



## Monthly market commentary | April 2023

**Volatility seems to be a dominant theme in global markets in 2023 as April experienced the same ups and downs as previous months this year. This month's instability was largely as a result of the tussle between the positive outlook of a clear slowdown in inflationary pressures in the United States (US) and the negative outlook of a possible banking sector crisis. Concerns around the banking sector proved to be justified as another large US bank, First Republic, collapsed in early May after it lost more than \$100 billion in deposits in the first quarter of the year. On the local front, consequences from inflationary pressures continue to show as retail activity declined for the third consecutive month. Despite this and other factors contributing to economic strain, April seemed to provide testimony to the resilience of South African businesses and consumers.**

Global equities (MSCI ACWI) ended the month up 1.4% in USD terms<sup>1</sup>. Developed market equities (MSCI World) were up 1.8%<sup>1</sup> during the month, led by the United Kingdom (UK)'s 5.1%<sup>1</sup> (FTSE 100), which surprisingly came from financials, as the banking sector recovered from March's overreaction. Emerging market equities (MSCI EM) fell during the month, ending 1.1%<sup>1</sup> lower. Although April saw strong returns out of India and Brazil (up 4.2%<sup>1</sup> and 3.4%<sup>1</sup> respectively), Chinese equities (MSCI China) proved to be a drag with a negative return of 5.2%<sup>1</sup>, as investor sentiment soured off the back of ongoing geopolitical tensions. The rand weakened 3.1%<sup>1</sup> relative to the US dollar after a short-lived rally in the backend of March following the SARB's 0.50% rate hike, with idiosyncratic South African risks remaining top-of-mind for foreign investors.

Local equities managed to recover from March's negative returns, delivering a 3.4%<sup>1</sup>. Resources, Financials and Industrials were all up more than 3% over the month, leading to the strong returns in the equity market. Local property (ALPI) managed to break its three-month losing streak with a strong 5.8%<sup>1</sup> return, exhibiting the volatility within the asset class and justifying investor caution.

Developed market bonds yields were largely flat as investors wait for further certainty around global inflation and the consequent direction of central bank policy. Global bonds (WGBI) still ended the month up 0.4% in USD terms<sup>1</sup>. On the local bond front, the ALBI delivered a negative 1.1%<sup>1</sup> return for the month as investors experienced negative returns across the yield curve, with the longer duration bonds most significantly hit. Inflation-linked bonds were marginally up, delivering a 0.4%<sup>1</sup> return. Finally, local cash (STeFI composite) ended the month up 0.6%<sup>1</sup>.

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<sup>1</sup> Morningstar

<sup>2</sup> Momentum Investments

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