



FG ASSET MANAGEMENT

ECONOMIC EXPRESS

APRIL 2023

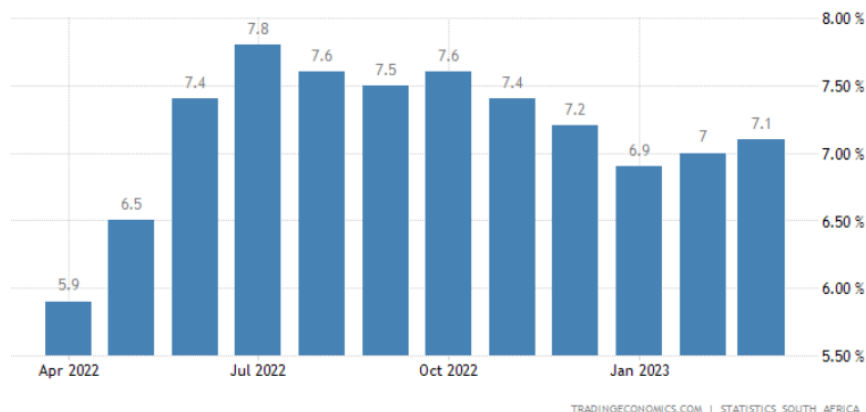
The tug of war continued between elevated inflation, a resilient global economy and tight monetary policy on the one side, and expectations for slower growth, weaker corporate earnings, and a fragile banking sector on the other. Despite uncertainty remaining at high levels, growth assets performed well over the month.

In the US, another regional bank, First Republic Bank, had to be taken over by JP Morgan after the bank reported a significant drop in deposits following a rating downgrade in March. Although it was the second largest US bank on record to fail, the market seems to be content with the current view that there will be limited contagion to the rest of the banking sector.

Global inflation continued to be closely watched as it is an important determinant of the direction of future monetary policy changes. US inflation data showed further evidence of easing price pressures as headline inflation slowed to 5% from 6%, the ninth consecutive fall in the annual inflation rate to the lowest level since May 2021. The energy sector continued to be the main driver behind the lower inflation. In contrast, core inflation, which excludes energy and food, increased slightly from 5.5% to 5.6%. The price pressures from goods which initially drove last year's inflation spike has diminished to less than 2% and has been replaced by services inflation, which includes shelter. Overall inflation remains well above the US Fed's target and therefore reinforced expectations of another 0.25% hike at their next meeting in early May. What happens after that remains uncertain as the market continues to price in rate cuts before the end of the year in contrast to the Fed reiterating their commitment to fighting inflation.

In the absence of a US Federal meeting during April, March's FOMC (Federal Open Market Committee) meeting minutes were released in the middle of the month. The most notable take away was that Fed officials now expect a mild recession this year as their base case.

Locally, inflation increased for the second consecutive month to 7.1% from 7%. Food inflation continued to push higher to 14.4% on an annual basis, making up more than a third of the overall headline inflation to the highest level since 2009. It was the vegetable prices increasing 3.8% on the month that was the main driver behind the increase. Core inflation remained unchanged at a six-year high level of 5.2%

**Figure1: South African Inflation**

Source : Stats SA, www.tradingeconomic.com, (2022-2023)

There was no SARB (South African Reserve Bank) meeting held during April, however, given the stickiness of inflation, market expectations are for further rate increases at the next meeting in May.

Index	Asset Class	APRIL 2023
STEFI Composite Index	Local Cash	0.57%
FTSE/JSE All Bond (Total Return)	Local Bonds	-1.11%
FTSE/JSE SA Listed Property (Total Return)	Local Property	5.36%
FTSE/JSE Africa All Share (Total Return)	Local Equities	3.38%
JP Morgan World Govt Bond index (USD)	Global Bonds	0.17%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	1.53%
MSCI AC World (USD)	Global Equities	1.48%

Source: Morningstar