FOORD

FOREWORD

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It's extraordinary how fast a quarter flies. We no sooner put down our pens from one Foreword only to start on the next. Fortunately, we are never short of content.

In this 69th issue of *Foreword,* we address performance concerns stemming from the underperformance of the Foord global funds. In my article *Performance Review — Light at the end of the Tunnel*, I explain the underperformance of our Foord global funds in 2023 and to date, the effect on the Foord SA funds, and when and how we expect them to recover. One element of the underperformance is a judicious weighting to Chinese shares, which have all but capitulated in recent times. In the accompanying article titled *Investing in China – Risks and Opportunities,* Foord Singapore portfolio manager JC Xue objectively counters the 'China is not investible' argument. These are long pieces, but worthwhile reading.

On the local front, portfolio manager Wim Murray and investment executive Linda Eedes explain the minefield of investing in South African equities in the article, *Unlocking Opportunities in SA Inc. Counters*. Equity analyst Dylan Griffiths explains how ESG for one corporate can spell catastrophe for another in *Navigating ESG Complexities in the Real World*. Communications manager Christina Castle tells a good story as our first picture book about saving and investing formalises as a lesson in *More than Enough Officially Hits the Classrooms*. And finally, we round off with *Markets in a Nutshell*.

Our next *Foreword* will reach you in July — after the elections and the regulatory Annual Report.

Enjoy the read.

Paul Cluer
Managing Director

PERFORMANCE REVIEW – LIGHT AT THE END OF THE TUNNEL

The Foord International Fund is known for its resilience during market weakness. It is much more likely to lag in bull markets — and last year was no exception. In this article, Managing Director Paul Cluer discusses why the Foord global funds underperformed last year, when and how we expect them to recover, and how the Foord South African funds are positioned to generate inflation-beating returns in the year ahead.

The two Foord global funds heavily underperformed their benchmarks — for different reasons — last year after having delivered stellar returns in the big drawdown year of 2022, when global interest rates were first rising. We understand that the magnitude of the underperformance over this short period is hard to endure for investors. But there is light at the end of the tunnel.

FOORD INTERNATIONAL FUND

Foord's popular 26-year-old Foord International Fund is a conservative, absolute return product. Given the choice between chasing investment returns and protecting capital in this product, the managers are always going to choose to protect capital. They did this well when the dotcom bubble burst at the turn of the century, well enough over the 2008 Global Financial Crisis, and again well during the heavy COVID-drawdowns of 2020, as well as in 2022 when global share and bond markets plunged 18% in US dollars. Limiting losses when risks are high is a hallmark of this fund.

But in worrying about the risks of loss, the fund missed out on the (short-lived) stimulus rally of 2021 and the AI-sparked rally of 2023, which has driven key western markets to all-time highs this year. Protecting against market drawdowns comes at a cost, especially if markets surge higher.

In 2023, the fund was down 4% in US dollars when tech-heavy global share markets rose an eye-popping 24%. The trend continued the first two months of 2024, with a reprieve in March. There are three primary reasons for these poor returns.

Inherent Conservatism and Cost of Hedges

First, the fund's inherent conservatism detracted from returns through a combination of holding a smaller portion of the fund in shares, and the direct costs of hedging the fund's equity exposure. Hedging refers to the practice of using derivatives to protect against falling markets. Hedges add value if markets fall — as was the case in 2022 — but are costly if markets rise. Had we not hedged the risks building in US equities, Foord International Fund's performance would have been 3.8% better last year.

So why did we put these hedges in place? If we cast our minds back to mid-2023, we were confronted with US inflation around 7%, wages increasing by nearly 5%, and jobs market data — whether payrolls or job openings — that exceeded even the highest expectations. The US economy was in full swing. It seemed to us that the US central bank would not soon start to cut interest rates — even if the market was expecting just that and trading at ever higher valuations.

We expected that peak US profitability, elevated inflation and multi-decade high interest rates would crimp corporate investment and weigh on earnings. It was conceivable to us that a US recession was possible and quite likely, which would be negative for stock markets. While earnings growth did slow materially — especially after inflation — the correction was less than we would have thought. As a result, the expected impact on the share prices of US companies has not come to fruition. Or at least, not yet.

Chinese Investments

Second, the fund's investment in Chinese equities was negative for the year. Although accounting for less than 15% of fund assets, the negative investor sentiment pressuring all Chinese shares cost the fund 3% last year after Chinese bourses fell by double-digit returns — compared to the double-digit gains achieved by US share markets. Chinese markets are down further in 2024 but appear to have now troughed.

