Market Commentary

September 2024

RISCURA

Global bonds and equities surged in September, driven by recent and anticipated rate cuts

UK's FTSE 100 fell 1.5% amid continued inflation concerns

Japan's Nikkei 225 fell 1.3% as investors awaited new PM, Shigeru Ishib

China's stimulus measures sparked a positive 21% rally in Chinese equities

Global market themes

Despite increased volatility in developed markets, both equity and bond indices posted gains in September. Inflation eased across many economies, approaching central bank targets, leading major central banks such as the U.S. Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BoE) to lower interest rates. The Fed delivered a 50-basis point cut, its first since March 2020, while China's substantial fiscal stimulus package further boosted global sentiment. Inflation in the U.S. cooled to 2.5% y/y, and the overall unemployment rate lowered slightly to 4.1%. The Eurozone also saw inflation ease to 2.2%, while the UK's inflation rate remained unchanged at 2.2%.

The MSCI World Index, a key gauge of developed market equities, rose 1.9% m/m, while the MSCI Emerging Markets Index surged 6.7% m/m, outperforming developed markets. Excluding China, the MSCI Emerging Markets Index posted a more modest 1.3% m/m gain, highlighting China's outsized influence in driving the broader index's performance.

Turning to bond yields, the benchmark 10-year U.S. Treasury yield declined by 12 basis points to reach 3.8% by month-end, supporting global bonds on a total return basis, resulting in a 1.7% m/m and a 3.6% YTD gain, as measured by the Bloomberg Global Bond Index. Elsewhere, the 10-year UK gilt yield remained flat at 4%, while 10-year German bond yields saw a significant decline from 2.3% in August to 2.12% in September. In real estate, despite headwinds within this sector, the FTSE EPRA Nareit Developed Rental Index managed to gain a modest 3% m/m as the recent rate cut provided some relief to tenants.

The U.S. ISM Manufacturing Index remained in contraction territory, unchanged at 47.2 index points, marking six consecutive months of contraction. This continued slowdown raises concerns about the health of the world's largest economy.

In Europe, markets fared modestly, supported by China's robust stimulus measures, which provided relief to its ailing economy. Germany's DAX gained 2.2% m/m, and France's CAC rose 0.2% m/m, buoyed by improving inflation figures and a rate cut from the ECB. However, the UK's FTSE 100 lagged, falling 1.5% m/m, as sticky inflation concerns weighed on market sentiment. This is despite the UK labour market showing resilience, with the unemployment rate edging down to 4.1% (previously 4.2%) as expected.

Turning to Asia, Japan's Nikkei 225 fell by 1.3% m/m, as investors anticipated the new Prime Minister, Shigeru Ishiba, who took office on 1st October 2024, weighing on sentiment. In contrast, China's aggressive stimulus efforts sparked a strong rally in Chinese equities, with the CSI 300 gaining 21% m/m and Hong Kong's Hang Seng Index up 18.3% m/m. The People's Bank of China (PBoC) cut the RRR by 50 basis points, injecting RMB 1 trillion in liquidity and lowering repo rates, with more cuts expected. Core Tier-1 capital was injected into state banks to boost lending, mortgage rates were reduced by 50 basis points, benefiting 50 million households, and down payment ratios were cut to 15% from 25%. The PBoC also committed to fully finance local governments for the purchase of unsold homes and extended financial support for property developers through 2026. Additionally, a $42 billion stabilisation fund and loan facilities for stock buybacks were introduced to support the equity market.

Elsewhere in emerging markets, India saw a market gauge of equities, as measured by the SENSEX, rise 2.4% m/m, although economic growth slowed to 6.65% y/y in Q2 2024, missing expectations due to reduced government spending. In Africa and frontier markets, the MSCI Africa ex-South Africa Index posted a strong 4% m/m gain, bolstered by gains in Kenya (up

