

MONTHLY

Wrap-up



NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

August 2024

August saw a quick recovery in equities following an early sell-off, with local and global markets posting strong gains. Inflation is cooling in both the U.S. and South Africa, and anticipated interest rate cuts are expected to further boost the economy. Bonds also performed well, with local and offshore markets delivering solid returns.

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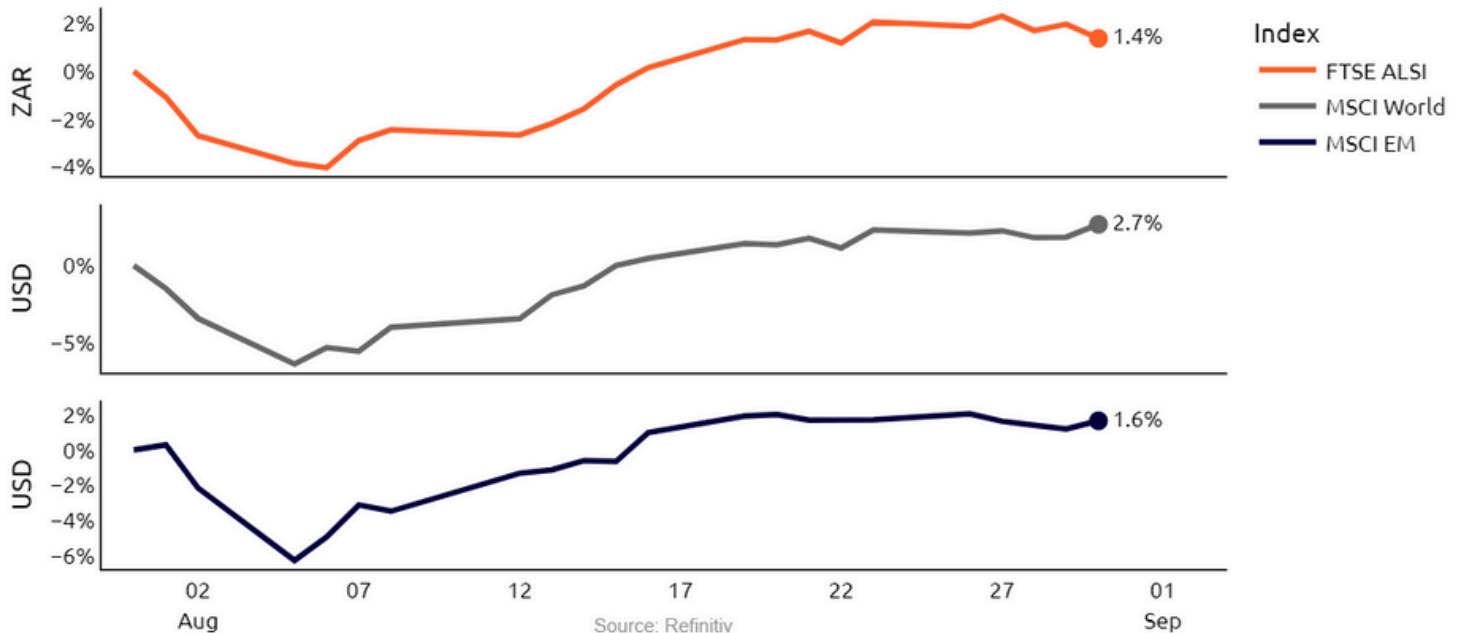
NEW ROAD CAPITAL
INVESTMENT MANAGEMENT



