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Glacier Invest | Market snapshots

Monthly edition | September 2024 recap



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Monthly market recap | September in review

Market news

- The local Collective Investment Schemes (CIS) industry reported assets under management of R3.64 trillion at the end of the second quarter of 2024, showing growth of 2% from the end of the first quarter of 2024 when assets were R3.57 trillion. Over the 12 months to 30 June 2024, assets grew by 8.3%, driven primarily by stock market performance.
- International credit ratings agency Fitch Ratings has again kept SA's credit rating unchanged at BB- with a stable outlook. It said that while the formation of the Government of National Unity has lowered short-term policy uncertainty, risks to political stability remain, due to contentious issues such as the implementation of the national health insurance scheme.
- China's industrial output growth slowed to a five-month low in August. Industrial output in August expanded 4.5% y/y, slowing from 5.1% in July and marking the slowest growth since March. Retail sales, a key gauge of consumption, rose only 2.1% in August despite the summer travel peak, decelerating from a 2.7% increase in July.

International markets

MSCI World (\$)	1.83%
Global Bonds (\$)	1.70%
Global Property (\$)	3.15%
MSCI EM (\$)	6.72%
FTSE (£)	-1.29%
S&P 500 (\$)	2.14%

Bond market

All Bond	3.86%
Bonds 1-3 years	1.11%
Bonds 3-7 years	2.45%
Bonds 7-12 years	4.09%
Bonds 12+ years	5.37%

Local markets

FTSE/JSE All Share	4.04%
Industrials	-0.04%
Resources	3.89%
Property	5.04%
Financials	2.46%
Cash	0.67%

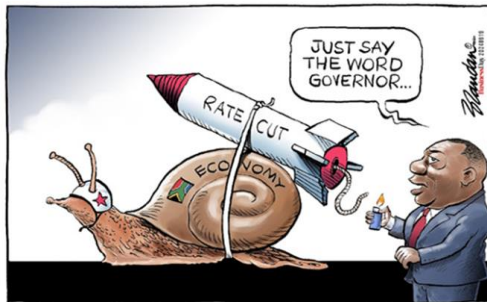
Currency

Rand vs USD	3.03%
Rand vs EURO	2.19%
Rand vs GBP	0.95%
Rand vs JPY	0.56%
Rand vs AUD	0.0008%

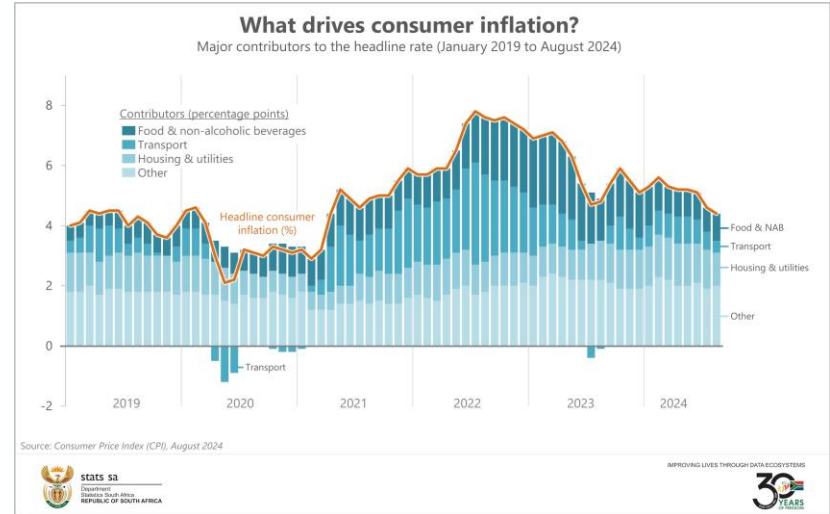


SA's inflation declines more than anticipated

- South Africa's inflation rate declined more than expected in August, reaching its lowest level since April 2021.
- Headline consumer inflation eased to 4.4% y/y from 4.6% y/y in July, dipping just below the South African Reserve Bank (SARB)'s midpoint target of 4.5%.
- Data from Statistics SA indicated that easing price pressures from transport, housing, restaurants and hotels contributed to August's lower inflation print.
- Food inflation ticked up to 4.7% y/y from 4.5% y/y in July, reversing an eight-month downward trend.

