MENTENOVA

ECONOMIC OVERVIEW

QUARTER 2, 2024

Contents

EXECUTIVE SUMMARY

The economic momentum seen in Q1 2024 (buoyed by resilient economic activity, sticky inflation and hawkish outlooks on monetary policy cycles) was sustained into Q2. Q2 saw the further consolidation of inflation and continued equity rallies, as evidenced by the MSCI World Index's 2.8% gain and the MSCI EM Index's 5.1% gain over the quarter. But the distinguishing feature of Q2 was the divergence in monetary policy cycles, with the Bank of Canada and the European Central Bank (ECB) cutting rates by 25 basis points, while the Bank of England and Federal Reserve (Fed) are yet to cut their rates. In contrast to this monetary policy divergence theme, global growth outlooks appear to be converging. In this regard, inflation has moderated slightly into target ranges, with Purchasing Managers' Indices (PMIs) signalling a shift into expansionary territory in most economies and balance sheets of US consumers and corporates remaining strong into the middle of 2024.

Local assets in South Africa experienced volatility over the quarter in the face of election-induced uncertainty, the election's unexpected outcomes and the talks leading up to the formation of the Government of National Unity (GNU). Equities, bonds and property ended the quarter in positive territory, returning 7.5%, 2.4% and 5.5% respectively. Investors perceived the coalition government (with the ANC, DA and IFP as the main players) as offering potential solutions to the country's still-struggling state-run entities and fiscal deficit. Government tensions and standoffs were also evident in other emerging markets, like India and Mexico, in the build-up to their national elections. Developed markets, too, have had their fair share of upsets and surprises in the election arena. France, for example, is facing a hung (though left-leaning) parliament after a snap election in June/July, while former US president Donald Trump could well return to the White House after Joe Biden, the current US president, put in an abysmal performance during his recent debate with Trump, which set off all sorts of alarm bells among Democrats.

Politics aside, China has experienced a turbulent 2024, with policymakers and authorities having to balance economic stimulus efforts against trade disputes-in-the-making. One would expect that market-friendly subsidies, incentives and interest rate cuts would support Chinese assets. However, Chinese equities still performed poorly in Q2, returning -1.0%, signalling underperformance against its technology-heavy peers. Another burden that China is shouldering is the West's attempts to mitigate China's influence (because of its competitively priced goods) on the global economy, notably through tariffs on Chinese imports into the US and the European Union (EU). Deteriorating trade relations between China and the EU in the manufacturing arena could spill over into agriculture, posing risks to global inflation.

Artificial intelligence (AI), a dominant theme in 2024, is driving the bulk of equity market returns, but research into its practical implementation and imbalanced contributions to the equity styles have raised concerns about the longevity of the current technology boom. Large technology firms, like those in the Magnificent 7 group, reveal that revenue growth coincides with an increase in 'AI' mentions across corporate earnings calls. Furthermore, the AI surge has led to substantial productivity gains, according to AI surveys, particularly among larger companies. In this regard, 47% of all large-firm respondents say they use AI, with 61% of these respondents saying they have experienced increased productivity through AI adoption. In contrast, only 37% of small firms use AI. The long-term effects of AI on inflation and economic growth remain uncertain and will likely hinge on the pace of technological advances and the extent of implementation.

As far as the rest of the year is concerned, we turn, for investment guidance, to empirical results from macroeconomic research and analysis. Accordingly, the Fed's policy-pause approach and data from the Organisation for Economic Co-operation and Development (OECD) currently point to an expansionary economic environment, suggesting a pro-global-risk-asset strategy. However, the outlook for the ZAR against the USD does complicate the overall investment thesis.

ECONOMIC AND MARKET OVERVIEW

Navigating Q2 2024: Global markets ride economic waves while watching out for regional tides

Much of the economic momentum observed in Q1 has extended into Q2. Q1 2024 was characterised by resilient economic activity, sticky inflation prints and central banks back-peddling on their dovish monetary policy stance, which favoured equity markets and dented fixed income. In Q2, most equity markets delivered another round of positive performance, despite dimmed prospects of interest rate cuts for the remainder of 2024. Growing optimism over a soft landing in the US, as well as signs of recovery and cooling inflation in Europe, have sustained the overall positive sentiment in equity markets.

Foreign equities gain on benign macro environment, while local equities gain on election outcomes

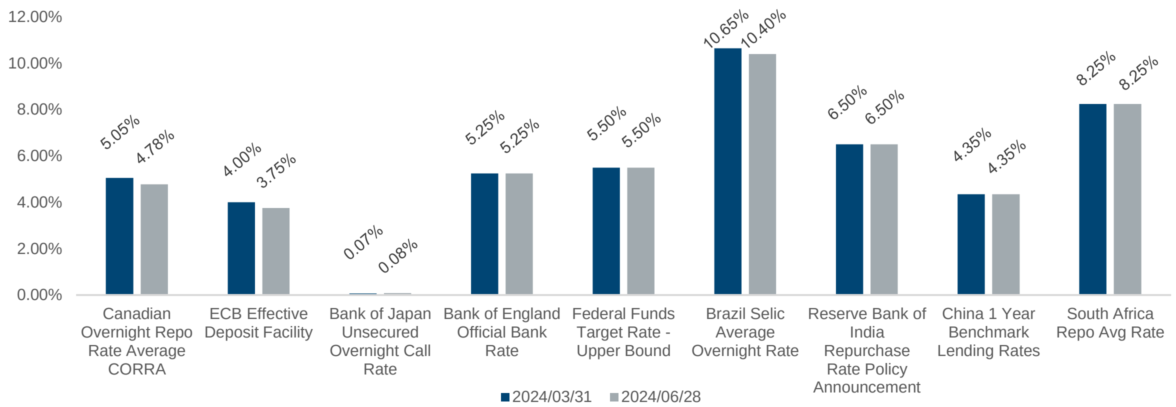
The MSCI World Index gained 2.8% over the second quarter, underperforming against the MSCI Emerging Markets Index which delivered 5.1%. Emerging markets rallied, driven by AI-related Taiwanese and Korean equities and optimism surrounding India's solid long-term growth prospects, and despite a lacklustre Brazilian equity market which was hurt by investors' growing concerns over the country's fiscal stability. Chinese equities fell by 1.0% over Q2, in contrast to their 3.0% increase in Q1, as investors believe the country is running out of plans to stimulate the economy. Commodities generally enjoyed a solid Q2, except for the oil price and palladium price, which fell by 1.2% and 3.9% respectively, on the strengths of healthy global demand – despite ongoing conflicts in the Middle East and Ukraine. Continued structural deficits in PGMs, driven by concerns that the growing market share of PGM-free electric vehicles would result in reduced future demand, explain the slump in prices over the quarter.

SA equities weakened in Q1 in local currency, weighed down by the lack of growth catalysts, election uncertainty and a strong USD. Local equities and other assets rallied in Q2 as the election outcome was market friendly, with the Government of National Unity (GNU) formed between the ANC, DA, IFP and several other parties heralding a potentially remarkable new era for South Africa. The rally did, though, experience much intra-month volatility as investors were torn between election optimism and the fragility of the coalition. Overall, SA equities gained 8.2% for the second quarter, while SA nominal bonds, inflation-linked bonds and listed property managed to deliver 7.5%, 2.4% and 5.5% respectively over the quarter. The ZAR also appreciated by 3.6% against the USD in Q2, much of which occurring in mid-June, despite the USD's 1.3% gain against other major currencies.

Monetary policy cycles are diverging while growth outlooks are converging

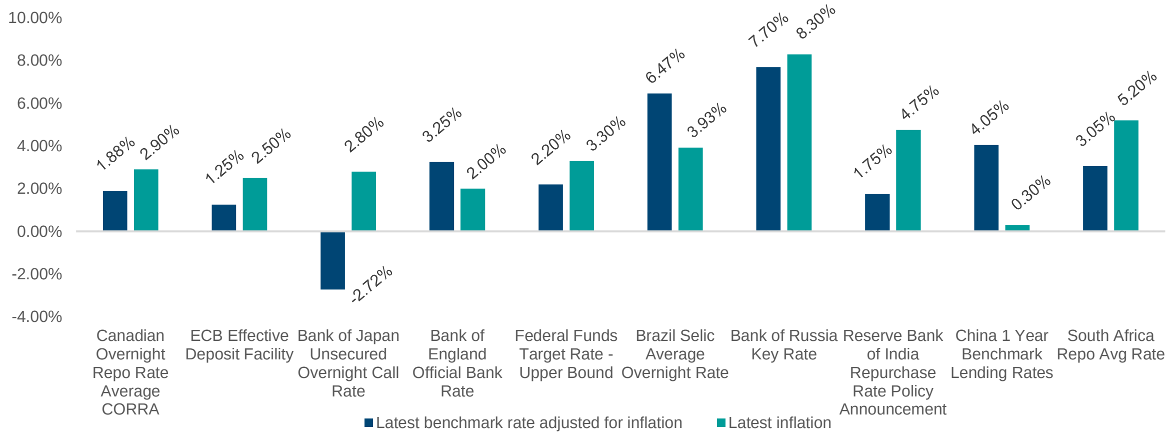
As shown in Figure 1, central banks such as the European Central Bank (ECB) and the Bank of Canada began their rate cuts in Q2, despite inflation being marginally above the 2.0% target. The Bank of England kept its rate unchanged in June, although inflation eased to 2.0% in May – in line with the bank's medium-term target – for the first time in nearly three years. Adopting a conservative stance, the bank remains concerned about wage inflation and underlying pricing pressures. Given the latest inflation prints, as shown in Figure 2, the Bank of England is likely to cut rates in the coming months, while the Federal Reserve (Fed) may take more time, depending on the upcoming inflation data. The ECB and the Bank of Canada are more likely to pause, given their higher-than-target inflation rates. Notably, China's real rate is very high, with the People's Bank of China needing to cut rates to further stimulate the country's economy.

Figure 1: Benchmark rates of selected countries



Source: Bloomberg

Figure 2: Benchmark rates of selected countries adjusted for inflation



Source: Bloomberg

While monetary policies are showing signs of divergence in the starting times for rate-cutting cycles, growth outlooks appear to be converging, as shown in Figures 3 and 4. US growth is expected to moderate, Eurozone growth and China growth (albeit more sluggishly) are likely to recover, while emerging market growth, on the strengths of improved policies, looks more promising.