Foord is an earnings-driven investment firm. We hold a well-tested belief that if we properly forecast earnings, share prices will follow. While the earnings for nearly all our Chinese investments grew during 2023 — many at robust rates — prices fell on poor western sentiment towards China. We believe this is a timing issue and that share prices will recover in time, and probably sooner than most expect (refer *Investing in China — Risks and Opportunities* for our thesis on why we don't believe that China is not investible).

Low Weighting to Expensive US Technology Shares

Finally, the fund's relatively modest investment in the 'Magnificent Seven' grouping of mega-sized US technology companies weighed heavily on performance relative to global markets. This group seven-handedly accounted for more than 40% of global share market returns last year. Many shares outside of the Magnificent Seven performed poorly, with low single-digit — or even negative — returns. The opportunity set outside of the expensive big tech shares was constrained.

We are acutely aware that diligent application of our investment philosophy has — in this period, at least — caused, rather than prevented, losses in the fund: sticking to our valuation discipline was painful through our lower weight to expensive, large-cap US technology firms that rallied heavily; our keen focus on earnings and valuations did not alleviate the sentiment-driven declines of our quality Chinese investments, while hedging strategies — paradoxically implemented to mitigate market drawdowns — themselves compounded losses in the fund.

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FOORD GLOBAL EQUITY FUND

The Foord Global Equity Fund has a much longer time horizon than its conservative stablemate. It is appropriate for investors who can tolerate much more risk. Last year was also a disappointing year, with the fund returning 7.6% in US dollars. While positive, this was well below the benchmark return of 22%.

The reasons for the underperformance mirror those of the Foord International Fund, although this fund did not use hedging strategies. As an equity-only product, the effects of the underweight position in US technology stocks and the overweight position in Chinese investments were, however, more acute.

The US Magnificent Seven, along with the balance of the information technology sector, now comprise 40% of the US S&P 500 Index, which tracks the 500 most valuable companies listed on US stock exchanges. These seven stocks returned (on average) 80% in 2023, nearly seven times that of the 12% return achieved (on average) by the 493 companies that are not included in the Magnificent Seven.

While sticking to our valuation discipline can be painful in the short run, often over our forty-plus year history we have been reminded that security prices do follow earnings and that paying a reasonable — not excessive — valuation for those earnings is of utmost importance in generating sound, risk-adjusted, long-term returns. We may yet be proven correct regarding tech valuations.

The Foord Global Equity Fund has about a fifth of its portfolio invested in quality Chinese consumer and technology companies. These companies have attractive business models and are growing their earnings at appreciable rates. However, they sold off on sentiment as already noted. We have strong conviction in our philosophical view that earnings fundamentals drive share prices over time, as well as in our current portfolio holdings and positioning.

FOORD'S SOUTH AFRICAN PORTFOLIOS

The Foord Equity Fund is showing its stripes, outperforming its FTSE/JSE Capped All Share Index for the year and for the last three years — as well as most of its peer group. That said, it has only delivered low single-digit returns for the last 12 months when the JSE has been negative. The opportunity set in South Africa has mostly been in the fixed-income asset classes. Foord's suite of fixed-income products has delivered returns of 7% to 10% in the last year, mandate dependent.

Foord's South African multi-asset portfolios — the Foord Conservative, Balanced and Flexible Funds — invest variously between 35% and 65% of their assets into the Foord global funds. As a result of the poor returns on the Foord global funds and the constrained South African opportunity set, the returns on these multi-asset funds since the start of 2023 have been in the low single digits. We are acutely aware that the funds have not kept pace with inflation in this period.

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LOOKING AHEAD

How do we see this situation changing to again deliver long-term, inflation-beating returns to investors in these products?

Firstly, we expect — for the reasons set out in the accompanying article by portfolio manager JC Xue — that Chinese equities will recover well, on even just the smallest improvement in economic fundamentals or sentiment. The Foord SA multi-asset funds have from 6% to 11% effective exposure (mandate dependent) to this region on a look-through basis and we should see a meaningful performance fillip when this occurs.

Second, while inflation here and abroad is proving stickier than many have believed, it is well off its 2023 highs. South African and developed market interest rates are still at recent peaks. Interest-bearing investments — cash, money market instruments, as well as corporate and government bonds — are generally delivering inflation-beating yields.

