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# Glacier Invest | Market snapshots

Monthly edition | March 2024 recap



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# Monthly market recap | March in review

## Market news

- Mining production in South Africa dropped by 3.3% year-on-year (y/y), against market forecasts of a 0.2% rise. This marks the first decline in mining activity since July 2023 after three consecutive months of growth.
- South Africa recorded a trade surplus of R14 billion in February 2024. Exports increased by 12.4% over the month to R161.85 billion, with shipments of vehicles and transport equipment jumping by a staggering 98%.
- The core consumer price index in Japan, which excludes fresh food but includes fuel costs, rose 2.8% y/y in February 2024, accelerating from a 2% gain in January and posting the highest reading since October.
- Personal spending in the US rose 0.8% month-on-month in February compared with 0.2% in January, the biggest gain since January 2023.

## International markets

MSCI World (\$)	3.21%
Global Bonds (\$)	0.55%
Global Property (\$)	3.61%
MSCI EM (\$)	2.49%
FTSE (£)	4.75%
S&P 500 (\$)	3.22%

## Bond market

All Bond	-1.93%
Bonds 1-3 years	0.07%
Bonds 3-7 years	-1.37%
Bonds 7-12 years	-2.28%
Bonds 12+ years	-2.85%

## Local markets

FTSE/JSE All Share	3.23%
Industrials	-0.60%
Resources	12.80%
Property	-1.02%
Financials	-3.36%
Cash	0.70%

## Currency

Rand vs USD	1.31%
Rand vs EURO	1.51%
Rand vs GBP	1.44%
Rand vs JPY	0.19%
Rand vs AUD	0.002%



# SARB holds interest rates

- The South African Reserve Bank (SARB) maintained its key repo rate at 8.25%, leaving the prime lending rate of commercial banks unchanged at 11.75%.
- This marks the fifth consecutive decision by the central bank to maintain the 'hold' on the repo rate, keeping South Africa's benchmark rate at its highest level in 15 years.

**MPC March 2024: Summary**

**The Monetary Policy Committee kept the repurchase rate unchanged at 8.25%. The decision was unanimous.**

**Inflation is at 5.6%**  
The return to our 4.5% objective has been slow. February inflation was nearer the top of our target range than the midpoint. Services inflation reached its highest levels since 2019.

**Inflation outlook**  
We still see headline inflation heading back to 4.5%. However, given extra price pressure, headline now reaches the target midpoint only at the end of 2025, later than previously expected.

**Logistics constraints**  
Growth for 2023 was just 0.6%. The main reason for this was supply-side problems. Electricity loadshedding was worse than in previous years. Port and rail problems also emerged as major constraints on the economy.

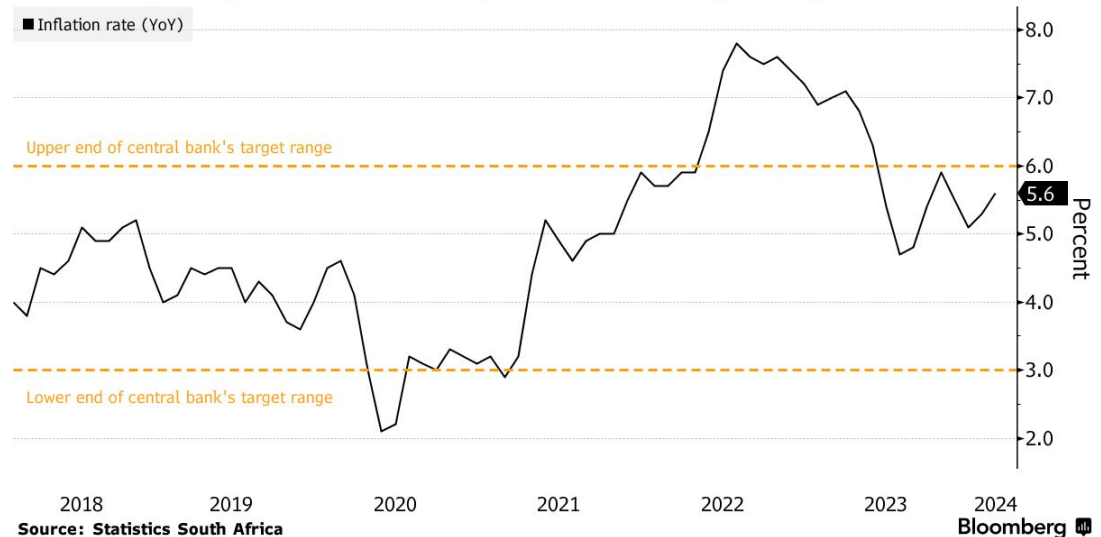
**Economic Outlook**  
As loadshedding eases, we expect modestly higher growth. We estimate that electricity shortages reduced GDP by 1.5 percentage points last year. This is expected to decrease to 0.6 percentage points in 2024 and 0.2 percentage points in 2025.



