

## THE MONTH IN FOCUS

This month, we look at the external and the internal circumstances that led to erratic market behaviour in August.

### ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG

**Is erratic market behaviour here to stay?**

Benjamin Graham, Warren Buffett's mentor, once described the global stock market as a manic-depressive person whose erratic behaviour changes daily. Let us call this person 'Mr Market'.

For the past eight months, Mr Market's mood has been affected by external circumstances, such as negative macro-economic data and geopolitical tensions. But Mr Market's mood has also been plagued by internal circumstances, such as tighter monetary policy. Unfortunately, the only remedy for Mr Market's illness, for now, seems to be a dose of certainty, which is not available yet.

Erratic market behaviour was especially evident during the month of August. Halfway through the month, the MSCI All Country World Index (ACWI), a globally diversified index, traded 3.5% stronger only to lose those gains, and some more, by month-end. The ACWI ultimately closed 3% lower compared with July.

Several factors contributed to the topsy-turvy environment. Early in August, markets reacted in a nonchalant way to Nancy Pelosi's visit to Taiwan. An irritated China, however, caused markets to rethink their nonchalant reaction and markets seemed uneasy. Nevertheless, markets then accelerated on the back of lower inflation data and relatively stable consumer spending data out of the United States (US).

Although inflation was still high, rising to 8.5% in July, measured from the same month a year ago, it was down from the 9.1% reading during June. Inflation in June was already so high that it marked the fastest pace of growth since November 1981. What seemed like a slowdown in inflation, along with other slightly more positive economic indicators, led investors to price in peak inflation, thus extending the short-term market rally.

A strong US consumer also supported the markets. US consumers continued to open their wallets in August, shifting savings from falling gasoline prices to purchases of everyday goods at places like Walmart. Consumer spending across the US was supported by a resilient labour market and an increase in people travelling during the summer period.

And then, mid-way through the month, things got interesting. Stock markets were caught completely off-guard by the sudden change in sentiment towards growth and inflation. Bond markets, conversely, seemed to have figured it out in advance, being much less volatile than stocks.

Bond markets were already nervous about a looming recession and the US Federal Reserve (Fed) Chair Jerome Powell's speech in late August. In his speech, Powell provided an aggressive outlook for further interest-rate hikes in an attempt to tame inflation. It seems that bond markets correctly priced in the Fed's message. The steady bond markets could also indicate that they were already anticipating a potential 'hard landing' for the economy, while the stock market only came around later. Adding to the pressure on stocks were declines in the technology sector, more specifically, chipmakers.

Locally, our market followed the same trajectory as its global peers. The Johannesburg Stock Exchange closed 2% lower for the month, with financial companies leading the declines. The 15 biggest financial companies lost almost 4% of their combined value for the month on the back of a stronger dollar and global recession fears. Politics also kept things interesting when the Pietermaritzburg High Court granted an order to force Jacob Zuma to pay back nearly R8 million spent on upgrades to his Nkandla residence. This was a welcome sign for most.

Going forward, historically, September is the worst month of the year for equities. Just two months have delivered an average negative return for stocks since 1945: February and September. It is, generally, believed that investors come back from their summer vacations in September and want to sell some holdings to lock in gains for the year. However, we might avoid the September-selling trend this year because much of the de-risking has already occurred, thanks to the historic collapse that we saw during the first half of 2022.

What is certain for Mr Market is that he will continue to place strong emphasis on macro-economic data throughout the month of September. This is something that we will continue to monitor as we steward your capital with diligence and providence.

## IN CLOSING

Together with our asset management team at Efficient Private Clients, we will continue to track these macro-economic developments, always considering how this could affect your portfolio, and plan accordingly. Attached please find our weekly update on global indices, currencies and commodities as provided by Efficient Private Clients.

Kind regards,  
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## YOUR MONTHLY ECONOMIC UPDATE

8 September 2022

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## UPDATE

Global Indices, Currencies and Commodities, 8 September 2022

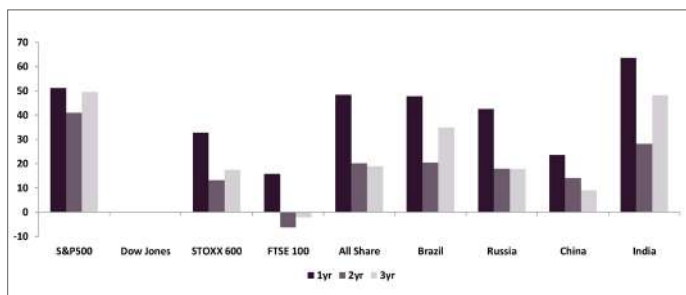
### GLOBAL INDICES

South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	67378,31	-0,9%	1%	10%	4%
Top 40	60854,02	-1,2%	1%	9%	4%
Mid Cap	75953,71	0,8%	-1%	16%	0%
Small Cap	68922,79	2,3%	15%	38%	3%
Resource 20	60274,71	-3,2%	-5%	4%	11%
Industrial 25	83359,93	-0,3%	-1%	5%	2%
Financial 15	15066,29	-0,2%	5%	25%	-1%

Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	27650,84	0,2%	-3%	9%	7%
Hang Seng	19452,09	-1,2%	-25%	-12%	-7%
Shanghai	3186,478	0,0%	-11%	-3%	-1%
India SENSEX	58803,33	1,1%	2%	23%	13%

Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	7281,19	-1,7%	2%	11%	0%
DAX 30	13050,27	-3,0%	-18%	-1%	1%
CAC 40	6167,51	-3,8%	-9%	11%	4%
STOXX 600	415,97	-4,6%	-12%	6%	2%
Russia RTS		0,0%	-45%	-12%	-3%

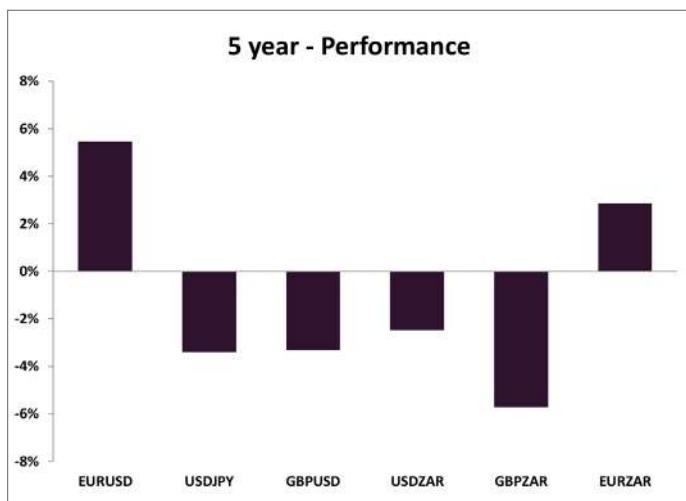
Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	31318,44	-3,3%	-12%	4%	7%
S&P 500	3924,26	-4,1%	-14%	5%	10%
Nasdaq	11630,865	-5,8%	-24%	-2%	13%
Russel 1000	31318,44	-3,3%	-12%	4%	7%
Brazil Bovespa	110864,24	7,3%	-5%	4%	9%



### CURRENCIES



Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	17,21	3,6%	20%	1%	6%
GBP/ZAR	19,93	-1,8%	0%	-6%	4%
EUR/ZAR	17,26	1,8%	1%	-7%	2%
AUD/ZAR	11,79	2,0%	11%	-2%	3%
EUR/USD	1,00	-1,7%	-16%	-8%	-3%
USD/JPY	140,04	6,3%	27%	15%	5%

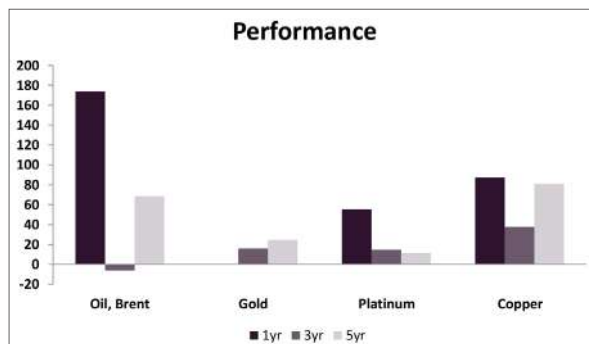
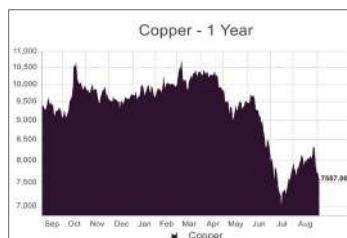
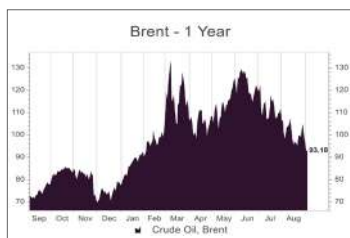
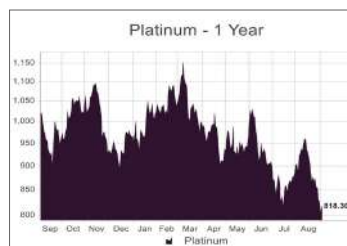
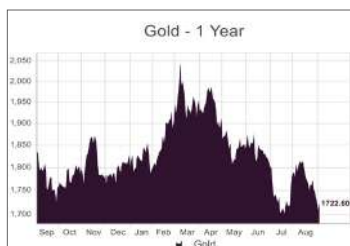




