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# Glacier Invest | Market snapshots

Monthly edition | May 2024 recap



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# Monthly market recap | May in review

## Market news

- Japan's Corporate Services Price Index posted a y/y reading of 2.8% in April, surpassing expectations of 2.3% and marking its fastest rate of increase since March 2015.
- The monthly retail sales balance from the Confederation of British Industry in the UK, which measures sales compared to the prior year, rebounded to 8 in May 2024 from -44 in April, surpassing market forecasts of -24. This indicates the largest rise since December 2022, following an April slump - likely due to the Easter holiday and bad weather.
- The US Manufacturing PMI increased above consensus expectations to 50.9 in May, signalling an expansion in the manufacturing sector.
- US consumer confidence unexpectedly improved in May after declining for three consecutive months. The consumer confidence index increased to 102 in May from an upwardly revised 97.5 in April.

Source: Sanlam Investments Multi-Manager, Mitrade, Reuters – May 2024

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## International markets

MSCI World (\$)	4.47%
Global Bonds (\$)	1.31%
Global Property (\$)	3.47%
MSCI EM (\$)	0.59%
FTSE (£)	2.41%
S&P 500 (\$)	4.96%

## Bond market

All Bond	0.75%
Bonds 1-3 years	1.03%
Bonds 3-7 years	0.88%
Bonds 7-12 years	0.74%
Bonds 12+ years	0.58%

## Local markets

FTSE/JSE All Share	0.96%
Industrials	2.12%
Resources	0.98%
Property	0.16%
Financials	-0.12%
Cash	0.70%

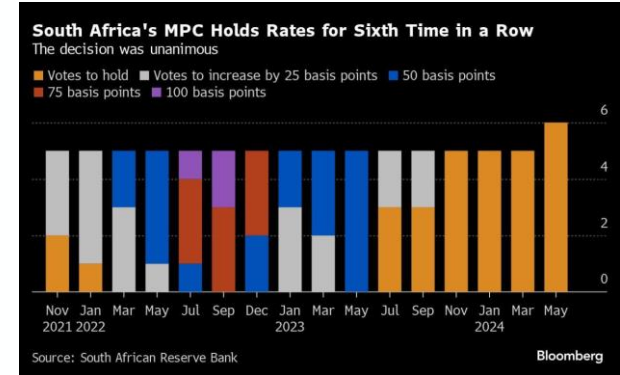
## Currency

Rand vs USD	0.04%
Rand vs EURO	-1.46%
Rand vs GBP	-1.61%
Rand vs JPY	-0.11%
Rand vs AUD	-0.002%



# SARB maintains interest rates

- The South African Reserve Bank (SARB)'s Monetary Policy Committee maintained the interest rate at 8.25% during its third meeting of the year. This decision keeps the benchmark rate unchanged at a 15-year high, a level it has sustained for the past 12 months.
- The prime lending rate of local commercial banks also remains unchanged at 11.75%.
- Despite the recent downward trend in inflation, the SARB continues to target the midpoint of the 3-6% inflation range. Currently, the consumer price index (CPI) remains above the targeted midpoint of 4.5%.
- "We now see inflation stabilising at our 4.5% objective in the second quarter of next year. This is an improvement on our March forecast, which only reached this milestone at the end of 2025," SARB Governor Lesetja Kganyago said in his presentation.



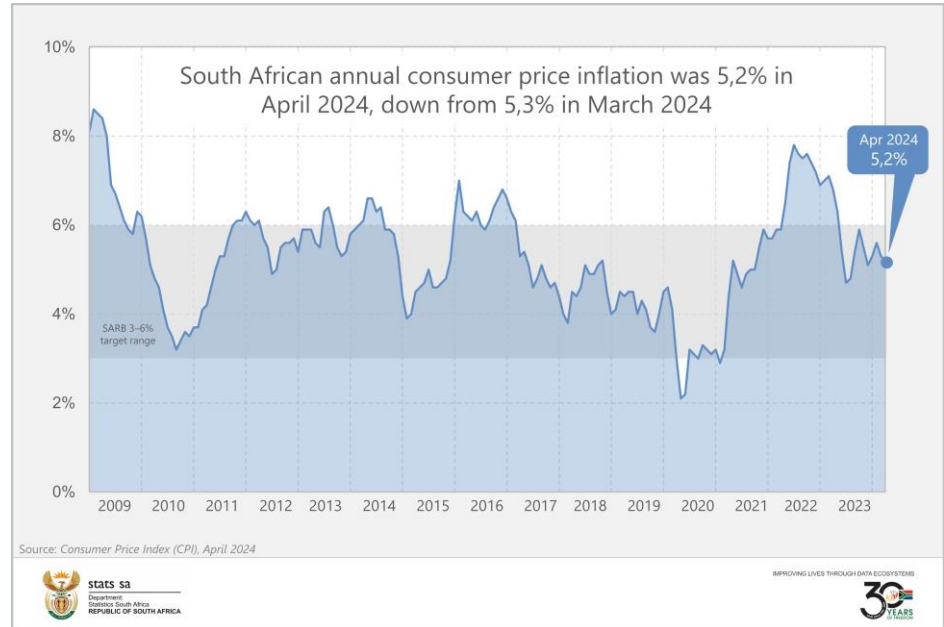
Source: News 24, Moneyweb, Daily Maverick, Yahoo Finance, Bloomberg – May 2024