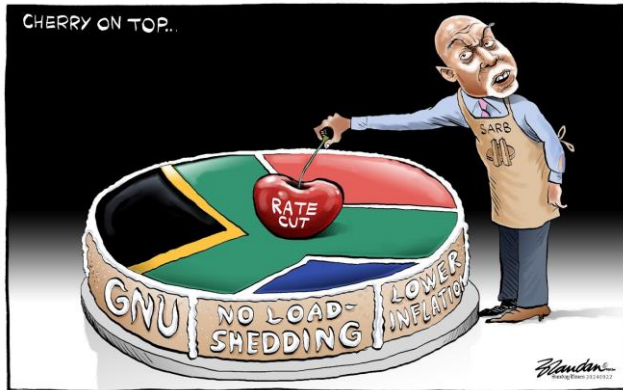


Source: Reuters, CNBC, Statistics SA, Business Day – September 2024

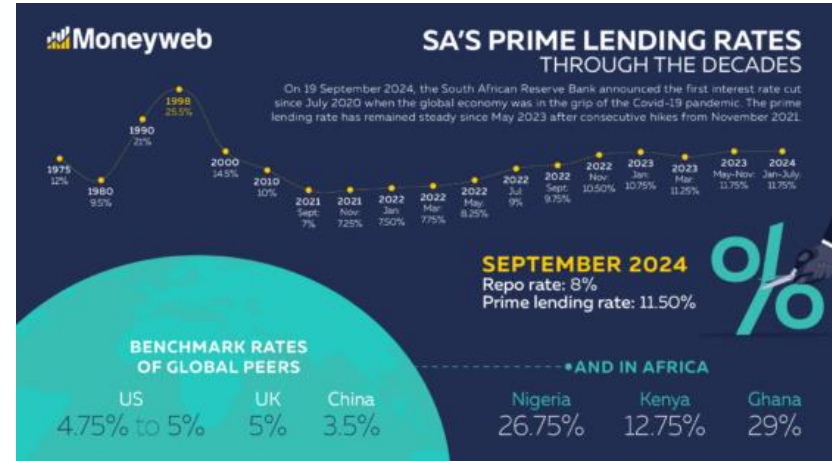


SARB cuts interest rates by 25 bps

- The SARB reduced interest rates by 25 bps in September, citing expectations of further declines in headline inflation.
- This marks the first rate cut in over four years, bringing the benchmark repo rate down to 8%.
- A better inflation forecast, lower oil prices, a stronger rand, and the US Federal Reserve (US Fed)'s decision to cut rates by half a point gave impetus to an interest rate cut.



Source: Times Live, Mail & Guardian, Moneyweb – September 2024



The decision by the Monetary Policy Committee (MPC) was unanimous, SARB Governor Lesetja Kganyago said in a media briefing. While both 25 and 50 bps cuts were considered, the MPC agreed that a more moderate easing was aligned with achieving sustainably lower inflation in the medium term.



US Fed slashes rates amid cooling jobs market | First major cut since pandemic

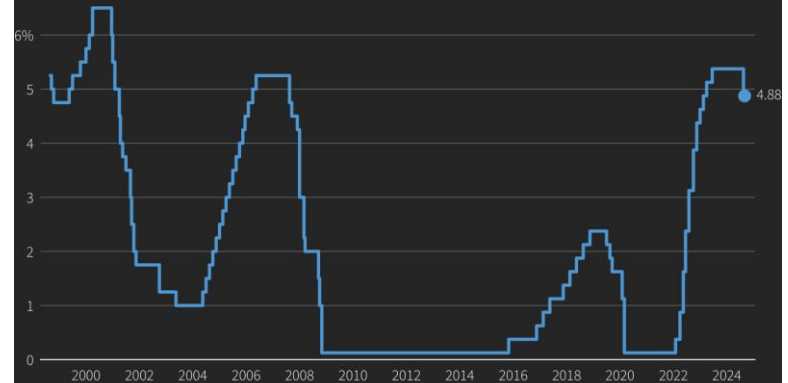
- In September, the US Fed reduced its benchmark interest rate by 50 bps to a range of 4.75-5%, marking the first cut since the Covid-19 pandemic.
- The move aims to counter a slowdown in the labour market, as both jobs growth and inflation show signs of cooling.
- This is the most significant rate cut since the 2008 global financial crisis, apart from emergency measures during the pandemic.
- The decision to ease was made *"in response to progress on inflation and a reassessment of risks."*



Source: Reuters - September 2024

US federal funds target rate

The interest rate was lowered 0.50 percentage points in September.