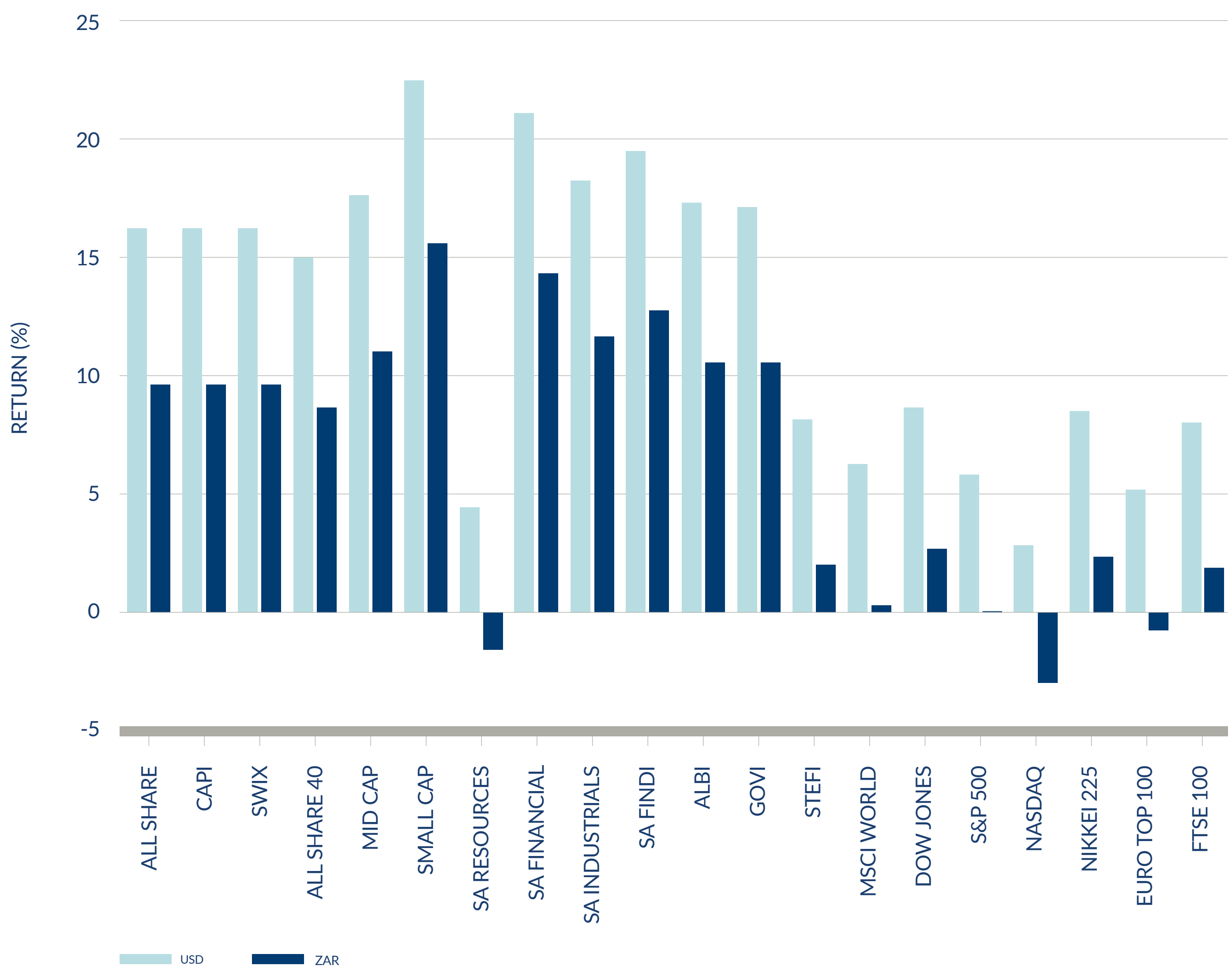
Brent crude oil prices plummeted 8.9% in September due to oversupply concerns

4.9% m/m in KES terms, as measured by the Nairobi Securities All Share Index) and Morocco (up 3.6% m/m in MAD terms, as measured by the MASI Free Float All Share Index). The MSCI Frontier Market Index recorded a modest 0.6% m/m increase.

