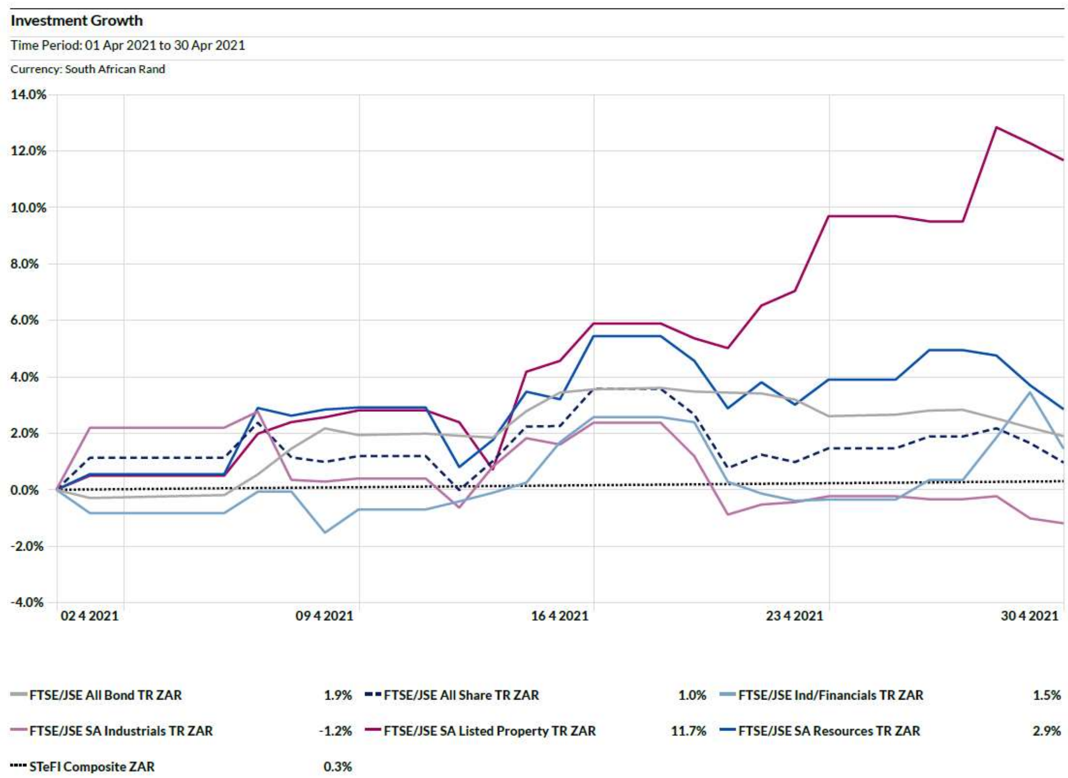
FG ASSET MANAGEMENT

ECONOMIC EXPRESS

APRIL 2021

The FTSE/JSE All Share Index had another positive month, up 1%, bringing the year to date return for the index to a very welcome 14.2%. The resources index finished the month 2.9% higher as the US dollar's depreciation together with growing global demand allowed for commodity prices to enjoy another strong month, whereas the rising global inflation expectation supported gold prices. The industrial index finished the month 4.2% lower, weighed down by the 6.3% decline in Naspers as Prosus sold a 2% stake in Tencent and the uncertainty over Chinese tech regulation continued. Locally listed property had a stellar month as the sector returned 11.7%, making it the best performing local asset class over the month. Overall, the gains amongst the underlying counters were broad-based driven by the positive sentiment in the market.

Figure 1: Local asset class returns in April:



Source: Morningstar

Early on in the month the rand strengthened to a low of 14.15 relative to the US dollar, a level last seen at the end of 2019 and continued to trade below 14.50 into month-end. Favorable terms of trade supported the rand strength as strong commodity prices have boosted South Africa's exports and so too the demand for rands. The strong commodity prices have also supported South Africa fiscally given the higher than expected tax revenue collections.

Locally, March's inflation figures that were released over the month showed that overall prices rose 0.7% month-on-month translating to an annualised inflation rate of 3.2%, increasing from February's 2.9%. This was slightly below the Bloomberg consensus expectations of 3.3%. Food and fuel inflation were key drivers behind the higher prices, while rental inflation slowed over the month. Going forward, inflation is however expected to rise towards 5% towards the end of the second quarter as a result of the low base effects from last year's low fuel prices.

There were a number of noteworthy developments in the US over the month. Firstly, the expectation of continued fiscal spending under US President Biden was confirmed as he announced a total of $4 trillion spending proposals composed of a $2.3 trillion infrastructure spending plan and a $1.8 trillion education and childcare plan. The plans are to be funded by increasing corporate taxes, hiking the income tax of the top rate and capital gains taxes on wealthy households. The plans are still to be approved by the US Congress where they are expected to receive resistance from members of the Republican Party.

At the end of the month, the first estimate of the US's first quarter's GDP growth was released, showing the economy expanded at an annualised pace of 6.4% from the previous quarter. This was ahead of consensus expectations of 6.1%, with consumer spending making a significant contribution to the quarter's growth. Declining inventories detracted from growth over the quarter, however the rebuilding of inventories should be positive for growth in subsequent quarters.

The US Federal Reserve (Fed) reiterated its very accommodative monetary policy stance. Despite acknowledging the better outlook, in particular employment and economic activity, the central bank still believe that it is too early to contemplate withdrawing policy support, be it by reducing asset purchases or increasing short term interest rates. The Fed is also expecting inflation to increase this year over their 2% inflation target, but see it as transitory and therefore do not see the need to withdraw monetary stimulus in response.

Given this backdrop, developed market equities returned 2.9% in rand terms (MSCI World GR) given the strong first quarter corporate earnings releases that came out over the month, continued success in the vaccine roll-out especially in developed markets and the possibility of further future fiscal stimulus in the US.

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Index	Asset Class	April 2021
STEFI Composite Index	Local Cash	0.30%
FTSE/JSE All Bond (Total Return)	Local Bonds	1.90%
FTSE/JSE SA Listed Property (Total Return)	Local Property	11.68%
FTSE/JSE Africa All Share (Total Return)	Local Equities	0.97%
JP Morgan World Govt Bond index (USD)	Global Bonds	1.09%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	7.12%
MSCI AC World (USD)	Global Equities	4.24%

Source: Morningstar

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