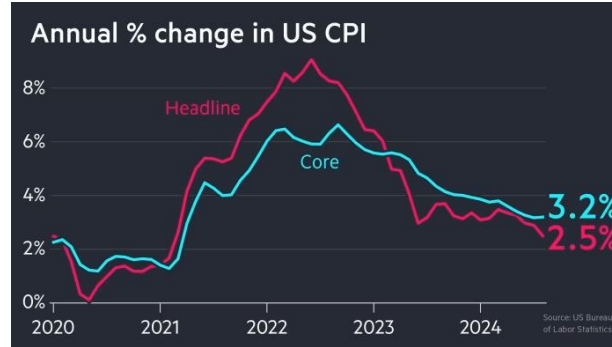


Data is the midpoint of the federal funds target range. Published September 18, 2024 at 6:02 PM GMT
Sources: Federal Reserve, LSEG



US inflation eases in August

- US inflation fell to 2.5% y/y in August from 2.9% y/y in July. This is the lowest reading since February 2021.
- Prices of gas, food, and other important consumer items fell or stayed flat in August, but stubbornly rising rents kept inflation from cooling down as much as it might have otherwise.
- The August inflation reading is down significantly from the 9.1% pandemic-era peak in mid-2022, which was the highest level since 1981. It is also close to policymakers' long-term target of around 2%.
- Shelter costs rose 0.5% in August from July, the second acceleration in as many months.
- Core inflation, a measure that excludes volatile prices for food and energy, rose 0.3% in August from July. The yearly core inflation rate was in line with expectations, at 3.2%.



