

OUR

SEPTEMBER 2023 – MARKET COMMENTARY

QUARTERLY REPORT

Market Insights

GLOBAL PERSPECTIVE

The historical tapestry of September paints a story of it being a challenging month, and this year wasn't an exception. The year began with promise; the first two quarters painted an optimistic picture, but as the old saying goes, "after sunshine comes rain." Q3 bore testament to this sentiment, registering declines in major global market asset classes.

Equity markets globally navigated turbulent waters as the ship of optimism struggled against waves of rising interest rates and the unpredictable winds of a morphing global economy. A noteworthy pause in this rhythm was the U.S. Federal Reserve's decision to anchor interest rates at 5.5%, swayed by August's inflation data, revealing a rise in the Consumer Price Index (CPI) to 3.7% YoY. A tumultuous bond market also stirred the seas, with long-term Treasury yields climbing, casting shadows of impending recessions.

However, amidst the storm, the silver lining appeared with the Senate's timely resolution, extending the government's operational window by another 45 days, preventing a potential government shutdown.

(In Base Currency)

	YTD	1 Year	3 Months	3 Years	5 Years
MSCI WORLD PR- USD	26,30	25,00	-4,12	5,78	10,44
NASDAQ Composite PR- USD	26,30	25,00	-4,12	5,78	10,44
S&P 500 PR- USD	11,68	19,59	-3,65	8,44	8,03
EURO STOXX 50 PR- EUR	10,04	25,81	-5,10	9,34	4,20
FTSE 100 PR- GBP	2,10	10,36	1,02	9,05	0,26
FTSE/JSE All Share Capped PR- ZAR	-1,87	12,21	-4,75	11,00	5,24

	CPI	Bank Rate
USA	3,70%	5,25% - 5,50%
UK	6,70%	5,25%
EUR	5,24%	4,00%
Japan	3,20%	-0,10%
RSA	4,80%	8,25%

USA

The MSCI World Index decreased by 4.3% in September and accumulated loss of 3.4% for the entire quarter. Much like a mirror capturing a reflection, the S&P 500 echoed this trend with a 3.6% dip. The significant impact came from the interest rates echoing across the market. The Nasdaq Composite Index, the tech powerhouse, marked a decline of 5.8% for September and 4.1% for the quarter. The Dow Jones trailed close behind, with a decline of 3.5% for September and 2.6% over the span of the quarter.

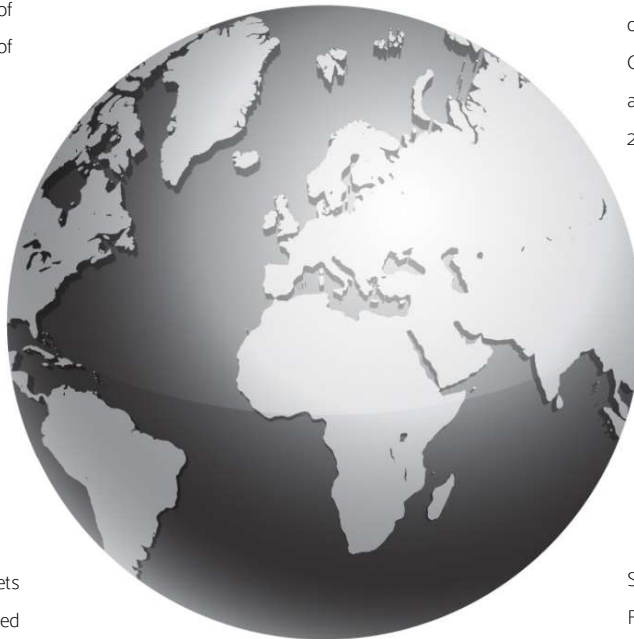
UK

Like a phoenix, the UK displayed remarkable resilience despite the global downturns. The nation saw a marginal decrease in its inflation rate, signaling a potential peak and plateauing at 5.25%. UK Equities increased by 1.90% in Q3. This surge is not without its underpinnings. The UK's energy sector benefited from escalating oil prices. Additionally, sectors like energy and basic materials witnessed rejuvenation, buoyed by the sterling's dance with a robust dollar, portraying a story of growing UK consumer confidence.

EUROPE

September painted a paradox for Europe. On one hand, oil prices surged; on the other, inflation rates saw a retreat across most European countries. EU Consumer Prices had an annualized rise of 4.3% in September, marking a decline from August's 5.2%. Core Inflation reduced to 4.5% from August's 5.3%. The European Central Bank (ECB), adjusting its sails, raised its benchmark interest rate. Simultaneously, it altered its horizon view, projecting a more tapered reduction in inflation over the next two years.

Germany's DAX decreased 3.5% in September and 4.7% in Q3, while France's CAC Index fell 2.5% in September and a 3.6% fall for Q3.



EMERGING MARKETS

In this grand tapestry, emerging markets slightly outshone their developed counterparts, although shadows from China's equity market loomed large. The MSCI E declined by 2.5% month-on-month. Bright spots emerged as China's manufacturing sector expanded for the first time in half a year. India's stock market, showing its mettle, stood alone as the only significant global equity market to note positive returns in September. However, not all was well; the specters from China's real estate sector continued to haunt. Evergrande, the most indebted property developer globally, faced unprecedented challenges, highlighted by the September reports of its chairman's police watch.

ASIA

The sun set slightly lower on the horizon for Japan and the Pacific region in Q3. Japan's Nikkei Index decreased by 2.3% for September and - 4.0% dip for the quarter, albeit a 22.1% gain year-to-date. The Pacific region, Japan excluded, noted a 4.1% decline, marking it as the quarter's most subdued major region. BoJ, in its September confluence, against the backdrop of "extremely high uncertainties", chose to maintain its rates at -0.1%.

SOUTH AFRICA

South Africa navigated its challenges, with the FTSE JSE All Share Index registering declines, compounded by fluctuations in Brent crude prices, which surged by 27% in Q3. In August, CPI was a 4.8% YoY increase. Reserve Bank (SARB) maintained the repo rate at 8.25% and held the prime rate at 11.75%. Nonetheless, the bank conveyed its reservations, highlighting the potential for rate hikes if future data justifies such an adjustment.

SUMMARY

As we chart the course towards Q4, the lessons from Q3 serve as our North Star. Historical data acts as our compass, suggesting swift market recoveries after tempestuous periods, underpinning the quintessential essence of strategic, patient investment. The cyclical nature of markets, much like the seasons, assures us that after winter comes spring. Thus, as stakeholders and investors in this intricate tapestry of global finance, it's imperative to remain both patient and vigilant, waiting for the spring of resurgence.

For further insights, delve deeper on our website: www.paragonwm.com



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