# SA inflation increases for the second month

- Inflation for February 2024 surpassed the expectations of many economists, dampening hopes that the South African Reserve Bank will consider cutting interest rates any time soon.
- According to Stats SA, annual consumer inflation quickened in February, rising to 5.6% y/y from 5.3% in January and 5.1% in December.
- Key contributors to the annual inflation rate included food, housing, transport and miscellaneous goods and services, which include medical insurance.
- Core inflation, which excludes food and fuel prices, accelerated in February to 5% y/y from 4.6% in January.

## South Africa Inflation Rate Hits Four-Month High Consumer-price growth is above midpoint of bank's target range



Source: Business Tech, Stats SA, Reuters, CNBC, Bloomberg – March 2024

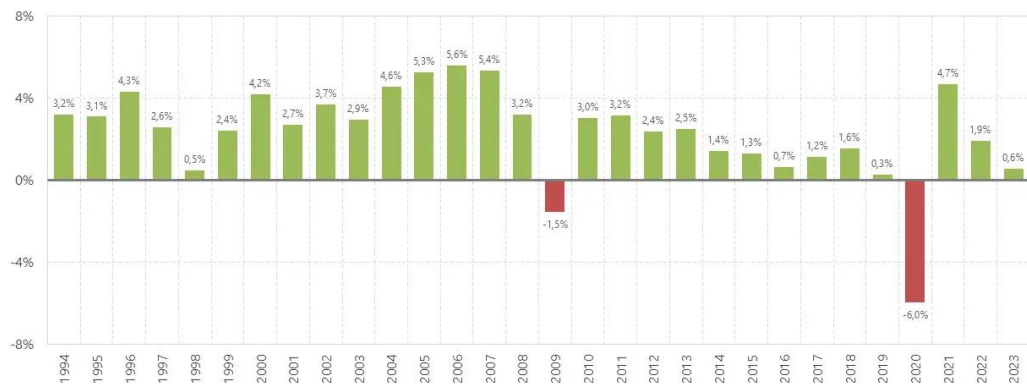


# SA avoids technical recession

- South Africa's economy saw minimal growth of 0.1% in Q4 2023.
- The data indicated that Africa's most industrialised economy narrowly avoided a technical recession, which is defined as two consecutive quarters of falling economic output, after a contraction of 0.2% Q3 2023.
- Growth in 2023 was 0.6%, in line with National Treasury's forecast.
- According to Stats SA, six industries made a positive contribution in Q4 2023, with transport, mining and finance propelling growth. Four made a negative contribution.

## South Africa's economy grew by 0,6% in 2023

Annual GDP growth rate (constant 2015 prices)



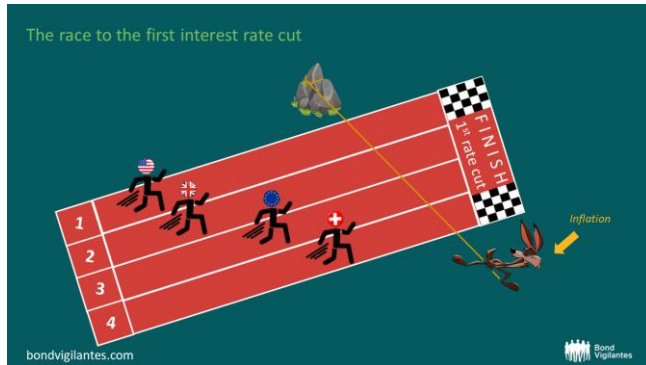
IMPROVING LIVES THROUGH DATA ECOSYSTEMS

Gross domestic product (GDP), Q4: 2023



# US interest rates remain steady

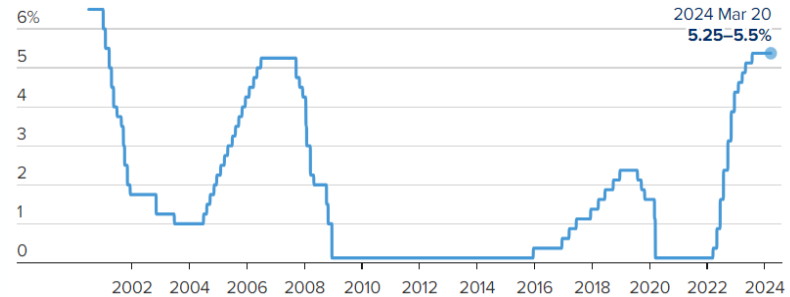
- The Federal Open Market Committee (FOMC) maintained the benchmark borrowing rate within a range of 5.25% to 5.5%.
- FOMC members are still projecting three rate cuts later in 2024. These would mark the first reductions since the onset of the COVID-19 pandemic in March 2020.
- The current federal funds rate is the highest in more than 23 years.



