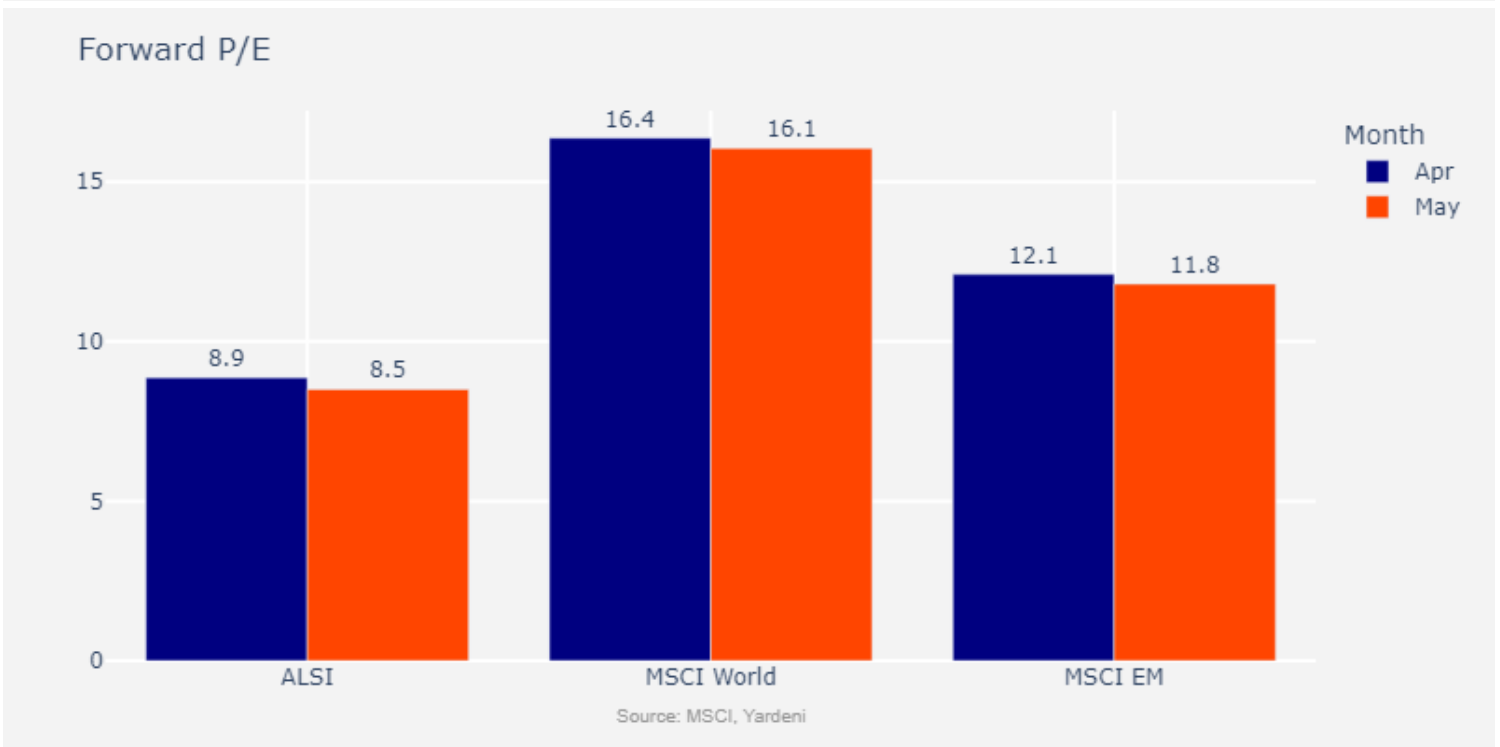