# SA inflation eases slightly

- South Africa's CPI dropped slightly from 5.3% y/y in March to 5.2% y/y in April. Housing and utilities, food and transport were the main drivers behind the headline inflation rate in April, as reported by Statistics South Africa.
- The monthly increase of 0.3% in April was a significant decline from the 0.8% rise recorded in March.
- Core inflation eased more meaningfully to 4.6% y/y in April from 4.9% y/y in March.
- The SARB had previously highlighted high services inflation as a concern. The recent moderation of services inflation to 4.6% y/y in April is likely to be well received by the SARB.



Source: FA News, Eyewitness News, Stats SA – May 2024

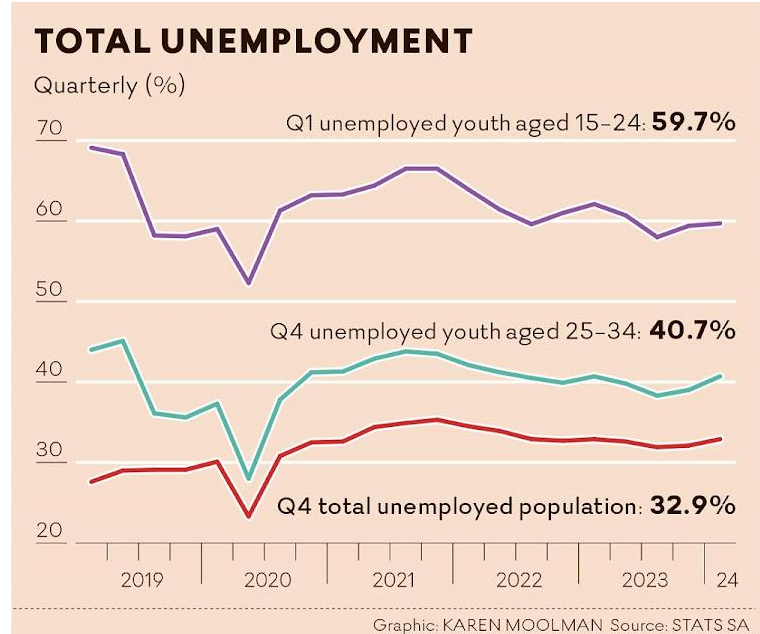


# Unemployment increases in SA

- Stats SA has released its latest data revealing an increase in the official unemployment rate from 32.1% to 32.9% in Q1 2024. This showed an increase of 0.8% in Q1 2024.
- The number of unemployed people had ballooned to 8.2 million in Q1 2024, from 7.9 million in Q4 2023 - indicating that more than 300,000 became unemployed between Q4 2023 and the first quarter of 2024.
- Stats SA stated that employment losses were recorded in community and social services (down by 122 000), construction (down by 106 000), finance (down by 50 000) and utilities (down by 17 000).

