

THE MONTH IN FOCUS

This month, we contemplate the most recent local and global interest rate increases.

ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG

The tale of interest rate increases

During July, the main themes on the economic front were interest rates and the fight against inflation. Most central banks across the globe have now set their firing power against inflation. Past rumours around 'transitory' (read temporary) inflation have long since quietened down. In fact, many analysts are now pushing out their forecasts for when they believe inflation will be back in the different target ranges that the central banks have set.

In South Africa (SA), the South African Reserve Bank (SARB) increased interest rates by 0.75% after Statistics South Africa (Stats SA) reported that annual inflation reached 7.4% in June, slightly outside of the SARB's target range of 3% to 6%. In total, the SARB has now increased rates by 2% since they started this hiking cycle in November 2021, increasing the repurchase rate to 5.5%, and the prime rate to 9%. Consumers who have been worn out by higher fuel and food prices, as well as low wage increases and job creation opportunities, are in a lot of pain. But even on a global scale, consumer sentiment is approaching all-time lows as consumers are wary about their financial prospects over the medium term. Our view is that local interest rates will probably increase by another 0.50% this year, and then by 1% to 1.5% in 2023.

In the United States (US), the Federal Reserve (Fed) also increased interest rates by 0.75% for the second consecutive month. These recent increases are the most aggressive tightening by the Fed in more than a generation, and have taken the federal funds rate (that is, the repurchase rate) up to 2% to 2.25%. Market observers compare these rapid increases with the price-fighting action taken by Fed Chair Paul Volcker in the early 1980s, shortly after inflation peaked at around 14.5%. US inflation has not soared to these levels again but did recently peak at a new four-decade high of 9.1%. For this reason, US officials expect the federal funds rate to reach 3.4% in 2022, and 3.8% in 2023. They are hoping that these additional increases of 1.15% to 1.55% can bring inflation back to their 2% target in late 2024, without pushing the economy into a hard recession in the next 18 to 24 months. Technically, the US has now entered a recession, after their Department of Commerce reported that the economy shrank in both the first and second quarters of 2022, by -0.9% and -1.6% respectively.

However, the US has not entered a 'hard' recession yet. This would be characterised by a broad-based and sustained contraction where unemployment increases rapidly. In fact, unemployment remains at a near record low of 3.6% and shows no signs of weakening. Whilst the overall economy shrank in both the first and second quarters, consumption increased by 1.8% and 1% respectively. Demand also remains high because of a decade's worth of loose monetary policy and the more recent support from fiscal policy. Mostly, it was inventory volatility that caused the contraction, wiping 2% off the economic growth figure. Inventory management has been very difficult the last two years, partly because of supply-chain problems and partly because of hyped-up demand. Higher interest rates have further throttled residential and business investments, which might continue to weigh down economic performance, but we see no sign of the US entering a hard recession. For now, the news of a technical recession will, most likely, not prevent the Fed from increasing rates until they see demand ease off, and unemployment starts to rise.

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

3 August 2022

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UPDATE

Global Indices, Currencies and Commodities, 3 August 2022

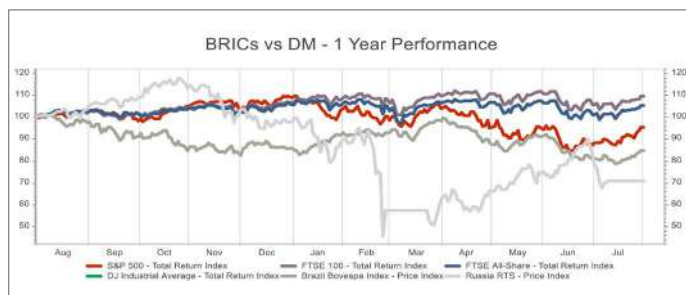
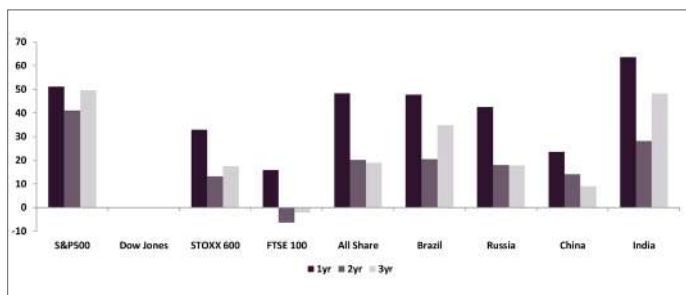
GLOBAL INDICES