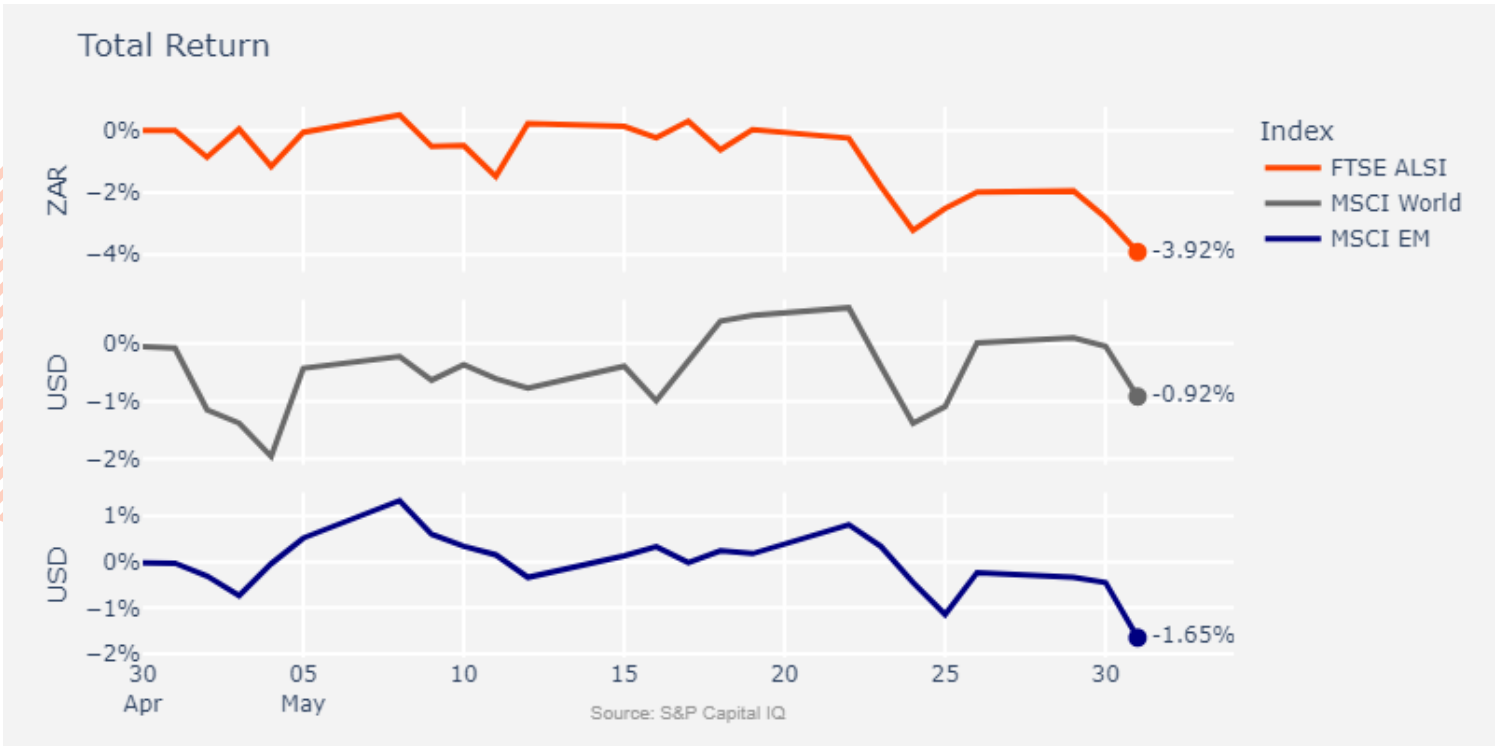