Source: The Baltimore Sun, CNBC, Investopedia, Financial Times – September 2024

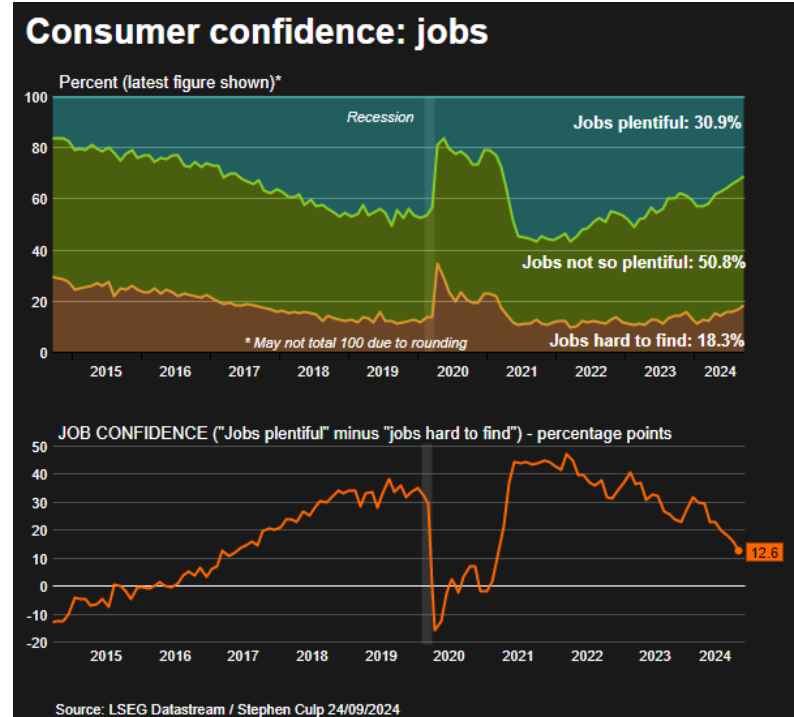


US consumer confidence wanes due to labour market concerns

- US consumer confidence experienced its sharpest decline in three years in September, driven by growing concerns over the labour market. Despite these anxieties, a greater number of households expressed intentions to purchase a home within the next six months.
- The Conference Board's Consumer Confidence Index dropped from 105.6 in August to 98.7 in September. The 35 to 54 age group expressed the largest decline in confidence. Consumers earning less than \$50 000 a year experienced the biggest drop. Political concerns, including the November elections, were lower than in 2020 and 2016.
- The unemployment rate fell in August but has been rising since April 2023 due to increased labour supply, mainly from immigration. Layoffs remain at historically low levels.
- Consumers' 12-month inflation expectations increased to 5.2% from 5% in August.
- More people plan to buy a home in the next six months (5.7% in September, up from 4.8% in August). Mortgage rates have dropped to their lowest levels in over 1.5 years, with house price inflation slowing.

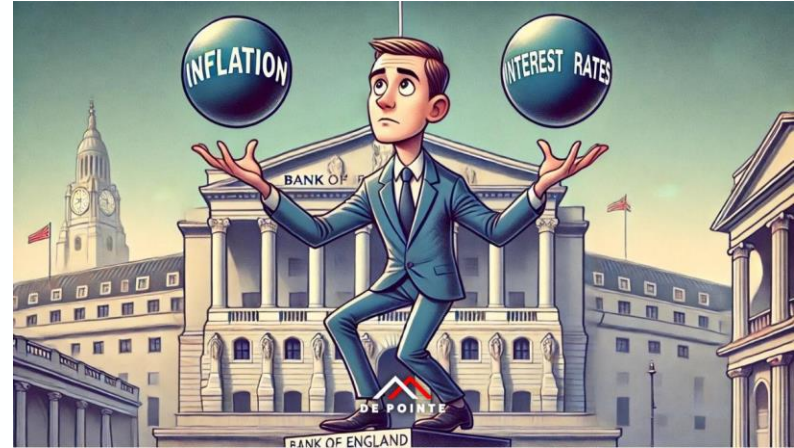
Source: Reuters - September 2024

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Pre-budget uncertainty dampens UK economic growth and BoE holds interest rates

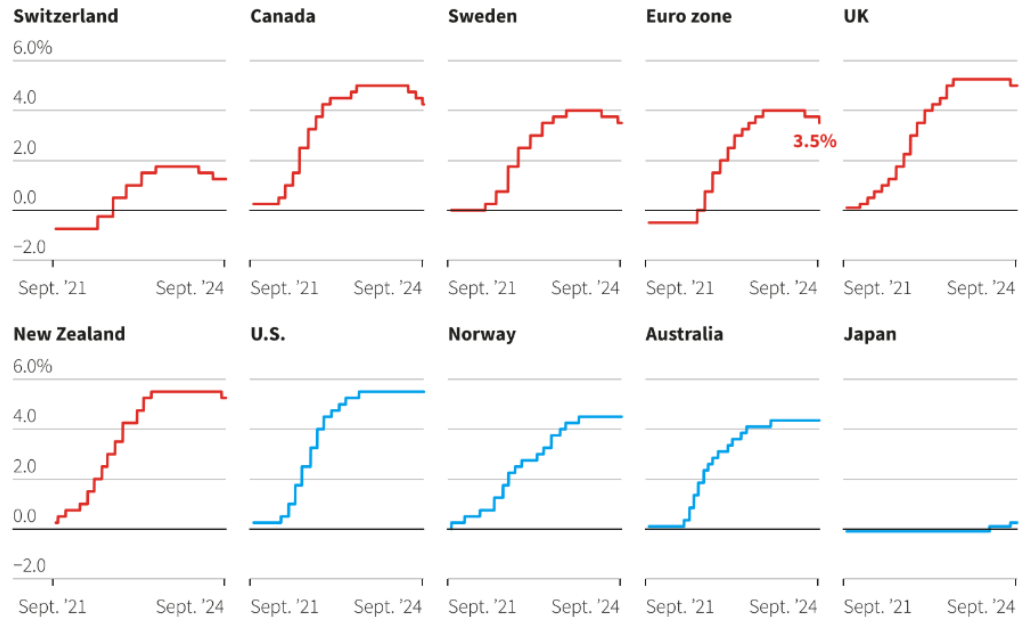
- Uncertainty about Labour's upcoming first budget since 2010 is weighing on the UK economy, according to two business surveys.
- S&P Global reported a slowdown in private sector activity growth for the second consecutive month in September, with both the services and manufacturing sectors impacted. Some businesses indicated that clients were delaying decisions until after the Autumn budget, stalling investment plans.
- A Confederation of British Industry (CBI) survey revealed that export order books for manufacturers in the three months to September were at their weakest since December 2020, with a net balance of -44% compared with -22% in August.
- The BoE decided to hold rates at 5% at its most recent monetary review. BoE Governor Andrew Bailey justified the unchanged rate by saying it is "vital that inflation stays low" and that "we need to be careful not to cut [rates] too fast or by too much".