The Foord funds are mostly invested in fixed income instruments that have low risk of loss, even if interest rates rise. Within bonds, we favour inflation-linked bonds for their better risk-reward profile. The funds have between 20% and 45% (mandate dependent) invested in interest-bearing investments that should deliver an inflation-beating return over the medium term.

Investments in South African equities are split between ‘SA Inc.’ shares that are directly exposed to the fortunes of the SA economy, and locally listed shares that earn most or all their revenue in hard currencies. As we’ve discussed in other forums, the SA Inc. shares are trading cheaply — some for very cogent reasons. Nevertheless, there are scenarios where the better-quality stocks will achieve attractive earnings and share price growth. We have a low weighting to cyclical resources stocks that have dramatically underperformed the market in the last 18 months.

The rand faces continued headwinds against hard currencies. The economy remains structurally constrained, and the country’s terms of trade are weak. Political and energy risks remain high. Rand weakness should buoy all investments with foreign currency earnings — whether listed locally or abroad. Ditto the gold bullion investments, which are in the portfolios at levels up to 5% of fund.

We note that there are certainly risks in global shares, with US, European and Japanese stock markets recently achieving all-time highs. They are primed for retracement if corporate earnings disappoint or recessions bite. That said, the Foord global funds are less exposed to the most expensive areas of the global market and the Foord International Fund specifically has hedges in place against market declines. In a risk-off scenario, rand weakness should help pare market losses.

INVESTING IN CHINA – RISKS AND OPPORTUNITIES

China's main Hong Kong stock market index — the Hang Seng — has nearly halved on net selling by foreign investors since its post-COVID peak. The index is trading at levels last seen 25 years ago and at valuation lows reminiscent of the 1997 Asian Financial Crisis. In this article, Foord Singapore portfolio manager JC Xue counters the 'China is not investible' argument and looks at long-term opportunities for patient investors.

DEBT LEVELS

The conversation around China's investment viability often starts with its debt levels. Critics argue that China's elevated total debt metrics (which include household debts) signal an impending crisis. China's total debt-to-GDP ratio — which measures a country's total debt relative to its annual economic output — sits at 250%. This figure climbs to 320% when incorporating debts from local government financing vehicles.

At first glance, this statistic seems alarming. However, it is worthwhile noting that high debt metrics are not inherently indicative of economic peril. For context, the US and UK have sustained economic growth despite comparable total debt ratios, while Japan is at the 450% mark.

As with the US, China's debt is mostly denominated in its own currency, therefore its debt levels will not lead to currency woes. China is one big, closed system, with debts effectively backstopped by the Chinese government. This affords the government considerable control over debt management and largely insulates it from risks of default.

PROPERTY DEVELOPMENT SECTOR

Debt is useful when put to good use. In China's case, its past focus on infrastructure development — most notably housing — has led to over-indebtedness by property developers and headwinds for the property sector. These were exacerbated after the government implemented its 'three red lines' policy to curb undesirable speculative activity. The government's stance is that houses are for living in, not for speculation.

This reflects a deliberate, government-led effort to rebalance the economy and enhance long-term stability. These measures have had undeniable consequences on home prices and consumer confidence. Home prices across 50 Chinese cities have dropped as much as 35% in three years. However, it follows a broader strategy to redirect capital towards more sustainable and socially beneficial sectors — such as electric vehicles, batteries and high-speed rail infrastructure.

Western investors calling for wholesale stimulus of the beleaguered property sector are missing the point: the Chinese government does not wish to reflate the property bubble. Rather, it is supporting homebuyers with targeted easing measures such as prime rate adjustments and credit support for non-speculative buying.

Critics fearing a collapse like the 2008 US housing crisis also overlook key differences in market structure. China's property market features much higher down-payment requirements — 35% deposits for first homes, compared to 5% in the US — and less reliance on speculative borrowing. This adds to the sector's resilience in the long term.

CONSUMER CONFIDENCE

Lower home prices have triggered a concomitant decline in Chinese consumer confidence — now at 20-year lows. This is indeed a headwind for the Chinese economy. However, underlying fundamentals are sound. Western economies can only dream of China's national savings rate, which now sits at 33%. Chinese consumers therefore have cash to spend as sentiment improves. We are seeing evidence of this at the margin, with tourism revenue over the Chinese New Year period now 8% above pre-COVID levels.