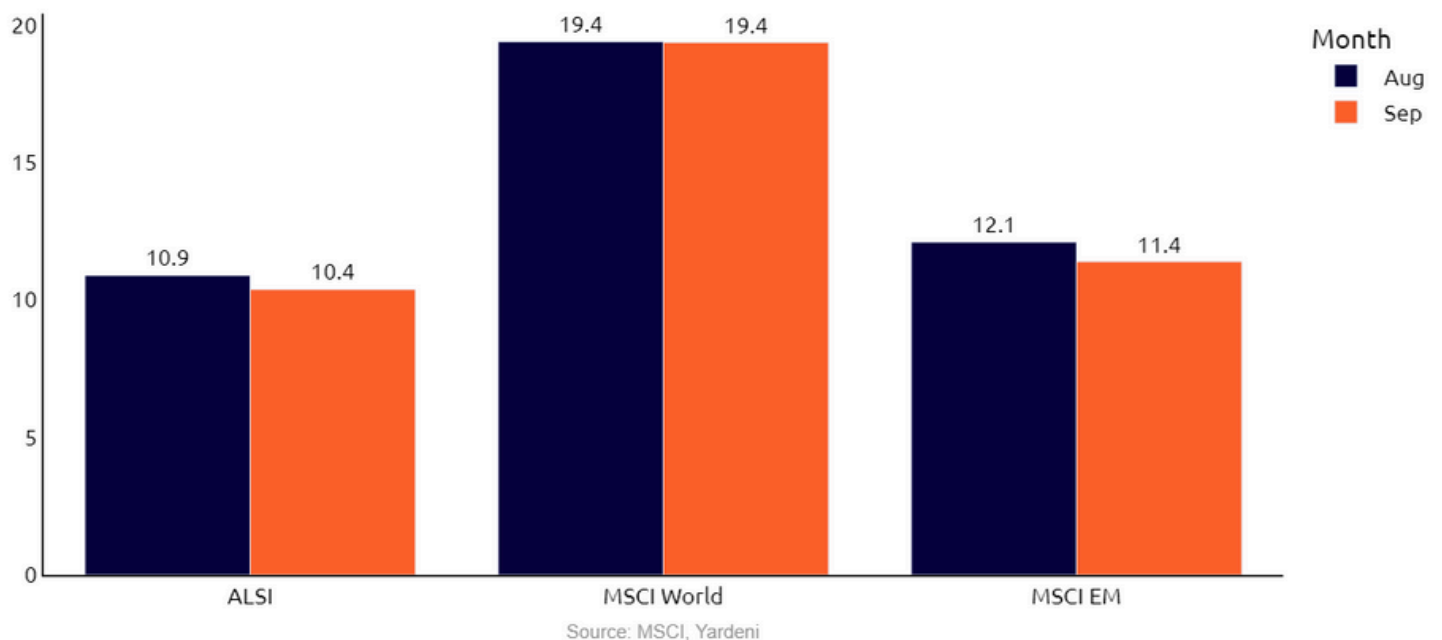
EQUITIES



Total Return

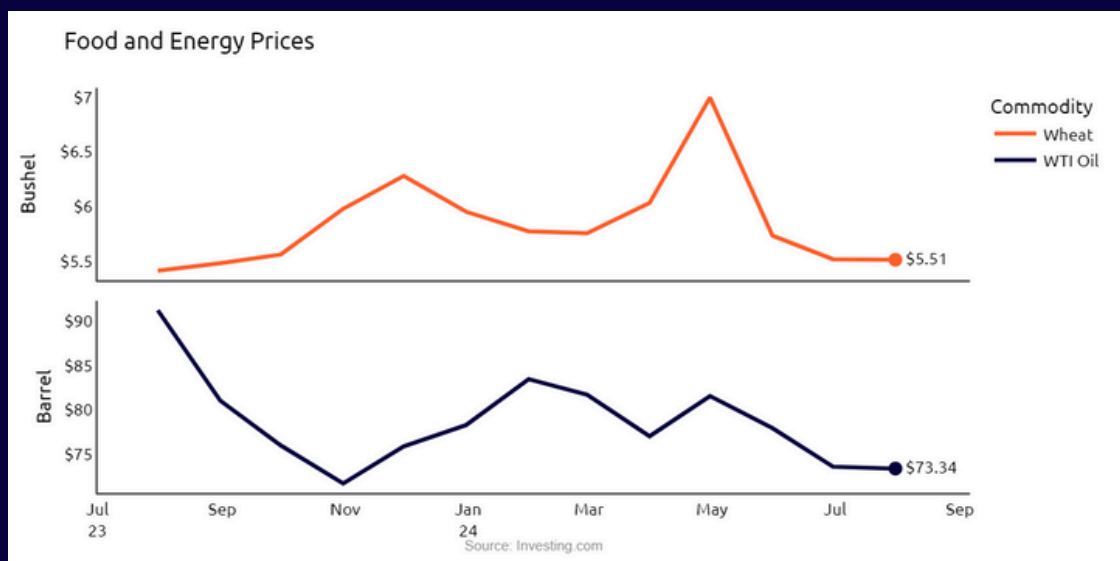
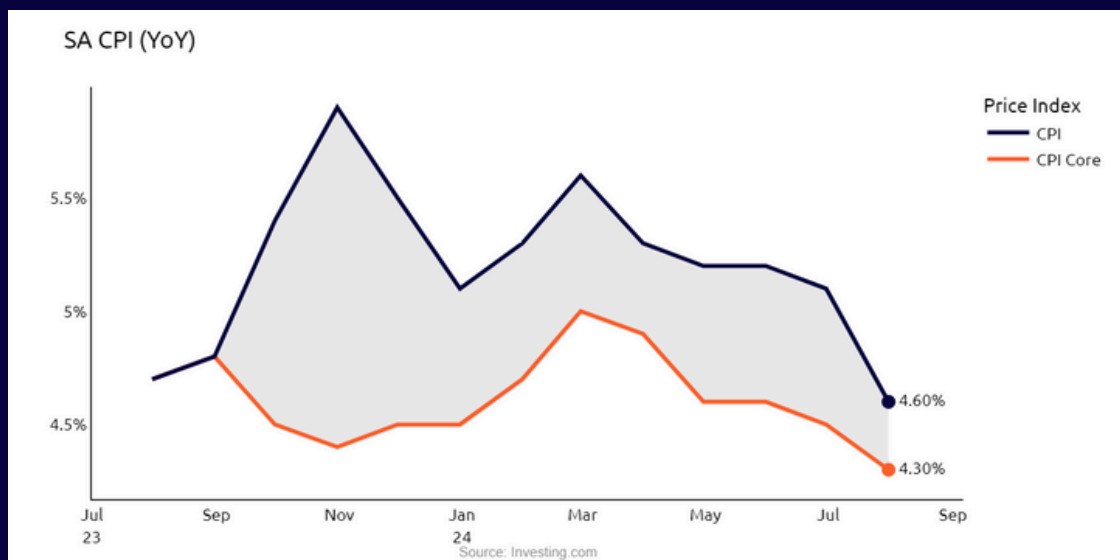
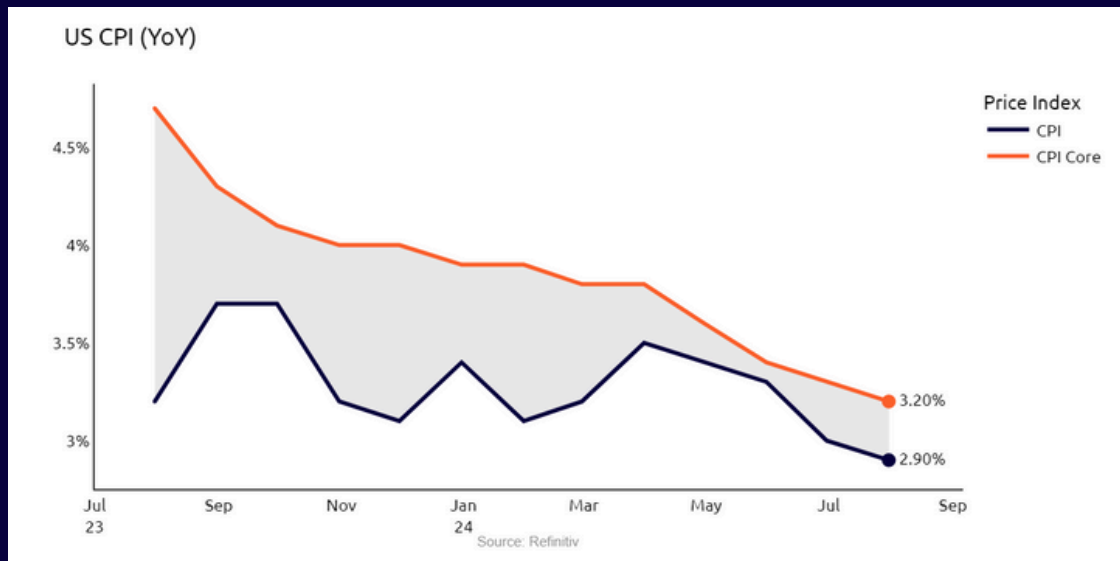


Forward P/E



- August started with a protracted equity sell-off in response to some economic headwinds like the Bank of Japan increasing interest rates; however, by the end of August, equities had recovered well.
- Equities saw a significant rise after the initial drop, with the ALSI, developed equities and emerging markets all recovering in excess of 5% to end the month in the green.
- Globally, valuations are still fairly good, with South Africa appearing very cheap based on forward P/E multiples.
- US markets look more expensive but are expected to see continued growth and innovation, especially with the AI revolution.

