BER Business Confidence Index (BCI) rose by another three points to reach 38 in the third quarter of 2024. This is the first business sentiment survey in South Africa since the formation of the Government of National Unity (GNU) and reflects cautious optimism about improving business conditions.

South Africa's economy showed a positive turnaround with 0.4% quarter-on-quarter growth, reversing the previous quarter's stagnation. Although year-on-year growth remained modest at 0.4%, these figures indicate a significant improvement from the slow start to the year, although being slightly below the Bloomberg consensus of 0.5%. The positive performance was largely attributed to improved energy availability, which had a ripple effect across various sectors.

The South African Auditor General, Tsakani Maluleke, reported a decline in clean audits for the 2022/23 local government audit outcomes, with only 34 out of 257 municipalities achieving clean audits. Despite 45 municipalities improving since 2020/21, 36 have regressed. Maluleke emphasized that municipalities with clean audits exhibit sound financial management and effective project management, which are crucial for improving service delivery. She highlighted the negative impact of poor financial stability and controls on communities, stressing the need for municipal leadership to prioritise ethical behaviour, good governance, and accountability.

In a bid to maintain and extend the momentum that has built since she took over as Democratic candidate for the US Presidency last month, Kamala Harris gave her first formal TV interview since her nomination to CNN anchor Dana Bash, alongside VP candidate Tim Walz. The press verdict on her performance was that she appeared to have avoided major missteps. Judging by what was said, her campaign's emphasis now seems to be to win over undecided voters in the centre, with a vow to legislate for tighter border controls and to ensure that existing laws against border crossings are enforced, arguing "there should be consequence" for those in breach. Her promise to include a Republican in her cabinet if elected, to have someone with "different views, different experiences... at the table where some of the most important decisions are being made" is viewed in much the same spirit.



MARKET PERFORMANCE

South African bonds continued their rally, adding 2.4% during the month. Over one year, the asset class has now delivered a return of 18.6%, outpacing local equities by 2.5%. South African property also continued its recovery and is now up 40% over the past year.

Global markets continue to trend higher as investors look to lower policy rates to prop up asset prices in an environment of moderating, albeit still resilient, economic growth. Global developed equities added 2.7% (in US dollars) in August while emerging markets lagged behind by around 1%. This is amplified over the past year, where emerging markets have trailed developed markets by nearly 10%. Much of this difference can be attributed to the very strong performance of large US based technology driven stocks and continued strength in the greenback.

The rand gained further ground against the US dollar and has now appreciated by almost 6% over the last three months, in the process outpacing other major emerging market currencies.

The oil price continued to trend lower and is now nearly 10% cheaper than a year ago. Gold, on the other hand, reached new highs on the back of continued central bank purchases and has gained nearly 30% over the past year.

MARKET INDICES¹	31 AUGUST 2024		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years ²
SA equities (JSE All Share Index)	9.6%	16.1%	12.8%
SA property (S&P SA REIT Index)	26.1%	40.0%	1.8%
SA bonds (SA All Bond Index)	12.0%	18.6%	9.1%
SA cash (STeFI)	2.1%	8.6%	6.1%
Global developed equities (MSCI World Index)	0.6%	17.2%	17.3%
Emerging market equities (MSCI Emerging Markets Index)	0.1%	8.3%	8.5%
Global bonds (Bloomberg Barclays Global Aggregate)	-0.7%	0.2%	1.8%
Rand/dollar ³	-5.7%	-6.2%	3.2%
Rand/sterling	-2.7%	-2.7%	4.8%
Rand/euro	-3.8%	-4.4%	3.3%
Gold Price (USD)	7.4%	28.7%	10.4%
Oil Price (Brent Crude, USD)	-3.5%	-9.3%	5.5%