REGULATORY INTERVENTIONS

However, surprise regulatory interventions, particularly in the technology and gaming sectors, have raised concern about market unpredictability. This is a valid concern and we have also felt the sting of abrupt regulatory action on our long-term Chinese investments. Yet these actions often aim to address excesses and ensure sustainable growth for the sector. Lately, the government has shown flexibility and responsiveness to industry feedback, with U-turns on aggressive regulatory changes after market backlash.

AGEING POPULATION

A final and undeniable risk to the Chinese economy lies in its demographic shifts, notably an ageing — and now shrinking — population. Comparisons with Japan 20 years ago are inevitable. However, China is less than two-thirds urbanised today. Developed Asian economies are north of 80% urbanised, with Japan at 91%. We expect another 150 million Chinese to urbanise in the coming decade, as agriculture's share of total employment falls from today's 20%. China's urbanising workforce will be a natural economic tailwind for at least another decade. Adjustments to China's comparatively low retirement age and initiatives to boost birth rates are among other measures being explored.

STOCK MARKET AT 25-YEAR LOWS

Amid these challenges, Chinese stock market valuations are trading at 25-year lows, as evidenced by the PE ratio — which measures share prices relative to company earnings — of the Hang Seng Index. This takes us back to the height of the Asian Financial Crisis, which coursed through the ASEAN region on fears of contagion — causing the Hang Seng to fall 25% in four days. However, the market recovery in 1998 and 1999 from its oversold levels was rapid.

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By historical measures, today’s macroeconomic headwinds are not nearly so poor as those facing the region in 1997. Yet most global investors have exited the market in the last three years on the ‘not investible’ narrative, which oversimplifies a complex reality. Risks are certainly present, but they are mitigated by strategic policy responses and inherent market strengths. For discerning investors, today’s valuations present a compelling entry point for long-term, value-oriented investors who can see through the anti-China sentiment.

The Foord global funds have exposure to high-quality Chinese technology and consumer stocks that are half-as-cheap as the average US stock — and orders of magnitude cheaper than some US tech stocks trading on eye-popping valuations. Within these funds, the conservative Foord International Fund has about 15% of its portfolio invested in Hong Kong and US-listed Chinese companies, while the more aggressive (and longer time horizon) Foord Global Equity Fund has about a fifth of its portfolio invested in the region.

NAVIGATING ESG COMPLEXITIES IN THE REAL WORLD

After Eskom, Sasol is South Africa's second-biggest polluter of greenhouse gases. The petrochemical giant faces mounting Environmental, Social and Governance (ESG) pressures to improve its greenhouse gas emissions. Equity Analyst Dylan Griffiths writes how near-term ESG wins for Sasol have alarming real-world consequences for other South African corporates.

Sasol's Secunda synthetic fuels plant is often described as the single-biggest emissions site in the world. At 53.8 million tonnes of greenhouse gases a year, Secunda's emissions exceed the individual totals of more than 100 countries — including Norway and Portugal — according to the Global Carbon Atlas.

Sasol rightly faces massive shareholder, climate activist and regulatory pressures to improve its emissions scores. It has committed to achieving net-zero emissions by 2050. Its transition includes inter alia turning to low or lower carbon energy sources. In the near term, substituting dirty coal for cleaner gas is low hanging fruit for Sasol.

Sasol has long stood as the custodian of the South African gas market. It supplies local industrial users with low-cost gas sourced from the Pande and Temane fields in northern Mozambique. Sasol bears all the risks along the value-chain — from exploration, to production, to distribution. But this model is set to change, and alarmingly soon.

Sasol has traditionally on-sold approximately 25% of its Mozambican gas to local industrial users. Because of depleting gas resources, in August 2023 Sasol affirmed its commitment to fully internalise this gas supply by 2027. This good-news decision for Sasol has some alarming consequences for other industrial gas users in South Africa.

Sasol has now placed its gas customers on rolling short-term contracts through to 2027. It is encouraging them to secure alternative supply agreements thereafter. Due to historical gas pricing regulations, these new alternative supply agreements are likely to be concluded at significantly higher prices. Higher production costs will become an existential threat to most gas-dependent businesses — putting thousands of jobs at risk.

One such business is Italtile Limited, a long-term holding in the Foord Equity Fund. Italtile's subsidiary Ceramic Industries uses natural gas sourced from Sasol to power the kilns which fire its tiles. Natural gas accounts for approximately 70% of Italtile's total energy requirement.