Source: CNBC, CBS, Bond Vigilantes - March 2024

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Federal funds target rate July 2000–March 2024



Note: From December 2008 to present, the chart reflects the midpoint of the Federal Reserve's target range. The target rate began in 1982.

Source: Federal Reserve Bank of New York  
Target rate as of March 20, 2024



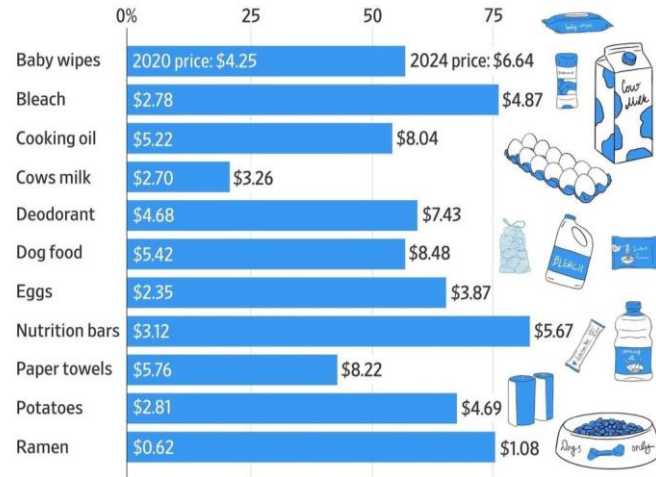
# US consumer prices increase 0.4%

- In February, US inflation surpassed expectations for the second consecutive month, driven by increases in prices for used cars, air travel, and clothing. This trend further solidifies the Federal Reserve's careful stance on reducing interest rates.
- The Consumer Price Index (CPI) increased 0.4% in February, following a 0.3% rise in January. Year-on-year inflation rose 3.2%.
- Core CPI, which excludes volatile food and energy prices, increased 0.4% for February and was up 3.8% for the year.
- A 2.3% increase in energy costs helped boost the headline inflation number. Food costs were flat for the month, while shelter rose another 0.4%.



## We Still Don't Believe How Much Things Cost

February 2024 prices for select products, and their change from February 2020



Source: NielsenIQ

WSJ

Source: CNBC, The New York Times, Bureau of Labor Statistics, Review Journal, Daily Maverick, Wall Street Journal - March 2024

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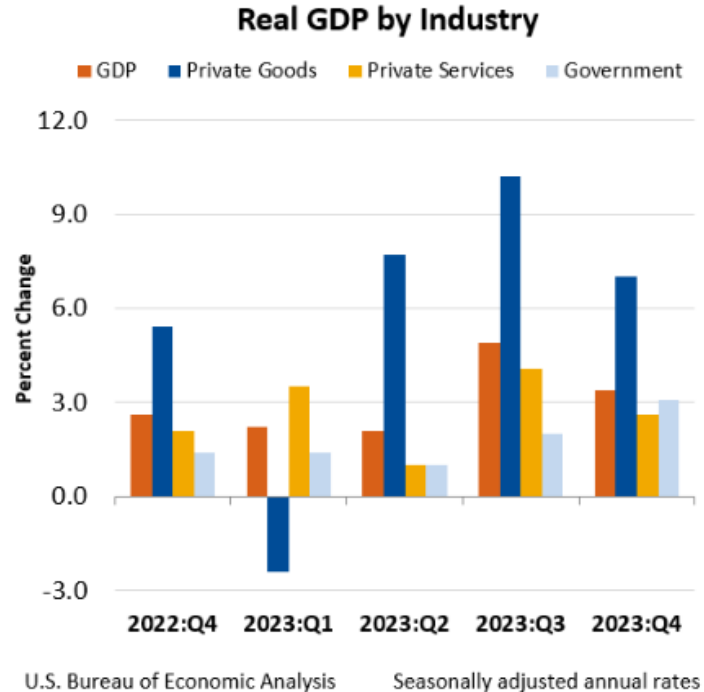
# US economy grows in Q4 2023

- US gross domestic product (GDP) grew 3.4% y/y in Q4 2023.
- Higher estimates of consumer spending, exports and business investment supported the economy during the quarter.
- Q4 GDP growth was lower than Q3 GDP of 4.9%.