Figure 3: Real GDP YoY% (actual and forecasts)

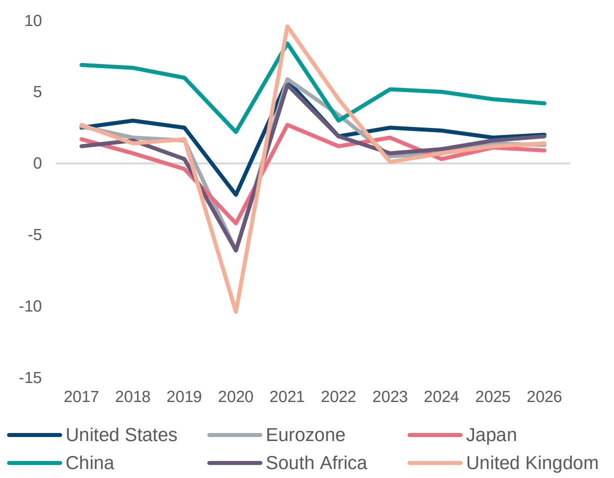
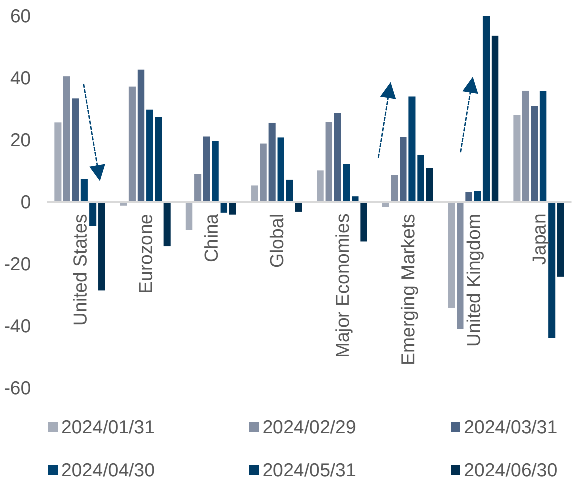


Figure 4: Economic surprises indices



Source: Bloomberg

Note: GDP forecasts for 2024, 2025 and 2026 are based on the survey of economists

Composite PMI data for most nations were above the neutral level of 50, suggesting expansion. Manufacturing PMI data were more mixed, showing a loss of steam in the recovery of the Eurozone manufacturing sector, with a steady China, an improved UK and Japan, a strong US and strong emerging markets.

Figure 5: Composite PMI

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Global Composite PMI	51.8	52.1	52.1	52.4	53.7	
Global Services PMI	52.3	52.4	52.4	52.7	54.1	
Developed Markets	50.8	51.4	51.4	51.8	53.4	
Emerging Markets	53.5	53.4	53.4	53.6	54.4	
Eurozone	47.9	49.2	49.2	51.7	52.2	50.8
France	44.6	48.1	48.1	50.5	48.9	48.2
Germany	47	46.3	46.3	50.6	52.4	50.6
Italy	50.7	51.1	51.1	52.6	52.3	
Spain	51.5	53.9	53.9	55.7	56.6	
Ireland	50.7	54.4	54.4	50.4	52.5	
Australia	49	52.1	52.1	53	52.1	50.6
Sweden	50.5	50.1	50.6	49	50.8	
UK	52.9	53	53	54.1	53	51.7
US	52	52.5	52.5	51.3	54.5	54.6
Japan	51.5	50.6	50.6	52.3	52.6	50
China	52.5	52.5	52.5	52.8	54.1	
India	61.2	60.6	60.6	61.5	60.5	60.9
Brazil	53.2	55.1	55.1	54.8	54	
Russia	55.1	52.2	52.2	51.9	51.4	

Figure 6: Manufacturing PMI

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Global Manufacturing PMI	50	50.3	50.3	50.3	51	50.9
Developed Markets	48.9	49.3	49.3	48.6	50	49.7
Emerging Markets	51.1	51.4	51.5	52	52	52.1
Eurozone	46.6	46.5	46.5	45.7	47.3	45.8
France	43.1	47.1	47.1	45.3	46.4	45.4
Germany	45.5	42.5	42.5	42.5	45.4	43.5
Italy	48.5	48.7	48.7	47.3	45.6	45.7
Spain	49.2	51.5	51.5	52.2	54	52.3
Greece	54.7	55.7	55.7	55.2	54.9	54
Ireland	49.5	52.2	52.2	47.6	49.8	47.4
Australia	50.1	47.8	47.8	49.6	49.7	47.2
Sweden	47.1	49	49.2	51.4	54.1	53.6
UK	47	47.5	47.5	49.1	51.2	50.9
US	50.7	52.2	52.2	50	51.3	51.6
Japan	48	47.2	47.2	49.6	50.4	50
China	50.8	50.9	50.9	51.4	51.7	51.8
Indonesia	52.9	52.7	52.7	52.9	52.1	50.7
South Korea	51.2	50.7	50.7	49.4	51.6	52
Taiwan	48.8	48.6	48.6	50.2	50.9	53.2
India	56.5	56.9	56.9	58.8	57.5	58.3
Brazil	52.8	54.1	54.1	55.9	52.1	52.5
Mexico	50.2	52.3	52.3	51	51.2	51.1
Russia	52.4	54.7	54.7	54.3	54.4	54.9
South Africa	43.6	51.7	51.7	54	43.8	45.7

Source: Bloomberg

Fixed income feels the pain of delayed rate cuts

While continued resilient economic data benefited most equity markets, rate-sensitive sectors such as small caps, real estate and fixed income will bear the brunt of bleak rate-cut expectations for the remainder of 2024. The World Government Bond Index returned -1.6%. The NAREIT Global REITs Index also fell, returning -1.4%, while the MSCI World Small Cap Index delivered a negative total return of -2.7% for the quarter.

Current market concentration does not yet threaten US equities

The developed markets' equity rally continued to a be a narrow one, concentrated in companies exposed to artificial intelligence (AI). The Magnificent 7 and the Nasdaq 100 Index returned 16.9% and 8.0% respectively for Q2, while the S&P 500 and the S&P ex-Magnificent 7 returned 4.3% and -1.0% respectively. Although the concentration of the rally is becoming increasingly concerning, the data suggest that the Magnificent 7 stocks' rally has been underpinned by robust earnings and record production of cash flows, as shown in Figures 7 and 8.

Figure 7: Earnings per share growth YoY%

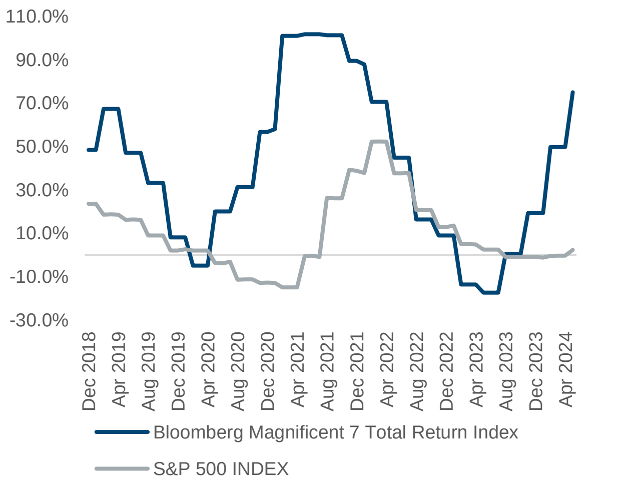
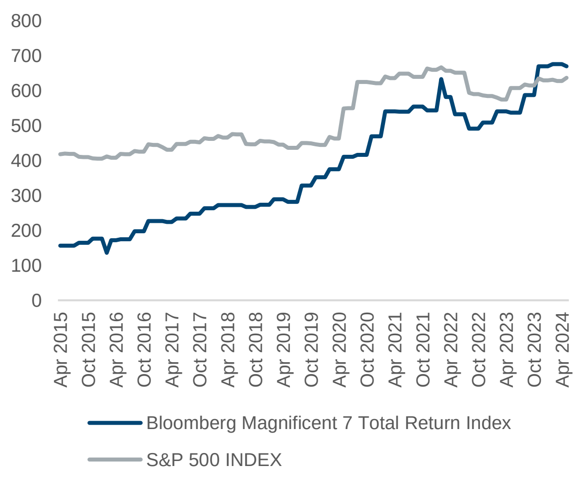


Figure 8: Cash per share



Source: Bloomberg

Despite a softening but still tight US labour market, US consumer sentiment has fallen on inflation and unemployment fears. Rising delinquencies, particularly in auto loans and short-term credit, and an increase in the balance of home equity revolving loans signal some consumers are struggling. However, the balance sheets of US consumers are in a much better place with lower gearing and higher household net worth and positive real wage growth. Normalising savings rate do points to the moderation of US GDP growth ahead. US corporates also remain strong, as 68% of S&P 500 sectors delivered positive trailing 12-month earnings per share year-on-year growth and 80% of S&P 500 companies surprised on the positive side, supported by productivity gain and softening labour costs. Surveys in the US also reveal growing optimism about the US economy, compared to last year, despite concerned over monetary policy and some challenges ahead. US economic data began to soften since early May, as shown in the economic surprises index. The Federal Reserve revised up its rate projections from 4.6% in March 2024 to 5.1% at its June meeting. There is an increased probability of the Fed cutting rates soon, driven by its data-dependent approach. This is evident in the April core PCE YoY which has declined to 2.75%, in line with the Fed's core PCE target for 2024 of 2.8%.

