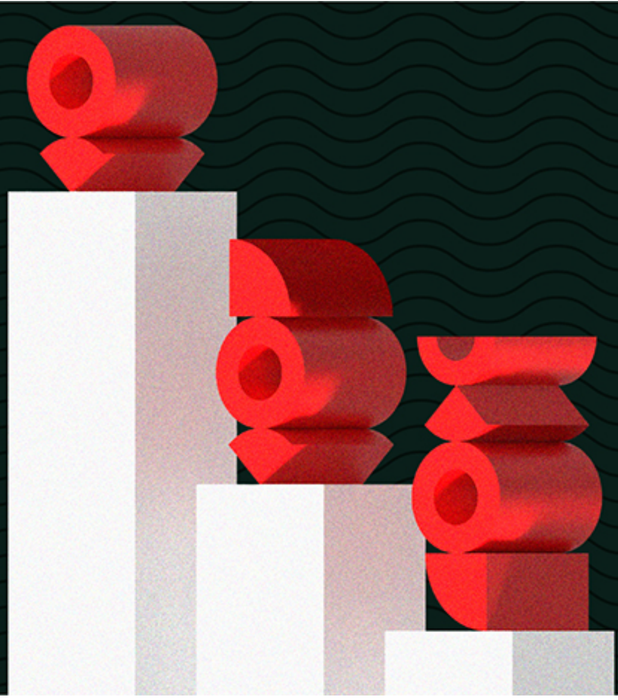
equilibrium
by momentum

market
commentary



Monthly market commentary | March 2023

March was riddled with volatility amidst the collapse of Silicon Valley Bank, Signature Bank and Credit Suisse. It is evident that the impact of the slew of rate hikes is being felt in the broader global economy. Despite this, global markets ended the month up as expectations of a Federal Reserve Bank (Fed) pivot emerged following the mini banking crisis, sending bond yields lower and the stock market higher. The Fed, however, remained resolute in its fight against inflation and delivered another 0.25% rate hike, while the South African Reserve Bank (SARB) surprised markets with a higher-than-expected 0.5% increase in the repo rate following the upside surprise in the February inflation print.

Global equities (MSCI ACWI) ended the month 3.1% higher in USD terms[1]. Developed market equities (MSCI World) were up 3.1%[1] during the month, led by the US (S&P500), which ended the month up 3.6%[1]. The fall in bond yields also underpinned strong returns from growth shares (led primarily by US tech shares), with the MSCI World Growth up 7%[1] for the month, while the MSCI World Value fell 0.6%[1]. Emerging market equities (MSCI EM) marginally lagged their DM counterparts, ending the month up 3%[1]. Following the sharp pullback in February, Chinese equities (MSCI China) led the EM gains, up 4.5% in USD terms[1]. The rand strengthened by 3.1% relative to the US dollar, ending the month at R17.80[2] following the higher-than-expected rate hike from the SARB.

Local equities did not fare as well as their global counterparts, with the Capped SWIX ending the month down 2%[1]. Financials were the largest drag on performance as they ended the month down 5.8%[1], with local banking shares suffering contagion from the global mini banking crisis. Industrials fell marginally in the month, down 0.7%[1], as rand hedges offset losses from SA industrials. Resources enjoyed a positive month, up 2.9%[1], primarily off the back of gold miners who benefitted from the rally in gold prices amid the global turbulence. Despite a better start to the month, local property (ALPI) lagged equities and followed financials lower, delivering a negative 3.9%[1] return.

Ten-year bond yields across developed markets fell between 0.3% and 0.5% during the month as expectations of a more dovish monetary policy set in following the mini-banking crisis[2]. This despite 0.25% and 0.5% rate hikes from the Fed and European Central Bank respectively. Consequently, global bonds (WGBI) ended the month up 0.3% in USD terms[1]. On the local bond front, the yield curve steepened as short- and medium-term yields fell, while the longer dated yields rose.

The fall in yields in the seven- to 12-year maturity bucket supported returns and helped the ALBI to 1.3%[1] return for the month, while the 12+ years maturity bucket managed to still deliver positive returns owing to the high running yields. Inflation-linked Bond (ILB) returns were up, delivering a positive 1.5%[1] return as we saw a flattening of the ILB curve. Finally, local cash (STeFI composite) continue to benefit from the ongoing interest rate hikes and ended the month 0.6%[1] higher.

Prepared by Equilibrium

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[1] Morningstar
[2] RMB Asset Class Returns – 31 March 2023
[3] Momentum Investments

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