South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	68934,01	1,8%	-1%	10%	5%
Top 40	62473,81	1,5%	-1%	9%	5%
Mid Cap	75946,63	1,8%	1%	13%	1%
Small Cap	68233,88	3,7%	20%	37%	3%
Resource 20	64262,13	-2,3%	-11%	7%	14%
Industrial 25	84014,41	4,3%	-5%	6%	2%
Financial 15	15259,24	0,6%	19%	19%	0%

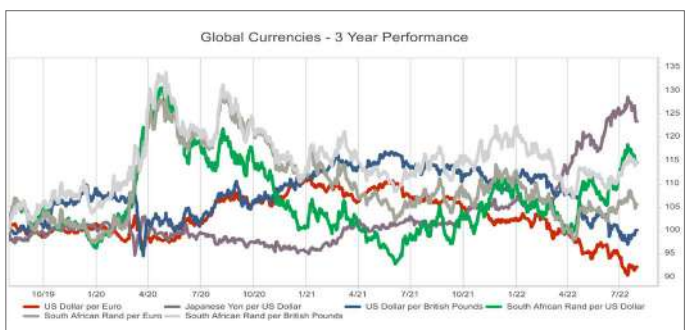
Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	7423,43	1,5%	5%	10%	0%
DAX 30	13484,05	3,7%	-14%	3%	2%
CAC 40	6448,5	6,9%	-3%	14%	5%
STOXX 600	438,29	6,0%	-6%	9%	3%
Russia RTS	1154,28	-18,3%	-30%	-5%	3%

Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	27801,64	3,7%	0%	11%	7%
Hang Seng	20156,51	-8,4%	-23%	-10%	-6%
Shanghai	3253,2383	-3,2%	-5%	-1%	0%
India SENSEX	57570,25	8,6%	9%	23%	12%

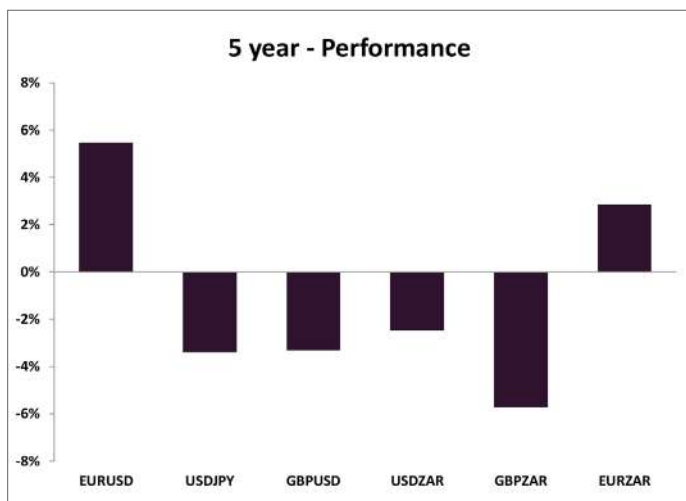
Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	32845,13	5,9%	-6%	11%	9%
S&P 500	4130,29	8,2%	-7%	13%	11%
Nasdaq	12390,688	10,8%	-16%	8%	14%
Russel 1000	32845,13	5,9%	-6%	11%	9%
Brazil Bovespa	103164,69	3,6%	-18%	-1%	10%