INFLATION

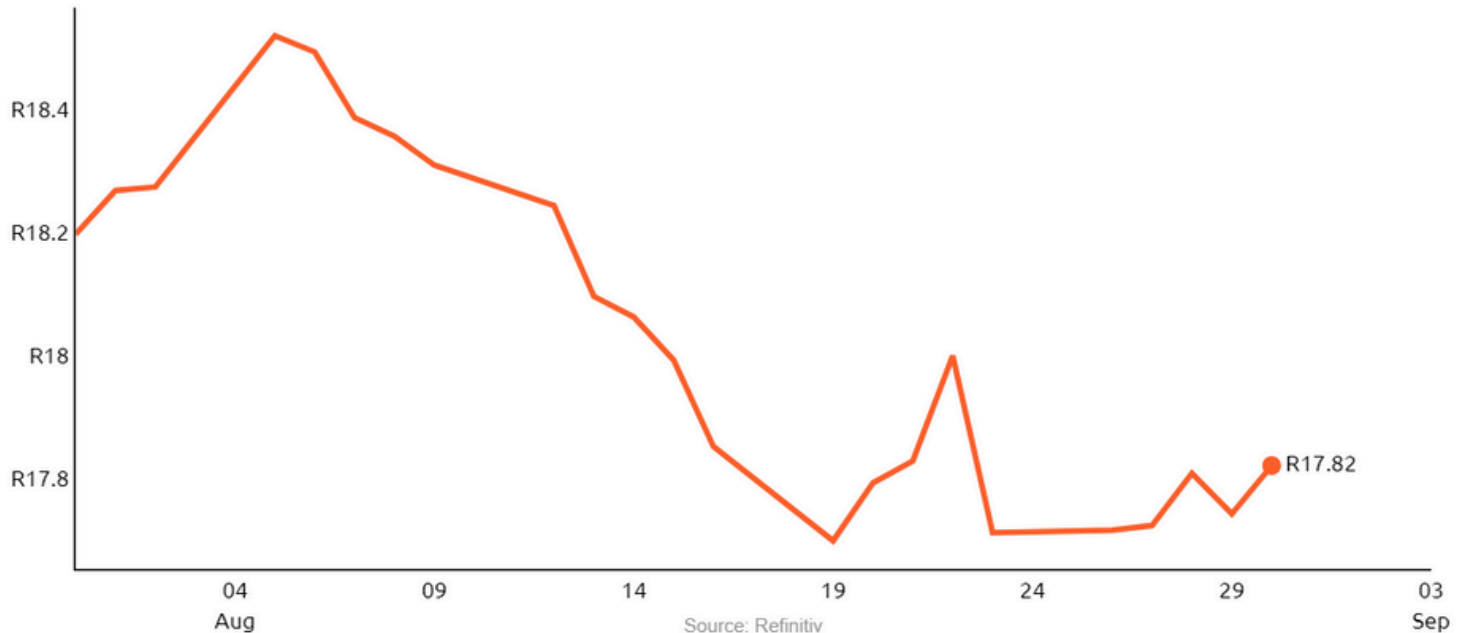


- U.S. inflation continues to cool, with core and headline inflation closing in on the 2% target.
- South Africa's inflation remains well contained, with headline inflation almost touching the mid-point of the SARB's target, and core inflation being in the lower half of the target range.
- Jerome Powell's dovish speech at the annual Jackson Hole Economic Symposium indicates a likely 25 bps rate cut from the Fed in September.
- The market is currently pricing in a 100% certainty for a rate cut in the US in September.