Figure 9: US Business Roundtable CEO Survey

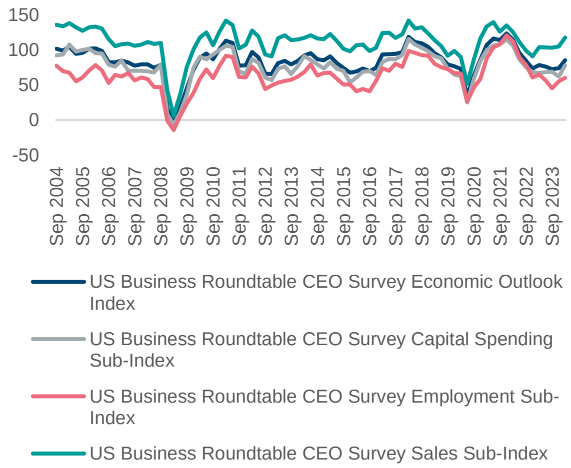
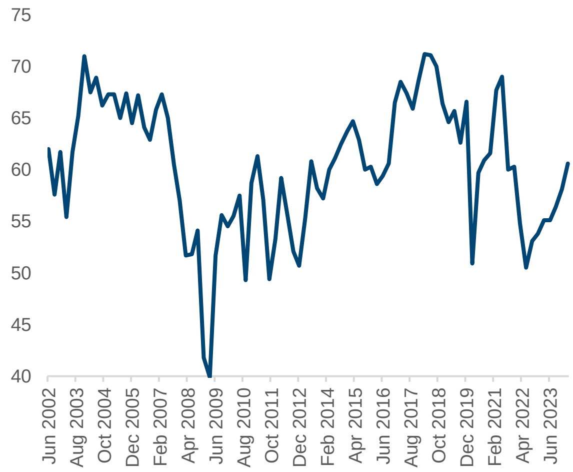


Figure 10: US Duke CFO Survey US Optimism Level



Source: Bloomberg

Turning to other developed markets, the STOXX 600 managed to gain 1.1% for the quarter after falling by 1.2% in June, hampered by the market's concern over the snap election outcome in France. UK equities increased by 3.7% over the quarter, supported by an improving economic situation. Japanese equities lost 1.8% over the quarter after a stellar start to the year, as an extremely weak yen weighed on consumer sentiment, although yen weakness is usually well received by the export-reliant bourse.

Overall, following a strong first quarter, risk assets continued to perform well in Q2, delivering positive returns for investors. Despite some late June weaknesses in US consumer data, the general economic momentum remained robust, buoying equity markets. Looking ahead, major developed market central banks are expected to maintain an easing rather than a tightening stance, reinforcing a positive medium-term outlook for both equity and fixed-income investments, as the negative correlation between these two is yet to return.

Emerging markets' political punches

The year 2024 marks the biggest election year in history. The impact of geopolitical risk on markets is such that investors have been paying close attention to the unfolding of election results across different regions. The second quarter witnessed distinctive election outcomes across India, Mexico and South Africa. This election-related volatility weighed heavily on different asset classes across the respective regions.

Modi won India's election but BJP lost its parliamentary majority

The outcome of the Indian election came as a surprise, with most investors discounting the possibility of the ruling party losing its majority. By failing to secure a majority of votes, the Bharatiya Janata Party (BJP) became reliant on other parties to create a coalition government. The BJP required 272 seats to form a majority government in India but secured only 240 seats. The Nifty 50 Index experienced much volatility around the election period and emerged jubilant following Prime Minister Narendra Modi's victory. The resilient rupee fell against the US dollar and failed to recover quickly in the wake of the election results. Bond prices also experienced volatility around the election but emerged on top with the inclusion of new cabinet members and the retention of the current finance minister in the cabinet. Among other topical events, India's inclusion in the JPMorgan Government Bond Index–Emerging Markets (GBI–EM), which was scheduled for 28 June, is expected to have attracted nearly R450 billion–R550 billion ($25 billion–$30 billion) of inflows into India since the announcement in September 2023. The inclusion process will be phased over 10 months and is expected to reach a maximum weight of 10% in the GBI–EM by 31 March 2025. The potential impact over the 10-month period on other emerging markets remains to be seen.

Potential market-unfriendly constitutional reforms spooked Mexico's markets

On the Mexican front, the general election saw Claudia Sheinbaum emerge victorious as the first female president of Mexico. Although Sheinbaum from the leftist Morena party was expected to win, the margin by which the president-elect won was not anticipated. Sheinbaum won by 58%, the highest vote percentage in Mexico's democratic history – high enough to pose a threat to Mexico's constitution. The outgoing president from the same Morena party made controversial constitutional proposals early in the year, with the most notable including: reducing the size of parliament, directly electing judges, and raising the minimum wage annually above inflation – all of which triggered a sell-off in both the Mexican peso and the Mexbol, Mexico's equity index. The new Mexican president asked the current finance minister, who is investor friendly, to stay on indefinitely in response to market jitters. Mexican assets continued to perform poorly post the elections as Sheinbaum has vowed to proceed with the constitutional changes, despite efforts to calm investors' nerves.

SA election results were well received, but coalition politics is complicated

Back home, South Africa's ruling party, the African National Congress (ANC), has lost its outright majority for the first time. The ANC secured 40% of the votes in the general election, a devastating blow to the party. The ANC has dominated South African politics since winning the first democratic elections 30 years ago. Its main opposition, the Democratic Alliance (DA), came second in the recent election, with 21.8% of the votes. uMkhonto we Sizwe (MK), a new party led by former President Jacob Zuma, managed to collect 14.6% of the votes while the far-left Economic Freedom Fighters (EFF) got 9.5%. The surprising election results – notably the scale of the ANC's loss and the rise of MK – and the shift towards coalition talks sent markets into a frenzy. The announcement of the election results saw an initial sell-off of South African assets, with local equities, bonds and the rand, in particular, plummeting in the week following the elections. However, the ANC opted to form a Government of National Unity (GNU) with the DA, IFP and a series of other parties, which was well received by the investor community. Having garnered sufficient support, Cyril Ramaphosa was re-elected as South Africa's president. The country still faces fiscal pressures, with the path taken by the National Treasury suggesting that it will continue on its current trajectory with the new government. After a long wait, the new cabinet (a mixed cabinet with appointments spanning different political parties) was announced on 30 June 2024, and local and offshore investors responded positively.

The rand and local equities are still holding firm, a month after the election results were announced and with the recent announcement of the new cabinet. However, the cabinet has been called bloated, with more portfolios than before (largely to accommodate the multiple parties in the GNU). It now has a total of 32 ministers and 43 deputy ministers, with the ANC occupying two-thirds of the seats. The new configuration comes at a crucial time for South Africa, as it faces battles over the contentious National Health Insurance (NHI), increasing pressure over the parlous state of the state-run railways and ports, and high public spending.

Figure 11: Currency performance around elections

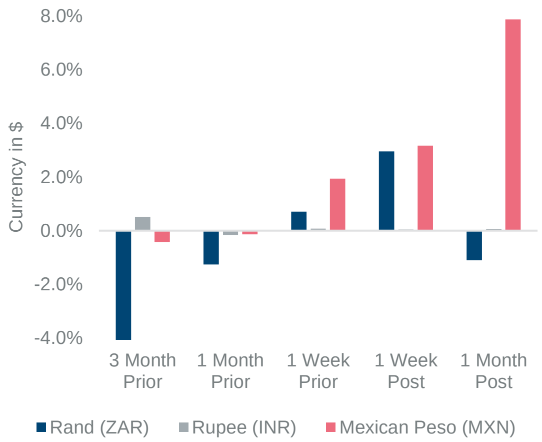
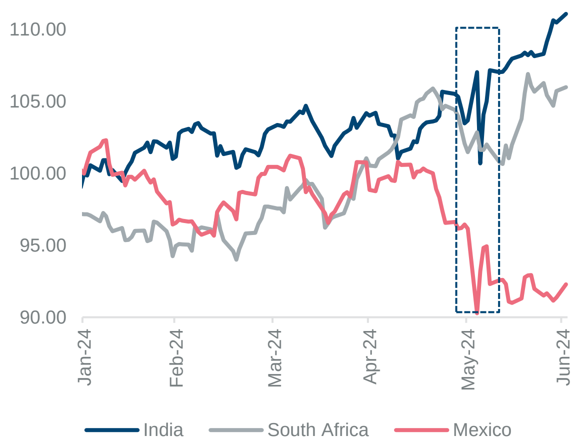


Figure 12: Equity performance around elections



Source: Bloomberg, positive currency performance indicates the depreciation of the currency against the USD, vice versa for negative performance.

UK and France swing to the left while much of Europe embraces the right

The year of elections has been yielding unexpected results for the investor community, the latest emerging market trio results being a prime example. This reinforces the notion that one should expect the unexpected when dealing with geopolitical risk. In early July, the UK and France held their elections, the results of which indicate that these two nations are heading in a different direction from the rest of mainland Europe.

The UK's 4 July election saw the Labour Party win by a landslide due to a widespread loss of confidence in the Conservative Party. In the wake of the European parliamentary election results, showing the dominance of far-right parties, France's President Emmanuel Macron dissolved the French parliament and called a snap election. The first round of voting took place on 30 June and the second round on 7 July. The outcome of the French elections could not have been more dramatic. The left-wing New Popular Front (NFP) came out on top, taking most seats in parliament. Emmanuel Macron's centrists came second, after an unexpected comeback, pushing Le Pen's far-right National Rally into third place. But since no party secured an absolute majority in the closely fought election, France is facing a hung parliament without a clear candidate for prime minister. Meanwhile, the US is gearing up for its presential election later in the year. Former president Donald Trump emerged as the evident 'winner' of the first presidential debate against the current president Joe Biden. Biden's dismal performance in the debate has caused widespread consternation and prompted calls from an increasing number of Democrats for Biden to drop out of the presidential race in favour of a more mentally agile and capable candidate.

The prevailing message from the 2024 elections thus far is that political outcomes are hard to predict. The results of recent general elections in different parts of the world have highlighted that political campaigns are becoming increasingly populist and polarising and that the more traditional centrists are losing out to either right-wing or left-wing parties. Given the imminent rate cutting cycles, it seems that central banks are in the driving seat rather than any fiscal policy speculations.

