NAVIGA

Newsletter

March 2023

MARKETS AND ECONOMICS

And just like that the first three months of 2023 have come and gone, with March bringing a very volatile end to the first quarter of the year. The full quarter's returns were relatively strong for local equities (5.2%), local bonds (3.4%), and offshore investments made by rand-based investors (8.8% from the average ASISA Global Multi Asset Flexible Fund). The bulk of these returns were achieved in January, as the financial stress from higher interest rates and higher inflation started to show through the cracks in February and March.

The biggest event in March, and likely for the quarter as a whole, was the collapse in regional banks in the United States (US), leading to severe concerns around financial stability. The chaos soon spiralled over to Europe, where Credit Suisse was forced into consolidation with UBS. Subsequently, banking indices around the world sold off significantly before aggressive action from authorities brought some relief towards the end of the month. While the risk of further pressure on the financial system caused some debate on what the path for interest rates will be in the future, and whether central banks will pause their hiking cycles, both the US Federal Reserve and the European Central Bank stuck to their inflation-targeting agendas by increasing rates by 0.25% and 0.5% respectively.

Locally, we also had quite a few noteworthy headlines during March, including the much-anticipated Cabinet reshuffle. The Cabinet changes were in line with expectations. Paul Mashatile was appointed as Deputy President and Dr Kgosientsho Ramokgopa was awarded the newly-created role of Minister of Electricity in the Presidency. Further headlines included economic growth data for the last quarter of 2022, indicating a significant contraction in the real gross domestic product (GDP) of -1.3% quarter-on-quarter, taking the full-year GDP down to 2% for 2022. Strikes, electricity outages, and lower demand all detracted significantly during the period. Adding to the woes was the credit rating agency S&P Global, which cut the outlook on South Africa's sovereign credit rating from positive to stable, in line with Fitch and Moody's. In their view, they highlighted the downside risks and concerns arising from the worsening electricity crisis and infrastructure bottlenecks.

Another major development towards the end of the month was the agreement between government and the majority of unions around a two-year wage deal, which will see an allowance for a 7.5% increase in the first year, and an inflation forecast linked increase for the next year. On the inflation front, data released for February indicated an increase in inflation to 7% for the year (up from 6.9% in the previous month), after experiencing three months of decline. This, combined with global central banks' perseverance to keep increasing their benchmark rates, pushed the South African Reserve Bank to an unexpectedly aggressive repo rate hike of 0.5% in March. This took interest rates up to 7.75%, the highest level since May 2009. While the higher rate increases pressure on consumers with debt burdens, it also benefits those who are saving and drawing an income from their investments. Since the low point in 2021, interest rates and, subsequently, the interest available on income instruments, have risen by 121%. For more information on the upside of higher interest rates and different income solutions, please read our recent article **here**.

JSE All Share - 1,26% | 76 100,17 ▼	**MSCI World *(USD)*** 3,09% | 2 759,71 ▲	**MSCI EM *(USD)*** 3,03% | 985,77 ▲	**SA Bonds** 1,32% | 886,87 ▲
SA Property - 3,39% | 301,10 ▼	**CPI (y/y)** 7,00% | 107,90 ▲	**Gold** 8,75% | 1 969,50 ▲	**Platinum** 3,95% | 991,26 ▲
Oil - 4,27% | 79,89 ▼	**£/R** - 0,58% | 21,94 ▼	**€/R** - 0,64% | 19,29 ▼	**$/R** - 1,18% | 18,14 ▼

t: 087 056 9631 | e: info@naviga.co.za | www.naviga.co.za | Catnia Building, Bella Rosa Village, Bella Rosa Street, Bellville, 7530

Disclaimer: Although every effort has been made to ensure the accuracy of the content of this newsletter, Naviga Solutions (Pty) Ltd accepts no liability in respect of any errors or omissions contained herein. The contents of this newsletter cannot be construed as financial advice and does not confer any rights whatsoever, enforceable against any party and does not replace any legal contract or policy which may be subject to terms and conditions. Naviga Solutions (Pty) Ltd retains the right to amend any information contained in this newsletter at any time and without prior notice. Naviga Solutions (Pty) Ltd is an authorised financial services provider, FSP 381.