The Fed's rate cut dampened demand for the U.S. dollar, causing the Dollar Index to fall 0.9% m/m. Gold surged by 5.2% m/m to $2,634.58 per ounce, driven by strong central bank demand from emerging markets. However, Brent crude oil prices plummeted 8.9% in September, closing at $71.77 per barrel amid oversupply concerns.

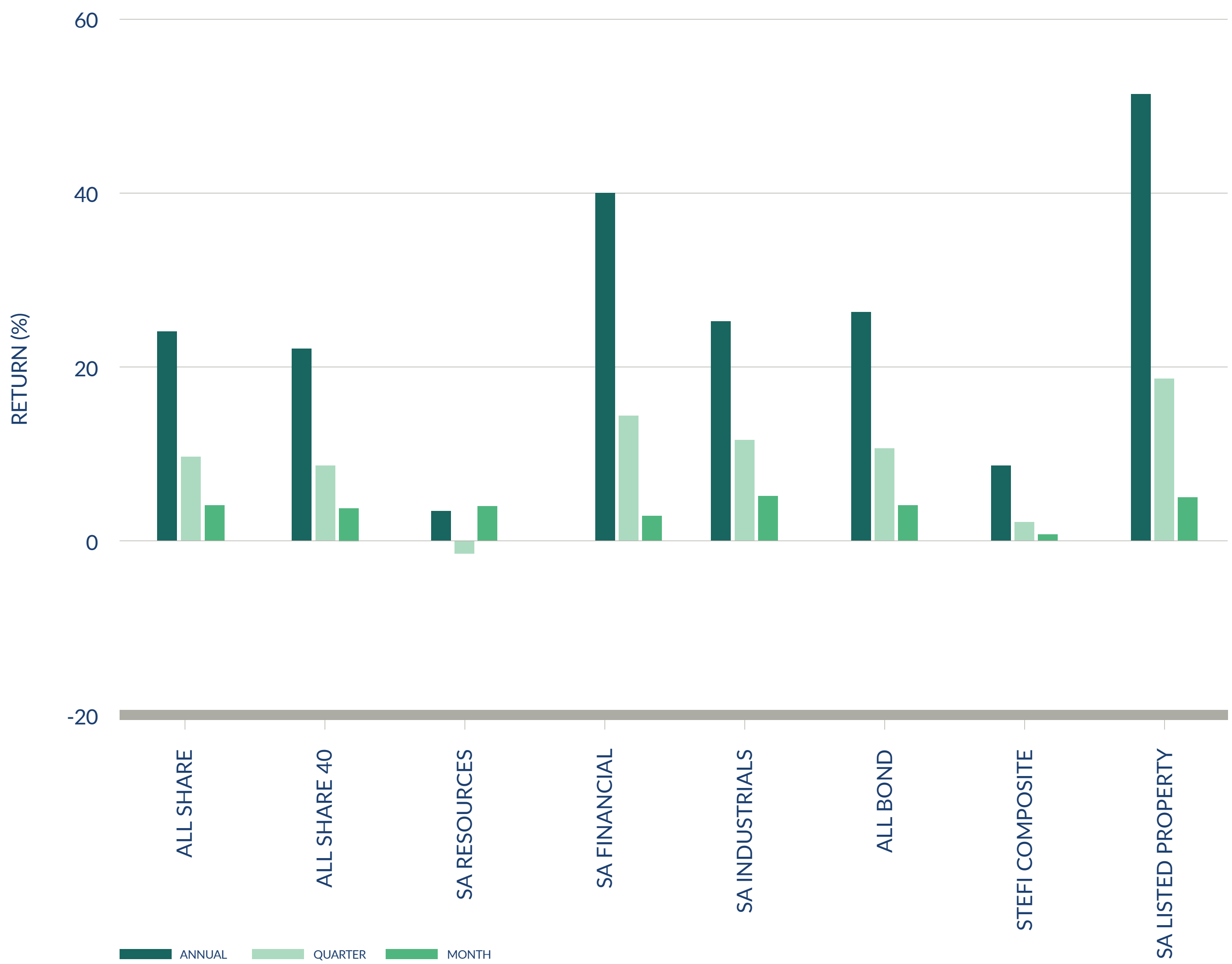
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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