# MONTHLY REPORT

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## Equities





# MONTHLY REPORT

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## Equities

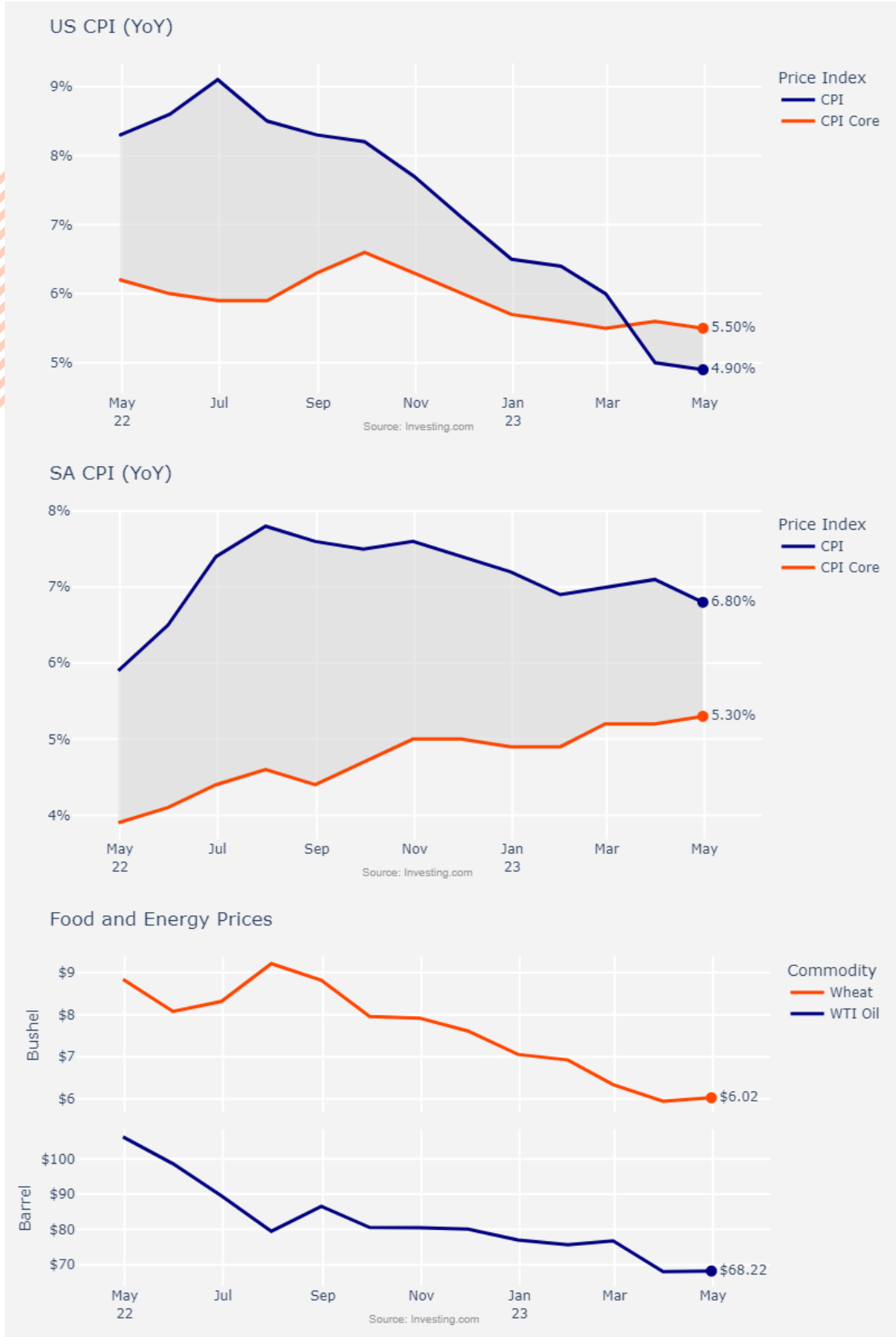
- May was a fairly eventful month in both local and global markets.
- Equities experienced some selling off across the board, with the ALSI being hit especially hard as investor sentiment soured.
- Locally, South Africans were exposed to many idiosyncratic risks such as the US allegation of South Africa potentially dealing in arms with Russia, persisting loadshedding, and continued grey-listing woes.
- The first US earnings season of the year came to an end, with actual earnings beating estimates on average by around 7%.
- Although developed market equities are still more expensive than local equities on a valuations basis, offshore exposure may currently be providing better opportunities on the back of the unstable local environment and improving offshore forward estimates.
- Local equity valuations are close to record lows—based purely on this, local opportunities may have some value to unlock when the political backdrop improves.