China’s trade and performance are under pressure

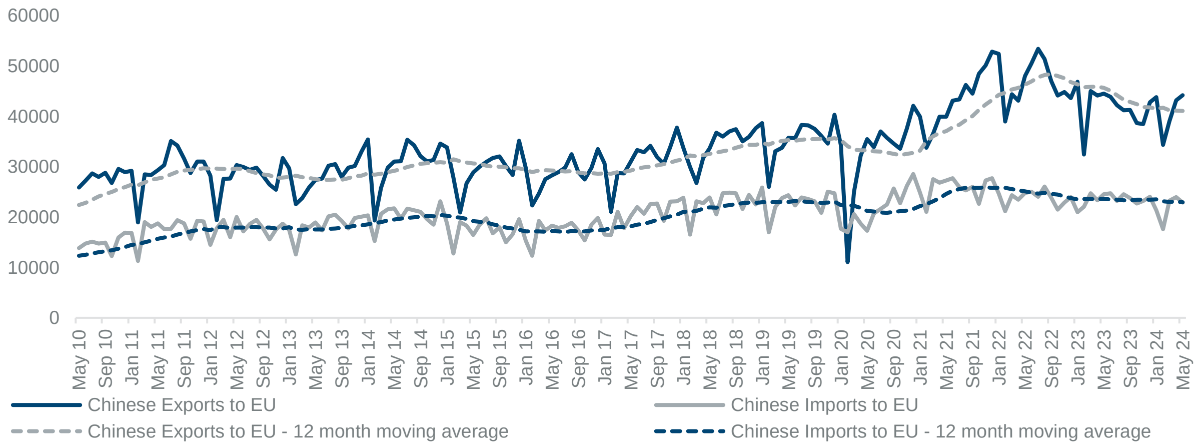
The West is pushing to mitigate China’s influence on the global economy

The US and its allies are controlling China's access to advanced chips used to power cutting-edge innovations like AI, while the European Union (EU) has been investigating government-subsidised companies in China across all industry sectors in a bid to crack down on ultra-cheap Chinese goods with which European businesses are finding it difficult to compete. For example, the EU has imposed tariffs of up to 38.1% on Chinese battery-electric vehicles (BEVs) in an attempt to support local manufacturing, boost revenue within the Eurozone region and curtail China’s dominance in the industry. In addition, the EU has gone as far as disregarding Chinese companies in rail and energy tenders.

However, EU BEV manufacturers have stated that they are likely to increase their prices to offset the increased tariffs, but they also need to ensure that they maintain good relations with China as they manufacture and sell their vehicles to the Chinese market, which is one of the largest by trade volume. In a retaliatory move, China has hinted at imposing tariffs on EU imports if the EU’s investigation into Chinese companies continues. China has also probed the EU, US and other countries for alleged dumping of chemicals and liquor. Regarding the EU specifically, China has scrutinised cheap pork imports intending to possibly impose tariffs on this product category.

Both imports and exports between the EU and China have been decreasing since the beginning of 2022, signalling heightened trade tensions between the two countries. If allowed to escalate into a full-on trade dispute, it could slow global economic growth. The EU is lobbying for agricultural products to be excluded from its tariff tit-for-tat with China, as otherwise this would have a direct impact on food inflation in Europe. Meanwhile, China has increased its trade with the Oceania region as a secondary source of goods and services amid the decline in its trade with the EU.

Figure 13: Monthly imports and exports from China to the EU over the past 15 years



Source: Bloomberg

A series of headwinds are putting the Chinese economy under pressure

China’s performance from an equity perspective tracked sideways over Q2. Chinese equities delivered 3.0% in Q1 but fell by 1.0% in Q2 as investors felt that more aggressive stimulus measures were needed to restore consumer confidence. Relative to its emerging market (EM) peers, the MSCI EM ex China Index outperformed Chinese equities, supported by the likes of Taiwan, South Korea and India. The Chinese economy faced headwinds towards the middle of 2024: the Manufacturing PMI dipped slightly into contraction; retail sales, investment and credit performance undershot market expectations; and the slow burn of overly conservative monetary policies began to kick in. An ageing population, environmental pollution, debt concerns in its corporate and local government sectors, and US sanctions on Chinese goods and technology are some additional factors contributing to the deteriorating economic climate in Q2.

Figure 14: Cumulative equity performance among selective emerging market peers

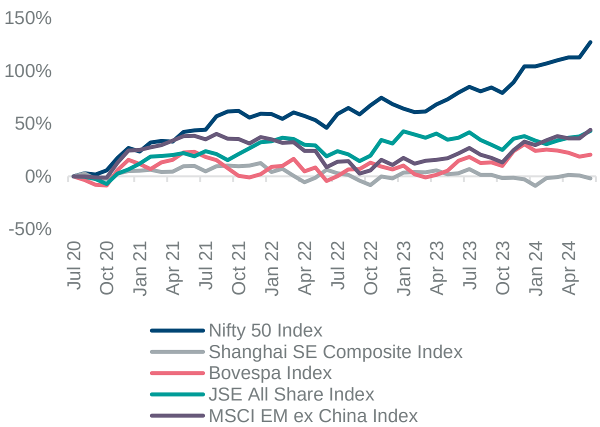
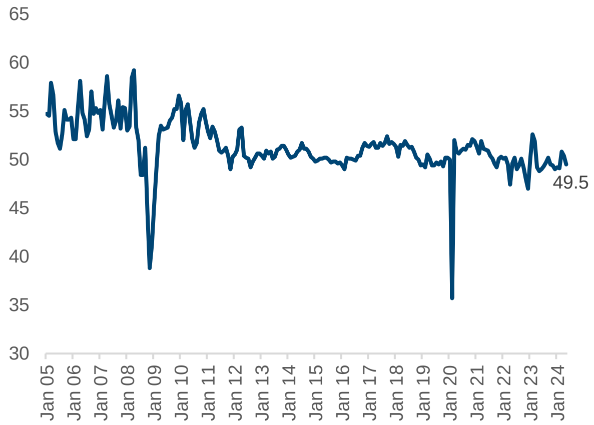


Figure 15: China Manufacturing PMI SA



Source: Bloomberg, all returns in ZAR.

China has tried to address investors' concerns through the introduction of various market stimuli – from bolstering domestic demand through subsidies, incentives for equipment upgrades and consumer product trade-ins, and housing market rescue measures, to the issuance of 1 trillion yuan of ultra-long special sovereign bonds to raise capital for government and crucial project spending. A key monetary measure involved China's central bank cutting the five-year loan prime rate by 25 basis points to 3.95% in April 2024, while keeping the one-year rate at 3.45%, after reducing it by 10 basis points in Q2 this year. But given China's latest May inflation rate YoY of 0.3%, the real rate is still near a multi-decade high range. Our view is that further stimulus is required to boost consumer confidence. Consumer savings are at an all-time high, indicating consumers' unwillingness to invest locally due to an unfriendly regulatory and investor market.

Figure 16: China household deposits and fixed asset investment

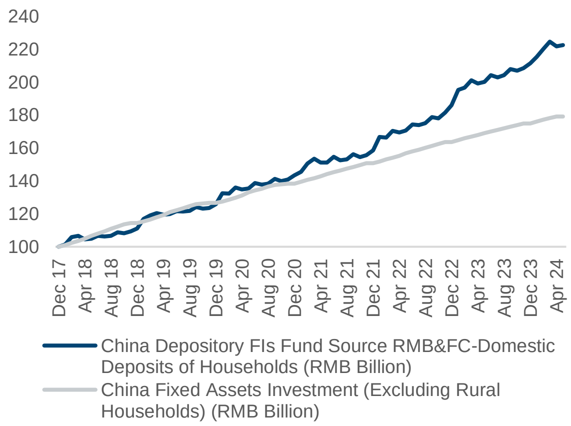
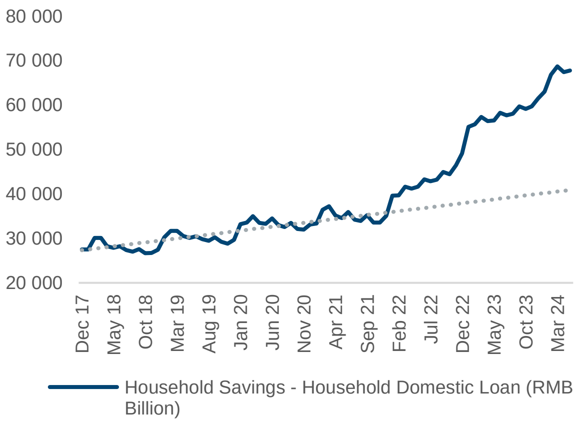


Figure 17: China household deposits less loans



Source: Bloomberg

In summary, China's economy is recovering but is still facing challenges, such as weak consumption, slow investment and policy externalities. Improving confidence among residents and businesses is crucial to induce a more rapid recovery. Thus far, it seems that the authorities believe they can get out of the current economic slump by creating other industry champions. However, the champions (such as BEVs) in certain parts of the economy are too small to uplift the whole macro-economic environment. China's recovery could prove to be an economic growth catalyst for South Africa, as China is South Africa's largest trade partner. However, potential trade disputes are weighing on the Chinese economy, whose impact on South Africa's economy in the short to medium term remains uncertain.

AI optimism boosts markets but integration challenges and uncertainty persist

The advent of AI has revolutionised the technology sector, driving significant change in the performance of tech stocks and the broader market. This section examines the profitability of major AI tech stocks, compares the current AI boom to the 1990s tech boom, and analyses the potential short- and long-term impacts of AI on inflation and productivity.

Stellar performance of the Magnificent 7 is driving increased market concentration

The rise of AI has seen several tech giants rise to new heights. Companies like Nvidia, Microsoft, Alphabet (Google), Amazon, Meta (Facebook), Tesla and Apple have recorded substantial revenue growth and improved profit margins in the wake of expanding digitisation throughout the world and increasing corporate investments in AI technologies. A liquidity-rich world, fuelled by resilient earnings data and (even more so) by the blue-sky visionaries priced in by investors, has seen the explosive growth of several tech giants, accompany by soaring share prices. These companies make up the larger proportion of the market every year, as shown in Figure 19. Indeed, without them, the US market's performance would be much weaker than it is with them, as shown in Figure 18. The NASDAQ Index, comprising the largest technology companies across the US, has massively outperformed the S&P 500 Index, comprising the largest 500 public companies in the US, by a cumulative 142% over the past 10 years and would have outperformed the broader market index by a cumulative 263% over the past 10 years if it had not included the M7.

