



ECONOMIC EXPRESS

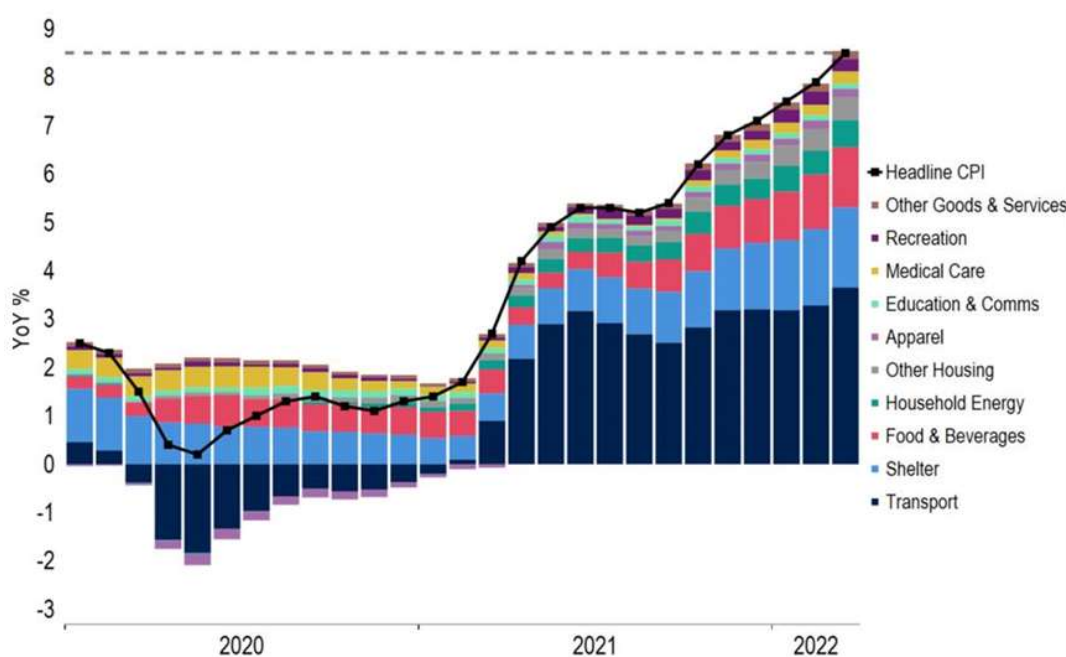
APRIL 2022

Concerns around slowing global growth weighed on financial markets over the course of April. There were several factors driving the economic outlook deterioration, which included the prospect of tighter monetary policy in the US, the repercussions of the strict COVID restrictions in China and the ongoing war in Ukraine.

The released US Fed minutes of March's FOMC (Federal Open Market Committee) meeting together with comments from several FOMC members over the course of the month signaled that the central bank was becoming more concerned about the elevated US inflation and that the bank would take stronger action if necessary. The FOMC minutes specifically signaled the committees' willingness to hike rates by 0.50% increments and to rapidly reduce its balance sheet. The more hawkish tone saw global government bond yields soar as market participants adjusted their expectations for the prospect of more aggressive tightening of US monetary policy. The US Federal Reserve now has the very difficult job to find the balance between managing the inflation without putting too much pressure on growth through higher interest rates.

The inflation concerns were reaffirmed later in the month when the US headline inflation print was released mid-April, showing prices accelerating to the highest level since 1981, at 8.5% up from 7.9%.

