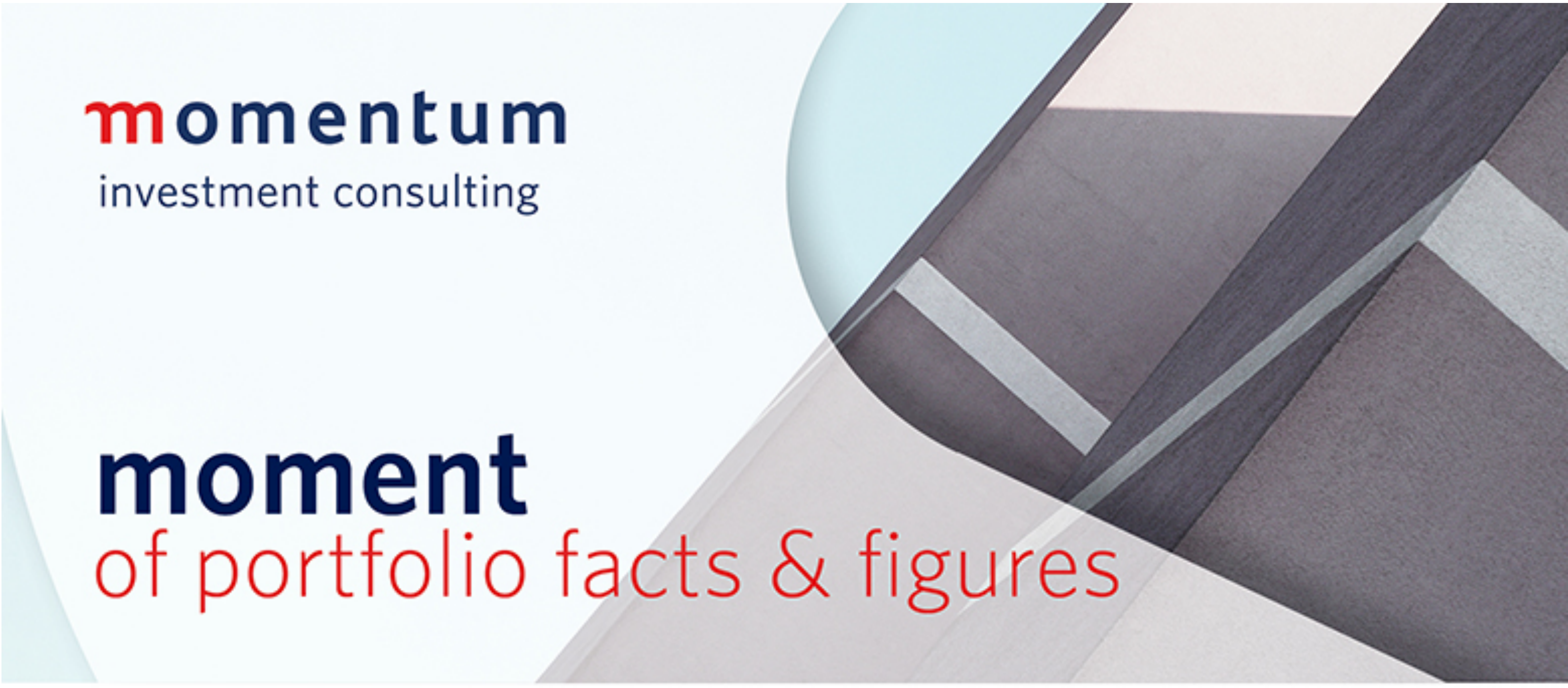

Monthly market commentary | July 2021

The global economic recovery continued its momentum into July 2021, with positive progress in vaccine rollouts allowing for the easing of restrictions in several major developed markets. This, along with most corporate earnings announcements coming in ahead of expectations, buoyed global markets, as global equities posted their sixth consecutive month of positive performance. Sentiment did, however, wane in the month, as the rapidly spreading COVID-19 Delta variant raised fears of a bumpier path to normality.

The MSCI World index advanced 1.8% in July in USD terms. US stocks lead the charge as the S&P 500 rallied 2.4% after earnings in aggregate were approximately 18% ahead of expectations. In other developed markets (DM), Europe (MSCI Europe ex-UK) and UK (FTSE All-share) also posted positive returns of 1.8% and 0.5% respectively off the back of a positive global growth outlook. Japan (TOPIX) fell 2.2% owing to negative sentiment around the spread of the Delta variant, with a state of emergency being re-imposed in Tokyo[1].

Emerging markets (MSCI EM) fell 6.7% in the month, led lower by Chinese stocks as its technology sector was marred by a crackdown from Chinese regulators. Rand returns from global markets were, however, supported by a 2.2% weakening in the rand relative to the US dollar, driven primarily by dollar strength as investors shifted toward the safer investments following fears of moderation in global growth[1].

Locally, news headlines were dominated by looting and unrest in parts of KwaZulu-Natal and Gauteng. Markets were, however, supported by a weaker rand and strong commodity prices. Resources was the best performing sector in the month, up 11.8%, reversing the decline witnessed in June as both industrial and precious metals and mining posted strong double-digit returns. The Industrials sector was marginally positive, (1%) as strong returns from domestically focussed shares were offset by the decline in Naspers and Prosus, following a sharp correction in the Tencent share price in the month (down approximately 18%) amidst the regulatory crackdown in China. Financials gave up some of its gains from June, declining 1.4%. The Capped SWIX ended the month up 2.6%, moving back into positive territory after the pullback in June. The effects of looting and unrest were felt by local property markets, as the SAPY declined 0.6% in the month[3]. In the fixed income space, concerns around the spread of the Delta variant and a moderation in global growth led to a rally in global bonds. The US 10-year yield fell over 0.20% resulting in similar moves in major DM bond markets. As a result, global bonds posted positive returns of 1.6% in USD (4.4% ZAR). Local fixed income market returns were more muted in the month, with the ALBI up a mere 0.8%, driven primarily by the belly of the curve, while ILBs and cash were up a meagre 0.4% and 0.3% respectively[4].

Compiled by
Momentum Investment Consulting

Sources:
[1]Anchor Capital June 2021 Commentary
[2] Schroders
[3] Asset class returns July 2021, RMB Markets Research
[4]Momentum Investments