There is no imminent quick-fix solution to this looming gas supply crisis. At present, the most shovel-ready of the alternative solutions is a Floating Storage and Regasification Unit (FSRU) located at the Matola port in Mozambique. Initial estimates suggest FSRU gas costs could be double those currently paid. However, the project is at a standstill, as securing an anchor offtake partner remains a key feasibility hurdle.

One proposal is for Eskom to come to the fore with an offtake commitment for about 50% of the FSRU gas for use in a 1.2GW gas-fired power station to be built close to the port. To date, Eskom has made no such commitment. Given the tight deadline, financing and construction time required for these projects, final investment decisions are needed urgently.

For Italtile, managing this looming gas crisis will require its own ESG balancing act. It must weigh the social impact of production cuts in its ceramics division against emissions regressions associated with substituting coal for natural gas as an energy input. Yet, for Sasol, the internalisation of its gas supply presents as an essential stepping stone towards repositioning the business for a sustainable future.

The uncertainty surrounding Southern Africa's long-term gas supply highlights material investment risks. It not only represents a national energy security risk, but also highlights the complexities and interconnectedness inherent in managing ESG risks, where decisions can have far-reaching consequences.

Understanding the risks and externalities of the gas supply cliff has been a focus for our investment team over the last year. We have adjusted our positioning where we think it poses a material risk to companies in our portfolios. Outside of investment returns, we think this issue poses material risks to the lives of many South Africans and should be receiving more urgent attention from government and other stakeholders.

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UNLOCKING OPPORTUNITIES IN SA INC. COUNTERS

Investing in 'SA Inc.' companies can seem daunting, given the country's many economic headwinds. Economic growth has been paltry for the last decade and government debt has ratcheted to its highest levels in history. Without significant economic reform, this trend should persist. Portfolio Manager Wim Murray and Investment Executive Linda Eedes look at how Foord navigates this tricky minefield to find investments that should generate meaningful returns without undue risk.

We see four types of opportunities within the SA Inc. opportunity set — companies that are mostly exposed to the fortunes of the South African economy — that serve as useful hunting grounds for investment ideas during tough economic times. These opportunities include high-quality companies, companies led by high-grade management teams, companies that are growing even in a no-growth environment and, lastly, companies where value can be unlocked for reasons that are not dependent on the South African economy prospering.

Some investment examples highlighted in this piece are long-term holdings in Foord equity and multi-asset portfolios. Usually, these are companies that have high-quality characteristics and excellent management teams — we like companies with these qualities whatever the economic environment. Having high-quality characteristics and high-grade management teams are not exclusive — they often go hand in hand. Other examples are those that have been more recently added to the portfolio given their defensive attributes.

The first bucket is high-quality companies with intrinsic characteristics that set them apart from their peers. These characteristics give them a sustainable advantage that endures over time. One of the ways we measure this is by considering how effectively a company uses its capital to generate profits. Other quality characteristics include the ability of a business to pass rising costs onto customers, or to cut costs to protect margins. Examples include OUTsurance and Santam, which are both included in the Foord Equity Fund — albeit at weights that don't make the top-ten list.

High-grade management teams in South Africa have demonstrated the ability to dodge curveballs, including social unrest, failing ports and railways, and the national energy crisis. Quality management teams display both grit and pragmatism. We look for clear signs that management has a longer term focus, supported by incentives that align management's interests with those of shareholders. FirstRand is a long-term top-ten investment in most Foord portfolios. It has consistently generated better returns on capital than its peers, translating into stellar total returns for investors.

The third type of opportunity we like in this climate are companies that operate in sectors where there is good growth for structural reasons — bucking the trend of lacklustre growth for the overall economy. An example of this is pharmacy group Dis-Chem. Dis-Chem is defensively positioned to benefit from the growing healthcare needs of an ever-larger population. However, it is also gaining market share from small, independent pharmacies struggling to compete with the larger players. Dis-Chem is a relatively new addition to the Foord Equity Fund.

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The last type of opportunity we favour in sluggish economic environments are those that depend on value being unlocked for one or more reasons. This could include complicated structures being unwound, or where our fundamental research reveals a technical opportunity to be exploited. A recent example that benefited Foord's investors was real estate company Fortress, where negative sentiment caused the share price to trade far below the sum of its underlying assets.

Populating portfolios with different investment ideas, ensuring portfolios are tilted towards quality businesses, backing good management teams with demonstrable skill, and finding opportunities that exist independently of SA's economic trajectory are just some of the ways we continue to focus on the job at hand: protecting and growing our investors' capital, regardless of South Africa's economic circumstances.

