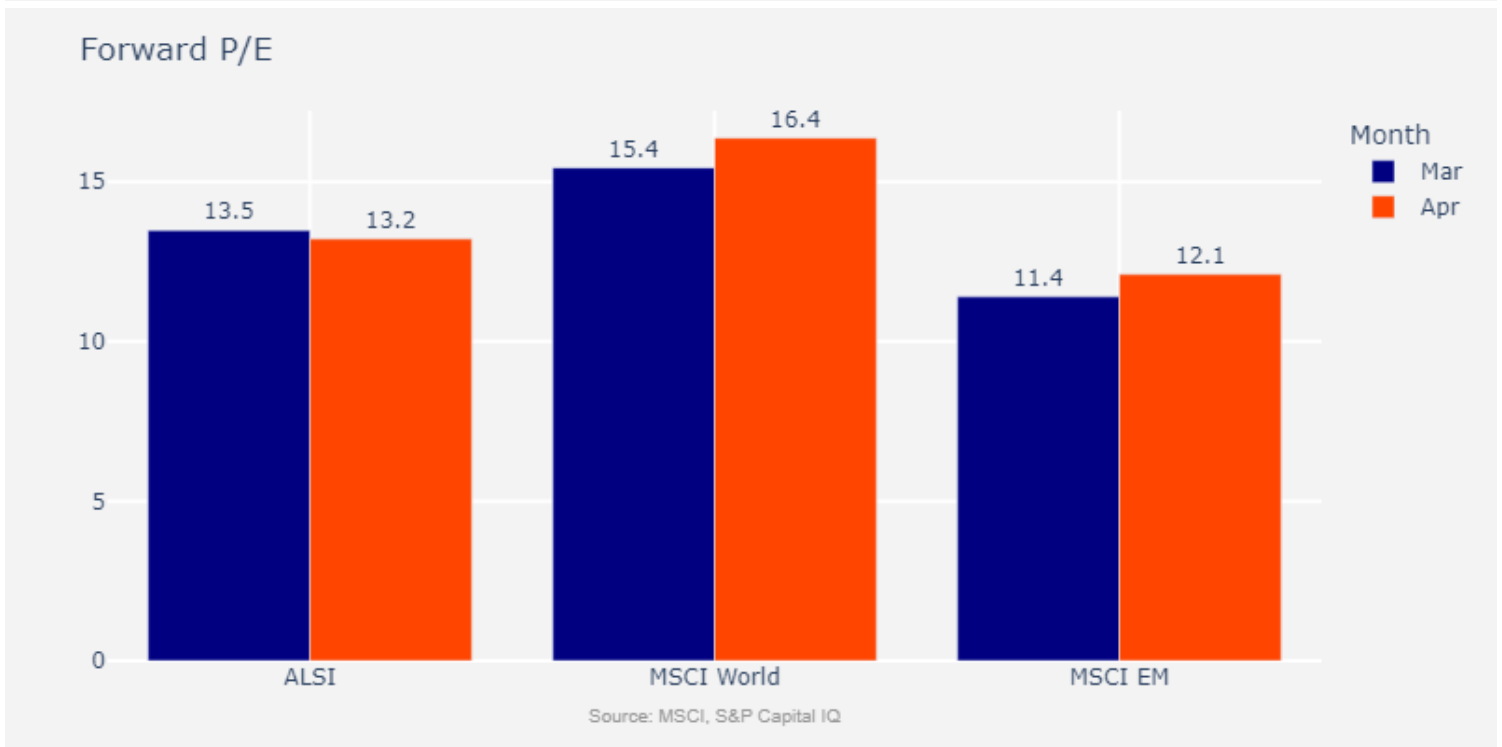