Source: Mint, BEA, Hedgeye March 2024

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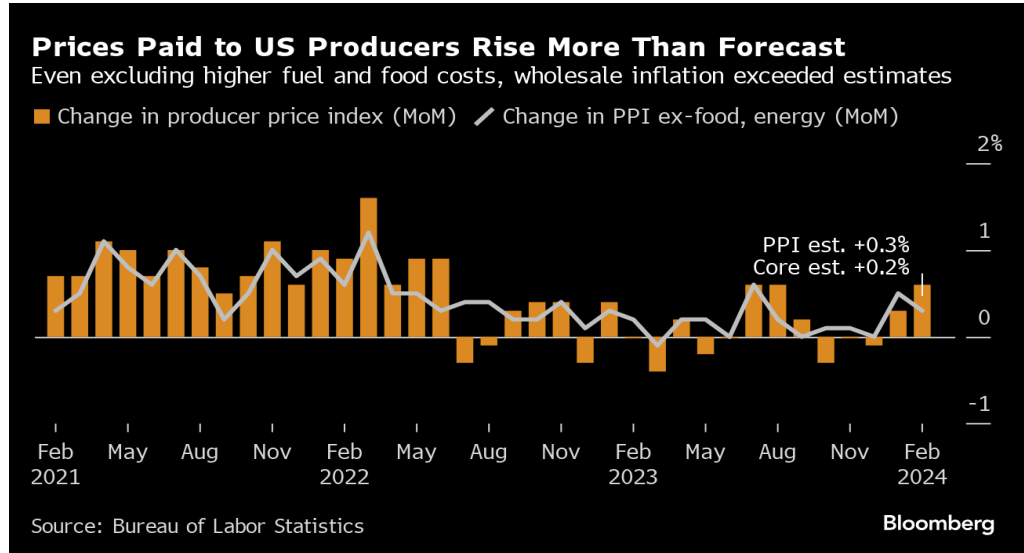


# US producer prices climb in February

- In February, US producer prices rose higher than anticipated, driven by significant increases in the prices of commodities such as gasoline and food.
- The Producer Price Index (PPI) for final demand rose 0.6% in February and 1.6% on a y/y basis.
- Nearly two-thirds of the PPI increase was attributed to a 1.2% rise in goods prices. This increase in goods prices was primarily fuelled by a 4.4% surge in energy product prices, following a 1.1% decline in January. Goods prices experienced a slight decrease of 0.1% in January.
- Excluding food and energy, there was a 0.3% increase in goods prices, matching January's gain. This indicates that the trend of goods deflation, which has been a key factor in driving down inflation, may be coming to a halt.

Source: Reuters, FX Street, Bloomberg - March 2024

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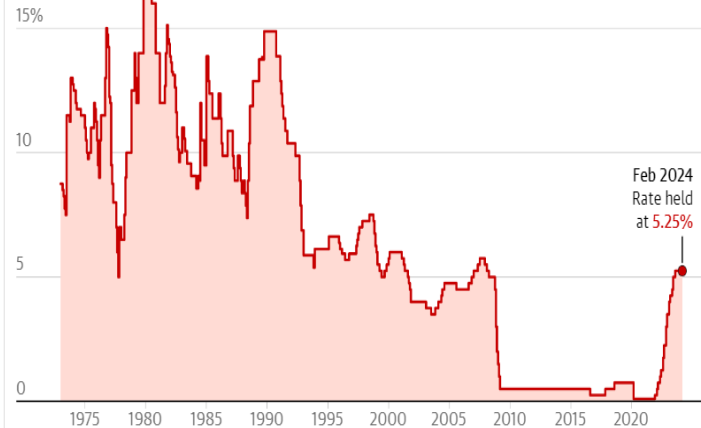


# BoE maintains interest rates

- The Bank of England (BoE) has maintained interest rates at the current level of 5.25%, the highest level since the 2008 global financial crisis.
- Since September 2023, the bank has kept borrowing costs steady, halting its most aggressive hiking cycle in decades.



The Bank of England has held interest rates at 5.25%

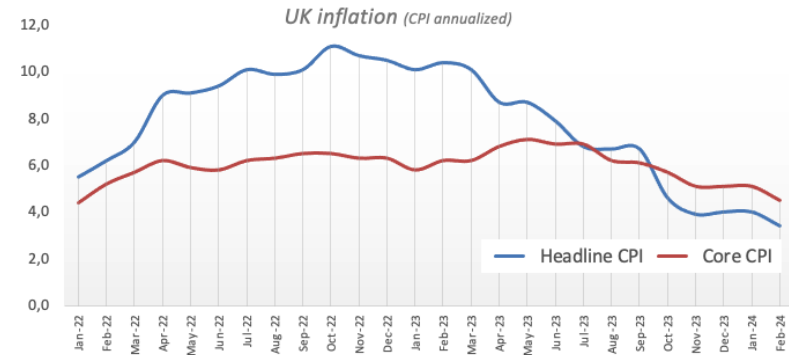


Guardian graphic. Source: Bank of England



# Inflation eases in the UK

- Inflation in the UK eased in February, keeping the BoE on track to start cutting interest rates in the months ahead.
- Consumer prices rose by 3.4% y/y after a 4% increase in January, the weakest rate of inflation since September 2021.
- Core inflation, which excludes energy, food and tobacco prices, also slowed, dropping to 4.5% from 5.1% in January.
- British consumer prices have increased by more than 21% since the end of 2020 - a record surpassed only by Austria, according to comparable Eurostat figures.



