



# Market Commentary

May 2024

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## South African market themes



The ANC's decreased majority in the recent election has prompted coalition talks for governance



The JSE maintained momentum despite post-election pressure, led by equities



The rand experienced volatility due to election uncertainty but ended May relatively unchanged

In May, the South African elections took centre stage. On May 29, 2024, voters participated in the national polls, with a turnout of 58.64%. The election results marked a significant shift from the 30-year majority held by the African National Congress (ANC). The ANC secured 40.18% of the vote, the Democratic Alliance (DA) achieved 21.81%, and the newly formed uMkhonto weSizwe (MK) Party, led by former President Jacob Zuma, garnered 14.58%. The Economic Freedom Fighters (EFF) received 9.52%, with smaller parties making up 13.91%. The African National Congress must forge coalitions with one or two larger parties to secure the majority needed for governance.

From a market perspective, the Johannesburg Stock Exchange (JSE) maintained its momentum from March and April for most of May but faced significant pressure on May 30 and 31 following the election results. Despite this, South African equities outperformed both property and bonds, ending the month with the FTSE JSE SWIX index rising by 1%, bringing year-to-date gains to 1.7%. Within equities, the industrials sector (FTSE JSE Industrials) increased by 2.1%, resources (FTSE JSE SA Resources) rose by 1%, while financials (FTSE JSE Financials) fell by 2.7%. Nominal bonds, as measured by the FTSE JSE All Bond Index, outperformed inflation-linked bonds (FTSE JSE CIL) with returns of 0.75% and -0.75%, respectively. The property sector, measured by the FTSE JSE All Property Index, remained flat.

The South African rand experienced volatility against the US dollar throughout May. It initially strengthened before stabilising mid-month but depreciated rapidly following the elections, ending May at R18.83 against the dollar, a marginal 0.04% monthly appreciation. The rand lost ground against the pound sterling and the euro by 3% and 2.6%, respectively.

The South African Reserve Bank (SARB) maintained the repo rate at 8.25% during its third Monetary Policy Committee (MPC) meeting of the year, keeping the prime rate at 11.75% amid a high inflation outlook. In April, inflation moderated to 5.2% year-on-year, slightly below the market consensus of 5.3%, with core inflation easing to 4.6% from 4.9% in March.

The Absa Purchasing Managers Index (PMI) dropped significantly to 43.8 in May from 54 in April, falling below the 50-point threshold. This decline was driven by a substantial decrease in demand as clients delayed orders pending election results, despite another month without load-shedding.

In May, President Cyril Ramaphosa signed the new National Health Insurance (NHI) Bill, aiming to establish a state fund to cover medical costs for all South Africans. The bill seeks to address healthcare disparities and improve quality, potentially funded through taxes, individual contributions, and employer-employee contributions. Reactions to this are mixed, with some welcoming the initiative and others expressing concerns about its affordability and potential tax increases.

In selected corporate news, local retailer Pick N Pay saw a 23% increase in share price in May, reflecting investor confidence in the turnaround strategy led by the new CEO Sean Summers. Conversely, Woolworths experienced a 9.5% decline month-on-month following its FY24 trading update, which projected a year-on-year decline of over 20% in earnings per share (EPS) and headline earnings per share (HEPS), partly due to the incorporation of the David Jones business and the profit from its disposal in FY23.

Overall, May was a month of significant political and economic developments for South Africa, with the elections bringing about a historic shift in the political landscape, necessitating

