BRENTHURST
THE HOME OF WEALTH



# LOCAL MARKETS
## - JSE CLOSES LOWER

**The difficult economic environment is evident in all market and industry metrics released in September and commentators are warning that more strain lies ahead.**

The JSE All Share Index declined by 3.4% in September (-0.9% YTD/-4.8% 3Q23). It was red across the board on the JSE in September, with the Indi-25 (-5.0% MoM/+8.9% YTD/-7.6% 3Q23) and the Fini-15 (-5.0% MoM/ +3.9% YTD/+0.5% 3Q23) recording the biggest monthly losses. The SA Listed Property Index was down 4.3% for the month (-8.9% YTD/-1.6% 3Q23), while the Resi-10 lost 0.1% MoM (-18.7% YTD/-7.2% 3Q23).

Amongst the biggest shares by market cap, the largest company on the exchange, BHP Group, fell by 1.0% MoM, while the second-biggest share, Anheuser-Busch InBev, was down 3.2% MoM. Prosus, the third-biggest listed company, dropped 7.3% MoM, Naspers lost 6.0% MoM, and Richemont fell 13.2% MoM. However, Glencore jumped 7.6% MoM, with Anglo American Plc up 3.6% MoM. The rand retreated by 0.2% against the dollar and year to date the currency is 11.1% lower.

Headline CPI rose for the first time in five months in August to 4.8% YoY, vs 4.7% YoY in July. Over the last few months, the deceleration in headline inflation has primarily been driven by strong base effects on fuel inflation, which have now dissipated from the August data. August's fuel price increases were primarily responsible for the renewed increase in inflation. Unfortunately, the rising fuel prices offset further easing in food and non-alcoholic beverages (NAB) inflation, softening from 9.9% YoY in July to 8.0% YoY in August. Except for fruit, all food and NAB categories recorded lower annual rates in August, which assisted in taking some of the heat off the headline rate. However, it was not enough to counteract the rise in fuel prices and increases in municipal tariffs. At its September meeting, the SA Reserve Bank (SARB) kept the repo rate on hold at 8.25%, with the prime rate remaining at 11.75%, although it cautioned that it might tighten rates further if supported by data developments.



## MANUFACTURING DECLINES

Conditions in SA's manufacturing sector deteriorated more than expected at the end of the third quarter, weakened by poor demand and production, according to the latest Absa purchasing managers' index (PMI). The report shows manufacturing activity declined 4.3 points in September to 45.4, following August's 49.7 and below consensus expectations of 49.5. The sector has remained below the 50-point neutral mark since February, with the decline in September a result of poor global demand caused by sluggish growth momentum in the eurozone and the UK, both key export markets for local manufacturers.

## SLIGHT IMPROVEMENT IN EMPLOYMENT

The number of South Africans with jobs rose 0.4% quarter on quarter in the three months to end-June, driven mainly by an increase in part-time jobs, according to official data. Stats SA's latest Quarterly Employment Statistics (QES) shows total formal employment rose by 39 000, to 10.078 million from 10.039 million at the end of March, mainly as a result of increases in the community services, business services, mining, and electricity sectors. However, the manufacturing, transport and construction sectors experienced a decline in employment.

## VEHICLE SALES DECLINE

Motor companies, dealers and banks are doing their best to stimulate sales of new cars, but the trouble is there are too few people with the money to take advantage of the incentives. New vehicle sales retreated again in September as declining business confidence and reduced disposable income continued to take a toll on buyers. Figures released by the motor industry association Naamsa show that 46 021 cars and commercial vehicles were sold last month — 4.1% fewer than the 47 984 of September 2022. Vehicle exports also disappointed in September. It fell 12.5%, from 41 464 to 36 247, compared with a year earlier. For the year to date, however, foreign shipments were 8.3% ahead of 2022's, up from 263 392 to 285 200.

# INTERNATIONAL MARKETS
## - ANOTHER TOUGH MONTH FOR MARKETS

**Most major global markets (MSCI World -4.3% MoM; +11.6% YTD; -3.4% 3Q23) recorded declines for a second consecutive month in September. It was a tough ride for equity markets as optimism faded and worries about the global economic outlook and high interest rates resurfaced. At the same time, a bond sell-off saw longer-term Treasury yields soar, triggering renewed recession worries as the cost of borrowing increases. Additionally, oil prices are surging, and with oil being an input cost for many industries, this could result in companies and consumers cutting back on spending. On top of the abovementioned factors, a potential US government shutdown also weighed on markets. However, this has been temporarily averted as the Senate passed a last-minute spending bill on 30 September, allowing the government to stay open for 45 more days.**

At its September meeting, the US Federal Reserve (Fed) held interest rates steady at 5.5%. This was only the second meeting since March 2022 where the Fed did not hike rates. In US economic data, August headline inflation, as measured by the Consumer Price Index (CPI), increased by 3.7% YoY after slowing to 3.2% YoY in July. YoY, retail sales increased by 2.5%.