ECB cuts interest rates

- The European Central Bank (ECB) cut interest rates for the second time in September after a period of sluggish economic growth across the Eurozone and cooling inflation.
- The ECB lowered its deposit rate by 25 bps to 3.5%, following a similar cut in June, as inflation is now within the 2% target.

Change in policy rates by central banks overseeing the 10 most traded currencies



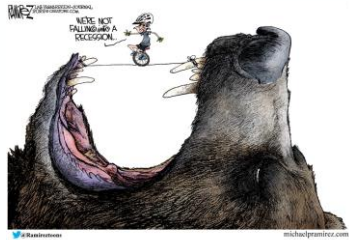
Source: LSEG | Reuters, Sep. 12, 2024 | By Sumanta Sen

Source: Business Day, Reuters, CNBC - September 2024



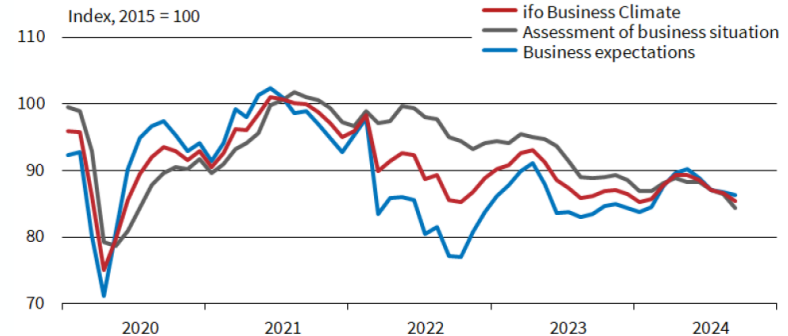
Germany's economic downturn pulls Eurozone into contraction

- In September, Germany's business activity declined significantly, marking the sharpest drop in seven months and contributing to a contraction in the broader Eurozone economy.
- The HCOB Flash Eurozone PMI fell to 48.9, an eight-month low, indicating a downturn. A reading below the 50-point threshold signals stagnation. Hamburg Commercial Bank projects a 0.2% shrinkage in Germany's economy for the July-September quarter, which would officially place the country in recession following a 0.1% GDP decline in the previous quarter.
- A survey revealed that German business morale fell for the fourth consecutive month in September, exceeding expectations and further suggesting that the Eurozone's largest economy may have entered recession.



ifo Business Climate Germany^a

Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.

Source: Ifo Business Survey, September 2024.

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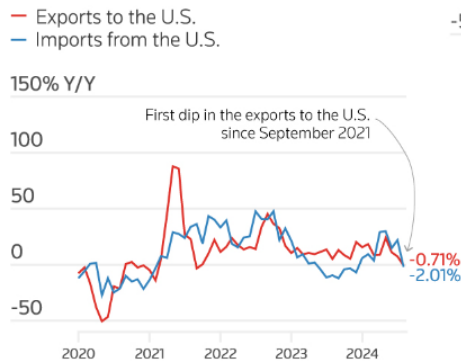
Source: Ifo Business Survey - The Guardian - September 2024



Japan's export growth slows

- Japan's export growth slowed sharply in August as shipments to the US dropped for the first time in three years. Machinery orders unexpectedly shrank in July in a worrying sign for an economy struggling to mount a solid recovery.
- Total exports rose 5.6% y/y in August, up for a ninth straight month, but well below a median market forecast of a 10% y/y increase and following a 10.3% y/y rise in July.
- Exports to the US dipped 0.7%, the first monthly decline in nearly three years, as auto sales slumped 14.2%.
- Those to China, Japan's biggest trading partner, rose 5.2% in August from a year earlier.
- The value of imports grew 2.3% in August from a year earlier, versus a 13.4% increase expected by economists.