Figure 18: Technology companies essential to broader market performance

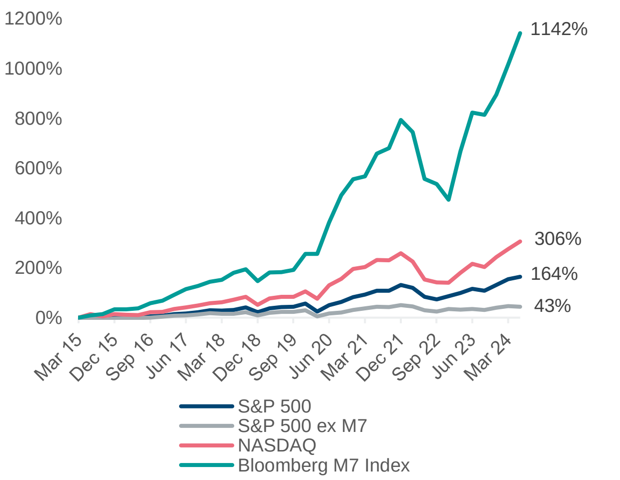
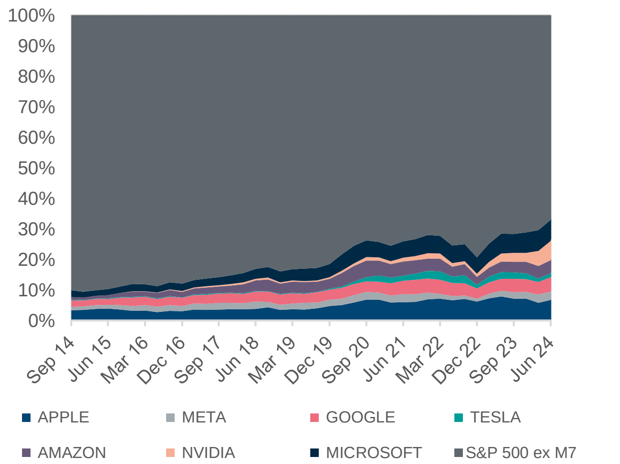


Figure 19: M7 market growth compared to S&P 500



Source: Bloomberg

The US and broader developed-market (DM) equity markets are also becoming increasingly concentrated in these tech giants, while value largely outperforms growth indices in other regional markets, as shown in Figure 20. The MSCI World Growth Index outperformed the MSCI World Value Index in Q2 due to the Growth Index's concentration in the Magnificent 7 stocks. The Growth Index's top 10 constituents account for up to 43% of the index, while the Value Index's top 10 constituents account for only 14% of the index. The best performing styles in the MSCI World Index were Growth, Quality and Momentum, while for emerging markets, the top performing styles were Momentum, High Yield and Size in Q2.

Figure 20: Value vs growth in Q2

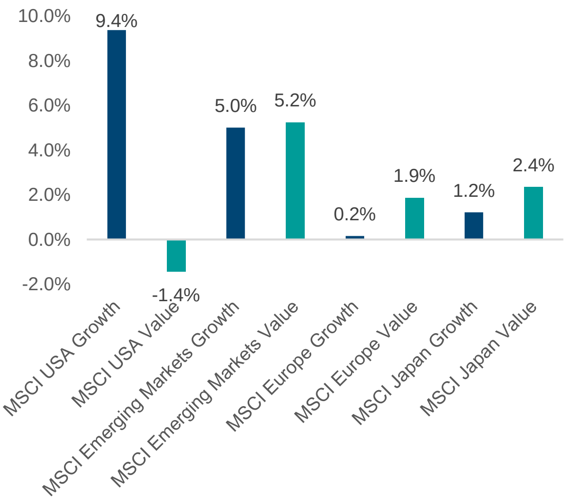
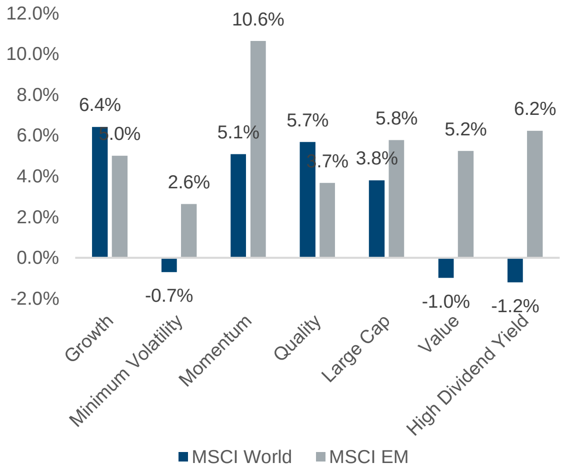


Figure 21: DM vs EM style indices in Q2



Source: Bloomberg, total returns in USD

The AI frenzy is also evident in Figure 22 which shows that the term 'AI' is increasingly cited each year in earnings calls for companies in the S&P 500. Of these companies, 199 cited the term 'AI' over the latest Q1 2024, well above the five-year average of 80 and the 10-year average of 50. Figure 23 coincides with AI's increasing prevalence (and the effect thereof) in that major technology companies can generate more revenue per employee than they did before.

Figure 22: Number of S&P 500 companies citing 'AI' in earnings calls

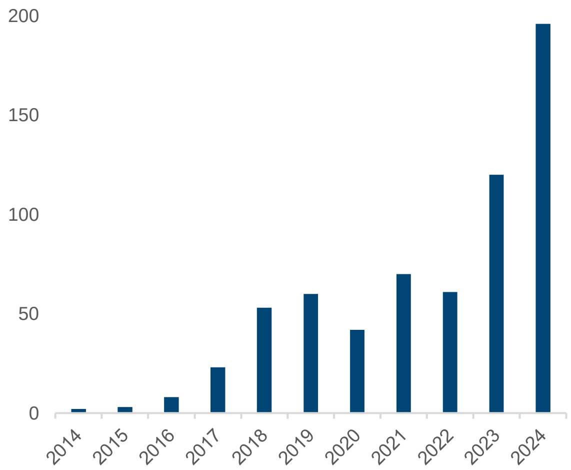
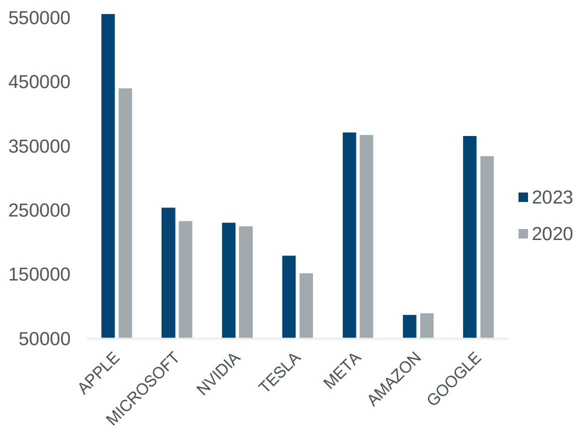


Figure 23: Mag 7 revenue per employee (USD)



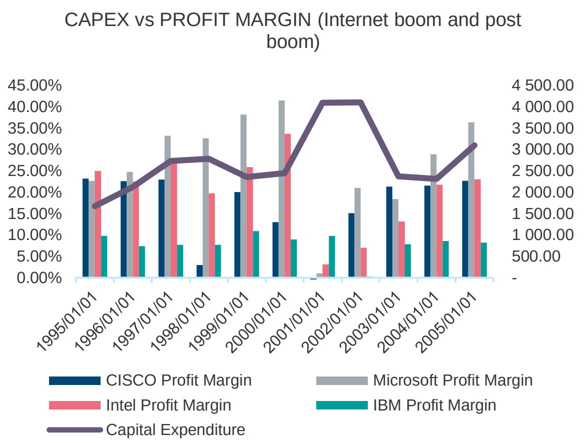
Source: FactSet Document Research, Bloomberg

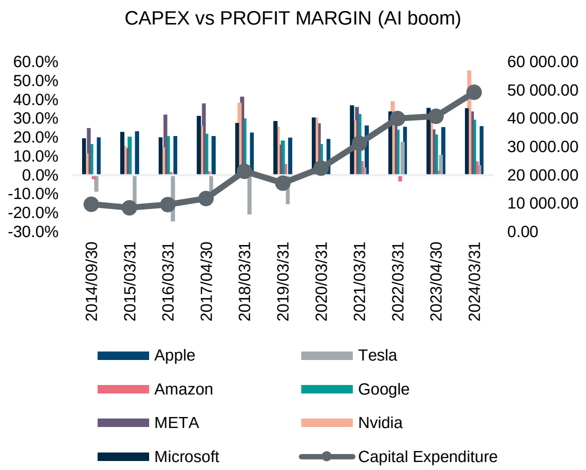
Capex cycle could be deeper, longer and self-fulfilling

The key question on investors' minds is whether the stock prices of these tech companies have more room to rise or whether it is the start of the end of the tech bubble. One way to answer the question is to turn to the history books. The current AI boom can be compared to the 1990s tech boom in terms of capital expenditure (capex). Understanding the 1990s tech boom and using it as a mirror can give one a better sense of AI stocks' future revenue potential and profitability. The tech boom of the 1990s saw significant investments in internet infrastructure, telecommunications and software development. Companies like Cisco, Microsoft, Intel and IBM led the charge with a substantial outlay of capex. For example, Cisco's revenue grew from approximately $1 billion in 1995 to over $18 billion by 2000. The cycle from initial capex to noticeable revenue growth took four to five years, with improved profitability margins following within a few years.

In the current AI boom, major tech companies such as Google, Microsoft, Amazon, Nvidia, Tesla and Apple have made substantial investments in AI research, development and infrastructure and will continue to do so. For instance, Nvidia's revenue surged from approximately $10 billion in 2016 to over $27 billion by 2022. The transition from capex to revenue growth is faster, typically around two to three years, due to existing technological infrastructure allowing for quicker deployment and adoption of AI solutions. The current AI boom is also showing signs of lasting longer and is deeper than the 1990s tech boom, as shown in Figures 24 and 25, which similarly cover a 10-year period.