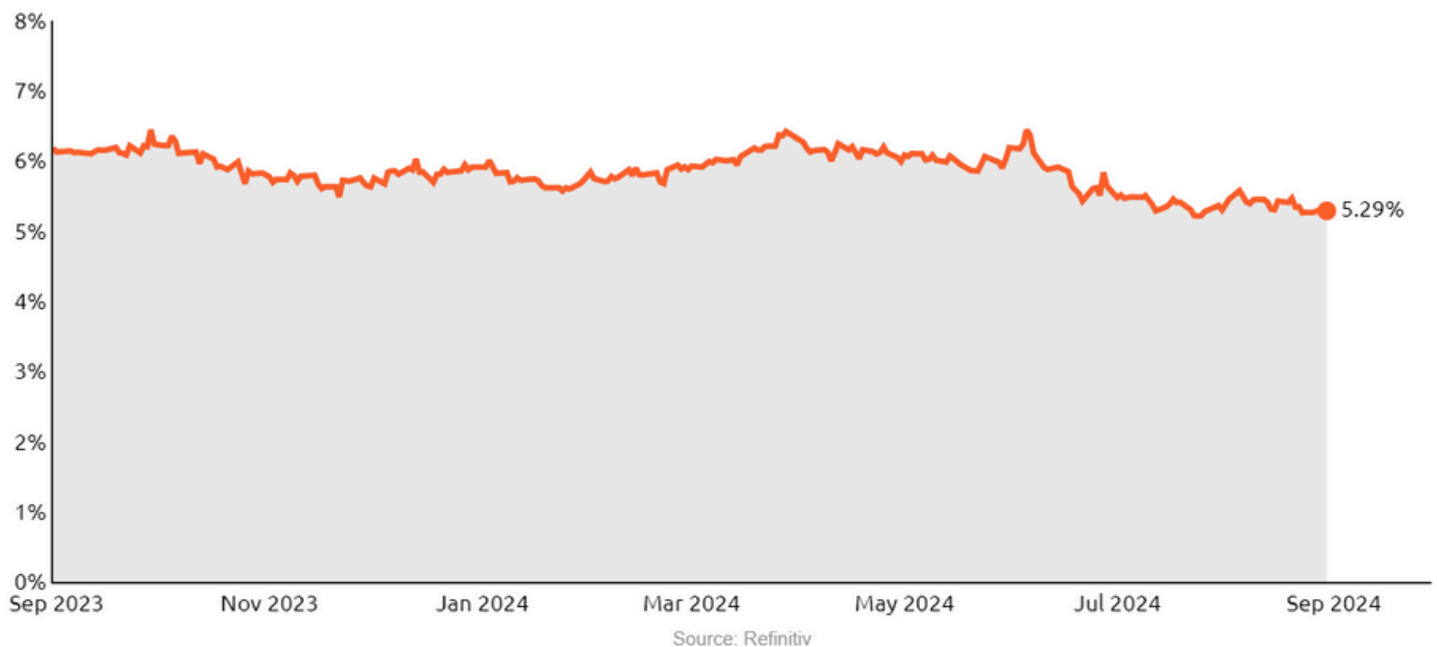
LOCAL vs ECONOMY



ZAR/USD Exchange Rate

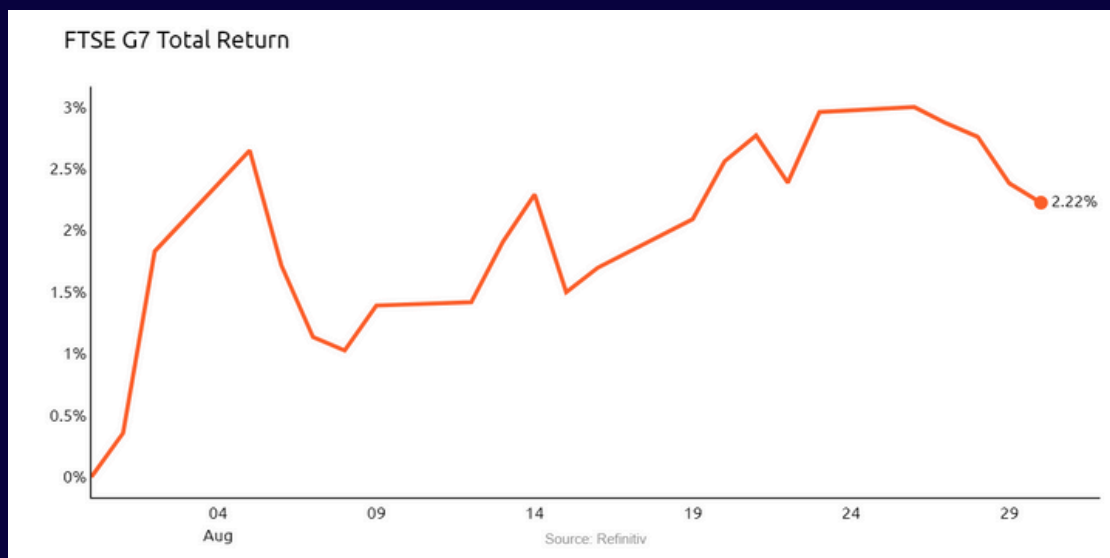
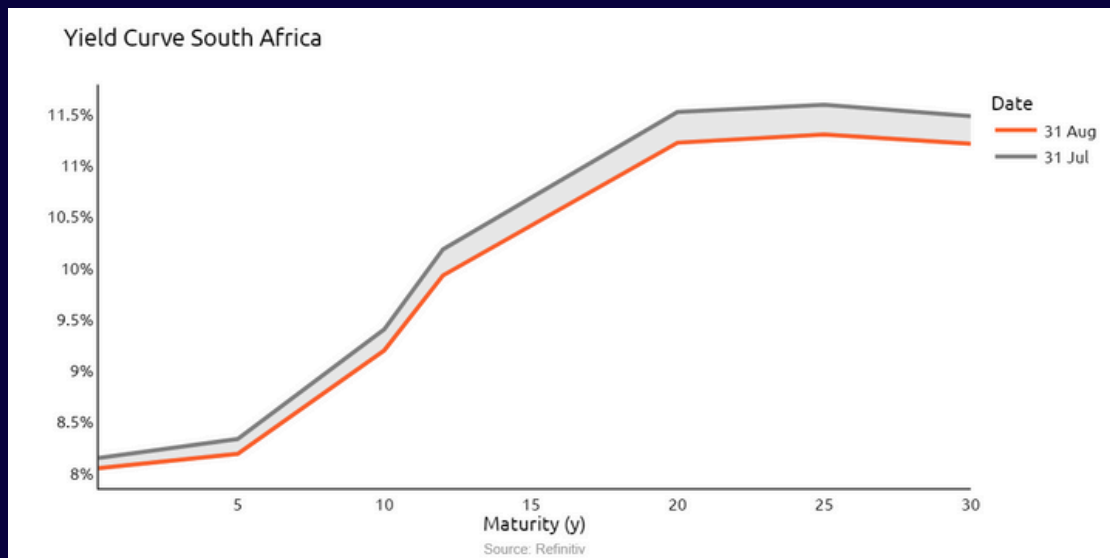
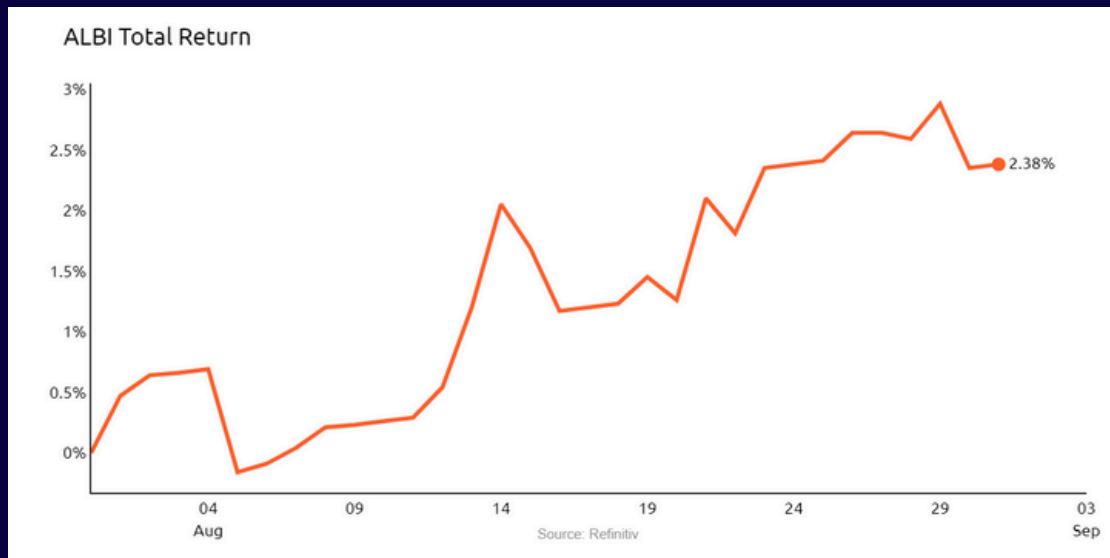


SA-US 10y Bond Spread



- The rand-dollar exchange rate strengthened throughout August with positive market sentiment driven by South Africa's newly formed Government of National Unity.
- South Africa is likely to follow the US Fed should they announce their first rate cut in September.
- Anticipated interest rate cuts in both the U.S. and South Africa are good news for consumers.

BONDS



- Local bonds continued to have a phenomenal run in August even after the rally in July.
- Despite the strong performance, the ALBI continues to offer good value by yielding in excess of 10% and has the potential for further capital tailwinds from rate cuts.
- Offshore bonds also posted strong gains in August in excess of 2% in dollar terms.