



MARKETS AND ECONOMICS

Global markets provided strong returns for August amidst many market-moving events and news, including significant geopolitical tension from the situation in Afghanistan and continued regulatory intervention in China. While most primary equity indices globally ended the month higher, the local index was pulled down by resource counters and consumer discretionary stocks, as well as a steep fall in Naspers and Prosus (as concerns around Chinese regulations impacted their tech exposure).

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

+ **United States (US): economic data and stimulus**

August saw the highly-anticipated, annual Federal Reserve's (Fed's) Jackson Hole Economic Symposium, with market participants eagerly waiting for guidance on expected policy adjustments. The key takeaway, in terms of market impact, was that tapering in bond purchases will likely begin towards the end of the year, but rate adjustments are still a long way out and there is no connection between the start of bond purchases and the hiking of interest rates. Meanwhile, economic data continues to soften, driving sentiment and confidence lower.

+ **South Africa (SA): vaccinations**

Vaccinations were opened to all adults in August, with 6 million people (10.2% of the population) being fully vaccinated by the end of August. While progress has been made, hesitancy amongst older people has been concerning, and government is now looking to introduce various "soft" incentive schemes to encourage vaccination. Furthermore, talks around mandatory vaccinations seem to have been gaining momentum, although government comments have stated no intention of such legislation, and that this should be a civil rather than a government concern.

+ **Naspers/Prosus share swap**

The Naspers/Prosus share swap, aimed at reducing the Naspers weight in local indices and unlocking value, was concluded mid-month, with Naspers now holding a significantly smaller weight (approximately 7.8% in the All Share Index), and Prosus holding a much larger weight (approximately 6.3%). The large volumes traded on this swap caused a system error on the Johannesburg Stock Exchange (JSE) that delayed the start of trading for several hours. R148 billion was traded, of which R83 billion was in Naspers and R37 billion in Prosus. This reweighting has now resulted in the BHP Group being the largest company on the JSE by market cap.

+ **Local Cabinet reshuffle**

President Ramaphosa announced a Cabinet reshuffle early in August, affecting ten portfolios, but making no significant change in the size of Cabinet. Key changes included the Ministry of State Security being dissolved and its functions moving within The Presidency, suspended Health Minister Zweli Mkhize (resigned) being replaced by Dr Joe Phaahla, and Finance Minister Tito Mboweni being replaced by Enoch Godongwana.

+ **SA gross domestic product (GDP) rebasing**

The South African economy was rebased in August, an exercise done by authorities every few years, with the new base for GDP calculations being moved from 2010 to 2015. This led to the local economy being 11% larger than before, leaving economic figures that are expressed relative to the GDP smaller than before. One of these figures is the debt to GDP figure that fell from 79% to 71%.

Other highlights from the local economy included a lower inflation figure of 4.6% year-on-year (down from 4.9%), a higher unemployment rate of 34.4% (up from 32.6%), retail sales growth of 10.4% from a year earlier, and a lower trade surplus of approximately R37 billion (down from R54 billion in the previous month) on the back of an 11% fall in exports.

JSE All Share -1,74% 67 427,93		MSCI World (USD) 2,49% 3 141,35		MSCI EM (USD) 2,62% 1 308,67	
SA Bonds 1,70% 817,12		SA Property 7,46% 334,96		CPI (y/y) 4,60% 121,80	
Gold -0,96% 1 810,58		Platinum -5,08% 1 011,00		Oil -5,01% 71,63	
\$/R -0,65% 14,52		€/R -1,08% 17,15		£/R -1,63% 19,98	