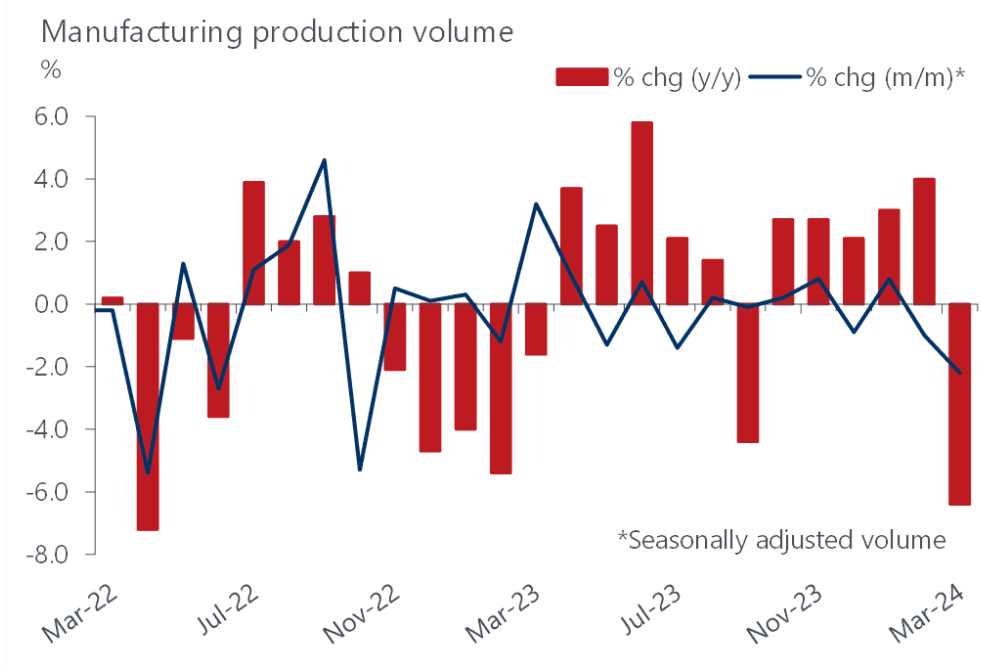


Source: Business Live, Daily Maverick, IOL, X – May 2024



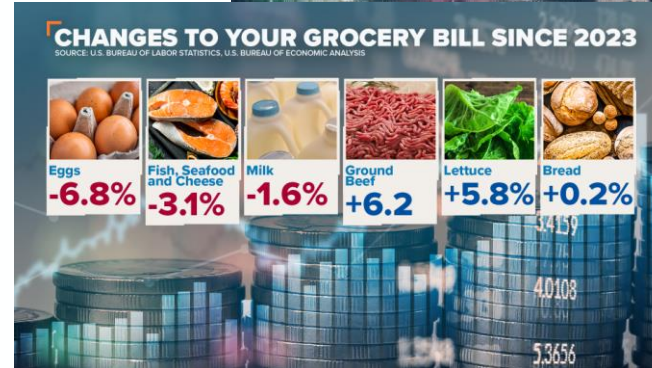
# SA manufacturing activity plummets

- Manufacturing production fell by 6.4% y/y in March, a surprising downturn as slight growth had been anticipated.
- The March manufacturing data, released by Stats SA, showed that the sector performed poorly and may have dragged Q1 gross domestic product into a contraction.
- Weak domestic and global demand, a lack of confidence and South Africa's persistent logistical, crime and power challenges (although we have seen an improvement in load shedding) probably lay at the root of the poor read.



# Inflation eases in the US

- Inflation in the US eased slightly in April, offering some relief to consumers. The CPI increased by 0.3% in April from the prior month. On a y/y basis the CPI increased 3.4%, which was in line with market expectations.
- A slowdown in shelter and new vehicle prices contributed to the easing in CPI.
- Core inflation, which excludes food and energy, increased 0.3% m/m and 3.6% on an annual basis. The core 12-month inflation reading was the lowest since April 2021 while the monthly increase was the smallest since December 2023.



