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Month in Review | March 2023

LOCAL MARKETS
- MARKET LOWER FOR THE MONTH, UP IN 1ST QUARTER

South Africa's All Share Index recorded a 2.1% MoM decline but ended 1Q23 4.2% higher. Financial stocks were the biggest drag on performance in March. The Fini-15 dropped by 6.4% MoM (-0.2% 1Q23/YTD) as JSE -listed banking shares felt the contagion amid volatility associated with the banking mini-crisis in the US and the issues with Credit Suisse. The SA Listed Property Index retreated by a further 3.7% in March (-5.3% 1Q23/YTD), while the Indi-25 was down 1.0% MoM, but is up 14.0% in 1Q23/YTD. The Resi-10 advanced 0.7% MoM but is down 6.5% for 1Q23/YTD.

Looking at the performances of the biggest shares on the JSE by market cap, BHP Group, the largest company on the exchange, gained 4.1% on a total return basis. Anheuser Busch InBev, the third largest listed company, rose 6.1% MoM, followed by Prosus (+3.9% MoM), Richemont (+1.8% MoM) and Naspers (+1.1% MoM).

Gold Fields was March's best-performing share, recording an impressive 42.1% MoM gain. It was followed closely by AngloGold Ashanti, which saw its share price jump 39.1% MoM. Another gold miner, Harmony, was March's third best-performing share with a 31.1% MoM gain. Transaction Capital was March's worst-performing share, plummeting 59.1% MoM. On 14 March, the company's exposure to SA's embattled taxi industry, which has been hard hit by high interest rates, load shedding and fuel prices, saw its share price plunge. Steinhoff was March's second worst-performing share – declining by 45.0%, followed by Rhodes Foods Group (RFG Holdings) in third place.

ANOTHER INTEREST RATE INCREASE

In SA economic data, February headline inflation, as measured by the consumer price index (CPI), rose slightly (its first increase in four months), coming in at 7.0% vs January's 6.9%. MoM, CPI rose by 0.7% in February – the biggest monthly increase since July 2022. Food inflation soared 13.6% YoY – the highest level since April 2009. Local retail trade sales shrank for a second consecutive month in January (-0.8% YoY) following December's downwardly revised 0.5% YoY decline. MoM retail trade rose 1.5% in January, the biggest increase in twelve months, compared to a downwardly revised 0.5% decline in December. SA gross domestic product (GDP) shrank by 1.3% in 4Q22 after rallying to an upwardly revised 1.8% rise in 3Q22. This was the sharpest contraction since 3Q21, following the big surge in load shedding towards the end of last year. In an unexpectedly hawkish move, and in sharp contrast to market expectations of a 25-bps hike, the SARB raised the interest rate by 50 bps on 30 March, taking the repo rate to 7.75%.

SA consumer confidence plunged to its lowest level in about a year in the first quarter of 2023, according to the FNB/Bureau for Economic Research (BER) survey. The figures show the effect of the deepening power and cost-of-living crises on the economy. The reading of -23 is the third lowest CCI reading on record since 1994 and illustrates consumer concern about their household finances and SA's economic prospects. Businesses are also not feeling confident and the RMB/BER Business Confidence Index (BCI) declined further in the first quarter of 2023 and now stands at 36 (38 in the fourth quarter of 2022). While the outcome could have been worse given the severity of power outages and the associated drop-off in business activity, the result is nonetheless disappointing. The business mood certainly remains gloomy.

UNEMPLOYMENT FIGURES IMPROVE

SA's formal employment rose by 48,000 in the fourth quarter to nearly 10 million, Stats SA said in its quarterly employment survey, released in March, which excludes agriculture and private households. The quarter-on-quarter figures were mainly driven by trade and business services, respectively, mirroring the seasonal trends associated with the festive period.