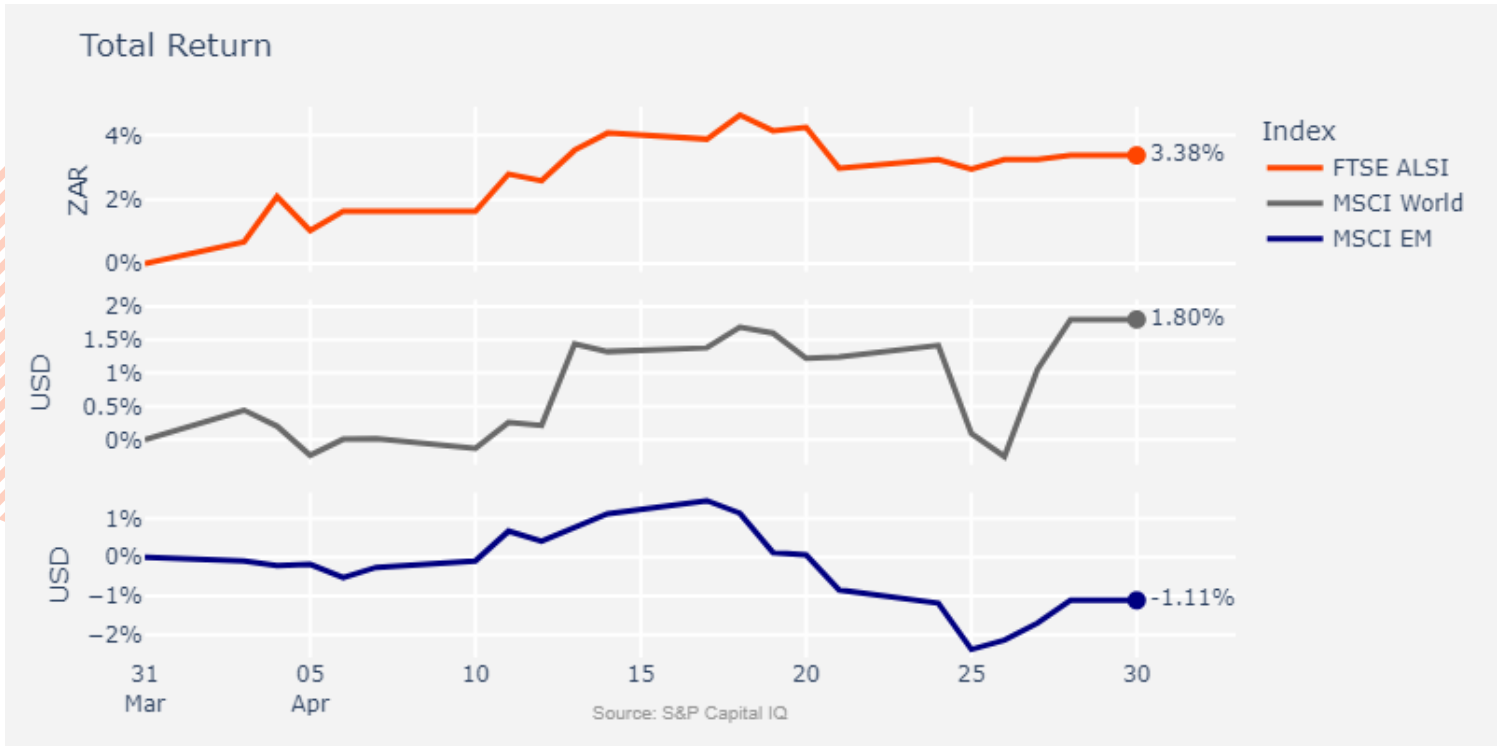