Source: CNBC, Goldman Sachs, Reuters, CartoonStock, News Nation Now – May 2024



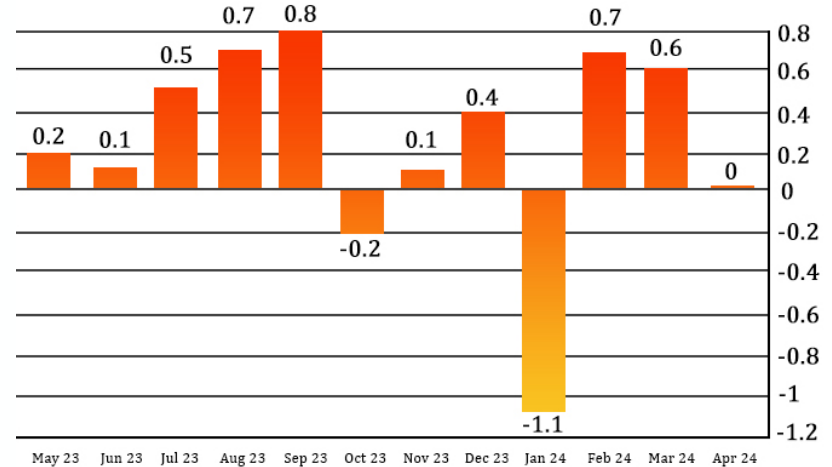


# US retail sales remain flat in April

- US retail sales remained unexpectedly flat in April, and higher gasoline prices pulled spending from other goods. This suggests a weakening momentum in consumer spending. By comparison, a year ago, retail sales surged by 3%.
- The unchanged reading in retail sales in April followed a slightly downwardly revised 0.6% increase in March as per the Commerce Department's Census Bureau.
- By sector, the biggest monthly increase in spending was at gas stations, where sales were up 3.1% in April compared to March.



U.S. Retail Sales



Source: CNN Business, Reuters, RTT News, Hedgeye – May 2024



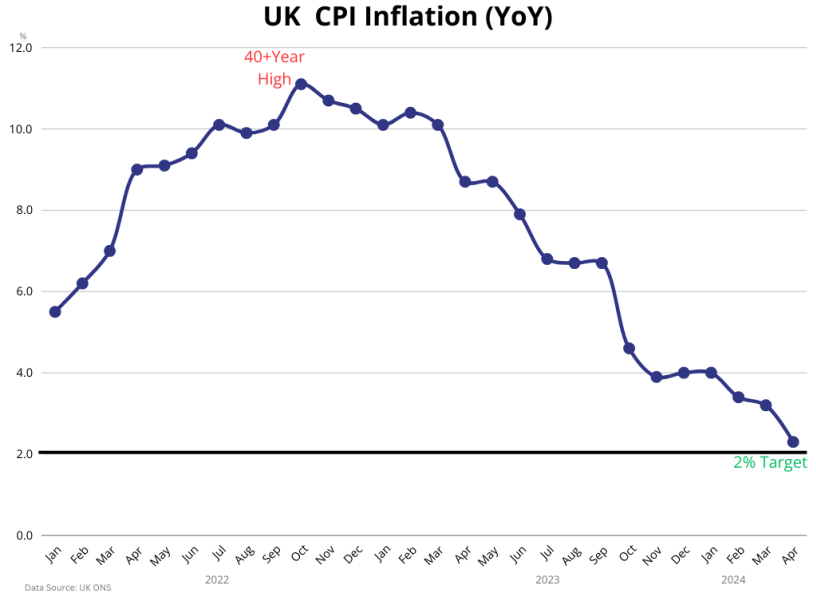
# Inflation eases in the UK

- UK headline inflation fell to 2.3% in April, edging closer to the Bank of England (BoE)'s target rate while missing expectations. The inflation reading declined from 3.2% in March.
- The April reading marked the first time that inflation has been below 3% since July 2021 and brings it within the BoE's 2% target.
- Core inflation, excluding energy, food, alcohol and tobacco, fell to 3.9% in April from 4.2% in March.
- A dramatic drop in the headline inflation rate was widely expected because of the y/y decline in energy prices.



Source: CNBC, FXCM, CartoonStock – May 2024

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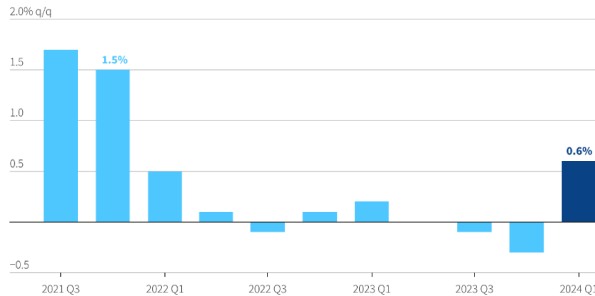


# UK economy grows 0.6% in Q1

- Britain's economy grew by the most in nearly three years in Q1 2024, ending the shallow recession it entered in the second half of last year.
- Gross Domestic Product (GDP) rose 0.6% in Q1 2024, the strongest growth since Q4 2021 when it rose by 1.5%. On a monthly basis, the economy grew by 0.4% in March, following a 0.2% expansion in February.
- The services sector, crucial to the UK economy, grew for the first time since Q1 2023.

