

# NAVIGA



## Newsletter

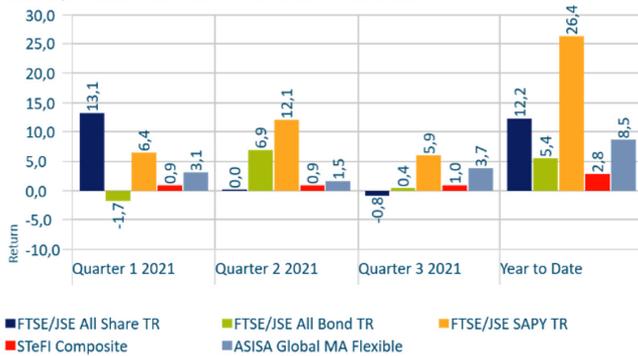
September 2021

### MARKETS AND ECONOMICS

September was a relatively volatile month across many markets, as investors continue to digest and to react to the spread of the Delta variant, the timeline for the reduction in stimulus, continued inflation concerns, an energy crunch, and Chinese debt problems. The uncertainty and risk-off sentiment was well reflected in performance, with large losses across global equities, bonds, and property (in United States dollar (USD) terms), as well as a strengthening dollar. Local assets did not escape the sell-off. The All-Share Index was pulled down by large losses in resources, as well as concerns around Chinese regulatory changes and contagion effects that flowed into the performance of local listings with Chinese exposure.

#### Asset Class Returns

Currency: South African Rand Source Data: Total Return



September also brought an end to the third quarter of 2021, with the month's performance giving back much of the gains experienced in July and/or August. Local equities ended in the red, as platinum and gold stocks sold off, and both Naspers and Prosus experienced large losses. Local property was the quarter's best performer, on the back of a strong month in August. The rand/USD exchange rate, moving from R14.30 to more than R15, also helped to drive otherwise relatively negative offshore returns to a modest 3.7% for the quarter.

#### The following are some of the key headlines from the global markets:

+ Updated forecasts from the United States (US) Federal Reserve (Fed) indicate that rate hikes are expected for next year, while tapering is expected to be announced at the next meeting in November.

- + Q3 gross domestic product (GDP) growth forecasts for the US have been widely lowered to 4.4% from 7% the previous month, as participants expect continued expansion but at a slower pace.
- + Chinese markets and, subsequently, global markets were shaken by the news that China's second largest property developer and the world's most indebted real estate developer, Evergrande, is potentially facing default on loans from the Chinese shadow banking system. Default could lead to a significant credit crunch, as the developer reportedly owes money to around 171 domestic banks and 121 other financial firms. Furthermore, property-linked activity is estimated to affect around 25%-30% of the Chinese GDP.
- + Purchasing Managers' Indices (PMIs) moved lower across the US, United Kingdom (UK), and Europe.

#### The following are some of the key headlines from the local markets:

- + Inflation for August was published at 4.9% year-on-year (4.6% in July), driven primarily by higher fuel prices and food costs.
- + As expected, the South African Reserve Bank (SARB) kept interest rates unchanged, while Governor Lesetja Kganyago commented that a more appropriate inflation target would be around 3% or 4%, not 3% to 6%.
- + The 2021 GDP growth forecast was revised upwards to 5.3%, primarily on the back of the recent GDP base adjustment and strong growth in the first and second quarters, despite the large negative impact from the July unrests. However, 2022 and 2023 growth figures were revised lower to 1.7% and 1.8%, respectively.
- + South Africa (SA) recorded a R42.2 billion trade surplus in August (R37 billion in July).

<b>JSE All Share</b> -3,14%   64 281,77	<b>MSCI World (USD)</b> -4,15%   3 006,60	<b>MSCI EM (USD)</b> -3,97%   1 253,10
<b>SA Bonds</b> -2,12%   799,81	<b>SA Property</b> -0,78%   327,28	<b>CPI (y/y)</b> 4,90%   122,30
<b>Gold</b> -4,64%   1 726,50	<b>Platinum</b> -5,64%   954,00	<b>Oil</b> 9,33%   78,31
<b>\$/R</b> 3,79%   15,07	<b>€/R</b> 1,75%   17,45	<b>£/R</b> 1,67%   20,31