Source: Office for National Statistics

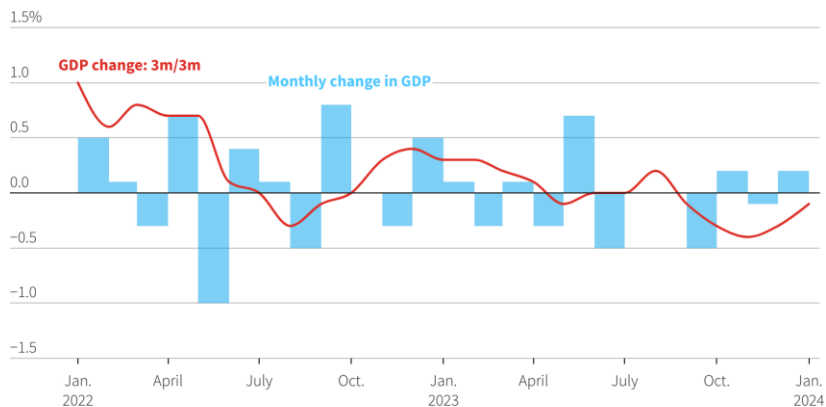


# UK economy enters shallow recession

- Britain's economy entered a shallow recession in 2023. GDP shrank by 0.1% in Q3 2023 and by 0.3% in Q4 2023, according to the Office for National Statistics.
- The UK economy returned to growth levels in January, aided by the expansion of the services sector. GDP increased by 0.2%, raising expectations it will expand in Q1 2024, marking the end of the recession.
- Britain is one of the last countries to recover from the effects of the COVID-19 pandemic. By the end of last year, its economy had only expanded by 1% compared with late 2019. Germany is the only one of the Group of Seven nations experiencing a worse situation.

## UK economy returns to growth in January

Britain's economy grew by 0.2% in January, on a monthly basis, after entering a shallow recession in the second half of 2023.



Source: LSEG Datastream, ONS | Reuters, March 13, 2024 | By Sumanta Sen



# ECB keeps interest rates on hold

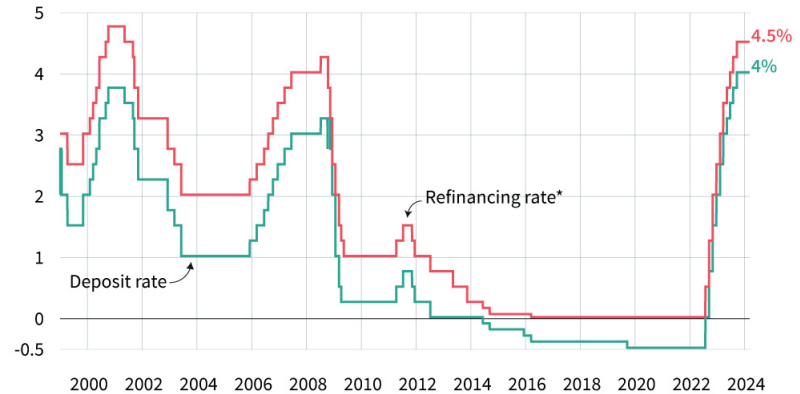
- The European Central Bank (ECB) maintained its benchmark interest rates during its March meeting.
- The ECB emphasised that inflation has declined further, while reiterating its commitment to restoring price pressures to the medium-term target of 2%.
- The ECB maintained the main refinancing rate at 4.5%, the highest in 22 years, along with the marginal lending rate at 4.75%, marking its highest point in 24 years. The deposit facility rate remained at a record high of 4%.