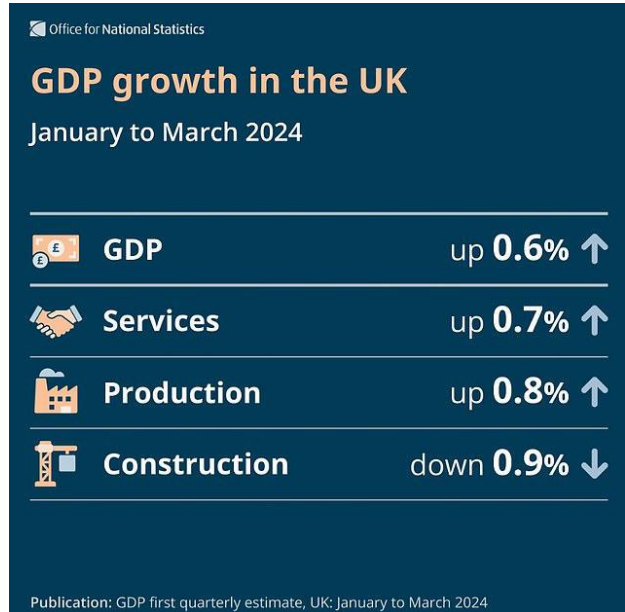
## UK economy returns to growth in Q1 2024

British gross domestic product grew by 0.6% in the first quarter of 2024, its fastest since the final quarter of 2021, after a shallow recession in the second half of 2023.



Source: LSEG Datastream | Reuters, May 10, 2024 | By Sumanta Sen  
Reuters Graphics

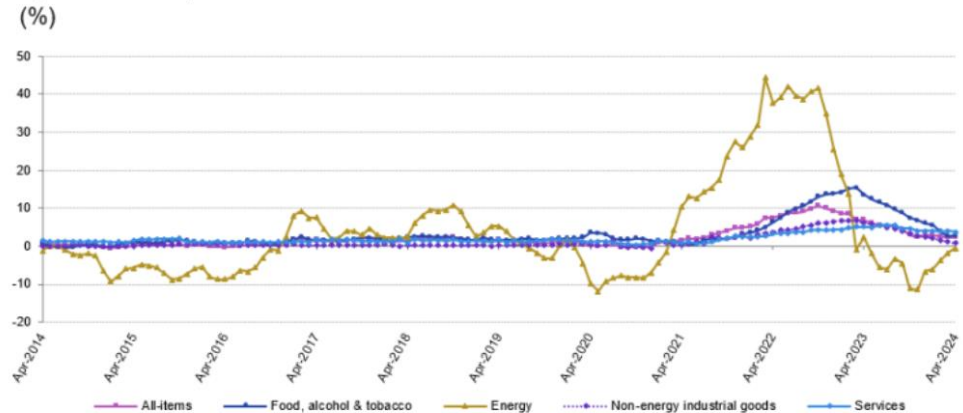
Source: CNBC, Reuters, MSN – May 2024



# Eurozone inflation held steady

- Annual headline inflation in the Eurozone held steady at 2.4% in April.
- The annual core inflation rate, which excludes energy and food items, declined slightly from 2.9% in March to 2.7% in April.
- It is the seventh straight month with the headline inflation rate below 3%, despite a slight rebound in the rate in December due to energy prices.
- Market expectations are mounting for the European Central Bank to start cutting interest rates at its next monetary policy meeting in June.

**Euro area annual inflation and its main components, April 2014 - April 2024**



Source: Eurostat (online data code: prc\_hicp\_manr)



Euro area annual inflation and its main components, April 2014 - April 2024

(%)





# Sweden cuts interest rates

- Sweden's central bank cut interest rates for the first time in eight years as European monetary policymakers diverge from the US to support their economies even if this comes at the expense of their currencies.
- Sweden's central bank reduced its key interest rate to 3.75% from 4%. This is the first time it has loosened policy ahead of the US Federal Reserve this century. The central bank indicated that there could be two further rate cuts during the latter half of the year if inflationary pressures remain mild.
- The Swedish rate cut follows recent similar moves by the Swiss, Czech and Hungarian central banks.