TRADE GROWTH WITH THE U.S.

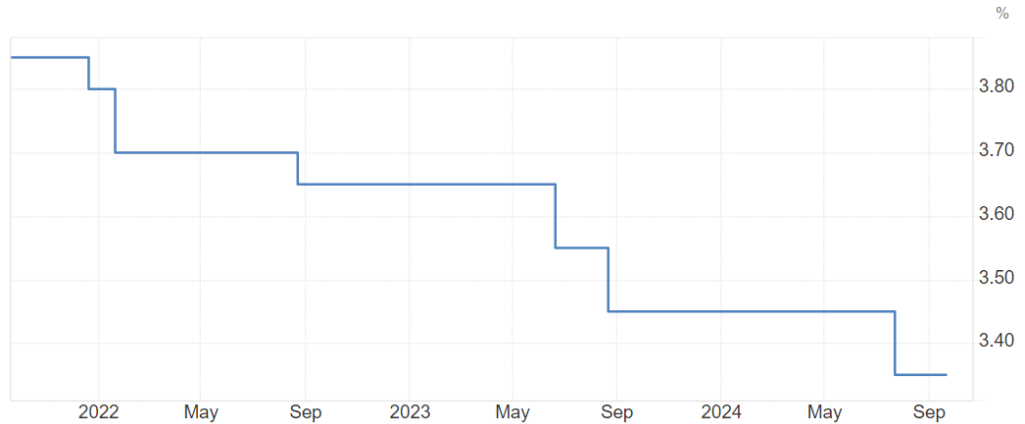


TRADE GROWTH WITH CHINA



China keeps loan prime rate unchanged

- The People's Bank of China (PBoC) kept its benchmark loan prime rate (LPR) unchanged but is expected to eventually trim the rate further amid steadily deteriorating economic conditions in the country.
- The PBoC kept its one-year LPR at 3.35%, while the five-year LPR, which is used to determine mortgage rates, was left unchanged at 3.85%.
- The LPR is determined by the PBoC based on considerations from 18 designated commercial banks and is used as a benchmark for lending rates in the country. The five-year rate is closely tied to China's property market, which has faced nearly four years of slowing sales and an extended cash crunch.