Source: Euronews Business, Barron's, InstaForex – March 2024

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## ECB interest rates

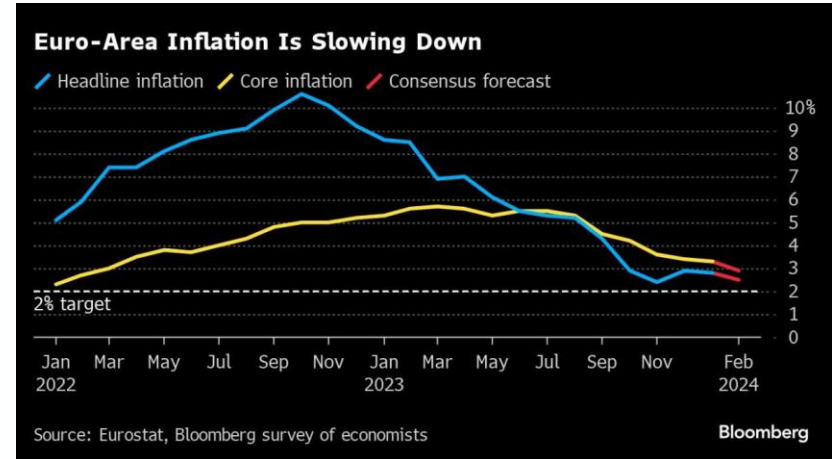


\*Variable rate between June 2000 and October 2008, minimum bid rate plotted.  
Source: European Central Bank



# Inflation in Europe eases

- In February, inflation in the 20 nation Eurozone eased to 2.6%.
- Core inflation, which excludes volatile components (energy, food, alcohol and tobacco), was 3.1% – above the 2.9% that was expected.
- The February data presents a mixed bag for policymakers, with core inflation remaining above 3%, while the headline rate inches closer to the ECB's 2% target.
- Prices have cooled significantly from their peak of 10.6% in October 2022.



Source: CNBC, Bloomberg, GIS Reports Online – March 2024



# Switzerland: First to cut interest rates

- Switzerland initiated the cycle of interest rate cuts among leading central banks in March.
- The Swiss National Bank (SNB) was the first central bank to lower its key lending rate since November 2020.
- The SNB lowered its key lending rate by 25 bps to 1.5% as it expects inflation to remain lower over the next few years.
- The SNB also reduced its annual inflation forecasts. The bank now sees average inflation reaching 1.4% in 2024, down from its 1.9% estimate in December, and 1.2% in 2025, trimmed from the previous 1.6% estimate.



Source: Reuters, The Strait Times, CNBC, Hedgeye – March 2024

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## Swiss National Bank makes surprise rate cut

The Swiss National bank cut its main interest rate by 25 basis points to 1.5% on March 21, making it the first major central bank to ease monetary policy.

SNB policy rate | CPI (Y/Y)



Note: Policy rate data through March 2024 and CPI data through February 2024.

Source: LSEG Datastream | Reuters, March 21, 2024





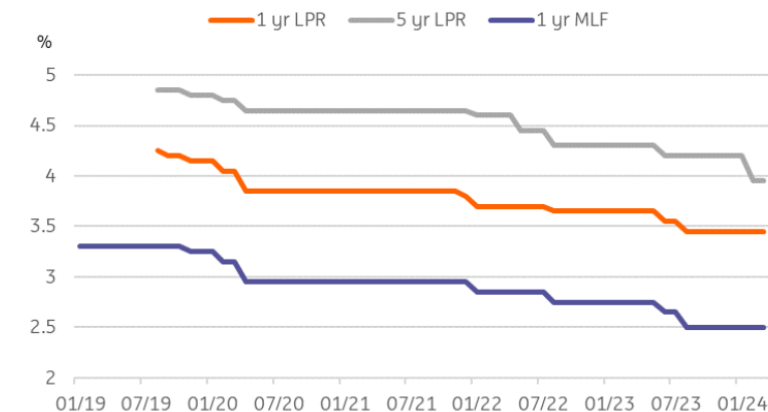
# China's lending rates remain steady

- The People's Bank of China left its key policy rate unchanged at 2.5% in an effort to stabilise the yuan.
- Usually, the medium-term lending facility decision serves as a preliminary indication of the subsequent decision regarding the Loan Prime Rate (LPR).
- February 2024 was an exception, as the five-year LPR was cut while the one-year rate was left unchanged.
- This is the first time on record that the five-year rate was cut instead of the one-year rate.



Source: Central Banking, ING – March 2024

China key interest rates



Sources: PBOC, ING



# China's exports surpass forecast

- China's export and import growth outperformed expectations in January and February, signalling a positive shift in global trade and offering encouragement to policymakers aiming to stabilise an uncertain economic recovery.
- Exports from the world's second-biggest economy in the two months were 7.1% higher than a year before. The growth is also significantly higher than the 2.3% gain recorded in December 2023.
- Imports also beat expectations, up 3.5% from a year ago, while the trade surplus reached US\$125.2 billion, about 7% higher than the same period last year.



