



ECONOMIC EXPRESS

APRIL 2024

In April, growth assets in developed markets experienced their first month of weakness since the start of this year, as expectations for the start of interest rate cuts from the US Federal Reserve were pushed further into the future once more. US monetary policy remains a key driver for global markets as the remaining central banks are weary of currency weakness relative to the US dollar if they decide to cut ahead of the Fed. Geopolitical tensions in the Middle East escalated further, which also contributed to weaker market sentiment over the month. In contrast, South African markets outperformed, with equities benefitting from the strong performance of the resources sector.

US employment figures reflected no deterioration in the US labour market with the unemployment rate slightly lower at 3.8% and payrolls maintaining its consistent monthly increases. Wage inflation, although it is declining, it remains at a very elevated level with the potential to further support above target inflation going forward.

Figure 1: US wage growth

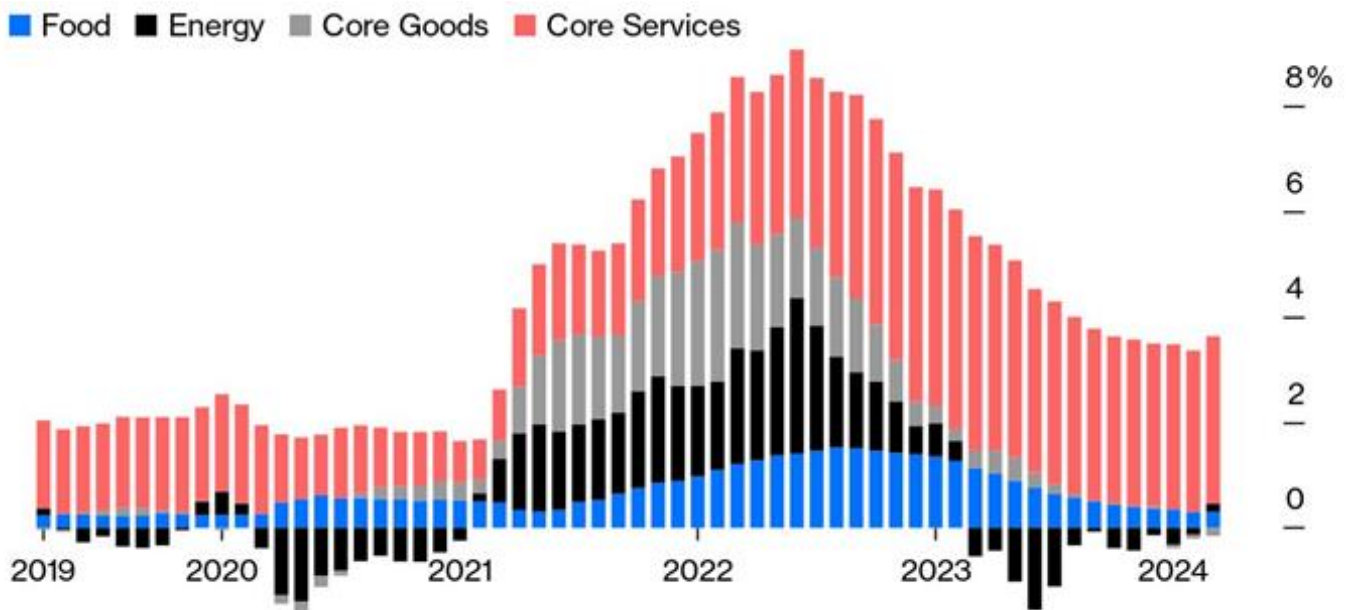


Source: Bloomberg, Federal Reserve Bank of Atlanta (2007 to 2024)



US inflation releases over the month showed pricing pressures remaining, thanks to another month of strong services inflation (excluding shelter). This together with the supportive wage growth provided further evidence to the market that there would be no urgency for the Fed to cut interest rates as early as they had forecasted at the start of the year.