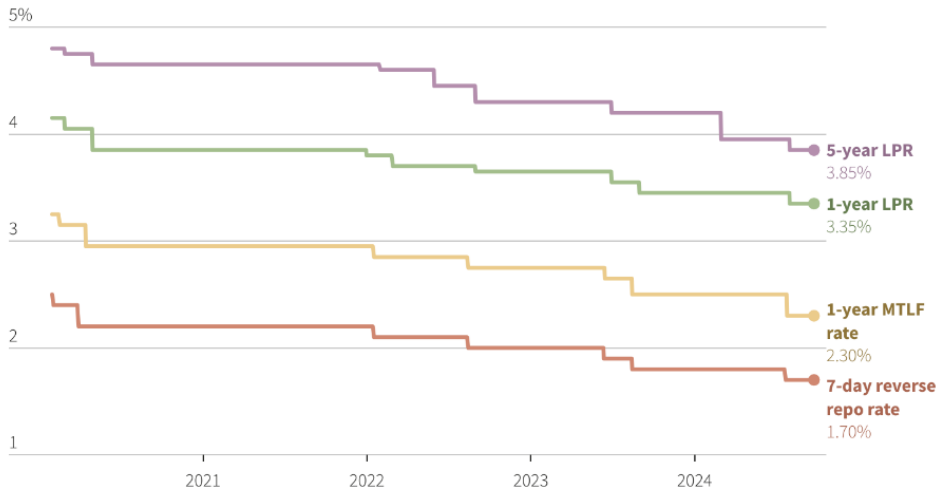


China unveils economic stimulus package

- Following the US Fed's jumbo rate cut, the PBoC announced a 0.5% cut to the Reserve Requirement Ratio (RRR), which represents the percentage of deposits banks are required to hold in reserves with the central bank.
- This rare move was accompanied by a 0.2% reduction in the seven-day repo rate. In addition, the PBoC unveiled a historic US\$5.3 trillion (€4.8 trillion) package aimed at reducing mortgage rates and down payment requirements for second-home buyers.
- Governor Pan Gongsheng announced a 500 billion yuan (€64 billion) liquidity injection to support stock markets, allowing securities and insurance firms to invest in equities through central bank borrowings.

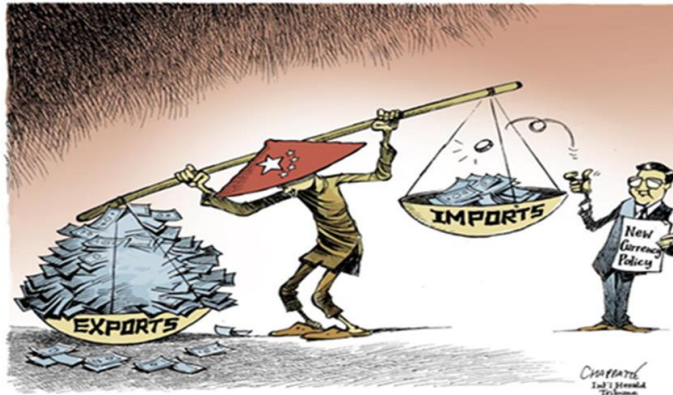
China unveils broad stimulus measures

The People's Bank of China said it will cut the seven-day repo rate by 0.2 percentage points while the interest rate on the medium-term lending facility will drop by about 30 basis points, and loan prime rates by 20-25 bps.



China's exports grow by 8.7% in August, beating expectations

- Export value hit its highest level since 2022 on strong global demand.
- Imports barely increased, reflecting a weak domestic economy.
- Exports grew by 8.7% in US dollar terms in August from a year ago, while imports rose by just 0.5%.
- The volume of China's rare earths exports fell by 1% in August from a year ago, while imports declined by 12%.



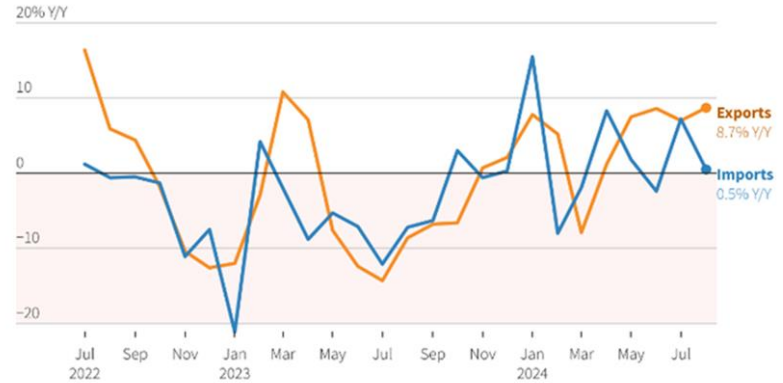
Source: Reuters, Chappatte.com - September 2024

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China's exports continue to grow, imports slow down

China's exports grew 8.7% year-on-year in August, the fastest pace since March 2023. However, imports increased by just 0.5%

Change in exports and imports



Of interest: US Presidential Election Debate impact

- In the weeks since the September 10 debate between Harris and Trump, Harris's post-debate gains have been sustained.
- The US president isn't elected by the national popular vote, but by the Electoral College. Harris's Electoral College win probability fell to a low of 35% on September 9 in Silver's model, but she has surged back to favourite place with a 54% win probability, up from 43.5% after the debate – with analysts saying she has a 62% win probability.
- As at September in national polls, Democrat Kamala Harris leads Republican Donald Trump by 49.2–46.2.