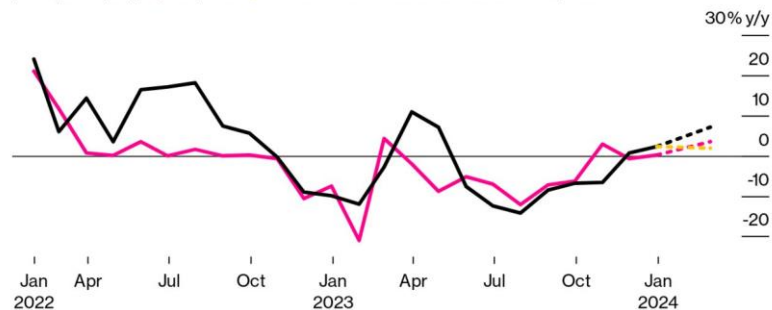
Source: Reuters, CNN Business, Bloomberg – March 2024

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## China's Exports Surge 7% So Far This Year

Uptick in overseas shipments better than expectations

Exports (in \$) Imports Economists' median estimate for exports



Source: Bloomberg, China's General Administration of Customs  
Note: Feb. 2024 data shows change in first two months of the year.

Bloomberg

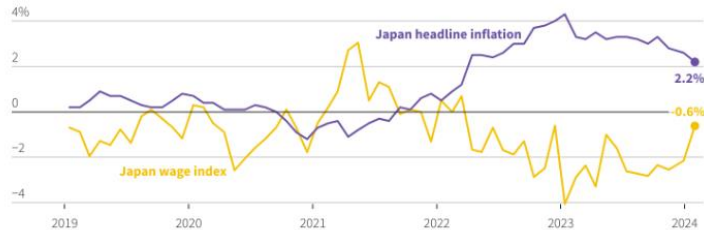


# BoJ ends negative interest rates

- The Bank of Japan (BOJ) concluded eight years of maintaining negative interest rates, signalling a historic departure from attempting to stimulate growth through extensive monetary interventions.
- The BOJ has lifted its short-term policy rate from -0.1% to between zero and 0.1%. This marks Japan's first interest rate hike in 17 years.
- The move comes after trade unions negotiated a wage increase of 5.3% - the biggest pay hike in 33 years.

## Wages on the rise

The Bank of Japan has maintained that wage gains and stable rises in inflation must be sustainable for it to bring an end to its stimulus policy.



Note: Year-on-year growth in real wage index from Japan's Ministry of Health, Labour and Welfare monthly wage survey  
Source: LSEG Datastream | Reuters, March 18, 2024 | By Riddhima Talwani

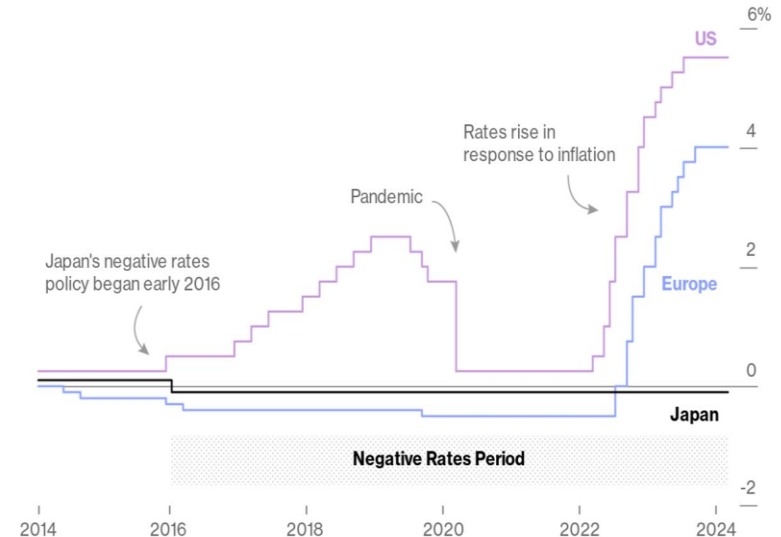
Reuters Graphics

Source: Reuters, News24, Al Jazeera, Bloomberg – March 2024

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## BOJ is Mulling the End of Negative Policy Rates