Figure 2: US Inflation breakdown (YoY%):

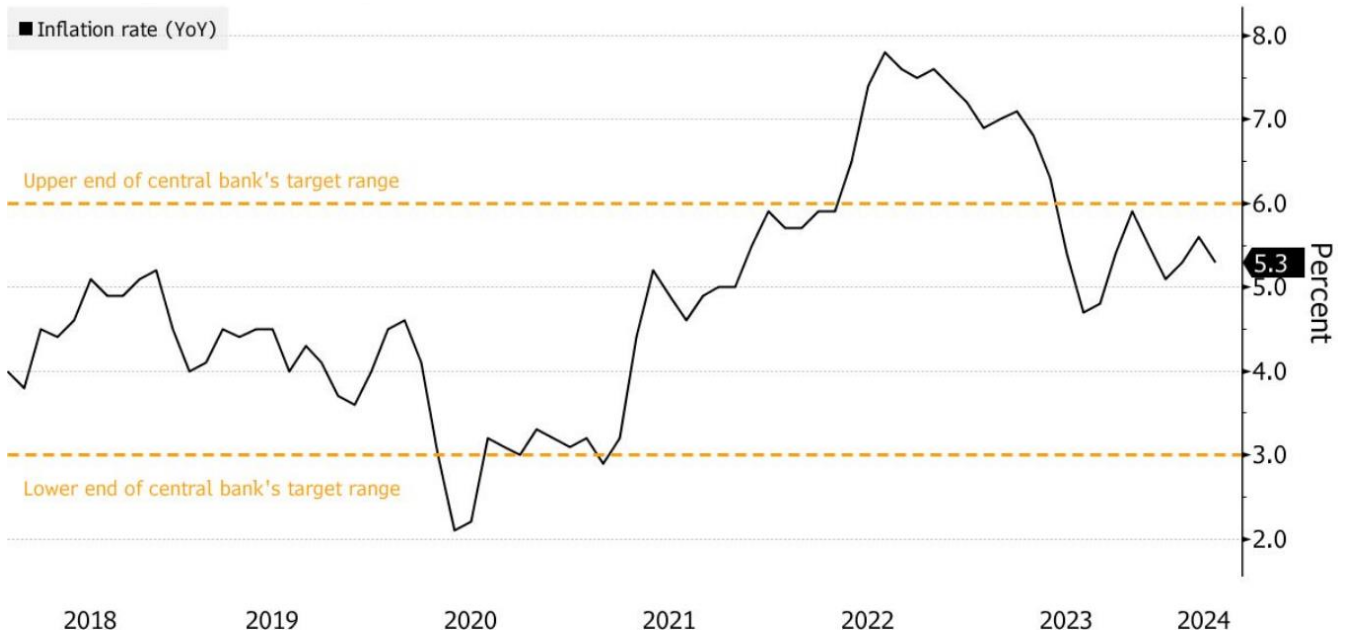


Source: Bloomberg Economic Analysis (2019 to 2024)

At the end of the month the first estimate of the US GDP growth showed the US economy expanded by 1.6%, below estimates of 2.5% and slower than the fourth quarter’s growth of 3.4%. Consumption slowed, however it remained relatively strong, while a wider trade deficit weighed on headline growth. Despite the weaker growth providing some support to lower interest rates, the first quarter’s core PCE inflation that accompanied the report overshadowed the weaker growth, as it showed inflation increasing to 3.7% relative to the 3.4% expected.

The market went from fully pricing in two rate cuts at the start of the month to only one by the end of April. This essentially means that the high interest rates will remain for longer than was expected. Even though the US economy has been resilient despite the elevated interest costs, only time will tell how much longer it can continue.

In contrast locally, headline inflation fell to 5.3% from 5.6%, slightly below expectations. Core inflation was marginally lower at 4.9% from 5%. Slowing food price increases was the key driver behind the lower inflation. Food inflation has now fallen for four consecutive months to the lowest level in 3 years at 4.9%. Even though inflation has been in the SARB’s (South African Reserve Bank) target range of 3% to 6% since June 2023, they only expect it to return to the 4.5% mid- point by the end of next year.



Source: Bloomberg, Statistics SA (2018 to 2024)

Geopolitical risks remain, with tensions increasing between Israel and Iran over the month weighing on market sentiment. This provided support for both oil and gold, however the avoidance of a significant escalation in conflict reduced contagion concerns later on in the month.

Index	Asset Class	APRIL 2024
STEFI Composite Index	Local Cash	0.68%
FTSE/JSE All Bond (Total Return)	Local Bonds	1.37%
FTSE/JSE SA Listed Property (Total Return)	Local Property	-0.59%
FTSE/JSE Africa All Share (Total Return)	Local Equities	2.95%
Bloomberg Global Aggregate (USD)	Global Bonds	-2.52%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	-6.27%
MSCI AC World (USD)	Global Equities	-3.26%

Source: Morningstar