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Equities





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Equities

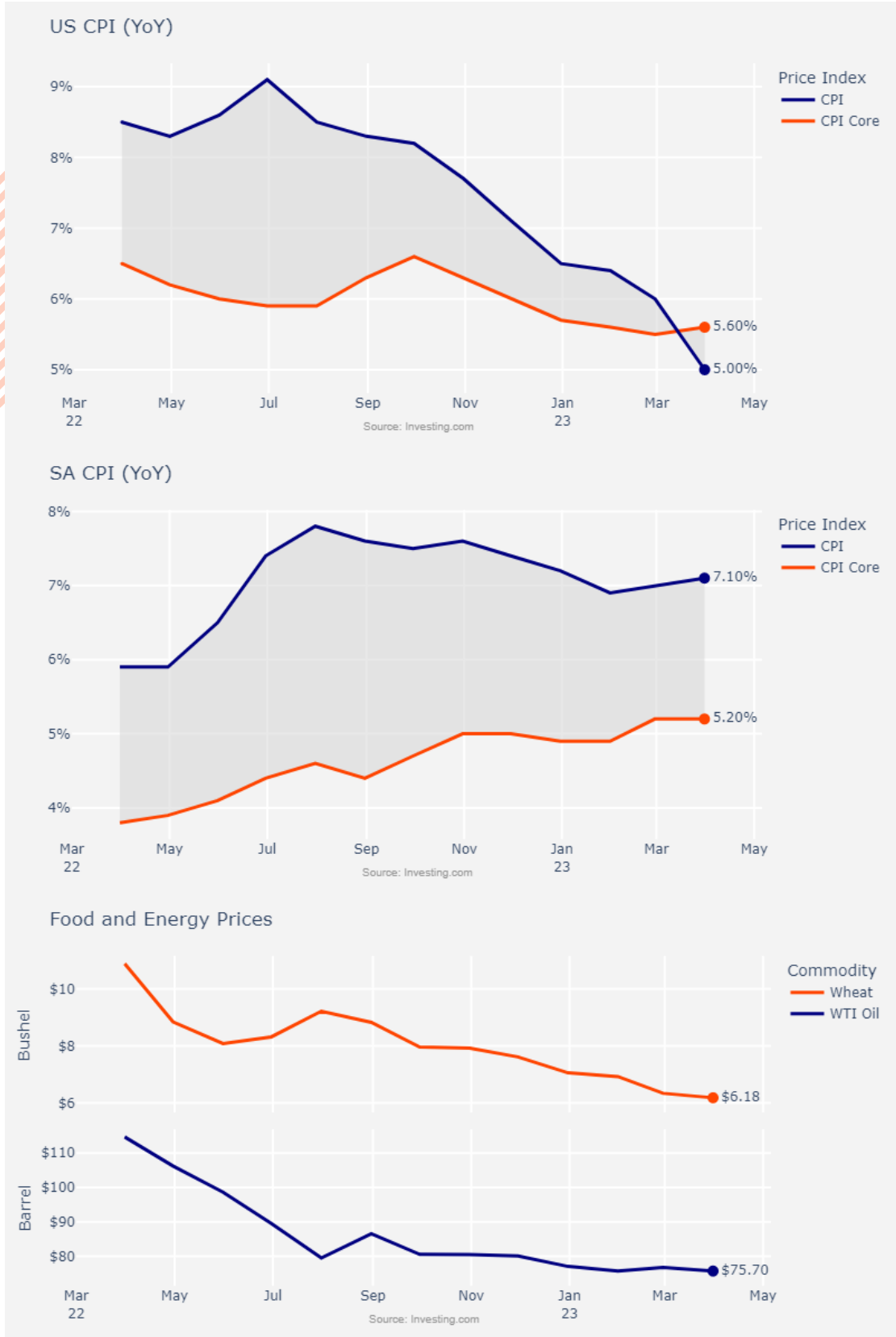
- The month of April was a good month for equities in general, especially for local equities.
- However, offshore developed equities were favoured as the MSCI World Index beat the MSCI Emerging Markets Index in Dollar terms.
- Valuations based on forward price-to-earnings multiples still look good across the board.
- The end of April saw the release of earnings figures for many US large-cap stocks, with actual figures beating analysts' expectations on average. This was likely due to analysts placing too much emphasis on their expectation of a shallow recession toward the end of the year.
- US tech companies experienced a bounce in particular on the earnings news.



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Inflation





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Inflation

- In the US inflation has come well off its highs in April, with headline inflation printing lower than core inflation again for the first time since the start of the rate hiking cycle.
- The Federal Reserve's target of 2% inflation has not been reached as of yet, but all signs point to the trajectory being in the right direction.
- Food and energy input prices have been decreasing steadily and is now stable, which places deflationary pressures on prices, as can be seen in the headline inflation print being lower than core.
- South African inflation remains slightly outside the desired range of 3-6%; however, current levels are not extreme for South Africa and is still well below the peak of August.
- Most of the current inflation South Africa is experiencing may be imported from developed markets—as we continue to see inflation falling offshore, the effects will inevitably start to feed through to South Africa as well.