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## Inflation





NEW ROAD CAPITAL  
INVESTMENT MANAGEMENT

# MONTHLY REPORT

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## Inflation

- Inflation in the US continued its downward trend as prices are cooling.
- Local inflation is starting to stabilise just above the target range of 3-6% but there is little concern going forward over secular trends on rising inflation.
- Most of our inflation is still imported and so we will see the offshore disinflation eventually translating in our figures too.

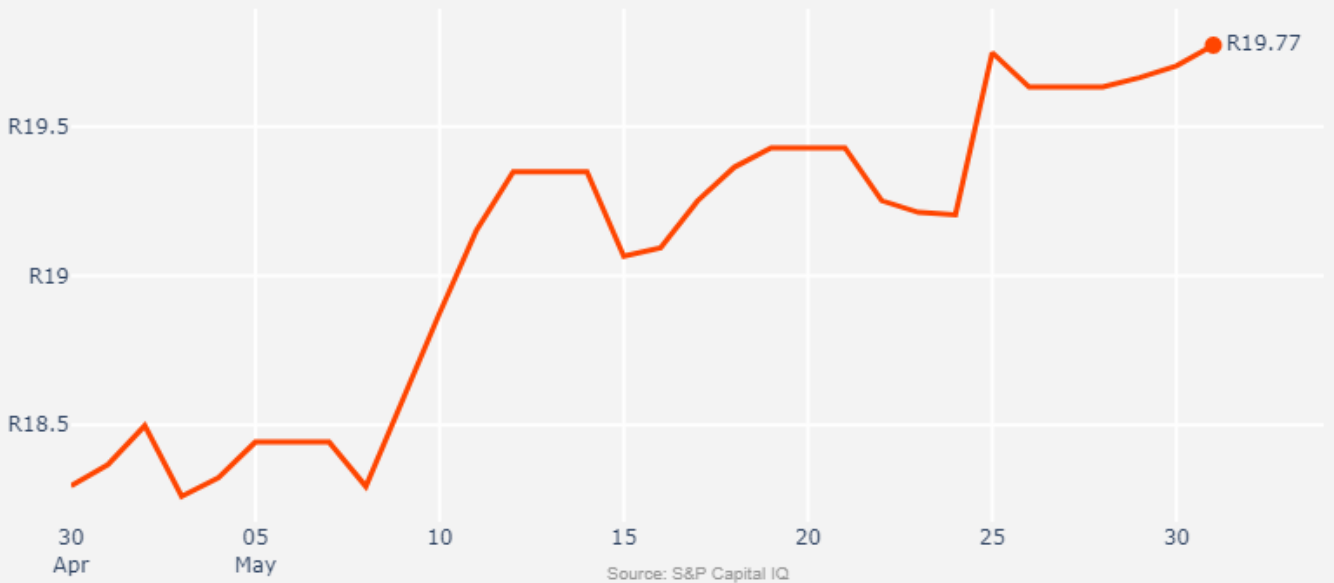


# MONTHLY REPORT

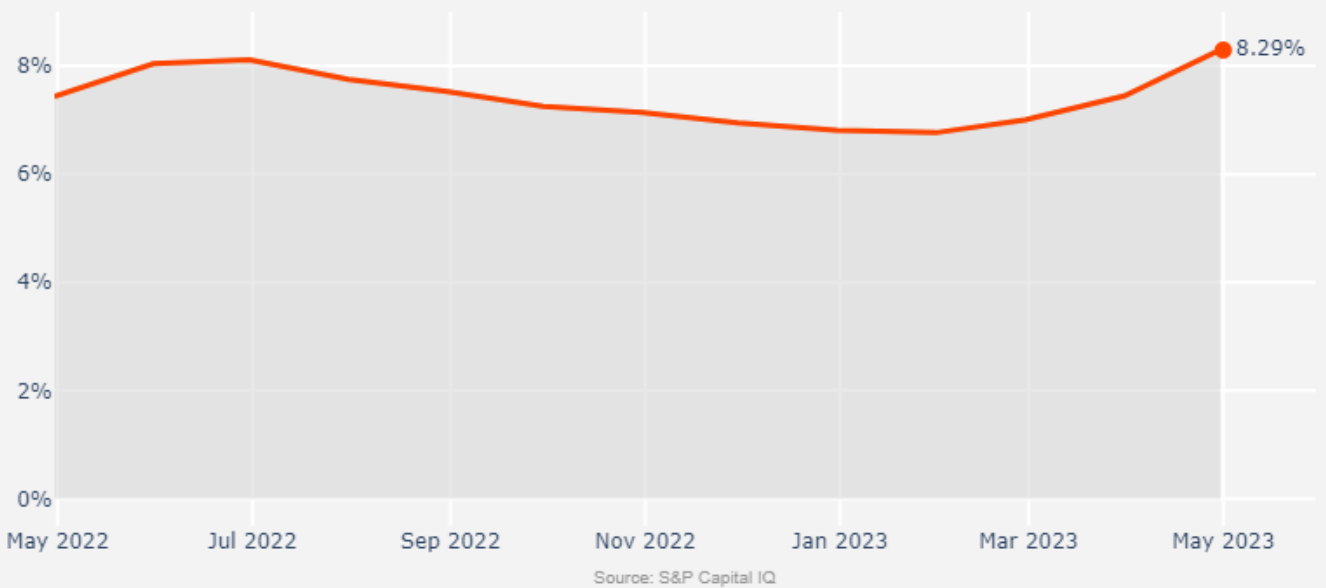
MAY - END REVIEW 2023

## Local vs US Economy

ZAR/USD Exchange Rate



SA-US 10y Bond Spread





# MONTHLY REPORT

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## Local vs US Economy

- The Rand sold off substantially over the month, once again due to the negative sentiment surrounding South Africa.
- Some of the sell-off was likely initiated by the SARB raising rates by 50bps, which was not taken well by markets.
- At current levels, the Rand is likely oversold and should see some strengthening in the short term once the initial reaction to local uncertainty subsides.
- Going forward, the Rand is still expected to weaken gradually over time relative to developed markets.
- The sell-off in local bonds has boosted SA-US bond spreads, making our bonds very attractive for foreign investment from a yield perspective.