Other industries failed to increase ref job numbers by any significant amount over the quarter, a reflection of the state of the economy, which saw GDP growth fall by a marked -1.3% quarter on quarter, seasonally adjusted, in the fourth quarter. However, total employment dropped by 94,000 or 0.9% when measured on an annual basis, indicating the daunting task faced by President Cyril Ramaphosa and the governing ANC in turning around the country's structurally high unemployment.

VEHICLE SALES LOWER

Rising interest rates and the EFF-inspired day of protest hurt new-vehicle sales in March, according to Naamsa's latest report. The motor industry sold 50,157 cars and commercial vehicles — 0.6% fewer than the 50,465 in March 2022. Car sales took the biggest knock, tumbling 6.4% from 33,788 to 31,631. This was partially offset by an 11.1% growth in the market for light commercial vehicles, mainly bakkies and minibus taxis. Medium-sized and extra-heavy trucks also outperformed in 2022 but heavy trucks suffered a 9.1% fall. The Naamsa report showed that at the end of the first quarter of 2023, aggregate sales of all vehicles totaled 139,437, a 2.4% improvement on the 136,192 at the same stage of 2022.

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INTERNATIONAL MARKETS
- MARKETS CLOSE HIGHER DESPITE TURBULENCE

Most global markets ended March (and 1Q23) on a positive note (MSCI World +3.2% MoM/+7.9% 1Q23/YTD), showing resilience despite a banking mini crisis, a cryptocurrency meltdown and persistent concerns that higher interest rates will trigger a global recession. In mid-March, the collapse of a group of mid- and small-cap US banks triggered the first banking crisis since the global financial crisis (GFC) of 2008, sending markets teetering.

The loss of confidence in the financial position of two US mid-sized regional banks – Silicon Valley Bank (SVB; the second-biggest bank failure in US history) and Signature Bank – led to customers swiftly withdrawing deposits (i.e., a bank run), resulting in their rapid demise. In Europe Credit Suisse also experienced a renewed loss of confidence due to a series of lapses in risk controls. Nevertheless, towards month-end, most global markets seemed to have largely shrugged off the mini-banking crisis as equities recouped their losses and more, with an especially impressive performance by US tech stock buoying the broader US market.

The US Federal Reserve (Fed) raised interest rates by 0.25% on 23 March, largely in line with expectations. Fed Chair, Jerome Powell, emphasised that the process of getting US inflation back down to 2% has a long way to go and is likely to be bumpy.

On the economic data front, the latest US inflation data was broadly in line with expectations, as annual headline CPI decreased from 6.4% YoY in January to 6.0% YoY in February. At the headline level, January retail sales recorded a solid start to the year, rising by 3.0% MoM. Still, retail sales came down significantly for February, printing at -0.4% MoM (in line with expectations). Personal consumption expenditure (PCE), the Fed's preferred inflation gauge, rose 0.3% MoM in February – lower than January's 0.5% increase and beating consensus expectations of a 0.4% rise, indicating that US inflation is slowing.

US equity markets rallied despite the headwinds, with all three major indices ending another volatile month higher. The tech-heavy Nasdaq outperformed and closed March 6.7% up (+16.8% 1Q23/YTD – its best quarterly gain since 4Q20). The blue-chip S&P 500 jumped 3.5% MoM (+7.0% 1Q23/YTD), while the Dow rose 1.9% MoM (+0.4% 1Q23/YTD).

In Europe, Germany's DAX also ended the month in the green – +1.7% MoM (+12.2% 1Q23/YTD). France's CAC Index closed March 0.7% higher (+13.1% 1Q23/YTD). February euro area inflation was slightly lower at 8.5% YoY vs January's 8.6%. Germany's inflation rate remained high in February, at 8.7% YoY – unchanged from January. Food and energy prices were significant contributors to the high German inflation, increasing by 21.8% and 19.1% YoY, respectively. France's annual inflation rate slowed in March to 6.6% vs February's revised 7.3% YoY. MoM, CPI rose 0.9%. The European Central Bank (ECB) hiked interest rates by 0.5% in March (in line with market expectations), bringing the ECB's main deposit rate to 3%.