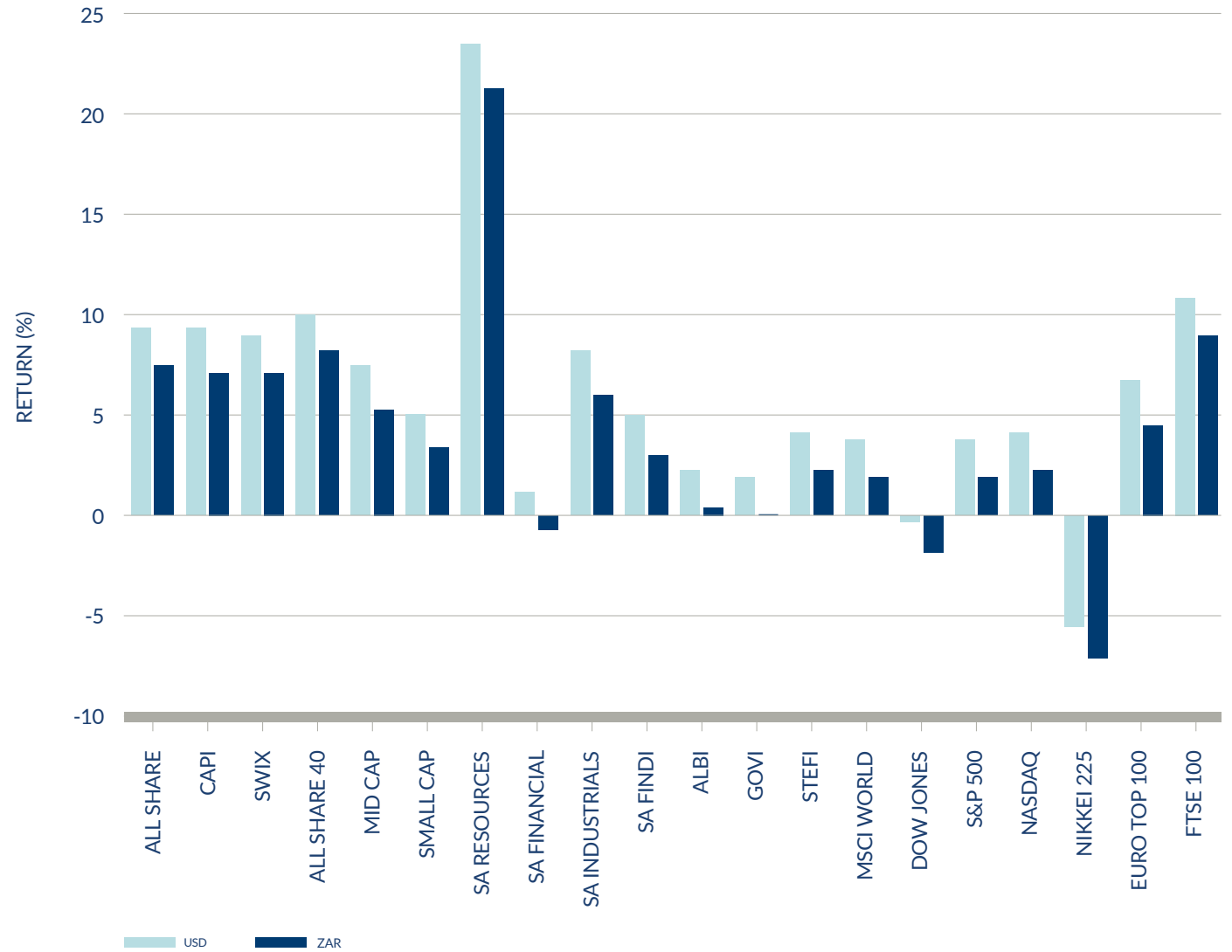


Mixed views on the newly signed National Health Insurance Bill – an ongoing effort to address socio-economic disparities

coalition-building and influencing market dynamics. While the Johannesburg Stock Exchange showed resilience amidst electoral volatility, the knock-on effects showed as the rand and various sectors experienced mixed performance. As the country navigates these changes, the reactions from markets and investors will continue to be pivotal in shaping South Africa's economic future.

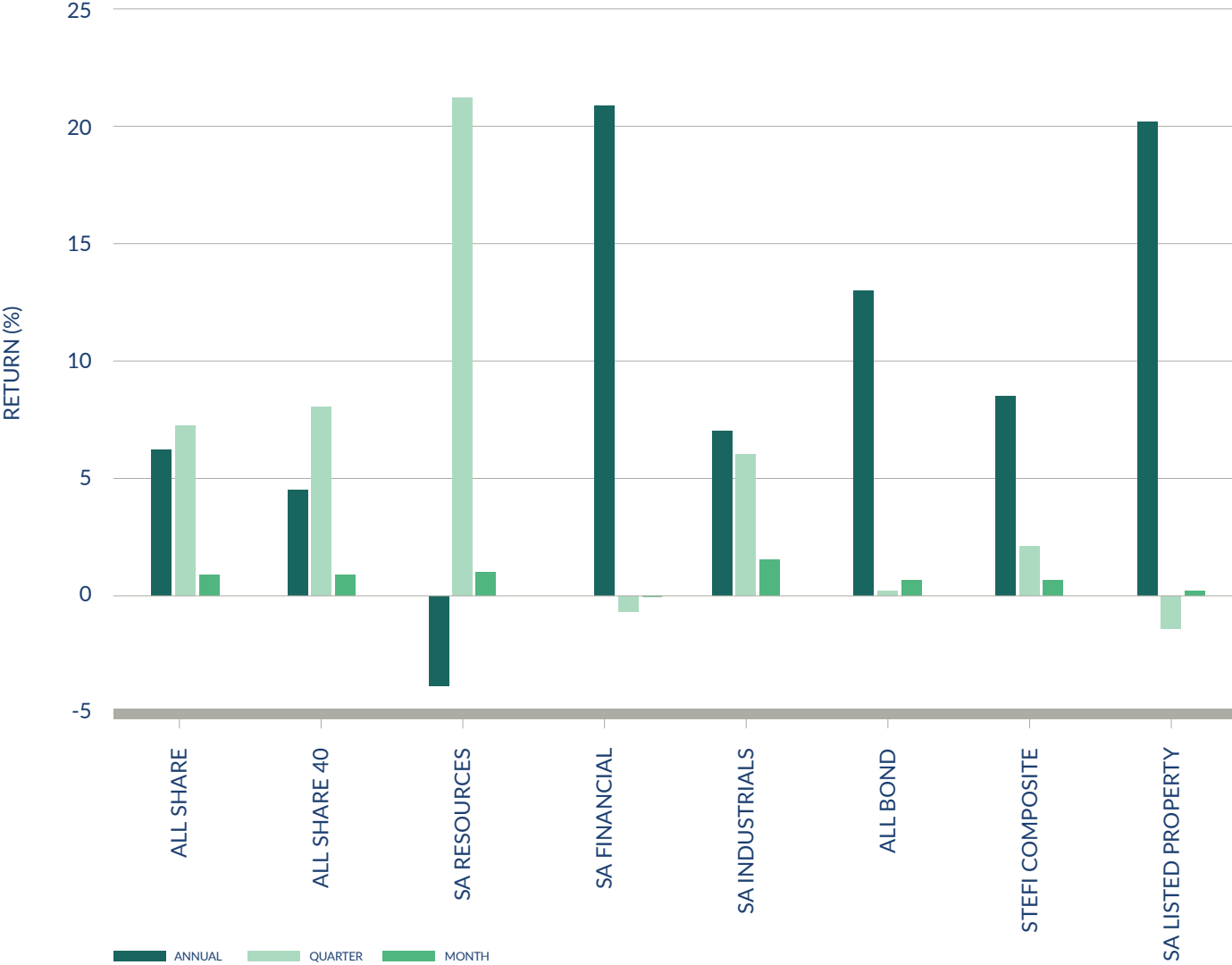
# World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



# South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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