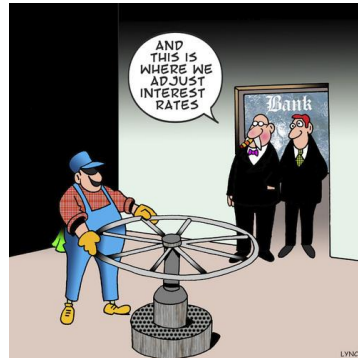


Source: Financial Times, Reuters, Fortune, – May 2024



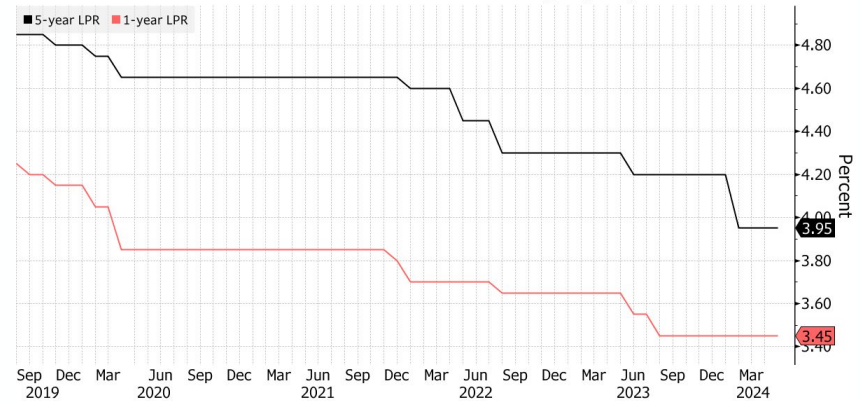
# PBoC maintain lending rates

- The People's Bank of China (PBoC) maintained its benchmark lending rates. The steady medium-term lending facility rate shows the central bank's focus on stabilising the currency.
- The one-year loan prime rate was held at 3.45%. The five-year rate, a reference for mortgages, was kept at 3.95%.
- China's economic recovery has been driven by strength in the industrial sector, however, domestic demand remains persistently weak due to the ongoing property downturn.



Source: Bloomberg, Reuters, Toonpool – May 2024

## Chinese Banks Hold Benchmark Lending Rates Inaction comes after central bank refrains from cutting a policy rate earlier



Source: People's Bank of China

Bloomberg

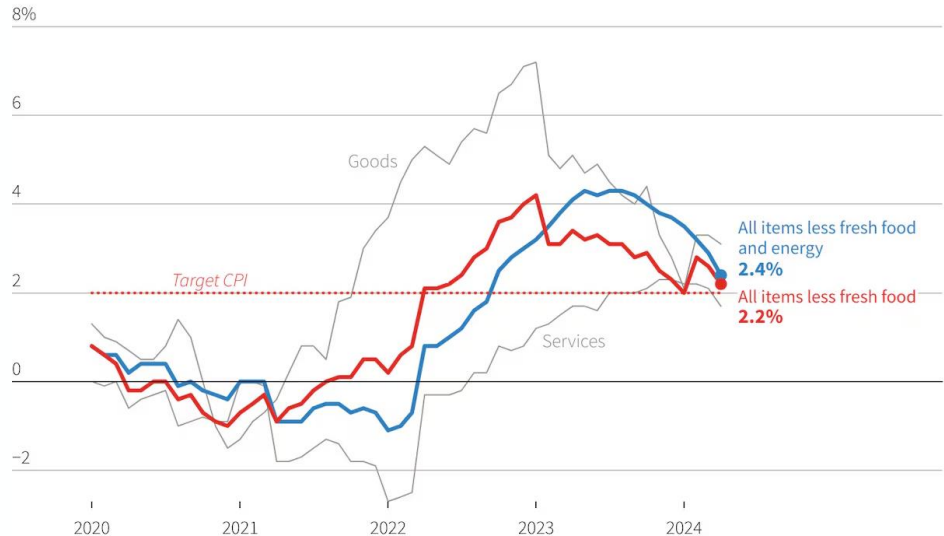


# Japanese CPI eases in April

- Japan's headline inflation came in at 2.5% y/y in April, down from 2.7% y/y in March. Inflation slowed for the second consecutive month as consumption remains fragile.
- Core inflation, excluding fresh food, dropped from 2.6% y/y in March to 2.2% y/y in April.
- The core consumer price index reading, which strips out volatile items like fresh food and energy, also noted a decline from 2.9% to 2.4% as a lack of consumer activity appears to be taking its toll on the relationship between wages and prices in Japan. The reading was at its weakest level since September 2022 and was far below a 40-year peak hit in mid-2023.

## Japan's core inflation slows further

Japan's core inflation rose 2.2% in March due to milder rises in food prices and continues to stay above the central bank's 2% target. Another index excluding fuel costs rose 2.4%.



