

Market Commentary

October 2023

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Global market themes

The rise in inflation and slower economic growth have been the main reasons that banks have had a less optimal capital buffering. Global growth has slowed down and there has been a surge in financial strain, particularly in emerging markets and developing economies.

In October, major stock indices saw declines with the Dow Jones Industrial Average falling 1.3%, the S&P 500 dropping 2.1%, and the NASDAQ experiencing a 2.8% decrease. The MSCI World index recorded a 2.9% decline, while the MSCI EM index shed 3.9%. The Barclays Global Aggregate Bond Index, although impacted, recorded a relatively milder decrease of 1.2%. The most affected global stocks were small and mid-cap stocks. In terms of global sector performance, energy lagged with a 5.8% decline, while utilities showed a modest 1.3% increase, and the Technology sector inched up by 0.1%. Notably, the average price for gas in the US fell by 36 cents to \$3.60 a gallon due to a drop in oil prices during the month. Yields on US 3-, 5-, 10-, 20- and 30-year treasuries all increased by double-digit basis points. The interest rate for Japan's 10-year Government Bond approached 1%.

During their early November meetings, both the US Federal Reserve and the Bank of England decided to keep their key policy rates steady. Mortgage rates in the United States have reached nearly 8% for the month, leading to a decline in homebuilder confidence and a reduced interest from prospective buyers.

The European Union (EU) and Japan met to discuss digital advancements and efficiencies. As a result of the EU-Japan High-Level Economic Dialogue (HLED), the regions will now be able to handle data more efficiently without tedious administrative and storage requirements. This includes removing data localisation requirements, which prove costly for both regions.

The slight contraction in China's manufacturing activity in October is likely connected to uncertainties surrounding the country's economic recovery, the Golden Week holiday in October, and the current instability in the property market due to weaker local demand. Huawei has submitted a trademark application for "Far Ahead" in the categories of transportation tools and scientific instruments. The term 'Far Ahead' describes the technological lead that Huawei holds over its competitors, and was first used at the early release of the Huawei Mate 60 launch. Chinese scientists have also made notable progress with their recent development of an underwater robot with impressive adhesive, clinging and gliding capabilities, as detailed in a recent publication in the National Science Review journal.

Unforgettably, on 7 October 2023, Hamas initiated an unexpected attack on Israel, prompting a swift response from the Israeli authorities. This ongoing conflict has, unfortunately, resulted in mounting casualties and extensive damage to infrastructure. The root cause of tension in the region can be traced back several decades, and even centuries, to territorial disputes over occupied land that both parties claim as their own. The duration of this conflict remains uncertain, raising concerns that Israel's conflict with Hamas could potentially escalate into a larger conflict in the energy-rich Middle East, drawing in other players.

The UK's Business Confidence Monitor for the third quarter indicated a slight drop in business confidence compared to the previous quarter. Input cost inflation and salary growth appeared to stabilise during this period. Within the UK, the construction sector reported lower confidence, while the transport and storage sector displayed the most optimal growth prospects. Inflation in the Eurozone fell to 2.9% in October. For the month, Germany showed an economic output dip of 0.1% while France increased growth by the same figure.



Japan's 10-year Government Bond approached a 1% interest rate



US Mortgage rate affects homebuilder confidence; reduced interest from prospective buyers



Huawei trademarks "Far Ahead," highlighting its tech lead; a term introduced during Mate 60 launch



October's surprise attack by Hamas sparks fears of broader unrest in the energy-rich Middle East



Kenya aims to remove visa requirements for all African visitors by the end of 2023 to boost growth