## Global Indices, Currencies and Commodities, 8 September 2022

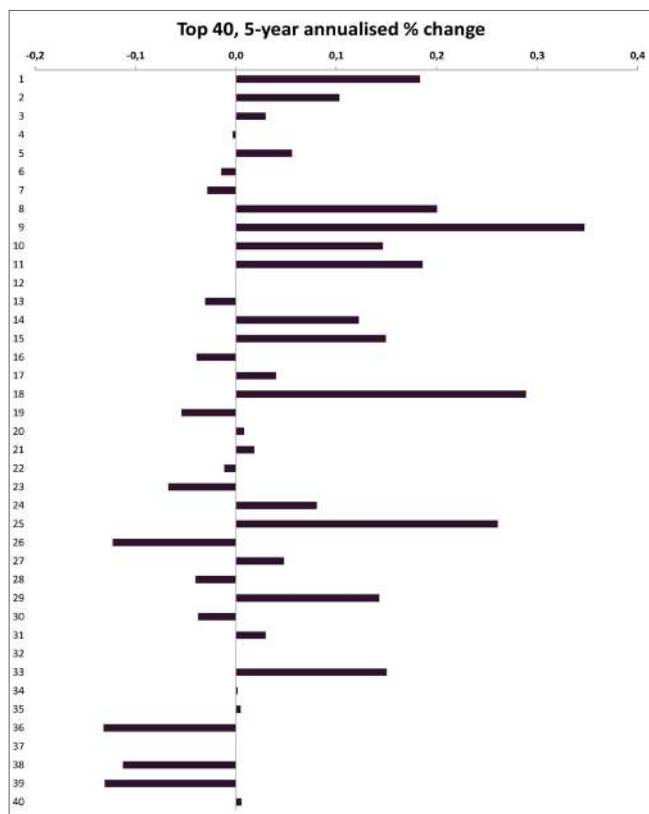
### COMMODITIES

Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	1722,60	-3,7%	-7%	-7%	4%
Platinum	818,30	-9,6%	-18%	-6%	-3%
Silver	17,88	-11,7%	-26%	-20%	3%
Brent Crude	93,18	-12,5%	27%	48%	8%
Copper	7587,00	-3,0%	-19%	6%	7%



### TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ANGLO AMERICAN	548,34	-3,1%	-10%	15%	18%
2	COMPAGNIE FINANCIERE	189,12	-3,7%	16%	28%	10%
3	FIRSTSTRAND	64,97	0,0%	4%	33%	3%
4	MTN GROUP	126,49	-10,5%	-1%	47%	0%
5	NASPERS -N	2425,52	4,3%	-7%	-13%	6%
6	STANBANK	155,02	-0,7%	8%	22%	-1%
7	SASOL	337,47	1,5%	53%	53%	-3%
8	GOLDFIELDS LTD	141,24	-10,8%	9%	-17%	20%
9	IMPLATS	178,19	-3,8%	-13%	7%	35%
10	Sibanye Stillwater Ltd	38,21	-4,2%	-32%	-16%	15%
11	CAPITEC	2093,49	5,6%	13%	56%	19%
12	PROSUS NV	1048,03	-0,9%	-21%	-22%	
13	BRITISH AMERICAN TOBACCO PLC	690,80	3,6%	28%	10%	-3%
14	ANGLO GOLD ASHANTI	232,74	-4,6%	-3%	-30%	12%
15	BHP Group Limited	440,99	-0,1%	18%	14%	15%
16	MONDI PLC	291,98	-9,9%	-28%	-6%	-4%
17	ABSA GROUP LTD	180,43	7,5%	19%	51%	4%
18	ANGLOPLAT	1176,97	-6,1%	-22%	2%	29%
19	SANLAM	54,11	1,7%	-15%	0%	-5%
20	SHOPRITE	232,03	4,3%	28%	41%	1%
21	BID CORP LTD	329,34	8,0%	6%	8%	2%
22	NEDBANK	205,90	-3,9%	14%	49%	-1%
23	VODACOM GROUP (PTY) LTD	128,50	-6,5%	-8%	0%	-7%
24	GLENCORE PLC	90,73	-0,2%	38%	52%	8%
25	Northam Platinum Holdings	157,43	-10,7%	-15%	0%	26%
26	ASPEN	151,15	3,3%	-24%	6%	-12%
27	BIDVEST GROUP LIMITED	217,70	4,8%	10%	25%	5%
28	REMGRO	129,04	-4,7%	8%	21%	-4%
29	CLICKS GROUP	295,29	4,0%	-2%	13%	14%
30	DISCOVERY	122,61	0,3%	1%	0%	-4%
31	INVESTEC	83,72	-6,2%	50%	68%	3%
32	OLD MUTUAL LTD	10,74	-2,8%	-22%	4%	
33	EXXARO RESOURCES LTD	219,16	14,3%	20%	27%	15%
34	WOOLIES	60,62	18,4%	-2%	39%	0%
35	MR PRICE GROUP LTD	192,14	8,6%	-9%	28%	0%
36	GROWTHPOINT	12,68	-5,9%	-17%	1%	-13%
37	MULTICHOICE GROUP LTD	116,55	-0,5%	3%	9%	
38	ANHEUSER-BUSCH INBEV	841,07	-2,1%	-4%	-8%	-11%
39	NEPI ROCKCASTLE PLC	89,18	-2,8%	-15%	10%	-13%
40	REINET INVESTMENTS SCA	282,92	-3,0%	1%	-7%	1%



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