Source: LSEG Datastream | Reuters, May 24, 2024 | By Pasit Kongkunakornkul

Source: IG.com, Investing.com, Reuters, Goldman Sachs – May 2024



# South Africa elections 2024: National Assembly seat allocation

Party	2019	2024	Seat change
ANC	230	159	↓ 71
DA	84	87	↑ 3
MK		58	↑ 58
EFF	44	39	↓ 5
IFP	14	17	↑ 3
PA	0	9	↑ 9
VF Plus	10	6	↓ 4
ActionSA		6	↑ 6
ACDP	4	3	↓ 1
UDM	2	3	↑ 1
ATM	2	2	0
AlJama	1	2	↑ 1
BOSA		2	↑ 2
Rise		2	↑ 2
PAC	0	1	↑ 1
CCC		2	↑ 2
GOOD	2	1	↓ 1
UAT		1	↑ 1

Source: IEC Result Announcement

NATIONAL ASSEMBLY TOTAL SEATS			
	REGIONAL	NATIONAL	TOTAL
ANC	86	73	159
DA	45	42	87
MK	27	31	58
EFF	22	17	39
IFP	9	8	17
PA	4	5	9
VF PLUS	2	4	6
ACTIONS SA	2	4	6
ACDP	0	3	3
UDM	1	2	3
ATM	0	2	2
ALJAMA	0	2	2
BOSA	0	2	2
NCC	1	1	2
RISE	1	1	2
GOOD	0	1	1
PAC	0	1	1
UAT	0	1	1
	200	200	400

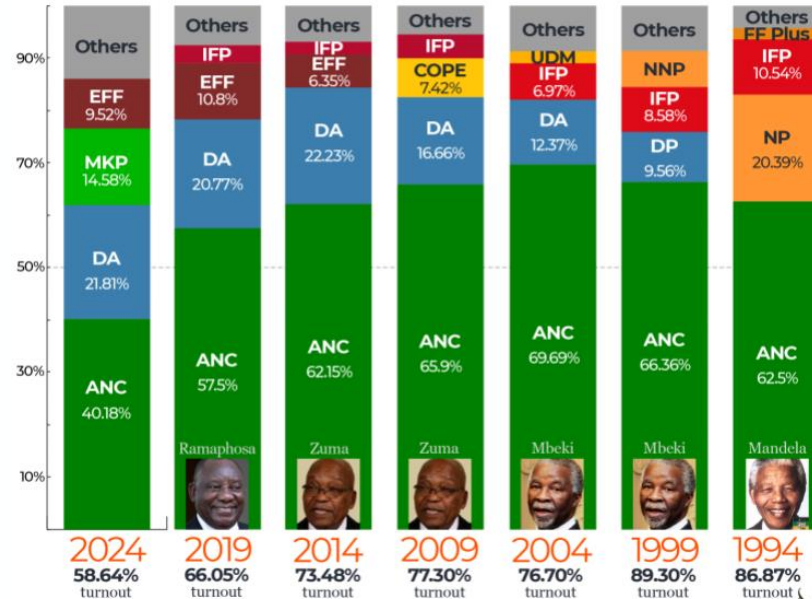
Source: BusinessTech, News24 - May 2024





# South Africa elections 2024

After 30 years of dominance, the African National Congress party has lost its parliamentary majority and will need coalition partners to form a government.



Source: Aljazeera - May 2024



Source: elections.org.za | June 3, 2024



# Of interest | NHI bill signed into law

The National Health Insurance (NHI) Bill, signed into law by President Cyril Ramaphosa on 15 May 2024, promises free healthcare to all South African citizens at the point of care.

## What is the NHI?

The NHI is a system to finance and provide healthcare that is **free to all citizens** at the point of service. The healthcare providers – doctors, nurses, hospitals, and all health professionals – are paid directly by the state, at a certain rate, set by the government.

Healthcare professionals and facilities from both the public sector and those who sign up in the private sector would be included in the NHI.

Citizens would be assigned service providers from both the public and the private sector according to where they live.