Figure 1: US CPI Inflation



Source: Investec

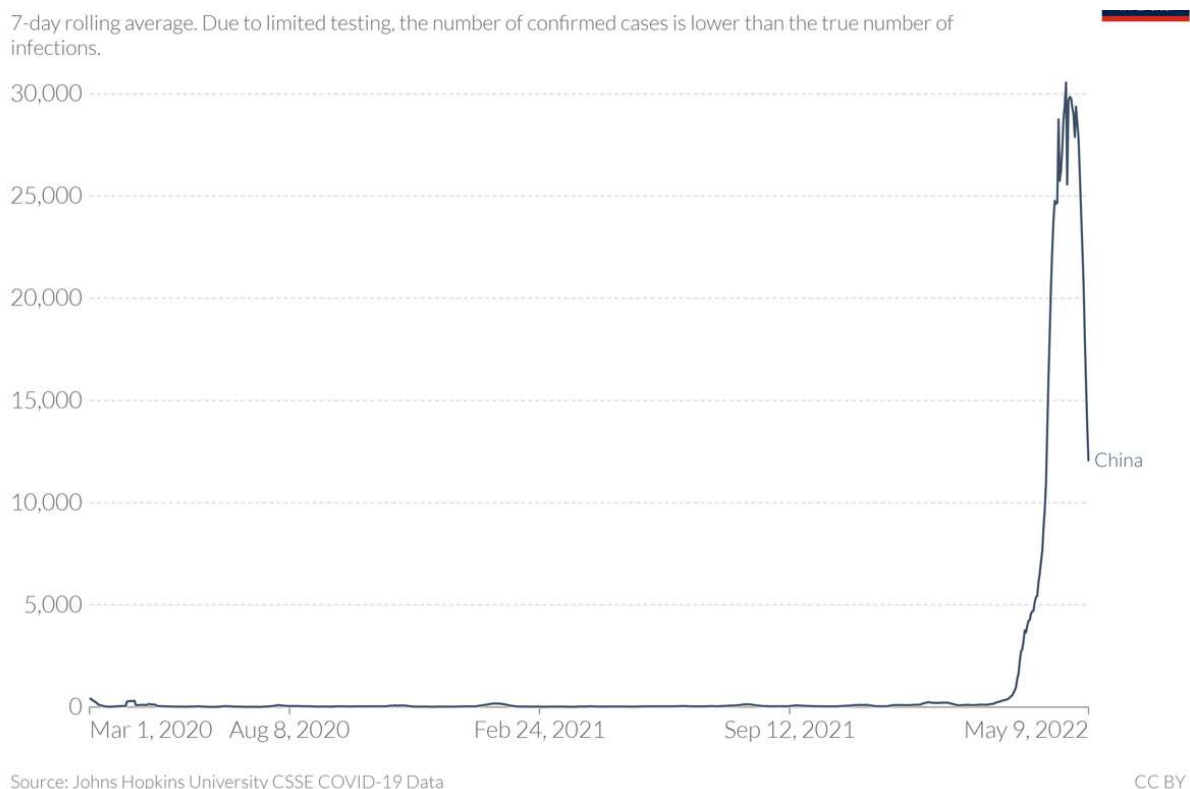


Key contributors to the higher inflation were fuel oil, which increased 22.3% from the previous month and food prices which increased 1.01%. Both drivers were as a result of supply concerns due to the Russian invasion of Ukraine.

Locally South African inflation also saw a further increase in March to 5.9% from 5.7%. Higher fuel and food prices continue to be significant drivers behind the acceleration of prices, however increases in other categories such as housing and education do signal that the pricing pressures are becoming more broad based.

A second market concern was the Chinese COVID infections that have increased to the highest level since February 2020.

Figure 2: Daily new confirmed COVID-19 cases in China



Source: www.ourworldindata.org

As the COVID- infections surged over April, China continued to implement its strict zero covid policy in some of its key cities. Although this can be seen as being resolved over the shorter term as the COVID wave passes, it will detract from the country's growth outlook for the first half of the year as consumption, industrial production and supply chains have come under pressure. The Chinese growth concerns aided the declines in commodity prices over April, which also put pressure on the rand, which has been very resilient relative to developed market currencies up until the end of March.

Lastly the conclusion of the Russian invasion of Ukraine remains highly uncertain, with the conflict continuing over April. The unpredictable nature of the conflict creates additional uncertainty for the inflation path from here and subsequently the extent with which the US Fed will have to tighten monetary policy.

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Index	Asset Class	April 2022
STEFI Composite Index	Local Cash	0.36%
FTSE/JSE All Bond (Total Return)	Local Bonds	-1.67%
FTSE/JSE SA Listed Property (Total Return)	Local Property	-1.41%
FTSE/JSE Africa All Share (Total Return)	Local Equities	-3.66%
JP Morgan World Govt Bond index (USD)	Global Bonds	-5.5%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	-4.95%
MSCI AC World (USD)	Global Equities	-7.97%

Source: Morningstar

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