Source: The Conversation, Inewssource.org; creators.com; RA News/Tribune – September 2024



Of interest: Here's what R100 could buy you in 1980 vs today

- Inflation has increased by almost 4 000% since 1980, but despite the recent surge in food prices, R100 tends to buy you more than it should in 2024 compared to 44 years ago.
- Inflation in South Africa has evolved significantly over the decades, with various global and local factors influencing its trajectory.
- In the 1980s, the country experienced a period of high inflation, with the CPI reaching a record 19.7% in September 1986.
- The early 1980s saw y/y inflation of 13.4% by April 1980, a stark contrast to inflation levels seen today.
- To calculate today's value of R100 after inflation, one must multiply R100 by the CPI of 2024 divided by the CPI of 1980. This calculation shows that R100 in 1980 would be roughly equivalent to R3 950 in 2024. This represents an inflation figure of 3 850% over the past 44 years.

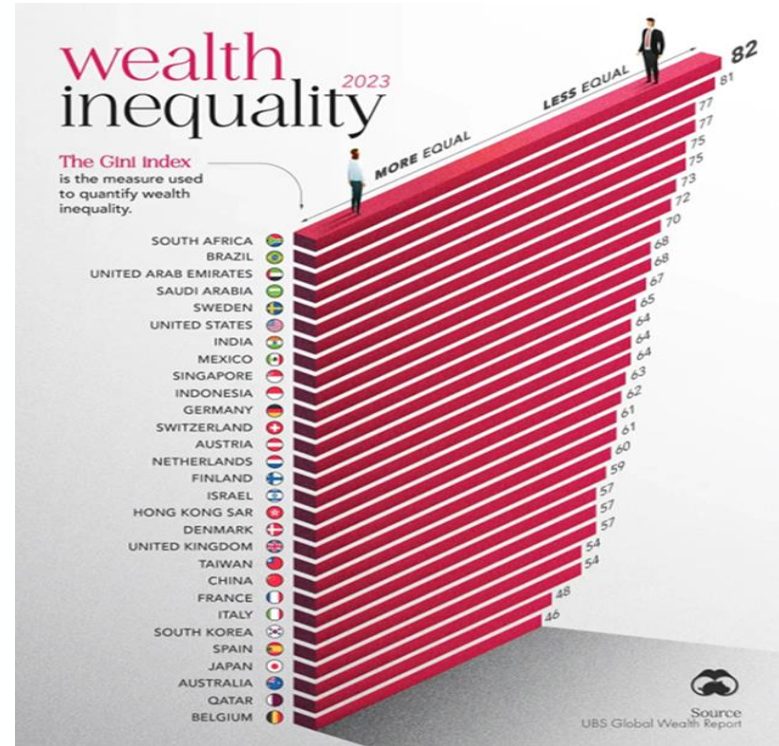
Item	The average cost in 1980	The average cost in 2024	% change
2-litre milk	R1.72	R36.74	2,036%
Lamb chops	R6.69/kg	R209.74/kg	3,035%
Toothpaste (100ml)	R1.09	R21.99	1,917%
Pasta (500g)	R0.99	R18.99	1,818%
2kg white rice	R1.19	R42.72	3,490%
Simba chips (large,120g)	R0.99	R20.65	1,986%
Sta-soft (1L)	R1.99	R88.24	4,334%
Kellogg's cornflakes (500g)	R1.49	R54.99	3,591%
250g mushrooms	R1.19	R33.99	2,756%
Cheese	R5.99/kg	R179.35/kg	2,894%

Source: BusinessTech - September 2024



Of interest: Wealth inequality in 2023

- Wealth inequality has increased in many countries over the past 15 years, with significant disparities in wealth distribution.
- South Africa: Highest Gini Index score of 82 in 2023, with 10% of the population controlling 80% of the wealth.
- Brazil: Second highest with a Gini Index of 81. The richest 10% control half of the nation's wealth.
- US: Gini Index of 75, with a slight decrease in wealth inequality since 2008.
- Sweden: Despite being a socially democratic country, it ranks high in wealth inequality due to its thriving tech sector.



Source: Visual Capitalist - September 2024



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