MONTHLY MARKET COMMENTARY

MAY 2024

PERSONAL T·R·U·S·T

for the personal touch

SOUTH AFRICA

GLOBAL

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Instrument Total Return %	May	YTD	1-Year	3-Years	5-Years
EU Equities (STOXX 600)	1.93%	8.18%	14.70%	5.07%	7.02%
US Equities (S&P 500)	3.31%	11.30%	28.19%	9.57%	15.80%
US Equities (Nasdaq 100)	4.34%	10.54%	31.12%	11.55%	22.09%
Hong Kong Equities (Hang Seng)	2.63%	7.40%	3.34%	-11.81%	-4.58%
Global Equities (MSCI ACWI)	2.92%	9.11%	24.13%	5.62%	12.21%
FTSE World Government Bond Index	0.69%	-3.93%	-0.61%	-7.24%	-2.75%
South African Equities (ALSI)	0.46%	1.60%	6.27%	8.60%	10.71%
South African Bonds (ALBI)	0.72%	0.36%	13.03%	6.19%	7.21%
SA Listed Property	1.11%	3.40%	20.25%	10.74%	0.17%
EUR/ZAR	1.5%	1.0%	-3.1%	6.7%	4.6%
GBP/ZAR	1.8%	2.8%	-2.2%	7.0%	5.4%
USD/ZAR	-0.1%	2.3%	-5.0%	11.0%	5.2%

FOR CURRENCY RETURNS: Negative Integer = ZAR strengthening | Positive Integer = ZAR weakening | 3 and 5 year returns annualised

Instrument Total Return %	May	YTD	1-Year	3-Years	5-Years
Personal Trust Income Fund	0.8%	2.5%	10.2%	6.8%	6.7%
Personal Trust Conservative Managed Fund	1.3%	3.8%	7.5%	9.0%	8.9%
Personal Trust Managed Fund	1.5%	5.1%	8.4%	10.2%	10.4%
Personal Trust Prudent Fund of Funds	1.4%	2.5%	9.2%	9.3%	9.7%
Personal Trust Equity Fund	2.7%	2.8%	5.8%	10.1%	11.2%
PTI Global Select Opportunities Feeder Fund	1.1%	4.1%	5.5%		
PTI Global Select Managers Opportunities Fund	2.3%	3.1%	12.2%	0.2%	5.4%
PTI Global Select Managers Cautious Fund	1.9%	0.4%	6.6%	-2.0%	1.6%

3 and 5 year returns annualised

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Emerging market equities (0.2%) continue to lag developed market equities over most periods. SA equities (1.0%), did better than the emerging market aggregate, led by the Industrials sector (1.7%). SA Inc. stock (those with earnings linked to the SA economy), such as banks, insurers, and retailers, were the worst hit as the National and Provincial Elections (NPE) results showed that the ANC would lose its majority by a bigger margin than anticipated - Chemicals (-4.9%), Retailers (-3.0%) and Banks (-0.7%). Resource counters (Resi-10 +0.1% MoM) also advanced, especially gold and platinum shares.

SA yields fell by 35bps during the first three weeks of the month before retracing and ending the month 7bps higher than they started in line with global bond markets. Longer maturities however, remain under pressure despite a better than budgeted for fiscal outcome as debt consolidation remains unlikely under prevailing conditions.

The SA Listed Property Index disappointed, as the SAPY gained 1.6% in the first three weeks of the month but returned just 0.2% by the end of May.

Retail sales recovered in March but declines in motor trade sales, mining output, wholesale trade and manufacturing production point to a stagnant economy in 1Q24. Yet, the SARB's MPC kept the repo rate unchanged for the sixth consecutive meeting at 8.25%, in line with consensus. SARB's forecast that inflation will stabilise at 4.5% in 2Q25 (from 4Q25 in the previous statement), the unanimous decision to keep the repo rate unchanged, as well as the inflation outlook suggests that the SARB is likely to stay on hold in its July meeting before cutting the repo rate in September.

SA Coalitions: Business wants "First, that the president stays in place, second that the integrity of the National Treasury and the fiscal monetary authorities is maintained, and thirdly that the institutions of the constitution remain intact." We expect volatility to continue until a new government is formed and will hopefully see adults stand up as the electorate clearly wants coalition politics.

Alice Torppa & Mark Huxter, Investment Team

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Considering some strong cyclical sector performances this year, it seems many investors have an optimistic view of a 'no landing' US economy. Equity valuations are undeniably high currently, with the S&P 500 forward P/E ratio at 21.8 compared to its long-term average of 18.0. The month saw investors preference for US equities continue as the uptrend remains intact. Despite a tough last week of May, the major US indices recorded strong gains last month. MoM, the Dow Jones rose 2.3% (its strongest monthly performance since December 2023). The S&P 500 gained 4.8%, its best month since February, while the tech-heavy Nasdaq climbed 6.9% MoM, erasing its April losses. The Nasdaq had gained over 11% for the month.

Contrary to such optimistic views, both the Services and Manufacturing PMI indices are currently marginally in contraction territory. The drop in the ISM manufacturing index in May adds to the sense that the economy is losing momentum, while the drop back in the prices paid index should soothe concerns about a potential renewed rise in goods price pressures. Meanwhile, narrow market leadership continues! But history suggests that narrow stock market rallies can last for years: that was the case for both the 1990s dotcom bubble and the late 2010s "big tech"-driven rally.

In Europe, major equity markets closed higher in May. MoM, Germany's DAX rose 3.2%, while France's CAC closed 0.1% higher. The UK stock market also posted another positive performance in May, with the blue-chip FTSE-100 Index rising by 1.6% MoM after an all-time high of 8,445.8 in mid-May. In the Far-East, Japan's benchmark, the Nikkei, ended May 0.2% higher and China's equity markets disappointed, with the Shanghai Composite ending May 0.6% lower MoM.

US Treasuries remain volatile as the expansionary regime prevails, limiting the decline of interest rates in the absence of systemic and geopolitical risks. Government bonds gained on Friday, with the yield on the 10-year US Treasury edging around 3 basis points lower to end the week at 4.51%— down from an intraday high for the week of 4.63%. and for the month negative 9 basis points return.

Finally, the US labour market is seeing signs of cooling, delivering some evidence that demand and inflation will slow. New job openings have already dropped by almost 30% with wage rowth following suit, currently just marginally in positive real territory. Credit card delinquencies are at a twelve-year high

USD : Any US dollar setback, should only be temporary as rate differentials matter. The US dollar will see rate differentials widen in its favour, as peer central banks begin to cut (June) before the Fed considers cutting later this year (September). Option's traders are most bearish on the euro in four weeks heading into the policy decisions by the European Central Bank on June 6 and the Federal Reserve June 12.

Commodities: saw a pullback in prices, as the gold price fell sharply to c. US$2,340 on 29 May, but it was still up 1.8% MoM (its fourth consecutive monthly gain). Platinum jumped 10.7% MoM, driven by supply shortages, but palladium declined by 4.1%; Brent crude fell 7.1% in May. While Iron ore prices slipped (-0.6% MoM), undermined by fears of falling demand in China. However, "buying" growth in this sector remains compelling, as undervalued counters favour the strategy.

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