Figure 24 and 25: Capex vs profit margin (1990s internet boom and post-boom vs current AI boom)



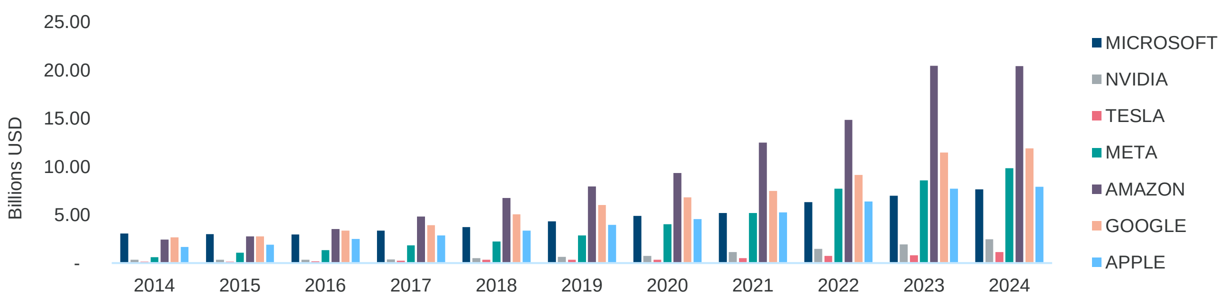


Source: Bloomberg, Capex in Millions USD

AI's impact on the overall economic value chain

The impact of AI does not stop here with these tech giants. Upfront costs are inflationary as companies build data centres, develop AI software, expand cloud services and engage in continuous R&D spending. In addition, companies have to carry higher operational costs due to high energy consumption and system maintenance, and high recruitment and training costs for specialised AI talent. Integrating AI systems and re-engineering business processes add to the transition costs. The long-term benefits of AI, such as enhanced efficiency and productivity, are expected to eventually stabilise or reduce prices, as economies of scale are realised and technology matures. Over time, AI's ability to optimise processes and improve resource allocations can lead to sustained economic growth, reducing long-term costs and mitigating inflationary pressures.

Figure 26: Research and development of the Mag 7



Source: Bloomberg

The expansion of AI technologies is having a major impact on various sectors across the supply chain. Upstream suppliers, such as semiconductor manufacturers like TSMC and Intel, benefit from increased demand for AI chips and processors, while suppliers of high-performance memory and storage components see a surge in orders. Midstream companies, including cloud service providers like AWS, Google Cloud and Azure, experience growth in the wake of heightened demand for cloud-based AI services. Additionally, software and platform developers benefit from the increasing need for AI frameworks, APIs and development tools. Downstream users, including businesses in the finance, healthcare and manufacturing sectors, adopt AI technologies to optimise operations, enhance customer experiences and innovate products.

In addition, larger firms are more likely to adopt AI technologies than smaller firms because of the resources required for implementation. Advanced economies, on the one hand, face both risks and opportunities when it comes to AI, with a higher percentage of jobs being exposed to AI. Emerging markets, on the other hand, may experience slower adoption but can still benefit from global advancements in the AI arena.

The Dallas Fed's Texas Business Outlook Surveys (TBOS) reveal that 40% of Texas firms currently use AI, with 16% planning to adopt it within a year. Despite AI's potential, its employment impact is currently still minimal, according to the TBOS, with most firms (72%) reporting no change in workforce needs, as shown in Figure 27. Large firms in white-collar industries, such as professional and business services, lead the way in AI usage, with 47% of large firms using AI. In contrast, 37% of small firms (which face implementation challenges) use AI. AI primarily enhances productivity and access to information, particularly in professional services and healthcare. However, AI-related concerns include the risk of misinformation, privacy breaches and social manipulation, which may reduce the value of an AI system itself and limit its role as an employment enabler. While AI's full impact on employment and economic inequality remains uncertain, early adoption has been shown to mainly benefit highly skilled workers.

Figure 27: Effects of AI on employment

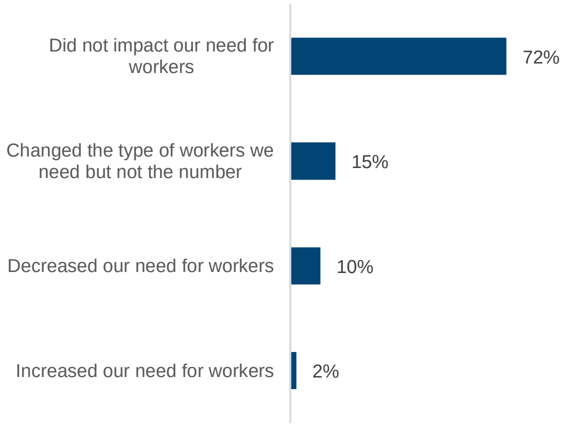
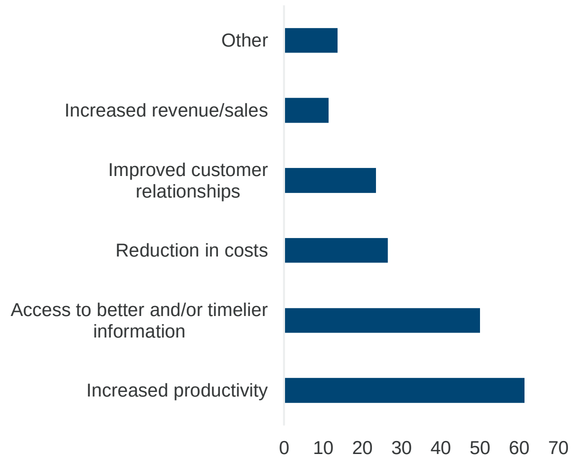


Figure 28: Benefits of AI to users



Source: Dallas Fed Texas Business Outlook Surveys

Note: Respondents using artificial intelligence (AI) were asked, 'What benefits has your firm experienced from using AI? Please select all that apply.' Data are from April 2024. Respondents selecting 'Other' were asked to explain, and roughly one-third noted it was too soon to tell or they had not seen any benefit.

While the AI boom has had a profound impact on tech stocks and the broader market to date, its potential impact on the global economy is largely unknown. It will depend on the speed and effectiveness of implementation and the pace of evolution of AI capabilities. There are also other constraints, such as global energy capacity, as an expansion in AI requires data centres which in turn need electricity and water to run.

AI has the potential to be the global growth catalyst for the next 10 years, but only if it is integrated across firms (both technology and non-technology), enhances the productivity of the workforce, and drives greater inclusivity. Ultimately, there are still many unknowns, but what is clear is that the AI race has only just begun.

Harmonising business and policy cycles: blending growth and stability

In navigating its way into the middle of 2024, the global economy has been marked by several key trends, one of which is the Fed's continued adoption of rate pauses (the rate currently sitting at 5.5%), with market surveys anticipating approximately one to two rate cuts later in the year. To the surprise of many, some other major central banks have kickstarted their cycle of easing monetary policies, with the likes of the Bank of Canada (BoC) cutting their policy rates in early June 2024 by 25bps to 4.75% in response to signs of disinflation. The ECB followed by reducing rates by 25bps due to the easing of inflation.

Considering the current macro backdrop, with global economic growth rates converging and monetary policy cycles diverging (the latter being the most influential trend), we aim to identify sector and asset class winners and losers in various policy phases (using the Fed's rates) and business cycles (using the OECD Leading Indicator) by evaluated data, spanning the period 01 January 1995 to 30 June 2024.

As shown in Figure 29, the recovery cycles in general and rate-hike phases during an expansionary cycle benefit equity and property markets. However, contractionary cycles, regardless of the direction of monetary policies, result in poor performance in risk assets. Rate-pause phases, though, are favourable during expansionary and recovery cycles, but less so during slowdown and contractionary phases. Currently, the Fed's rate-pause phase coincides with an expansionary business cycle. Empirically, this environment yields, on average, positive monthly returns, with all asset classes with global equities (1.78%) and properties (1.28%) performing particularly well. This market environment typically favours global equities, but in view of the currency dynamics, we are offshore neutral in our latest TAA.

Figure 29: Average monthly return of global assets in different business and policy cycles in USD

Rate Cycle	Business Cycle	Global Equity	Global Bond	Global Property
Cut	Expansion			
	Slowdown	0.37%	1.08%	0.88%
	Recovery	2.50%	-0.63%	2.59%
	Contraction	-2.79%	0.15%	-10.09%
Hike	Expansion	0.55%	0.17%	3.16%
	Slowdown	1.17%	0.25%	-0.33%
	Recovery	1.12%	-0.33%	0.40%
	Contraction	-2.13%	0.16%	-2.13%
Pause	Expansion	1.78%	0.11%	1.28%
	Slowdown	-0.50%	-0.18%	-0.44%
	Recovery	2.30%	0.47%	2.33%
	Contraction	-1.30%	0.74%	-0.90%

Source: Bloomberg

Note: No data points were available for the rate-cut and expansion scenario over the period under analysis. Global Equity – S&P 500 Index, Global Bonds – Bloomberg Barclay U.S. Aggregate Bond Index, Global Property – FTSE ESPRA/NAREIT Global Real Estate Index.

As economic cycles reflect different characteristics that would impact sectors and industries differently, it is important for investors to evaluate how different sectors respond to various economic conditions and rate changes, thereby offering more profound insights. Theoretically, rate cuts are implemented to stimulate growth during a slowdown or contraction. However, monetary stimulus generally lags the market. Therefore, during this time of dampened demand, defensive sectors (consumer staples, utilities) tend to perform better as they are less sensitive to economic cycles. Rate-hike phases, in contrast, are theoretically used to control inflation during expansionary cycles. Therefore, cyclical sectors (consumer discretionary, energy, financials) benefit from periods of increased business activity. Rate-pause phases indicate a balanced approach, usually seen during recovery cycles; there is balanced performance across sectors, with cyclical sectors beginning to recover. Defensive sectors are consistent winners across different business cycles, especially during economic downturns. Cyclical sectors are winners during periods of economic growth (expansion and recovery) but become losers during economic contractions and slowdowns, as seen in Figure 30.

