MONTHLY market overview & you

JUNE 2024 IN REVIEW

ECONOMIC AND MARKET OVERVIEW

In June, the Federal Reserve in the United States decided to hold the target range at 5.25-5.50% for the seventh consecutive meeting. This was no surprise, given the rhetoric from central bank officials in recent months, with the universal consensus having been for no change.

Beyond this policy decision, there were a number of points to take away. Most notable was that the Federal Open Market Committee (FOMC) statement was a little more upbeat on inflation compared to May. The committee noted that, "in recent months, there has been modest further progress towards the target." The previous wording had referenced a lack of progress following disappointing CPI inflation prints in the first three months of the year.

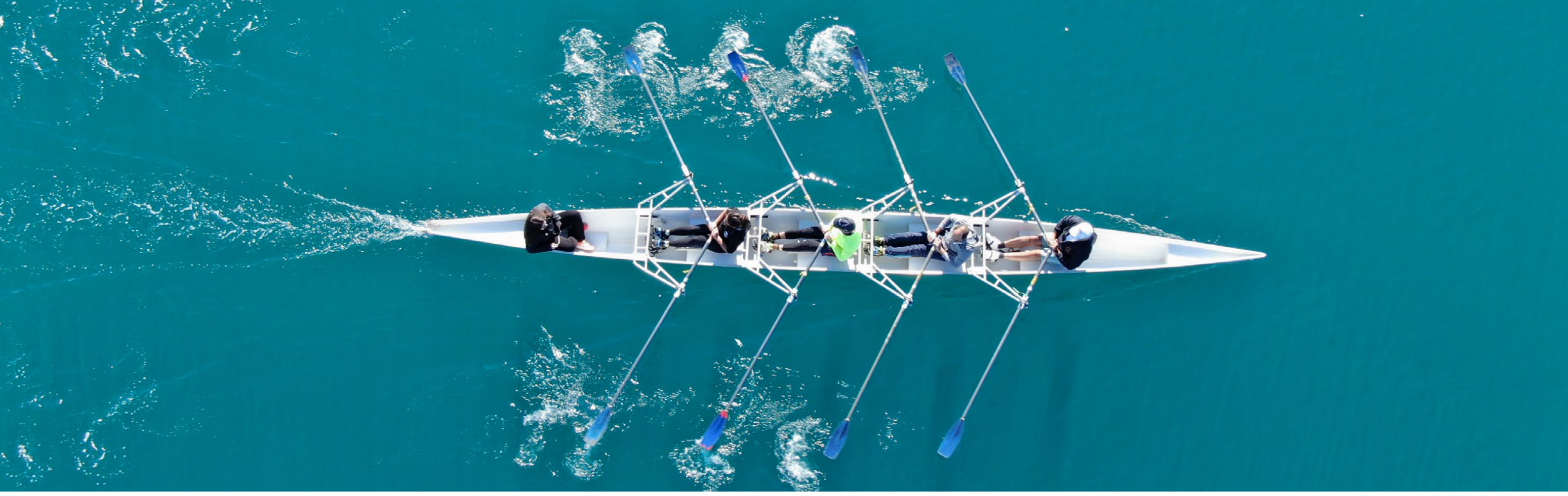
In South Africa, the year-on-year inflation rate for May remained stable at 5.2%. Core inflation (which excludes food, non-alcoholic beverages, fuel, and energy prices), remained at 4.6% year-on-year, as underlying inflationary pressures stayed close to the midpoint of the Reserve Bank's inflation target.

The Bank of England's Monetary Policy Committee (MPC) voted to keep the Bank rate on hold at 5.25%, in line with unanimous expectations among economists prior to the meeting. Seven of the nine members on the committee voted in favour of this. Two members, however, felt that lower rates were appropriate and instead voting for a 25bp cut. This reflects a global trend among central bankers, where an increasing number of monetary policy committee members are calling for rate cuts.

Voters in the United Kingdom and France will head to the polls in early July to pick the parties that will lead these northern hemisphere neighbours in the next few years. In both instances, it seems unlikely that the call for an early election will help Emmanuel Macron or Rishi Sunak remain in power.

President Cyril Ramaphosa formed a cabinet of 32 ministers (and 43 deputy ministers) in early July. Even though it is a slightly larger cabinet than before, it includes six ministers from the Democratic Alliance, with five smaller parties also being represented. It heralds a new era of co-operative government on a national level. The first such democratically elected government ended with the National Party withdrawing on 3 February 1997, almost 3 years after the historic 1994 elections.

CNN reported that a club of Eurasian countries spearheaded by China and Russia, aimed at advancing their leaders' vision of an alternative world order, is set to expand again early in July. This time, it will add a staunch Russian ally that has openly supported Moscow's war on Ukraine. The expected admission of Belarus to the Shanghai Cooperation Organization (SCO) at its annual leaders' summit in Astana, Kazakhstan, is another push by Beijing and Moscow to transform the grouping from a regional security bloc into a geopolitical counterweight to Western institutions led by the United States and its allies.



MARKET PERFORMANCE

June saw strong rallies across the globe as strong economic data indicated that the mild economic conditions, referred to as a "Goldilocks scenario" remain alive and well.

