



Market and Model Update

Waypoint Asset Management | August 2023

Global Economy

During August, the American markets were influenced by a variety of factors and fluctuated throughout the month. Both the S&P 500 and Nasdaq 100 ended the month in the red, returning -1.8% and -1.6% respectively. However, year-to-date, the S&P 500 is up 17.4% and the Nasdaq 100 is up a staggering 41.7%.

Fitch recently downgraded the US long-term foreign currency debt rating from AAA to AA+ due to the significant debt burden and fiscal deterioration expected over the next three years. As a result, investors have been selling shares and moving towards safe-haven investments such as government bonds and the US Dollar. However, the weakening of the US labor market conditions has had a positive impact on the markets.

The unemployment rate in the US rose from 3.5% in July to 3.8% in August, which is the highest it's been since February 2022. The number of job openings in July also decreased to the lowest level since March 2021, while the quit rate went down from 2.4% in June to 2.3% in July. Given this data, along with the downward trend in inflation, it's likely that the Fed will keep interest rates unchanged at their September meeting. The market currently predicts a 60% chance of this happening for the rest of the year. However, it's important to note that even if the Fed decides to keep rates unchanged, it doesn't necessarily mean that they will begin implementing rate cuts. Rather, it would indicate that they believe their current restrictive monetary policy is having the desired impact.

In August, business activity in the UK experienced its worst month since January 2021, causing the PMI Composite Output Index to drop from 50.8 in July to 47.9. Meanwhile, the Bank of England (BOE) raised interest rates for the 14th consecutive time, increasing the rate by 0.25% to 5.25%, which is the highest it has been since February 2008. Although inflation for July decreased to 6.8% (down from 7.9% in June), this still exceeds the target of 2%. As for the FTSE 100, it has underperformed compared to its European, Japanese, and American counterparts, with a year-to-date return of -0.2% and a -3.4% return for August.

The Euro-Area's inflation rate held steady at 5.3% in August. The European Central Bank (ECB) anticipates a decrease in inflation for the rest of 2023, although it may remain above the central bank's target. The Euro Stoxx 50 returned -3.9% in August but has returned a positive 13.3% year-to-date.

Market and Model Update

Waypoint Asset Management | August 2023

During August, the markets in China fluctuated. Drawdowns can be attributed to poor economic data, geopolitical tensions, a downturn in the property market, and declining imports and exports. However, the major share indices in mainland China and Hong Kong were boosted after the Chinese central bank implemented stimulus measures, as follows:

- An interest rate cut, reducing the rate from 3.55% to 3.45%.
- Reduction in tax, by halving the 0.1% stamp duty on stock trades, the first decrease since 2008.
- Implementing a reduction (from 6% to 4%) in the foreign exchange reserve requirement ratio.
- Encouraging lower interest rates on existing mortgages and implementing a reduction in the minimum down payments when purchasing a house.

South African Economy

The Rand has had a tough year, weakening by 9.4% against the Dollar since the beginning of the year, compared to just 1.4% for the basket of peer emerging market currencies. August was a particularly tough month for the Rand. The FTSE/JSE All Share Index also struggled, returning -5.1% for August and only 2.6% year-to-date, which was worse than most other global indices.

The good news is that South Africa's official unemployment rate has decreased slightly from 32.9% in Quarter 1 to 32.6% in Quarter 2. This can be attributed to growth in the fast-food/takeaway industry and renewable energy sector. Additionally, the inflation rate has decreased from 5.4% in June to 4.7% in July, and it's expected to remain within the 3%-6% SARB target for the rest of 2023.

However, the economic outlook is still negative due to ongoing loadshedding, rising fuel prices, and a weak transport network. Despite the recent improvements, there are still challenges facing the South African economy.

BRICS Summit

South Africa hosted the 15th annual BRICS Summit from the 22nd to the 24th of August. During the summit, several topics were discussed including development in infrastructure and education, trade arrangements and increasing trade in local currencies.

It was also decided that Argentina, Egypt, Saudi Arabia, United Arab Emirates, Iran and Ethiopia will join the BRICS group from January 2024. However, the criteria used to select the countries has not been revealed yet. By adding the new members, the BRICS group will now account for approximately 29.2% of world GDP.



WAYPOINT
ASSET MANAGEMENT

Market and Model Update

Waypoint Asset Management | August 2023

Investment Update

Waypoint Asset Management takes a long-term approach to investing and we believe our investment strategies are optimally positioned. In August, our Investment Team increased the offshore exposure in the Regulation 28 Investment Strategies, considering the risk profiles of various investment strategies. This update applies to the Conservative, Balanced, and Growth strategies. The Growth strategy's offshore exposure will be gradually increased over two months. Our Investment Team will meet again in September 2023 to discuss the current market climate and any potential opportunities. We will adapt our strategies accordingly and keep our clients informed. Thank you for your ongoing support.



Written by:
Gerda Steyn
Fund Analyst

www.waypointam.co.za

Waypoint Asset Management (Pty) Ltd Reg no. 2012/169886/07 (FSP 44307)
Tel 010 900 3915 | Fax 087 231 6970
2nd Floor, Lacey Oak House, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston
Directors: Melissa Dyer, Mark Lindhiem.