Figure 30: Average monthly return of MSCI World Index sectors in different business and policy cycles (USD)

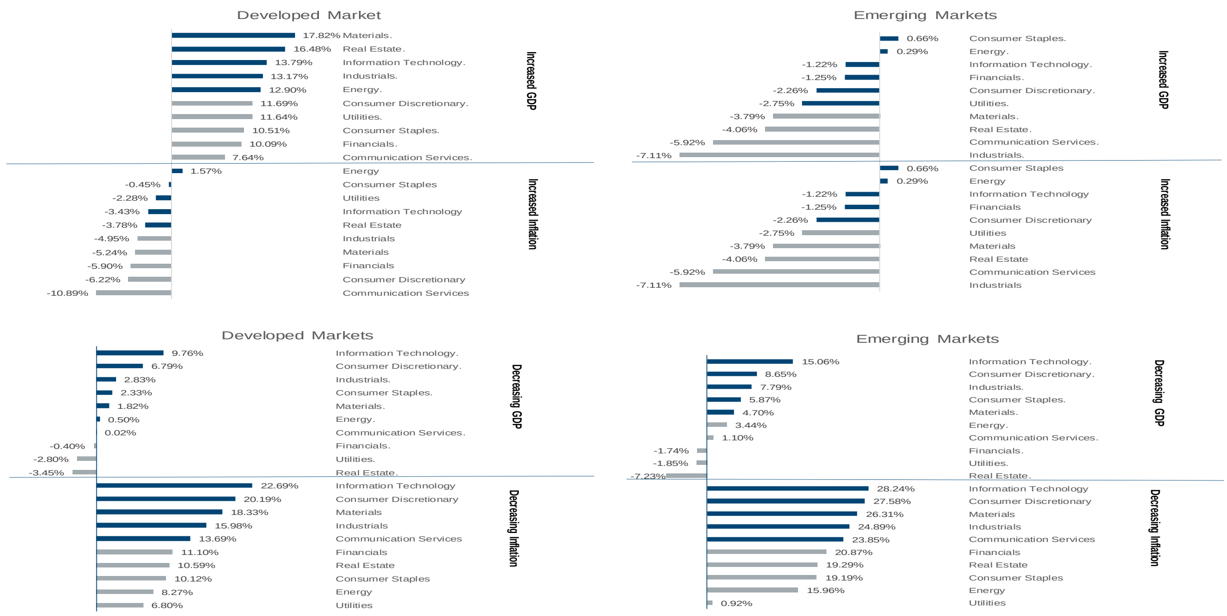
Rate Cycle	Business Cycle	Consumer Staples	Consumer Discretionary	Communication Services	Energy	Information Technology	Industrials	Financials	Materials	Real Estate	Utilties
Cut	Expansion										
	Slowdown	0.29%	-0.78%	0.81%	2.46%	0.67%	-0.04%	0.06%	1.90%	1.00%	1.01%
	Recovery	0.22%	3.80%	0.45%	0.72%	6.02%	3.31%	2.54%	3.09%	0.89%	-0.37%
	Contraction	-2.58%	-2.99%	-1.68%	-4.81%	-2.13%	-4.17%	-4.86%	-3.66%	-4.10%	-3.57%
Hike	Expansion	0.52%	1.13%	-0.03%	4.93%	1.11%	1.85%	1.54%	3.58%	2.69%	1.38%
	Slowdown	0.52%	0.51%	0.84%	3.51%	0.76%	1.13%	1.07%	1.19%	0.56%	1.88%
	Recovery	-0.80%	0.96%	2.41%	-0.41%	2.44%	0.50%	1.71%	0.11%	-0.37%	-0.36%
	Contraction	-0.72%	-1.74%	-2.20%	-5.10%	-1.27%	-1.47%	-3.24%	-2.53%	-2.60%	-0.82%
Pause	Expansion	1.04%	1.73%	1.82%	2.02%	2.09%	1.76%	1.83%	1.52%	1.32%	1.27%
	Slowdown	0.07%	-1.28%	-1.80%	-0.24%	-1.03%	-0.80%	-1.28%	-1.14%	-0.60%	0.16%
	Recovery	1.50%	2.93%	0.89%	1.49%	3.01%	2.79%	2.83%	2.89%	1.83%	0.89%
	Contraction	-0.08%	-1.38%	-0.90%	-1.55%	-2.13%	-1.80%	-2.08%	-1.68%	-1.08%	-1.02%

Source: Bloomberg

Note: No data points were available for the rate cut and expansion scenario over the period under analysis

Currently, inflation is still relatively high and there is uneven growth across many regions of the world. It is therefore illuminating to determine the sectors from both DM and EM which would stand to benefit, given this macroeconomic backdrop. Rising inflation has become a global issue and from analysis has historically benefited energy and consumer staples, whereas the information technology sector has performed well across most scenarios, reflecting the pertinence of digital transformation and the growth of AI over time. The real estate and consumer discretionary sectors in developed markets benefit from economic recovery and growth, suggesting opportunities in these areas as economies are still recovering from the COVID pandemic. Defensive sectors such as consumer staples and utilities show resilience in downturns and inflationary environments, in line with their essential nature.

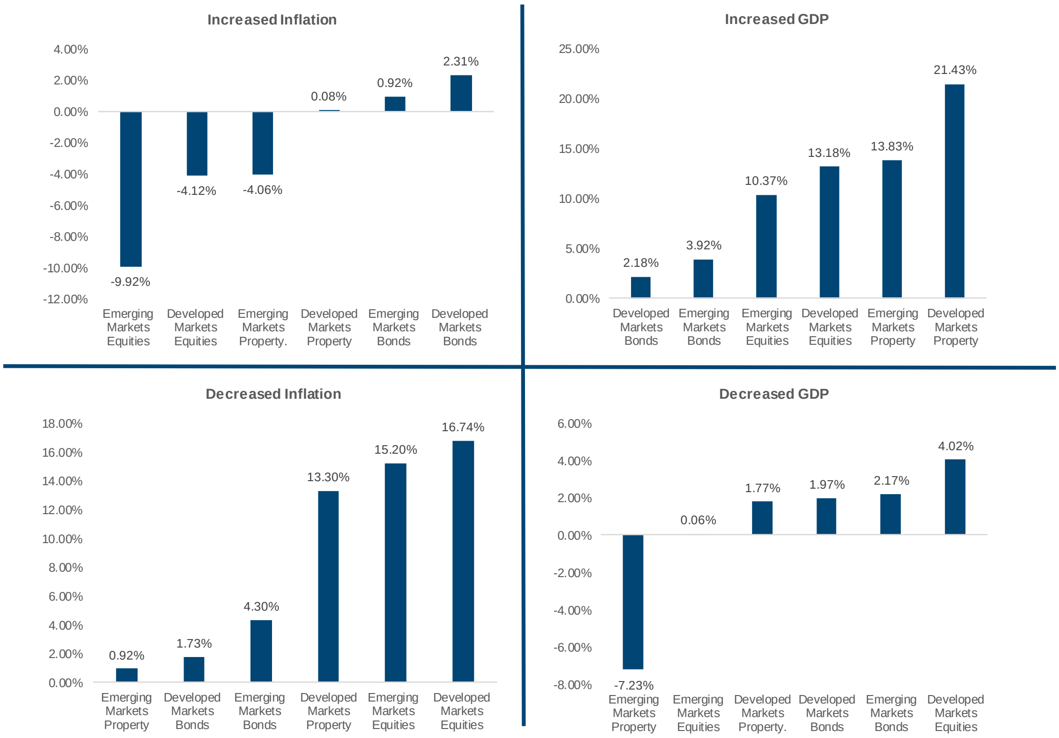
Figure 31: Average annual asset class returns of developed and emerging market sectors in different growth and inflationary scenarios



Source: Bloomberg. Note: - Top 5 sectors - Bottom 5 Sectors

In terms of DM and EM asset classes, Figure 32 shows that investors that have a positive outlook on the future of global growth and think inflation has been tamed would commonly be pro risk assets. Conversely, investors that have a positive outlook on global growth but think inflation is still vulnerable to upward pressure would commonly prefer property or, to a lesser extent, bonds. Furthermore, a negative outlook on global growth, which coincides with the easing of inflation, benefits equities and bonds. Interestingly, if the Fed cut interest rates at its next meeting, without much change occurring in the macro landscape, a unique macro-economic environment would exist, which has not been seen since 1995, in which only methodical investing would suffice.

Figure 32: Average annual asset class return of developed and emerging markets sectors in different growth and inflation periods



Source: Bloomberg

APPENDIX

Financial market performance as at 30 June 2024 (in ZAR)