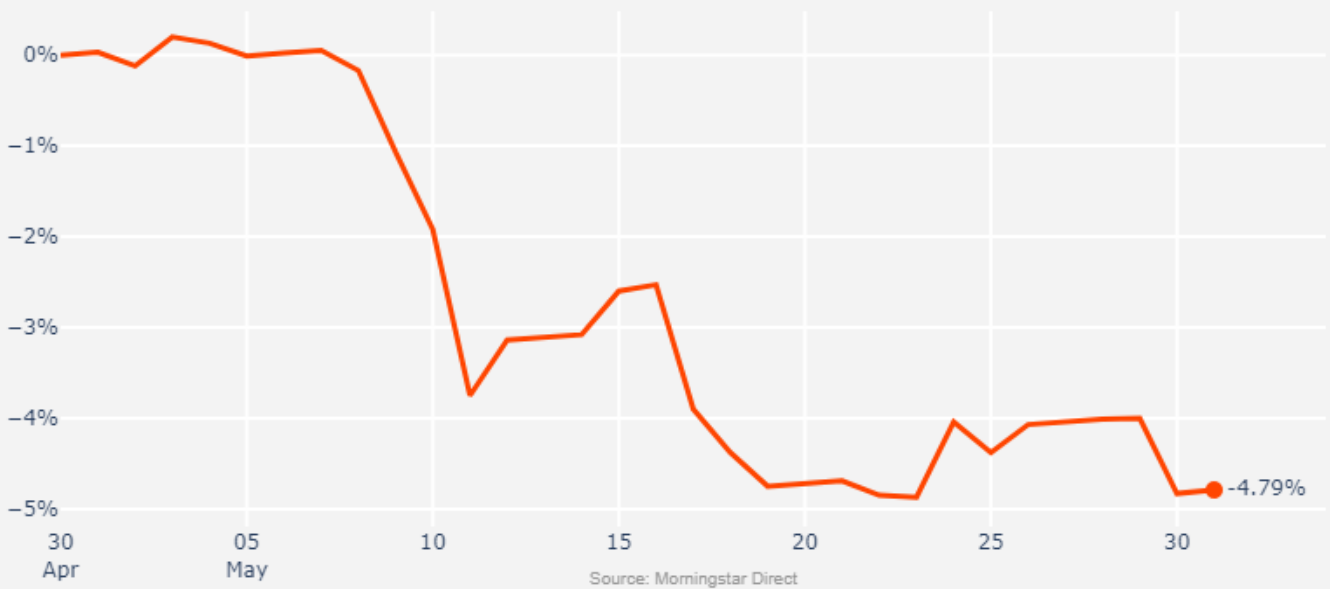


# MONTHLY REPORT

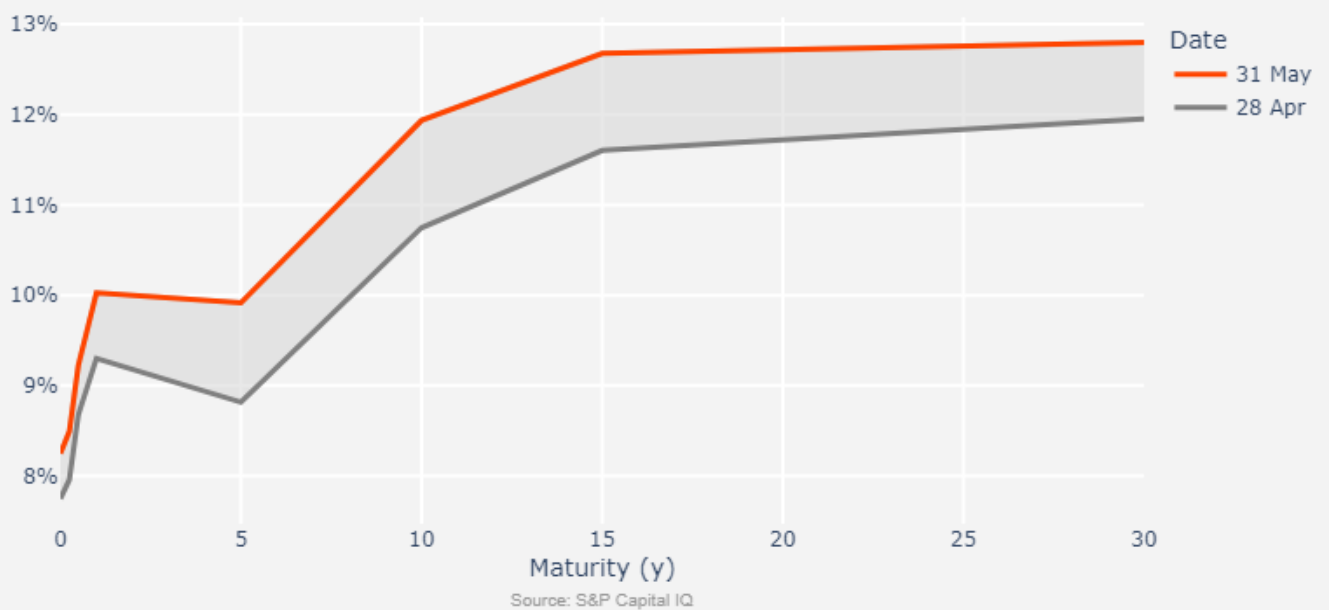
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## Bonds

ALBI Total Return



Yield Curve South Africa



- South African bonds sold off significantly during May, with longer duration bonds now nearing yields close to 13%.
- These bonds are now compensating investors with more than a percent return in income per month and expected equity-like long term returns.