CURRENCIES



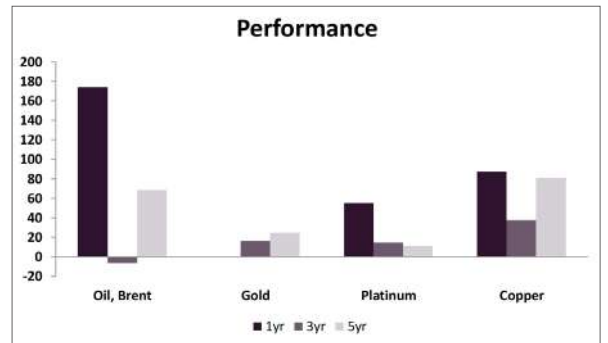
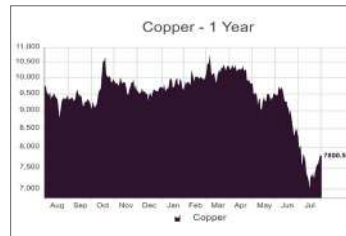
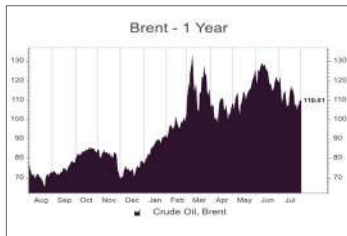
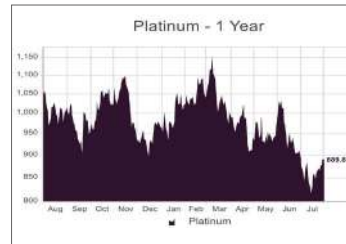
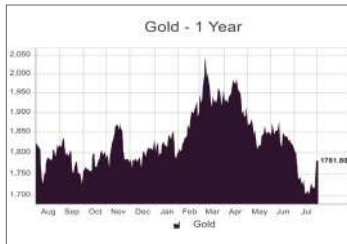
Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	16,66	1,2%	14%	-1%	5%
GBP/ZAR	20,27	2,6%	0%	-5%	3%
EUR/ZAR	16,99	-0,7%	-2%	-8%	2%
AUD/ZAR	11,62	4,3%	8%	-2%	2%
EUR/USD	1,02	-1,9%	-14%	-7%	-3%
USD/JPY	133,65	-1,1%	22%	12%	4%