### NHI Explained



Source: Moneyweb, BusinessLive, News24 - May 2024

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## WHAT TO EXPECT

### Overview of the NHI Bill

#### The NHI Bill

The NHI Bill will create a new government body (similar to the Road Accident Fund or the Unemployment Insurance Fund)

All citizens will become members of the NHI fund (est. cost R480bn – R520bn)

The NHI fund will buy all health-care services included in NHI for all South Africans

#### How NHI will work

Taxpayers (increased tax)



NHI fund (~R480bn – R520bn)

NHI fund buys health-care services from providers

Health-care providers (eg GPs, hospitals, etc)

Health-care providers provide services included in NHI fund package

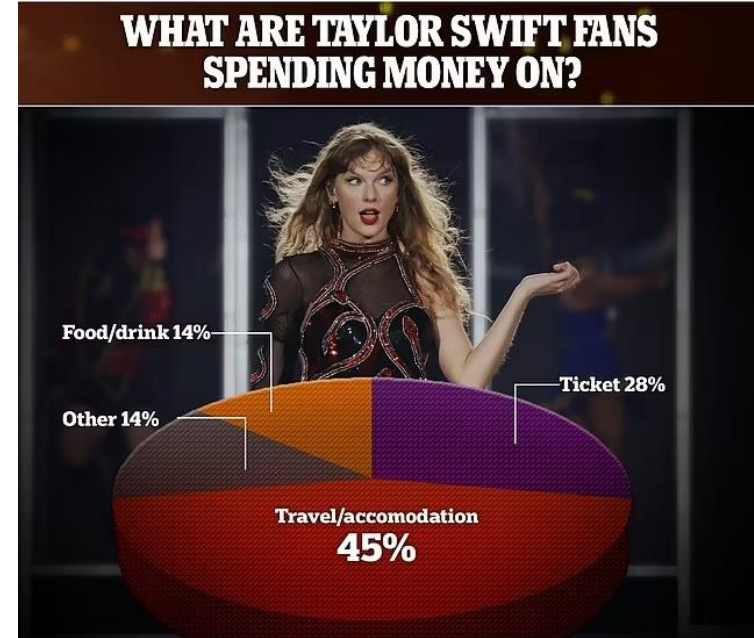
Patients receive care (subject to NHI pathways)

Source: Business for South Africa



# Of interest | Taylor Swift tour to boost UK spending

- Taylor Swift's Eras Tour is projected to inject nearly £1 billion into the UK economy this year.
- Total spending on the UK leg – which includes 1.2 million tickets over 15 nights and four stadiums at capacity, with merchandise, outfits, food, accommodation, travel and more – will provide a boost to the economy.
- Covering six continents, the tour includes 15 UK dates in June and August. Barclays reports that fans are anticipated to spend an average of £848 each on tickets, travel, accommodation, and related expenses, highlighting a significant economic boost from this major entertainment event.

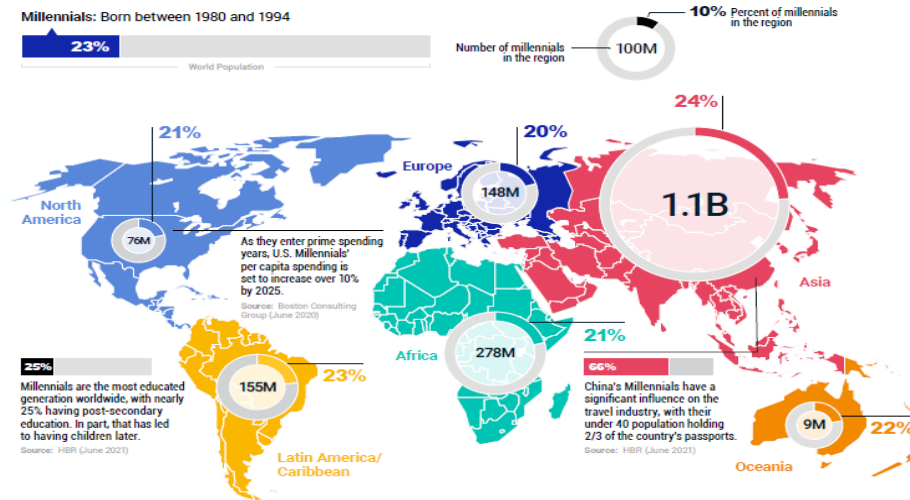


Source: BBC, Barclays, This is Money, City A.M. - May 2024



# Of interest | Millennials by region

Millennials are now the largest adult cohort worldwide, spanning 1.8 billion people. Below is breakdown of Millennials by region, with reasons why they have significant potential to shape society going forward.



**Demographics have a wide-reaching influence on economies, and as millennials attain greater wealth and education, their influence will have many second-order effects.**

Source: MSCI - May 2024

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Source: Analysis based on the 2019 Revision of World Population Prospects, United Nations (2019)





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