Move would nudge Japan's monetary policy closer to the mainstream



Source: Bloomberg

Bloomberg

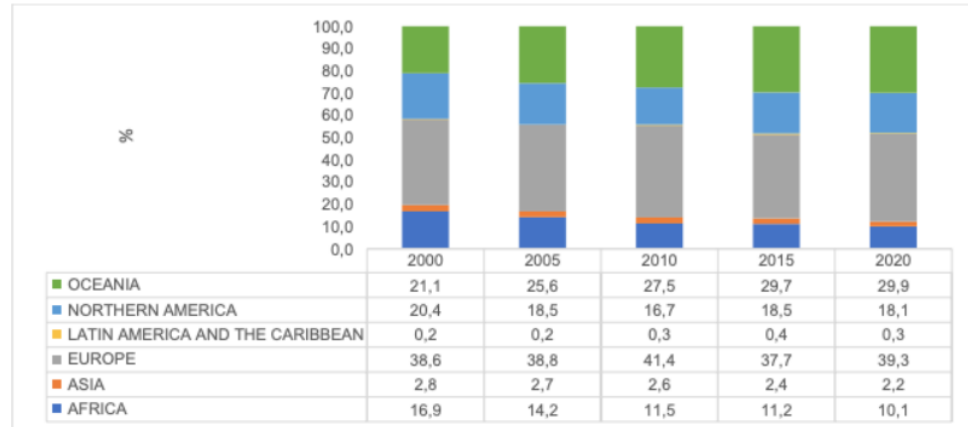


# Of interest | SA's brain drain

- Stats SA's first migration report reveals that South Africa has experienced a loss of nearly one million citizens due to emigration since 2000.
- The data also suggests that a potential "brain regain" in SA may be excessively hopeful.
- Despite grey skies, geopolitical uncertainties, the high cost of living, and the steep price of biltong overseas, South Africa doesn't seem to be attracting emigrants.
- The rising number of South Africans emigrating to the favoured destinations of the UK, Australia and the US, has helped to boost the population of these countries by significant percentages.

SA citizens living abroad		
2000	2010	2020
501 600	743 807	914 901

**Figure 3.2: Percentage distribution of region of residence of South African citizens residing abroad, 2000–2020, 2005, 2010, 2015, 2020**

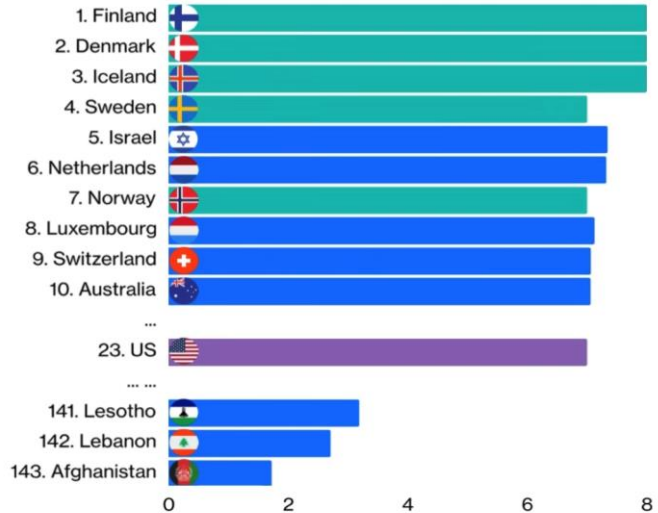


Source: UNDESA accessed 04/10/2023



# Of interest | The world's happiest countries

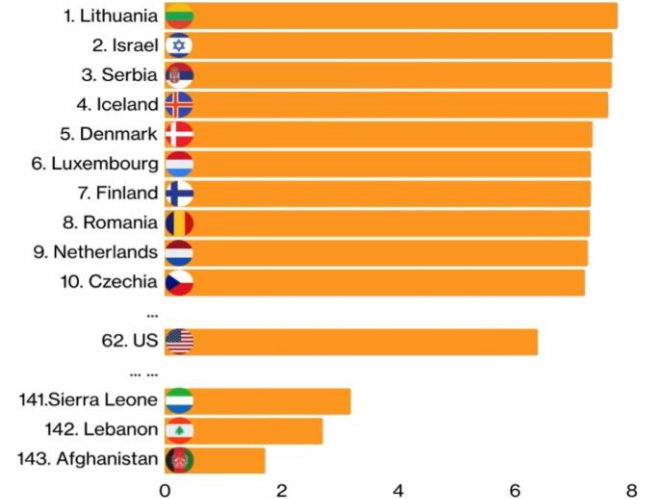
...While the **US** fell outside the top 20 for the first time ever.



Source: World Happiness Report 2024  
 Note: Ranking uses data from 2021-2023. All locations are not surveyed every year. Scores are based on individuals' own assessments of their lives, in particular their answers to the single-item Cantril ladder life-evaluation question. Points defined as 0 = worst, 10 = best.

**BloombergOpinion**

But if you're under the age of 30, the rankings look a lot different.



Source: World Happiness Report 2024  
 Note: Ranking uses data from 2021-2023. All locations are not surveyed every year. Scores are based on individuals' own assessments of their lives, in particular their answers to the single-item Cantril ladder life-evaluation question. Points defined as 0 = worst, 10 = best. Data reflects answers from individuals aged below 30.

**BloombergOpinion**

Source: Bloomberg Opinion – March 2024

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# Of interest | Most valuable brands

- In the last decade, rare whisky (depending on its origin) has emerged as the top-performing luxury asset. It has appreciated by 280%, outpacing even the S&P 500.
- Since the onset of the COVID-19 pandemic, numerous auction sale records have been broken, with collectors occasionally spending millions on a single bottle.



Source: Visual Capitalist. – March 2024



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