	1 mth	3 mths	YTD	1 yr	3 yr (p.a.)	5 yr (p.a.)	7 yr (p.a.)	10 yr (p.a.)
Local Equity Indices								
FTSE/JSE All-Share Index (ALSI)	4.1%	8.2%	5.8%	9.1%	11.0%	10.6%	10.3%	8.2%
FTSE/JSE Resources 20 Index	-3.7%	3.4%	4.3%	-1.3%	3.3%	9.6%	15.3%	4.8%
FTSE/JSE Industrials Index	1.9%	5.2%	5.9%	5.1%	9.7%	10.4%	7.9%	7.8%
FTSE/JSE Financials Index	13.2%	15.9%	8.9%	24.4%	17.4%	6.9%	7.2%	7.0%
FTSE/JSE Shareholder Weighted Index (SWIX)	4.1%	8.2%	5.8%	9.8%	8.8%	8.0%	7.5%	6.7%
FTSE/JSE Capped SWIX Index (Capped SWIX)	4.2%	8.2%	5.7%	10.0%	10.1%	8.7%	7.5%	6.5%
FTSE/JSE All-Share Top 40 Index	3.7%	7.9%	5.5%	7.2%	11.1%	10.9%	10.8%	8.2%
FTSE/JSE SWIX Top 40 Index	3.7%	7.9%	5.5%	7.8%	8.3%	7.9%	7.5%	6.4%
FTSE/JSE Mid Cap Index	6.4%	9.5%	5.7%	17.3%	9.4%	7.6%	6.7%	6.6%
FTSE/JSE Small Cap Index	6.5%	10.7%	9.6%	20.2%	16.8%	15.2%	8.9%	8.3%
FTSE/JSE Listed Property Index (SAPY)	6.0%	5.5%	9.6%	26.3%	11.7%	0.9%	-0.7%	3.2%
FTSE/JSE Capped Listed Property Index	6.2%	5.7%	9.4%	26.0%	11.0%	-0.5%	-2.9%	0.8%
FTSE/JSE SA All Property Index	6.2%	5.7%	9.4%	26.0%	11.1%	0.6%	-1.7%	1.9%
Local Interest-Bearing Indices								
FTSE/JSE All-Bond Index (ALBI)	5.2%	7.5%	5.6%	13.7%	7.6%	7.8%	8.7%	8.2%
FTSE/JSE All-Bond Index 1 - 3 years	1.9%	3.3%	4.2%	10.6%	7.4%	7.5%	8.0%	7.9%
FTSE/JSE All-Bond Index 3 - 7 years	4.1%	5.6%	4.1%	11.5%	7.3%	8.4%	8.9%	8.8%
FTSE/JSE All-Bond Index 7 - 12 years	5.9%	8.0%	5.5%	14.8%	8.2%	8.6%	9.2%	8.7%
FTSE/JSE All-Bond Index +12 years	6.8%	9.9%	6.9%	14.9%	7.4%	7.4%	8.4%	7.9%
Inflation Linked Government Bonds (IGOV)	3.0%	2.4%	1.9%	9.0%	6.9%	6.3%	5.3%	5.0%
Short-Term Fixed Interest Composite Index (SteFi)	0.6%	2.1%	4.2%	8.5%	6.5%	6.1%	6.4%	6.6%
Inflation Index								
Consumer Price Index (1 month lagged)	0.2%	1.2%	2.3%	5.2%	6.0%	5.0%	4.9%	5.0%
International Indices								
MSCI World Index	-1.2%	-0.8%	11.9%	17.1%	16.4%	18.2%	16.9%	15.8%
MSCI Emerging Market Index	0.7%	1.5%	7.5%	9.6%	3.3%	8.9%	9.0%	8.9%
MSCI All Country World Index	-1.0%	-0.5%	11.4%	16.3%	14.8%	17.1%	16.0%	15.0%
FTSE World Government Bond Index (WGBI)	-3.2%	-5.0%	-4.1%	-3.6%	0.9%	1.9%	3.5%	4.3%
S&P Global Property	-2.8%	-5.3%	-2.5%	3.4%	4.2%	5.4%	7.1%	8.7%
USA S&P 500	0.3%	0.7%	15.1%	20.8%	19.3%	21.1%	19.9%	19.1%
UK FTSE 100	-4.9%	0.3%	6.7%	8.7%	14.9%	11.3%	10.3%	8.5%
Euro STOXX 50	-6.0%	-6.1%	6.8%	8.5%	14.4%	14.0%	12.0%	10.1%
Japan Nikkei 225	-2.6%	-10.8%	4.3%	5.7%	8.7%	12.2%	12.0%	13.1%
Currency Movement								
Rand/Dollar (R18.23= 1 Dollar)	-3.2%	-3.4%	-0.2%	-3.0%	8.4%	5.3%	4.9%	5.5%
Rand/Euro (R19.54= 1 Euro)	-4.3%	-4.1%	-3.3%	-4.8%	4.8%	4.0%	3.9%	3.0%
JPY/Rand (8.82 Japanese Yen= 1 SA Rand)	5.7%	10.1%	14.4%	14.9%	4.4%	2.9%	0.4%	-0.8%
Rand/Pound (R23.05= 1 Pound)	-3.8%	-3.3%	-1.1%	-3.6%	5.3%	5.2%	4.5%	2.4%

Source: Bloomberg

Performance of major asset classes and indices in local currency

30 June 2024 (Local Currency)	1M	3M	Q1 2024	YTD	1 Year	3 Year (p.a)	5 Year (p.a)	10 Year (p.a)
FTSE/JSE ALSI Total Return	4.1%	8.2%	-2.2%	5.8%	9.1%	11.0%	10.6%	8.2%
FTSE/JSE Capped SWIX Total Return	4.2%	8.2%	-2.3%	5.7%	10.0%	10.1%	8.7%	6.5%
S&P 500 Total Return	3.6%	4.3%	10.6%	15.3%	24.6%	10.0%	15.0%	12.9%
STOXX 600 Total Return	-1.2%	1.1%	7.7%	8.9%	13.7%	6.9%	8.5%	6.9%
Nikkei 225 Total Return	3.0%	-1.8%	21.5%	19.3%	21.5%	13.5%	15.5%	12.2%
MSCI World Total Return	2.1%	2.8%	9.0%	12.0%	20.8%	7.4%	12.3%	9.7%
MSCI ACWI Total Return	2.3%	3.0%	8.3%	11.6%	19.9%	5.9%	11.3%	9.0%
MSCI EM Total Return	4.0%	5.1%	2.4%	7.7%	13.0%	-4.7%	3.5%	3.2%
MSCI World Value Index	-0.8%	-1.0%	7.7%	6.6%	14.8%	6.4%	8.4%	6.7%
MSCI World Growth Index	4.8%	6.4%	10.3%	17.4%	26.6%	7.7%	15.5%	12.5%
MSCI World Small Cap Index	-1.9%	-2.7%	4.5%	1.7%	9.7%	-0.8%	7.4%	6.8%
FTSE UK Series FTSE All Share TR	-1.2%	3.7%	3.6%	7.4%	13.0%	7.4%	5.5%	5.9%
MSCI AC Asia Ex. Japan Index	4.3%	7.2%	2.5%	9.9%	13.2%	-5.5%	3.8%	4.5%
MSCI Europe Excluding United Kingdom Index	-1.1%	0.8%	8.5%	9.4%	14.3%	7.4%	9.8%	8.2%
Shanghai Shenzhen CSI 300 Index	-2.5%	-1.0%	3.1%	2.1%	-7.7%	-10.8%	0.2%	7.1%
Korea Stock Exchange KOSPI Index	6.1%	1.9%	4.2%	6.2%	11.1%	-3.4%	7.8%	5.4%
Taiwan Stock Exchange Weighted Index	9.3%	14.1%	13.5%	29.5%	39.8%	13.1%	20.8%	13.5%
NSE Nifty 50 Index	6.8%	8.2%	2.9%	11.3%	26.9%	16.8%	16.9%	13.8%
Ibovespa Brasil Sao Paulo Stock Exchange Index	1.5%	-3.3%	-4.5%	-7.7%	4.9%	-0.8%	4.2%	8.8%
Nasdaq-100 Index	6.3%	8.0%	8.7%	17.5%	30.8%	11.5%	21.8%	18.9%
Bloomberg Magnificent 7 Total Return Index	9.7%	16.9%	17.1%	37.0%	52.1%	24.6%	46.8%	
S&P ex Magnificent 7	1.2%	-1.0%	9.4%	8.3%	15.5%	5.3%	9.5%	
Dow Jones Industrial Average TR	1.2%	-1.3%	6.1%	4.8%	16.0%	6.4%	10.3%	11.3%
STEFI	0.6%	2.1%	2.0%	4.2%	8.5%	6.5%	6.1%	6.6%
ALBI	5.2%	7.5%	-1.8%	5.6%	13.7%	7.6%	7.8%	8.2%
IGOV	3.0%	2.4%	-0.5%	1.9%	9.0%	6.9%	6.3%	5.0%
WGBI	0.0%	-1.6%	-2.4%	-4.0%	-0.6%	-6.9%	-3.2%	-1.2%
Bloomberg Global Inflation-Linked Total Return Index	-0.2%	-0.8%	-1.8%	-2.6%	0.4%	-6.4%	-1.4%	-0.1%
Bloomberg US Agg Total Return	0.9%	0.1%	-0.8%	-0.7%	2.6%	-3.0%	-0.2%	1.3%
Bloomberg Euro Agg Total Return Index	0.3%	-0.9%	-0.3%	-1.2%	3.6%	-4.5%	-2.3%	0.4%
Bloomberg Global Agg Corporate Total Return Index	0.3%	-0.2%	-0.8%	-0.9%	4.9%	-3.7%	0.0%	1.1%
Bloomberg US Corporate High Yield Total Return Index	0.9%	1.1%	1.5%	2.6%	10.4%	1.6%	3.9%	4.3%
Bloomberg Pan-European High Yield Total Return Index	0.4%	1.4%	1.8%	3.2%	11.1%	1.4%	2.7%	3.4%
J.P. Morgan EMBI Global Core Hedged EUR	0.5%	-0.1%	1.4%	1.3%	6.9%	-5.1%	-2.2%	0.5%
SAPY Total Return	6.0%	5.5%	3.8%	9.6%	26.3%	11.7%	0.9%	3.2%
MSCI US REIT Total Return	2.9%	0.1%	-0.3%	-0.2%	7.6%	0.2%	3.9%	5.8%
S&P Global Property Total Return	0.4%	-1.9%	-0.5%	-2.4%	6.6%	-3.9%	0.1%	2.9%
STOXX 600 Real Estate Total Return	-3.6%	-0.4%	-2.8%	-3.2%	24.8%	-8.7%	-2.5%	1.0%
FTSE EPRA Nareit Global REITs TR Index	1.2%	-1.4%	-1.5%	-2.9%	5.0%	-2.6%	0.9%	3.5%
Crude Oil	5.9%	-1.2%	13.6%	12.2%	15.4%	4.8%	5.4%	-2.6%
Aluminium	-4.8%	8.0%	-2.0%	5.9%	17.3%	0.0%	7.0%	2.9%
Copper	-4.4%	8.3%	3.6%	12.2%	15.4%	0.8%	9.9%	3.2%
Gold	0.0%	4.3%	8.1%	12.8%	21.2%	9.5%	10.5%	5.8%
Platinum	-4.1%	9.3%	-8.1%	0.4%	9.9%	-2.5%	3.6%	-3.9%
Nickel	-12.5%	3.0%	1.0%	4.0%	-16.2%	-2.1%	6.2%	-1.0%
Palladium	6.6%	-3.9%	-7.6%	-11.2%	-20.6%	-29.5%	-8.7%	1.5%
Iron Ore	-5.7%	7.4%	-28.0%	-22.7%	-5.9%	-21.6%	-2.0%	1.2%
Bloomberg Commodity Index Total Return	-1.5%	2.9%	2.2%	5.1%	5.0%	5.7%	7.2%	-1.3%
USDZAR	-3.2%	-3.6%	2.8%	-0.9%	-3.5%	8.4%	5.2%	5.5%
GBPZAR	-3.9%	-3.4%	2.3%	-1.2%	-3.9%	5.2%	5.2%	2.4%
EURZAR	-4.4%	-4.3%	0.9%	-3.4%	-5.3%	4.8%	4.0%	3.0%
JPYZAR	-5.4%	-9.4%	-3.9%	-12.9%	-13.4%	-4.2%	-2.8%	0.7%
Dollar Index Spot	1.1%	1.3%	3.1%	4.5%	2.9%	4.6%	1.9%	2.9%

Source: Bloomberg

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