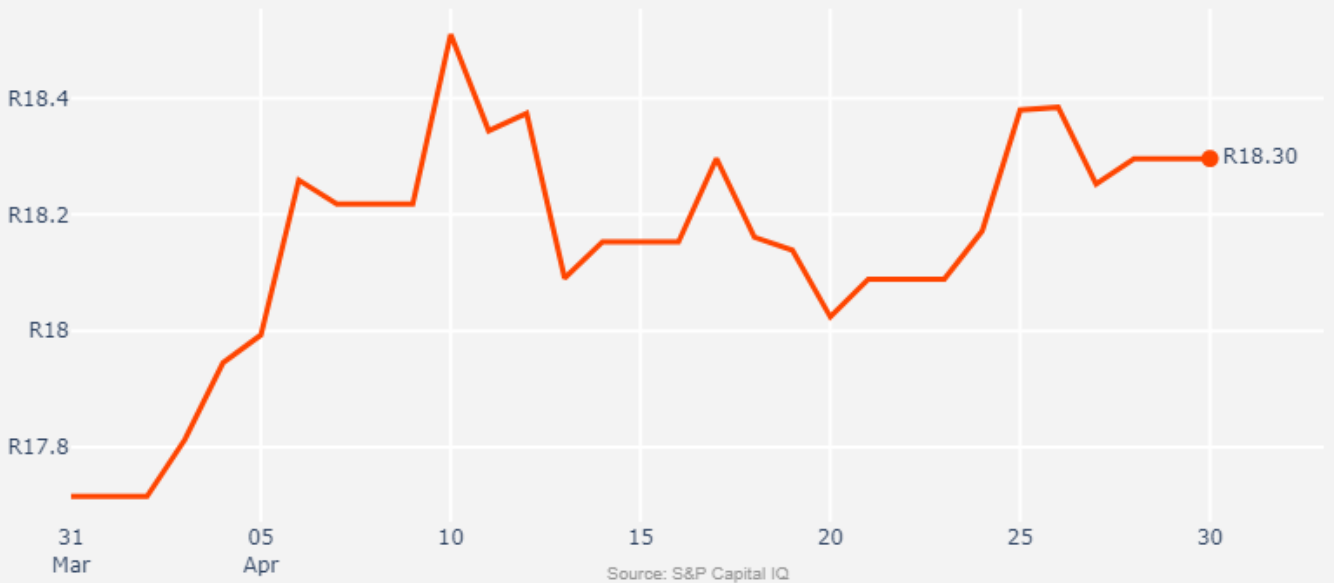


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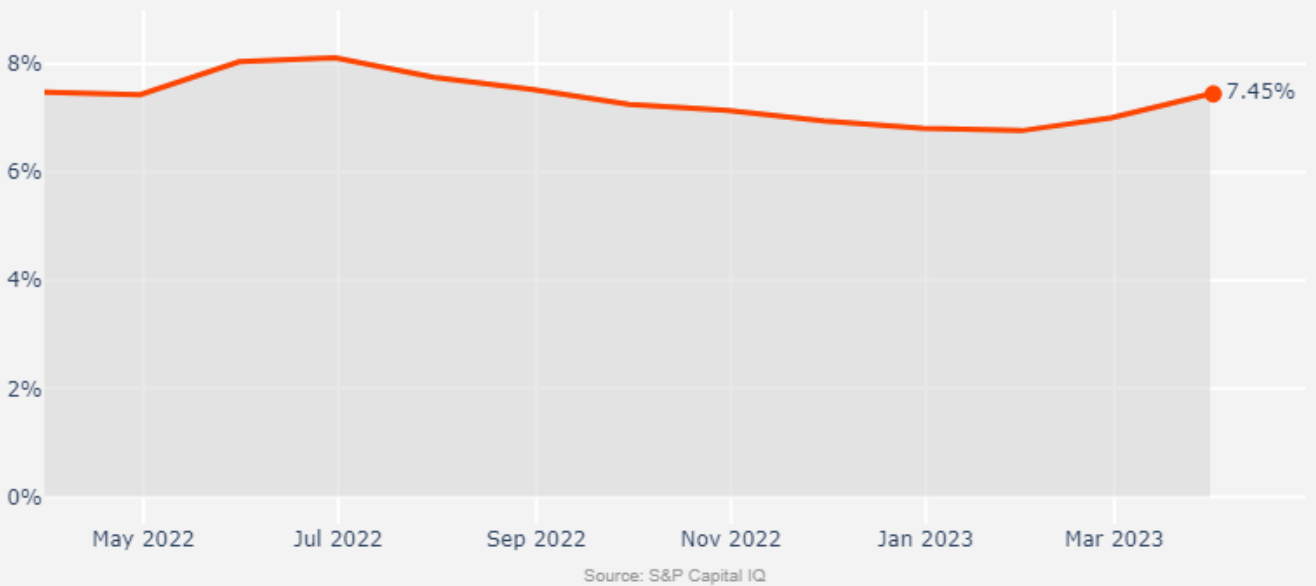
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Local vs US Economy

