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Monthly market commentary | June 2021

The global economic recovery continued into June with vaccination rates accelerating strongly across the developed world. Global equity markets, however, delivered mixed returns due to fears over the more contagious Delta variant and a more hawkish stance by the US Fed on the back of slightly higher inflation expectations.[1]

The MSCI World Index (developed markets only) advanced 1.6% in USD terms. The US (S&P 500: 2.2%) was the best performer, delivering returns well ahead of Europe (Euro Stoxx 50: 0.7%), the UK (FTSE 100: 0.2%) and Japan (Nikkei: -0.2%), all in USD terms.[2]

Emerging markets underperformed developed markets (MSCI EM USD: 0.1%), dragged down lower by China (Shanghai Composite: -0.7% in USD) which saw a contraction in their latest Purchasing Manager's Index.[2]

Rand returns were, however, boosted by a 3.8% depreciation of the currency relative to the USD by month-end. The first half of June saw a stronger rand on the back of a weaker US dollar and SA's strong terms of trade, but a more hawkish Fed statement (signalling two potential rate hikes by 2023 and the commencement of talks around potential QE tapering) weighed on the local currency in the second half of the month.[2]

The local equity market recorded its first monthly decline after seven consecutive months of gains, with the Capped SWIX Index down 3% despite the latest figures for SA gross domestic product (GDP) meaningfully beating consensus forecasts. Commodity counters saw the largest declines, with the Resi10 down 6.5%, thereby significantly underperforming Financials (-2.6%) and Industrials (0.4%).

Local property, however, bucked the trend with the SAPY delivering a 3.2% return after falling close to 3% in May.[2]

Despite higher inflation expectations and the increased possibility of monetary tightening, the US 10-year yield ended the month 13 basis points lower at 1.47%. European yields also saw modest declines, resulting in positive returns for the overall global bond market. Locally, the All Bond Index rose 1.1%, with the yield curve continuing its flattening trend on the back of reduced bond issuance by the SA government. The long-end of the yield curve (12+ years) returned 1.7%, while the short-end (1 to 3 years) was down 0.01%. Foreigners turned net sellers of SA bonds with a R14.2 billion outflow in June.[1]

Compiled by
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Sources:

[1]Anchor Capital June 2021 Commentary
[2] Asset class returns June 2021, RMB Markets Research