Visio Capital reports that robust economic growth, a solid labour market, and moderating inflation all set the backdrop for strong markets in June. When measured in US Dollar terms, developed markets (MSCI World +2.1%) and emerging markets (MSCI EM +4.0%) both performed well. Technology-focused stocks continued their robust performance, as the tech-heavy NASDAQ100 index added over 6% in June.

South African securities had an even rosier month. The JSE All Share index ended 4.1% higher (over 7% in US Dollar terms) and local bonds added 5.2% in June as details about the Government of National Unity (GNU) became clearer. The yield on the ten-year South African Government Bond fell from a pre-election April high of 12.52% to a low of 11.17% on the 21st of June.

The rand strengthened more than 3% against the US Dollar, Euro, and the Pound Sterling as the dust settled following the election.

Gold did not move significantly during the month, while Brent Oil rose nearly 6% in US Dollar terms.

MARKET INDICES[1]	30 JUNE 2024		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	8.2%	9.1%	10.6%
SA property (S&P SA REIT Index)	8.5%	25.7%	-2.4%
SA bonds (SA All Bond Index)	7.5%	13.7%	7.8%
SA cash (STeFI)	2.1%	8.5%	6.0%
Global developed equities (MSCI World Index)	-0.9%	16.7%	18.3%
Emerging market equities (MSCI Emerging Markets Index)	1.6%	9.2%	9.0%
Global bonds (Bloomberg Barclays Global Aggregate)	-4.6%	-2.4%	3.2%
Rand/dollar [3]	-3.6%	-3.3%	5.3%
Rand/sterling	-3.5%	-3.9%	5.2%
Rand/euro	-4.3%	-5.0%	4.0%
Gold Price (USD)	5.0%	21.2%	10.6%
Oil Price (Brent Crude, USD)	-1.2%	15.4%	5.4%

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?

A TALE OF TWO BROTHERS

(OR HOW SIBLING RIVALRY CREATED TWO GLOBAL GIANTS)

This month we delve deeper into the fascinating story of Adolf Dassler and Rudolf Dassler, two brothers whose entrepreneurial journey shaped the athletic footwear industry and left an indelible mark on sports and business culture.

In the small town of Herzogenaurach, Germany, the Dassler brothers embarked on their footwear venture in 1924. Adolf, known as "Adi," and Rudolf shared a passion for sports and a vision to create innovative athletic shoes. Their company, Gebrüder Dassler Schuhfabrik (Geda), initially operated out of their mother's laundry room. Their early designs focused on track and field shoes, emphasising comfort, performance, and durability.

Geda gained prominence during the 1936 Berlin Olympics, where American sprinter Jesse Owens wore their shoes. Owens' four gold medals showcased the quality and functionality of Dassler footwear. The brothers revelled in their success, believing they were on the cusp of revolutionising sports footwear.

However, personal conflicts simmered beneath the surface. Rudolf was the extroverted, assertive brother, while Adi was more reserved and focused on product development. Their wives, too, clashed—Rudolf's wife, Käthe, was vocal and opinionated, while Adi's wife, Friedl, preferred a quieter role. These differences strained the brothers' relationship.

World War II disrupted their business. Both brothers were drafted into the army, and Geda shifted production to military boots. Rudolf suspected that Adi had influenced his conscription, further straining their bond. After the war, tensions escalated.

In 1948, the unthinkable happened: the Dassler brothers split. Rudolf left Geda and founded his own company, initially called Ruda (later renamed Puma – his childhood nickname on the football field). Adi continued with Geda, which he eventually rebranded as Adidas (a portmanteau of "Adi" and "Das" from Dassler). The town of Herzogenaurach became divided—Adidas employees wore their shoes to work, while Puma employees proudly sported Rudolf's creations.

The rivalry between Adidas and Puma intensified. They competed fiercely for endorsements, signing deals with legendary athletes. Adidas secured partnerships with soccer stars like Pelé and Franz Beckenbauer, while Puma collaborated with sprinter Usain Bolt and footballer Diego Maradona. The "cat versus three stripes" battle became legendary.

Rudolf passed away in 1974, and Adi followed in 1978. Their graves lie at opposite ends of Herzogenaurach's cemetery, symbolizing their lifelong divide. Yet, their legacy endures. Adidas and Puma remain global giants, shaping sports fashion, innovation, and culture. The Dassler brothers' story teaches us about ambition, rivalry, and the enduring impact of family dynamics on business.

In the heart of Herzogenaurach, where sibling rivalry once fuelled creativity, the legacy of Adi and Rudolf Dassler lives on—one step at a time.

How does this relate to investments?

More than a third of football clubs in Europe's "big five" leagues are funded by private capital, new research has found, a sharp change in ownership which will pose long-term questions for the game.

Chelsea, Milan, Newcastle, and Atalanta are examples of teams owned entirely by private capital, in the shape of private equity funds. But according to the financial analysis firm PitchBook, 35% of top-flight clubs in England, France, Germany, Italy, and Spain have acquired private investment in some form.

The growth in private equity markets as well as the burgeoning business of sports certainly demands a further look into the opportunities in using rivalry to your investment advantage.
May the best person win...

Source: Sneaker Wars: The Enemy Brothers Who Founded Adidas and Puma and the Family Feud That Forever Changed the Business of Sports* by Barbara Smit (2000)