

Market commentary

First quarter 2021



Overview

The IMF upgraded its global growth forecast to 5.5% for 2021, while its 2022 forecast remained unchanged at 4.2%. This move was hardly surprising given the continued stimulus provided by global central banks along with a strong vaccine drive over the quarter. As developed nations are vaccinating at a faster rate than emerging nations, we do expect their economic recovery to mirror this. Economies which are highly dependent on tourism will likely continue to struggle in the face of subdued international travel.

Locally, business confidence remained weak while consumer confidence increased on the back of stronger household finances.

Global equities rose on improved vaccine distribution and optimism around robust economic growth to come in 2021. This prompted a further rotation into cyclicals and value stocks. In dollar terms the MSCI world index delivered 4.9% outpacing the MSCI Emerging Market index at 2.3%

The local equity market returned 12.6% over the quarter driven predominantly by the strong rally in Resources (+18.8%). Platinum Group Metals (PGM's) had a particularly strong March due to a deeper deficit in Rhodium and Palladium. Continued strength in iron ore and copper boosted mines further. Industrials contributed 12.9% followed by financials with 2.3%

Listed property earned 6.4% over the quarter adding to its rebound off a very depressed base.

Global monetary policy remained very accommodative over the quarter. The FED kept interest rates unchanged while revising their growth forecast for the US economy from 4.2% to 6.5% for 2021. This is projected to be accompanied by a lower unemployment rate which is estimated to come in at 4.5%.

Volatility in the bond market remained elevated as continued global stimulus and liquidity triggered inflation concerns over the quarter. This was further exasperated by the re-opening of global economies which is projected to release significant pent-up demand.

The local bond index fell 1.7% as longer dated SA rates tracked higher global yields. Cash returned 0.9% over the quarter while the rand was marginally weaker against the US dollar (-1.14%).

The SARB kept interest rates unchanged given benign inflation while the model projected two 25 basis point hikes to come in 2021.

While CPI remained at the lower end of the SARB's target range, it is likely to increase in the months to come amid hikes in electricity tariffs and the petrol price.

Investment market returns as at March 2021

Investment market returns (%)	1M	3M	1YR	3YR	5YR	7YR	10YR
Local Equity (Capped SWIX)	3.71	12.60	54.24	4.29	4.35	5.89	9.73
Local Listed Property	1.23	6.40	34.44	-12.91	-9.04	-1.17	4.39
Local Money Market	0.31	0.90	4.57	6.34	6.81	6.68	6.31
Local Bonds	-2.54	-1.74	16.96	5.49	8.66	7.81	8.22
Global Developed Shares in USD	3.33	4.92	54.03	12.81	13.36	9.73	9.88
Global Emerging Shares in USD	-1.51	2.29	58.39	6.47	12.07	6.58	3.65
Global Bonds in USD	-2.09	-5.68	1.82	2.09	2.15	1.54	1.66
Oil in USD	-1.35	23.27	92.91	-2.61	6.96	-12.14	-8.02
Rand vs. USD	-1.40	1.14	-17.02	7.74	0.00	4.95	8.27

All returns greater than 1 year are annualised.
All returns are gross of fees.

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