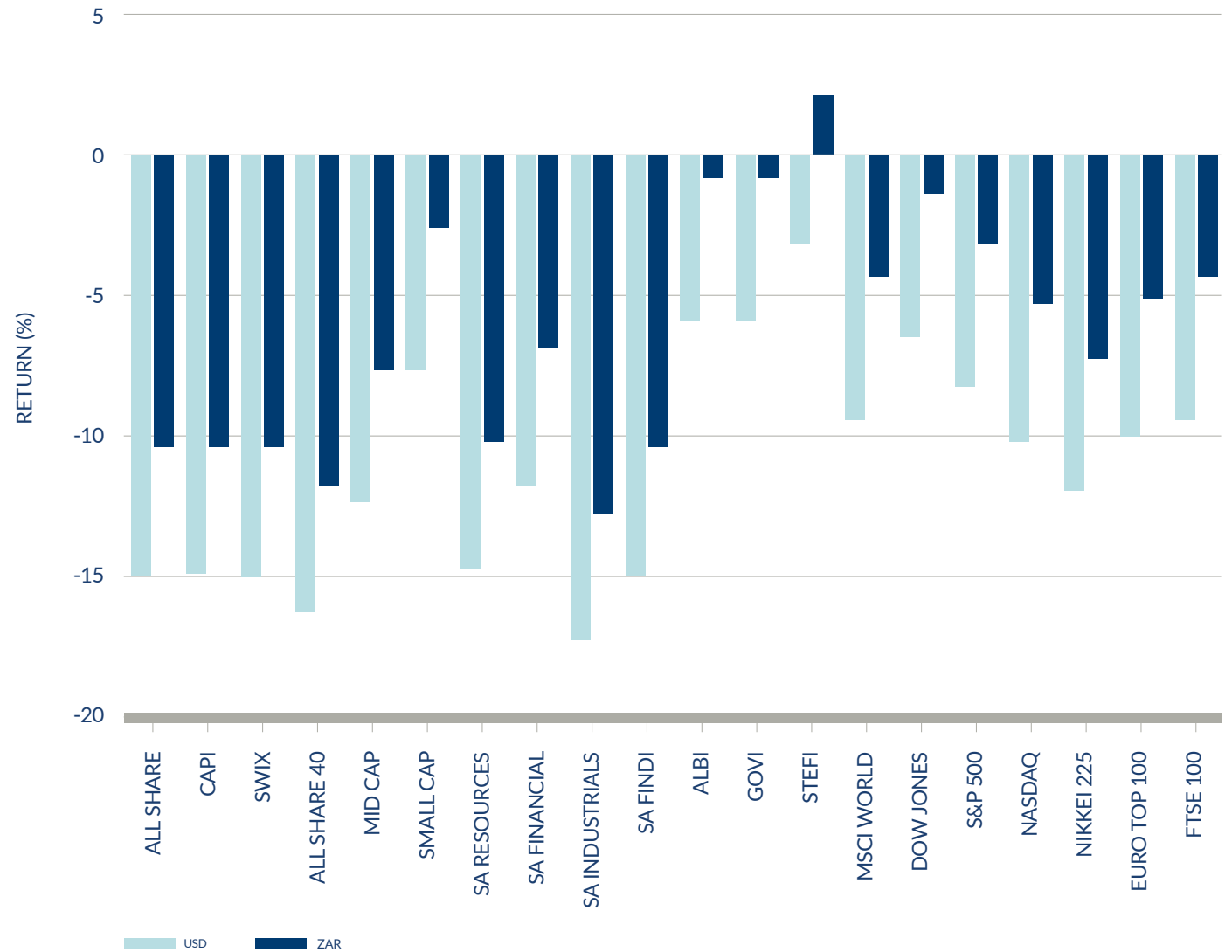
Commodity performance:
Oil and gold up; palladium
and coal prices decline

In other parts of the world, Kenya is at work to remove visa requirements for all African visitors by the end of 2023 to boost business growth. India saw a rise in its overall unemployment rate to 10.05% in October, with a significant portion of this increase in rural areas. In Brazil, there was a slight contraction in economic activity in October, which was expected by the government and economists due to the ripple effects of interest rate hikes. And Russia has implemented measures to streamline the investment process for citizens and companies from countries on their 'friendly' list, which includes China, India, Brazil, Saudi Arabia, Turkey, Kazakhstan, and Belarus.

Brent Crude oil increased from \$84.59 a barrel to \$88.11 a barrel, mainly driven by the conflict in Israel and Gaza. This increase in energy prices reached 9%, and gold prices also went up by over 8%. Oil and gas prices could further rise if the Israel and Gaza conflict escalates. Platinum and Silver prices experienced some positive movement during the month. On the other hand, Palladium has lost almost 40% of its value to date, platinum saw a 12% decline, and coal prices are nearly 40% lower.