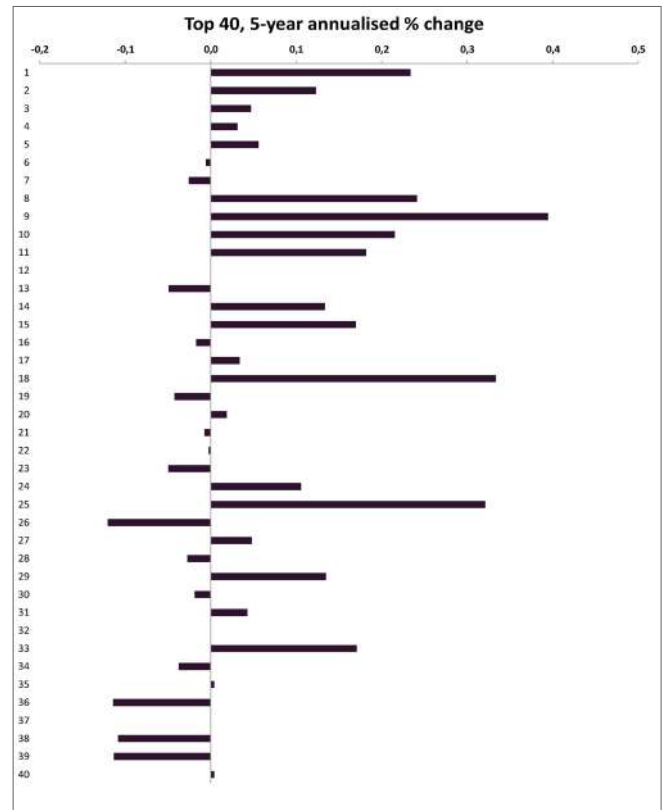
COMMODITIES

Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	1781,80	-3,0%	-5%	-7%	5%
Platinum	889,80	-2,2%	-17%	-5%	-1%
Silver	20,20	-2,6%	-22%	-10%	4%
Brent Crude	110,01	-8,9%	44%	59%	8%
Copper	7800,50	-7,6%	-20%	10%	9%



TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ANGLO AMERICAN	599,36	-2,0%	-11%	19%	23%
2	COMPAGNIE FINANCIERE	197,57	12,3%	5%	37%	12%
3	FIRSTSTRAND	65,55	1,0%	23%	26%	5%
4	MTN GROUP	139,09	3,0%	34%	47%	3%
5	NASPERS -N	2356,43	0,6%	-18%	-13%	6%
6	STANBANK	159,99	-0,9%	30%	16%	-1%
7	SASOL	349,65	-8,3%	57%	55%	-3%
8	GOLDFIELDS LTD	154,01	0,3%	6%	-17%	24%
9	IMPLATS	184,55	3,1%	-31%	9%	39%
10	Sibanye Stillwater Ltd	40,52	-2,5%	-37%	-10%	22%
11	CAPITEC	1992,03	-1,8%	24%	41%	18%
12	PROSUS NV	1080,00	1,8%	-18%	-18%	
13	BRITISH AMERICAN TOBACCO PLC	654,00	-8,4%	18%	6%	-5%
14	ANGLO GOLD ASHANTI	246,14	-1,7%	-18%	-36%	13%
15	BHP Group Limited	454,90	-2,8%	6%	18%	17%
16	MONDI PLC	313,72	5,3%	-23%	0%	-2%
17	ABSA GROUP LTD	170,02	7,9%	27%	40%	3%
18	ANGLOPLAT	1271,14	-12,1%	-30%	1%	33%
19	SANLAM	54,51	-1,9%	-6%	-8%	-4%
20	SHOPRITE	224,24	10,5%	42%	47%	2%
21	BID CORP LTD	306,00	-2,0%	-5%	3%	-1%
22	NEDBANK	216,90	2,3%	30%	37%	0%
23	VODACOM GROUP (PTY) LTD	137,93	2,0%	6%	3%	-5%
24	GLENCORE PLC	93,29	2,6%	39%	55%	11%
25	Northam Platinum Holdings	176,42	3,6%	-24%	13%	32%
26	ASPEN	145,20	1,6%	-20%	3%	-12%
27	BIDVEST GROUP LIMITED	213,78	-0,3%	9%	23%	5%
28	REMGR0	136,65	2,8%	22%	20%	-3%
29	CLICKS GROUP	279,81	-1,2%	5%	11%	13%
30	DISCOVERY	128,29	-4,4%	8%	6%	-2%
31	INVESTEC	88,50	-0,1%	64%	64%	4%
32	OLD MUTUAL LTD	11,34	-0,8%	2%	6%	
33	EXXARO RESOURCES LTD	201,89	-3,0%	11%	22%	17%
34	WOOLIES	52,87	-3,5%	-4%	28%	-4%
35	MR PRICE GROUP LTD	180,13	-1,7%	-16%	19%	0%
36	GROWTHPOINT	13,55	6,1%	-8%	-1%	-11%
37	MULTI CHOICE GROUP LTD	119,02	0,8%	-2%	5%	
38	ANHEUSER-BUSCH INBEV	888,53	1,2%	-6%	-2%	-11%
39	NEPI ROCKCASTLE PLC	91,62	3,0%	-7%	2%	-11%
40	REINET INVESTMENTS SCA	288,97	-1,3%	1%	-6%	0%



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