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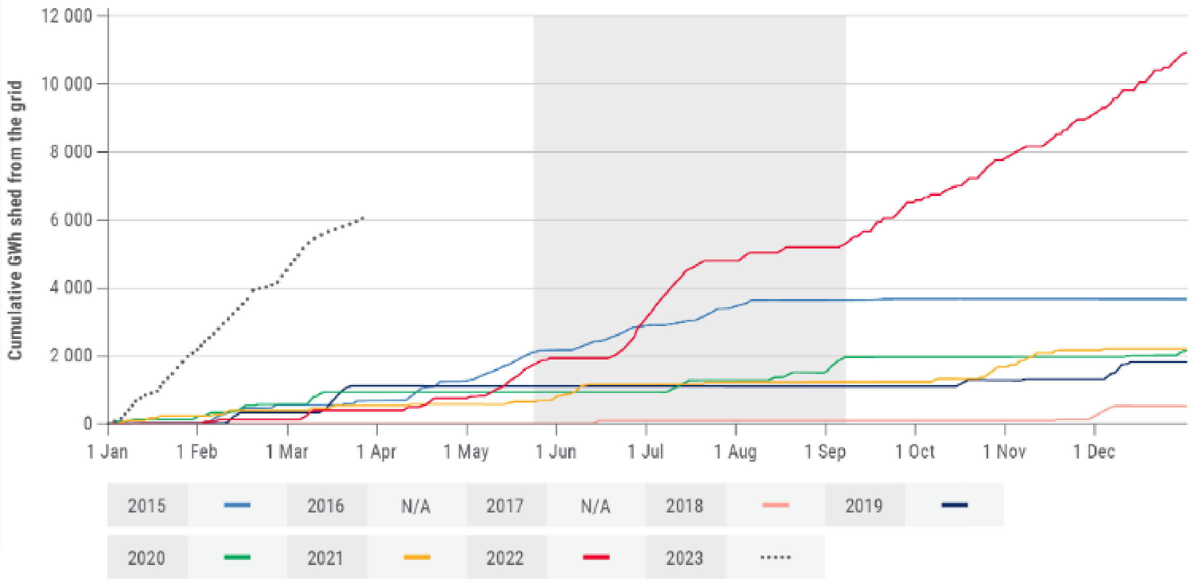
APRIL 2023 IN REVIEW

The US Federal Reserve's Open Market Committee (FOMC) increased their official lending rate by another 0.25% early in May. It is now in the 5% to 5.25% range. Notably, the Fed dropped from its policy statement language that it "anticipates" further rate increases would be needed. At a press conference following the release of the statement, Fed Chair Jerome Powell said inflation remains the chief concern, and that it is therefore too soon to say with certainty that the rate-hike cycle is over.

Against the backdrop of its more hawkish stance, the European Central Bank (ECB) raised interest rates by 0.25% to 3.25% and signaled that more tightening would be needed to tame inflation. The central bank for the 20 countries that share the euro has lifted rates by a combined 3.75% since July 2022, its fastest pace of tightening. ECB President Christine Lagarde made it clear that further action was likely, given mounting wage and price pressures.

Joe Biden formally announced that he would seek a second term in office. The New York Times reported that, while the president once pitched himself as "a bridge" to a new generation of Democratic leaders, he has decided that he is not ready to turn the torch over yet. Kamala Harris featured prominently in Biden's re-election video, underscoring the central role she is likely to play in the president's re-election bid.

Loadshedding in South Africa shows no signs of abating. Despite the appointment of a minister with only one job, South Africans have, in the first quarter of 2023 alone, suffered as much loadshedding as they had for the first three quarters of last year, and in no other year prior to that:



The above uses the highest stage of loadshedding reached per day and extrapolates this stage over a full 24-hour period.
Sources: EskomSePush, Allan Gray analyst calculations. Data to 31 March 2023.

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Market performance

Market participants continue to interpret weaker economic data as positive for financial markets. This drove equity markets to their best level in almost a year. The rationale behind this move appears to be that weaker economic growth will force central banks to cut interest rates as they will be willing to tolerate higher inflation in return for boosting growth.

Global developed market equities returned 1.8% in April (measured in US dollar), but emerging markets retreated by 1.1%. April was relatively calm in global fixed income markets after an extraordinarily tumultuous March. The market increasingly priced in the prospect of a 25bps Fed hike and global bonds ended the month 0.4% higher.

Locally, continued loadshedding contributed to negative sentiment in markets and the rand. The bond market was weaker with the SA All Bond Index returning -1.2%. The rand ended the month at R18.29/$, over 3% weaker. With less than 25% of total company revenue in the JSE All Share Index exposed to the local economy, South African listed equities bucked the trend and ended the month 3.4% higher.

MARKET INDICES [1]	30 April 2023		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	-0.2%	12.6%	10.0%
SA property (S&P SA Reit Index)	-2.5%	-2.9%	-7.6%
SA bonds (SA All Bond Index)	-0.7%	6.4%	6.8%
SA cash (STeFI)	1.8%	6.1%	5.8%
Global developed equities (MSCI World Index)	7.6%	19.9%	17.3%
Emerging market equities (MSCI Emerging Markets Index)	0.0%	8.6%	7.2%
Global bonds (Bloomberg Barclays Global Aggregate)	5.1%	12.9%	6.9%
Rand/dollar [3]	4.9%	15.6%	7.9%
Rand/sterling	7.1%	15.7%	6.0%
Rand/euro	6.6%	21.0%	6.0%
Gold Price (*USD*)	3.1%	4.2%	8.6%
Oil Price (Brent Crude, *USD*)	-5.9%	-27.3%	1.1%

1. Source: Factset
2. All performance numbers in excess of 12 months are annualized
3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.

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