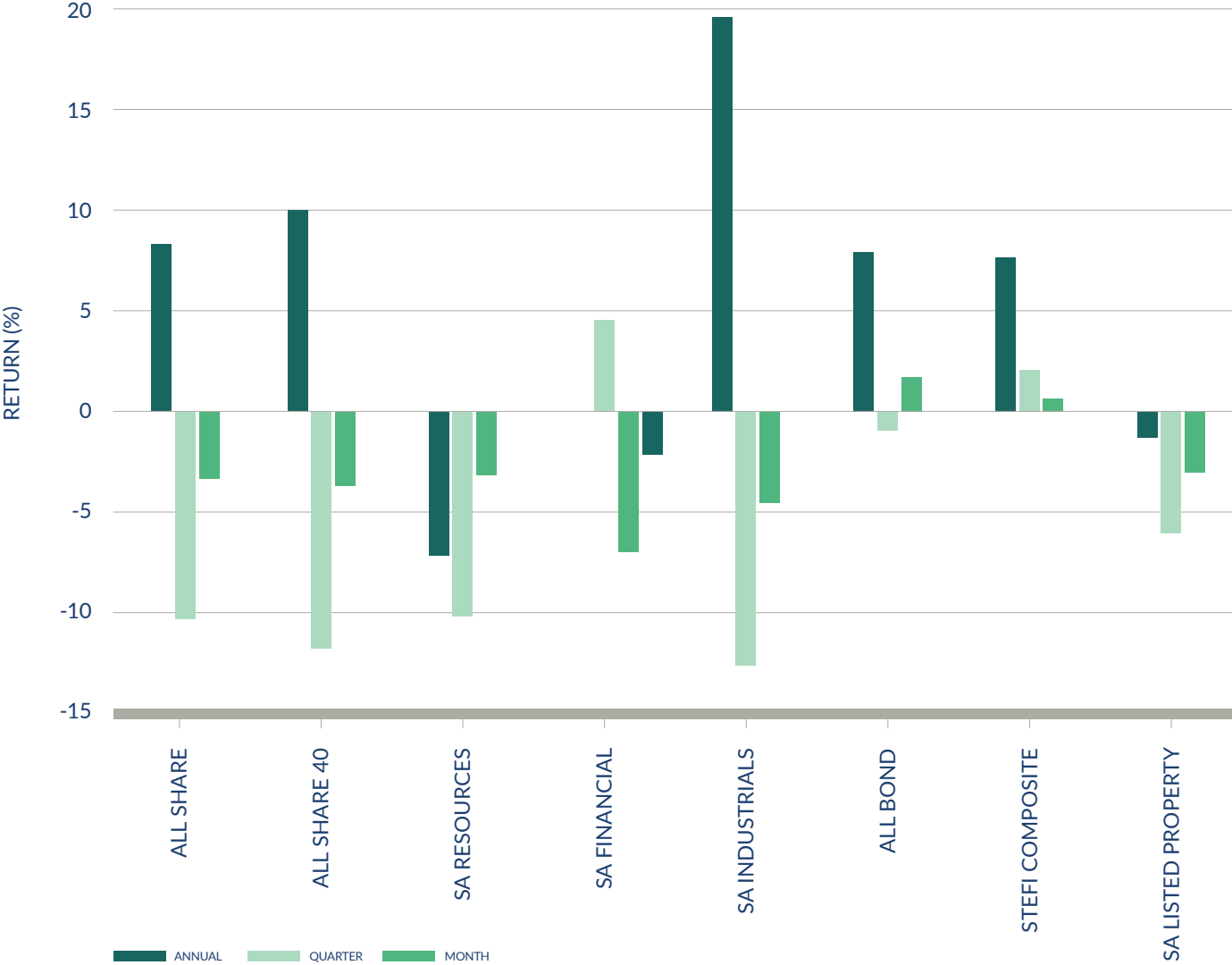
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

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