1. Source: Factset

2. All performance numbers in excess of 12 months are annualised.

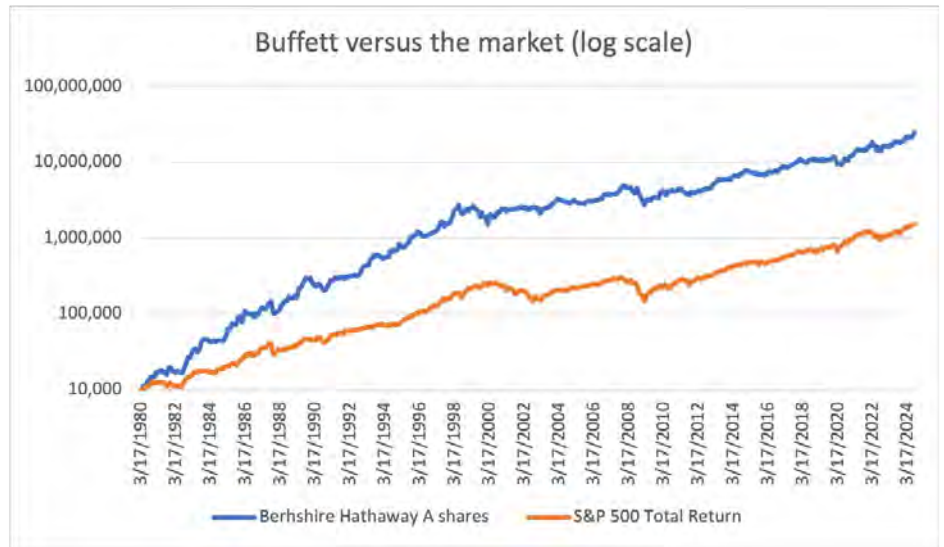
3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.

DID YOU KNOW?

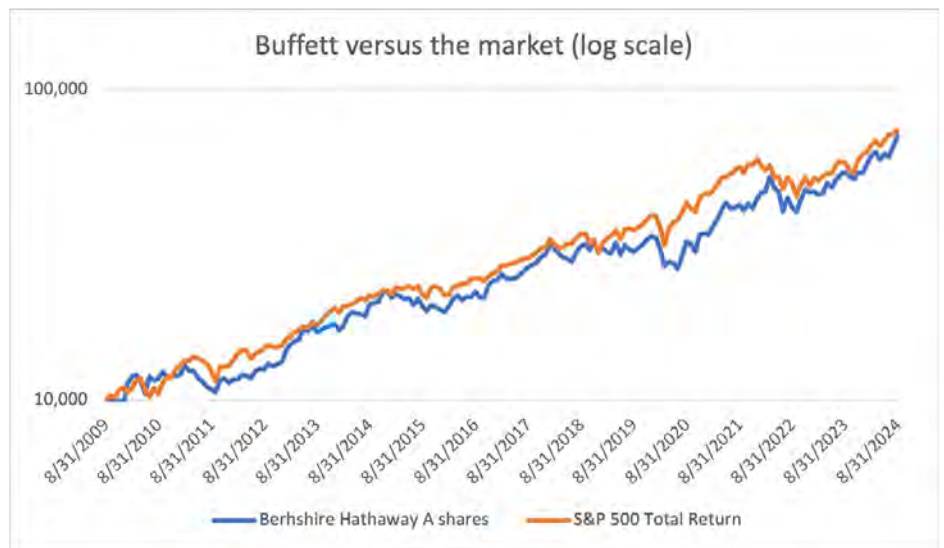
BUFFET VS THE MARKET

Warren Buffet is widely regarded as one of the world's best investors. While this title is difficult to give to any one person (how do you really measure the "greatest of all time" in investments?) he is quite likely the world's most widely known investor.

He has built a remarkable track record of allocating financial capital to businesses, and Berkshire Hathaway—the company in which he still owns around one-sixth—has compounded at a rate faster than the broad U.S. stock market, as measured by the S&P 500 Total Return Index. A USD 10,000 investment in Berkshire Hathaway in early 1980 would have grown to over USD 24 million by August 2024, while the market's return would have grown that investment to "a mere" USD 1.5 million.



However, over the last ten years the sage from Omaha has not been able to beat the market. An investment of USD 10 000 made 15 years ago into the broad S&P 500 index (with dividends reinvested) would have grown to almost USD 74 000, while Berkshire Hathaway's performance would have grown a USD 10 000 investment to a little over USD 70 000.



The moral of this story? Even the "best" investor(s) in the world can lag the market for long periods of time. In the end, however, patience is rewarded, as long-standing investors in Berkshire Hathaway will tell you. At the same time as telling you when they went to the annual shareholders' meeting in Omaha. Because that's how you know...

Source: Morningstar Direct

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