In the UK, the blue-chip FTSE-100 Index declined after two consecutive monthly gains, ending March 3.1% in the red (+2.4% 1Q23/YTD). After easing for three consecutive months, UK inflation surprisingly rose 10.4% YoY in February (vs January's 10.1%) as food and energy costs continued to rise, placing further pressure on households. The higher-than-expected inflation print saw the Bank of England lift interest rates to 4.25% from 4%.

ASIAN MARKETS MIXED

Chinese markets were mixed, with Hong Kong's Hang Seng Index jumping 3.1% both MoM and for 1Q23/YTD, while the Shanghai Composite Index lost 0.2% MoM (+5.9% 1Q23/YTD). On the economic data front, China's March factory activity beat expectations despite being down MoM. The official manufacturing purchasing managers index (PMI) came in at 51.9 in March from 52.6 in February (the highest reading since April 2012).

Japan's benchmark Nikkei rose 2.2% in March (+7.5% 1Q23/YTD). On the inflation front, annual CPI fell to 3.3% YoY in February vs January's 41-year high of 4.3%, marking the lowest level since September 2022 as transport costs rose the least in five months. In addition, the prices of fuel, light and water charges also declined for the first time since May. As a result, core inflation slowed sharply to 3.1% YoY vs January's 4.2%, but it remained above the Bank of Japan's 2% target for an eleventh straight month.

March was a mixed bag for commodity prices, and although oil prices started recovering from their recent lows towards month-end, Brent Crude was down 4.9% MoM and ended the quarter down (-7.1% 1Q23/YTD) as March's banking crisis fuelled fears of prolonged stress in the financial sector and a potential recession. Iron ore rose 4.2% in March (+9.0% 1Q23/YTD), while the gold price staged an impressive recovery – up 7.8% MoM and 8.0% for 1Q23/YTD. Platinum and palladium prices were higher – up 4.3% and 3.2% MoM, respectively (down 7.4% and 18.3% for 1Q23/YTD). Natural gas prices dropped 19.3% MoM (-50.5% 1Q23/YTD), and thermal coal prices fell 9.5% MoM (-29.6% 1Q23/YTD).

Sources: Anchor Capital; BusinessLive, BER

SMART TIP | Read our investment reports

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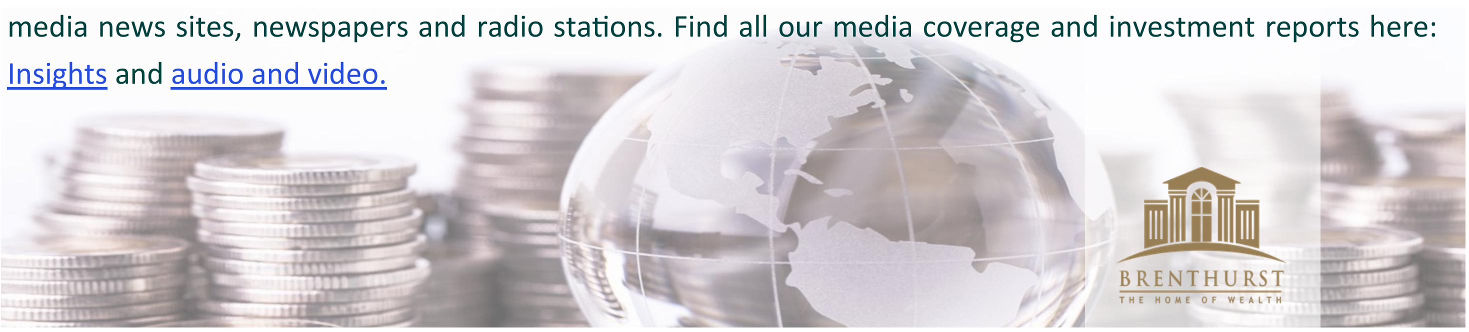

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