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MORE THAN ENOUGH OFFICIALLY HITS THE CLASSROOMS

In 2019 we took an unexpected step into the world of children's book publishing — we launched our first book about saving and investing, *More than enough*. Five years on, Christina Castle tells the story and shares the next chapter of Foord's unusual adventure into financial literacy.

What seemed like 'a good idea at the time' in 2019 has since become an industry first and highlighted the critical importance and desperate need for financial literacy — not just in South Africa, but around the world. Since then, we have published another book in Foord's now established *Teach Your Child to Invest* financial literacy initiative — *Little by little* followed promptly in late 2020. And to date, more than 150 000 books in four languages have been distributed in South Africa and beyond.

This year sees us pulling up our socks and heading into community centres and classrooms across urban and rural Western Cape. With the educational expertise of public benefit Avo Vision, we have formally created a comprehensive, outcomes-based lesson plan based on the concept of our first book, *More than enough*. Essentially aimed at four- and five-year olds, this interactive learning experience will now provide thousands with access to a vital life skill.

Using song, role play and animated storytelling, programme trainers take our little learners on their first 'formal' journey into the world of saving and investing. All participating children are accompanied by parents or guardians, who also play an integral role in the lesson. The session is therefore not just for children, but for grownups of all ages too. Many South African adults have never been afforded this knowledge, and these lessons provide a natural environment and rare opportunity for families to learn together — and keep learning together.

As our series of children's books grows, so too will the lessons we take into communities across the country — for all generations and for generations to come.

And on that note, keep an eye out for our third title in the series later this year.

DID YOU KNOW? ASEAN

Short for the Association of Southeast Asian Nations, ASEAN is a 10-nation grouping located in Southeast Asia and the Pacific Rim. Established in 1967 with just five member states — Indonesia, Malaysia, the Philippines, Singapore and Thailand — ASEAN's purpose was to pacify the region and contain the spread of communism.

By the mid-1980s, Brunei had joined the team of peacemakers. And by the late-1990s the olive branch had been extended to communist and quasi-communist neighbours: Vietnam, Laos and Cambodia. Myanmar joined the club in 1997.

Together, this neat collection of countries collaborate to promote 'socio-cultural, economic and political advancement in the region'. And have proudly secured it as a nuclear-free zone. Recognised as a significant region and regional player, ASEAN has become ASEAN Plus Three and includes Japan, South Korea and China as part of an initiative to promote a host of common goals.

	WORLD	SOUTH AFRICA
Equities	The US-led global share market rally continued apace on hopes that interest rates would soon fall — emerging markets lagged, with Chinese equities falling further and the Hang Seng Index plumbing 25-year lows	The FTSE/JSE Capped All Share Index was lower, more so in US dollars on currency weakness — weighed down by financial counters and by resources shares, which fell heavily before experiencing a reprieve in March
Bonds	Developed market bond markets fell after a slew of adverse US inflation surprises caused investors to pare expectations for interest rate cuts — even while inflation had fallen faster in the UK and EU	The All Bond Index was negative for the quarter after bond yields tracked global bond yields higher — but cash continues to offer inflation-beating returns, given the high interest rates on offer
Currencies	The US dollar was stronger against the majors and most currencies — given expectations that US rates would stay higher for longer on robust growth and sticky inflation	The rand shrugged off an optimistic budget on confirmation that National Treasury would tap SARB's excess reserves to reduce debt — but lost ground against the greenback on broad-based US dollar strength
Commodities	Commodities from copper to cocoa surged higher, with Brent crude oil gaining 14% and touching $90 a barrel — gold bullion surged 9% in March to hit new all-time highs on geopolitical tension and Chinese central bank buying	
Economy	US economic growth remains robust, although high rates are now taking a toll on auto loan and credit card delinquencies — but the UK, Germany and Japan (later revised up) fell into technical recession after recording a successive quarterly GDP contraction	The South African economy remains heavily constrained, with GDP growth for 2023 coming in at just 0.6% — the gap between SA economic growth and world growth is now double its long-term average
Monetary and fiscal policy	US inflation has proved sticky below 4%, but the 'supercore' measure of services inflation less housing rose to near 5% — market expectations for six US Federal Reserve cuts in 2024 have now been whittled down to less than three	Consumer inflation remains sticky at the high end of SARB's target range, with petrol price pressures likely to compound matters — the market is now only expecting one quarter-point cut in interest rates towards year end

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