ZAR/USD Exchange Rate



SA-US 10y Bond Spread





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Local vs US Economy

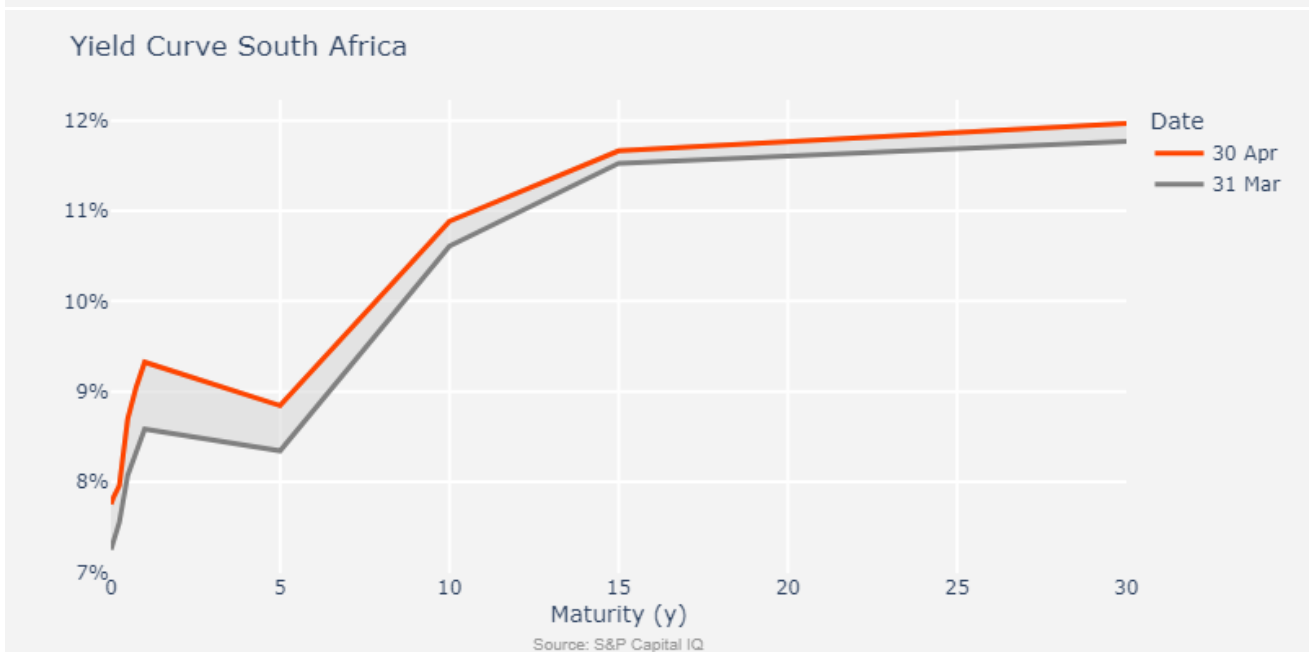
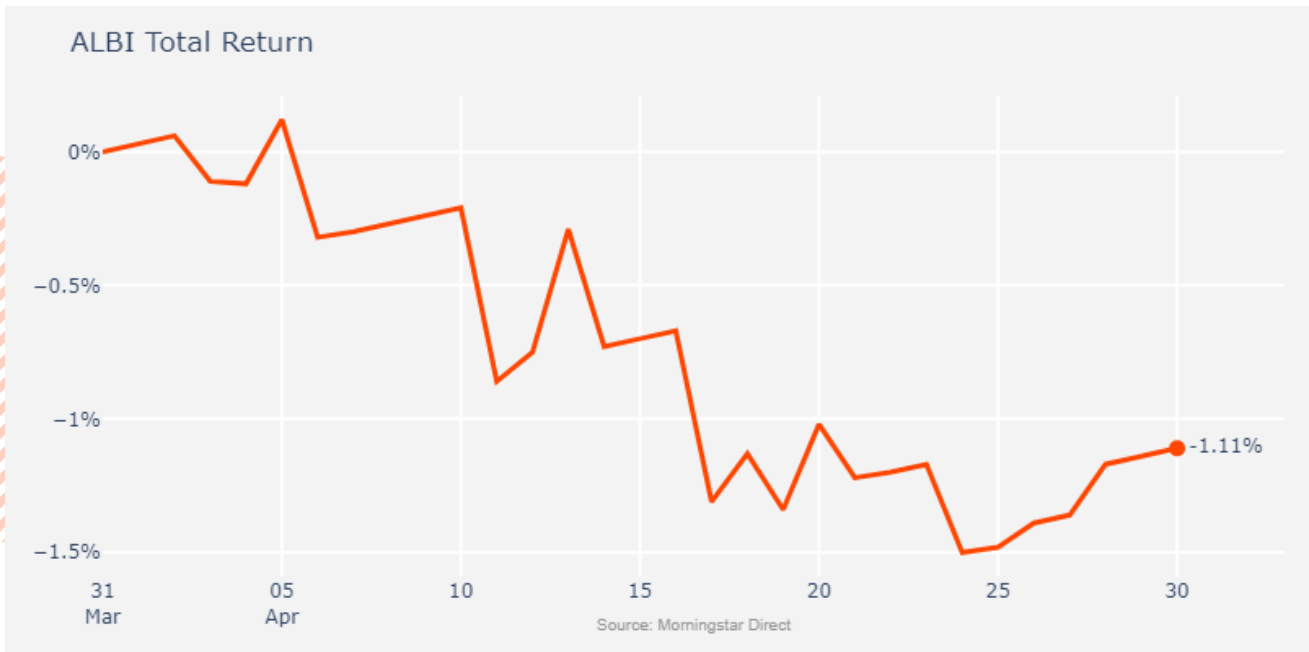
- The Rand-Dollar exchange rate weakened over April, which is somewhat uncommon for months during which equities do well as the same risk-on sentiment affects the performance of emerging market currencies.
- The relative strength of the Dollar provided extra support for offshore holdings.
- Although we believe the Rand is relatively weak at current levels, it is difficult to estimate where it should be in the short term through its volatility.
- Investors are still well compensated for holding South African bonds with a widened yield spread of almost 7.5% between South African and US 10 year bonds. This is very attractive considering the current inflation differential of around 2%.



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Bonds



- South African bonds sold off through April, once again increasing their yields and led to the widening of the SA-US bond spread.
- The South African yield curve is once again offering attractive yields, especially on the long end.
- Currently, the yield on 30 year dated South African bonds is providing potential returns more commonly expected from equities, but with lower volatility.
- Ultimately, South African bonds may fluctuate on a month to month basis, but investors are still compensated for selloffs with the high yields.