August core personal consumption expenditure (PCE), excluding food and energy, the Fed's preferred inflation gauge, rose 3.9% YoY and by 0.4% MoM (below consensus analysts' expectations) vs a revised 4.3% YoY in July.

US markets posted losses for the month and for 3Q23, with the tech-heavy Nasdaq Composite Index reporting a 5.8% MoM decline (+26.3% YTD/-4.1% 3Q23) and the blue-chip S&P 500 falling by 4.9% MoM (+11.7% YTD/-3.6% 3Q23) – both indices' worst month of 2023. The Dow Jones declined by 3.5% MoM and is down 2.6% for the quarter (+1.1% YTD).

In Europe, Germany's DAX was down 3.5% MoM (+10.5% YTD/-4.7% 3Q23), while France's CAC Index closed the month 2.5% in the red (+10.2% YTD/-3.6% 3Q23). In economic data, eurozone inflation came in at 5.2% in August, down from 5.3% in July. Germany's September inflation fell to its lowest level since Russia invaded Ukraine, at 4.3% YoY vs August's 6.1%. France's September inflation was unchanged from August at 4.9% YoY. The European Central Bank (ECB) opted to raise rates for a tenth consecutive time last month – by 0.25% to 4.5%. The ECB said it believes that rates are now at a level that will make a "substantial contribution" to getting inflation back to 2%, noting that future decisions will be "data dependent."

## UK MARKET CLOSES HIGHER

The UK's blue-chip FTSE-100 (+2.3% MoM) was the only major index that ended September higher (+2.1% YTD/+1.0% 3Q23). At the Bank of England's (BoE) meeting in September, the policy rate was unchanged at 5.25% – the first time since November 2021 that the BoE did not increase borrowing costs. This follows August UK inflation cooling further to 6.7% YoY (down from 6.8% YoY in July). Core inflation, excluding the volatile food and energy items, was 6.2% in August vs July's 6.9%.

## ASIAN MARKETS DECLINE

September saw overseas investors continue to sell Chinese equities (especially those of financial and personal consumption-related companies) as ongoing worries about China's macroeconomic outlook and real estate problems weighed on sentiment. For a second consecutive quarter (3Q23), offshore investors sold more shares in companies in mainland China than they bought. MoM, Chinese equity markets recorded losses, with Hong Kong's Hang Seng Index down 3.1% in September (-10.0% YTD/-5.9% 3Q23), while the Shanghai Composite Index retreated by 0.3% (+0.7% YTD/-2.9% 3Q23). There was some good news on the economic front as China's official September Manufacturing Purchasing Managers Index (PMI) bounced back into expansion territory (for the first time since April), coming in at 50.2 vs 49.7 in August. The official non-manufacturing PMI, measuring business sentiment in the services and construction sectors, came in at 51.7 from 51 in August. The 50-point mark separates expansion from contraction.

Japan's benchmark Nikkei declined 2.3% MoM (+22.1%YTD/-4.0% 3Q23). Core CPI (excluding the volatile fresh food category but including energy costs) remained at 3.1% YoY in August, unchanged from July and above the Bank of Japan's (BoJ) 2% target for a seventeenth straight month. The BoJ left rates unchanged (at -0.1%) at its September meeting, noting it was mindful of the "extremely high uncertainties" on the growth outlook domestically and globally.

## OIL PRICE HIGHER FOR 4TH CONSECUTIVE MONTH

In commodities, Brent crude oil recorded a fourth consecutive MoM gain, soaring by 9.7% MoM (+10.9% YTD/ +27.2% 3Q23) on supply fears as two of the world's largest oil producers, Russia and Saudi Arabia, have cut back on production and crude stocks at a key US storage hub fell to the lowest level in over a year. Iron ore prices rose 1.7% MoM and are up 3.3% YTD and 6.6% in 3Q23. Meanwhile, gold declined by 4.7% MoM (+1.3% YTD/-3.7% 3Q23). The platinum price fell by 6.6% MoM (-15.5% YTD/+0.2% 3Q23), while palladium ended the month 1.5% higher (-30.4% YTD/+1.4% 3Q23).

### SMART TIP | *REVIEW YOUR INVESTMENT PLAN*

**It is always advisable to review your finances as your circumstances change.**

- ⇒ Is your will up to date?
- ⇒ Is your risk cover still relevant to your needs?
- ⇒ Are your retirement investments structured for optimum benefit?

Our advisors have shared their insights about these issues in our weekly newsletters. If you missed any of the articles or comments by our team, view them here:

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*Sources: Anchor Capital, Business Day*


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