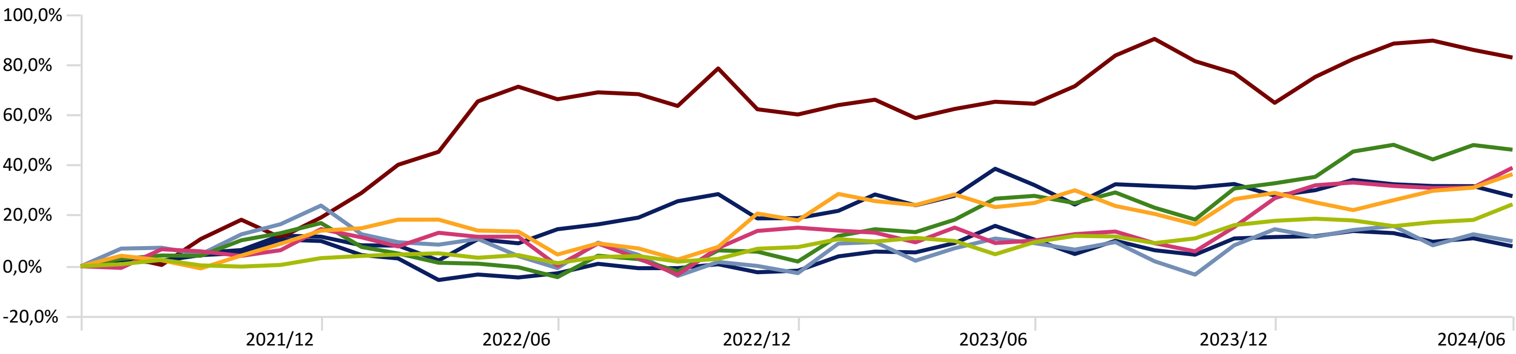
MARKET WATCH As of 2024/06/30

ROCKWEALTH CAPITAL

ASSET CLASS RETURNS in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
SA Bonds	5,2	7,5	5,6	13,7	7,6
SA Equity	4,1	8,2	5,8	9,1	11,0
SA Property	6,0	5,5	9,6	26,3	11,7
Global Bonds	-2,9	-4,6	-3,3	-2,4	2,6
Global Equity	-1,2	-1,3	10,0	14,3	13,5
Global Property	-2,4	-5,2	-4,1	0,7	3,2
Commodities	-1,6	-2,9	10,9	11,2	22,3
USD	-3,0	-3,6	-0,2	-3,3	8,5

3 YEAR CUMULATIVE RETURNS in ZAR



SA Bonds	24,6%	SA Equity	36,6%	SA Property	39,2%
Global Equity	46,4%	Global Property	10,0%	Global Bonds	7,9%
Commodities	83,0%	USD	27,9%		

CALENDAR YEAR RETURNS in ZAR

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Best	Glb Property 34,5	Glb Property 36,6	SA Bonds 15,4	SA Equity 21,0	USD 16,2	Glb Equity 22,8	Glb Equity 22,2	Commodities 52,5	Commodities 34,3	Glb Equity 30,5	Commodities 10,9
	SA Property 26,6	USD 33,9	SA Property 10,2	SA Property 17,2	Glb Bonds 14,8	Glb Property 20,6	Glb Bonds 14,7	Glb Property 41,3	USD 6,6	Glb Property 19,3	Glb Equity 10,0
	Glb Equity 14,6	Glb Equity 31,0	SA Equity 2,6	Glb Equity 12,3	Glb Property 10,7	Commodities 14,3	SA Bonds 8,7	SA Property 36,9	SA Bonds 4,3	Glb Bonds 13,6	SA Property 9,6
	Glb Bonds 11,1	Glb Bonds 29,7	Commodities -1,7	SA Bonds 10,2	SA Bonds 7,7	SA Equity 12,0	SA Equity 7,0	SA Equity 29,2	SA Equity 3,6	SA Property 10,1	SA Equity 5,8
	SA Equity 10,9	SA Property 8,0	Glb Equity -4,3	Glb Property -1,0	Glb Equity 4,4	SA Bonds 10,3	USD 5,0	Glb Equity 28,4	SA Property 0,5	SA Bonds 9,7	SA Bonds 5,6
	USD 10,5	SA Equity 5,1	Glb Property -6,7	Glb Bonds -2,8	Commodities 0,1	Glb Bonds 3,9	Glb Property -3,3	USD 8,7	Glb Bonds -10,7	SA Equity 9,3	USD -0,2
	SA Bonds 10,1	SA Bonds -3,9	Glb Bonds -9,9	Commodities -4,2	SA Equity -8,5	SA Property 1,9	Commodities -19,9	SA Bonds 8,4	Glb Equity -13,0	USD 7,5	Glb Bonds -3,3
Worst	Commodities -26,1	Commodities -10,1	USD -11,7	USD -9,5	SA Property -25,3	USD -2,8	SA Property -34,5	Glb Bonds 3,5	Glb Property -20,9	Commodities 2,9	Glb Property -3,6

CURRENCIES VS. ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-4,3	-4,3	-3,1	-5,0	4,9
USD	-3,0	-3,6	-0,2	-3,3	8,5
GBP	-3,7	-3,5	-1,0	-3,9	5,4
JPY	-5,3	-9,3	-12,5	-13,2	-4,1

Currency performance in ZAR - a positive number represents ZAR weakness, while a negative number represents ZAR strength

* *Annualised*

SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
JSE ALSI TR	4,1	8,2	5,8	9,1	11,0
Basic Materials	-3,5	3,2	2,5	0,0	3,9
Consumer Goods	4,6	3,2	3,7	13,0	10,7
Consumer Services	6,9	6,0	8,0	6,8	20,5
Financials	14,5	17,8	8,9	24,3	18,6
Health Care	4,3	7,9	9,1	15,1	13,2
Industrials	5,1	14,6	8,1	23,3	8,5
Technology	-4,1	6,8	14,2	4,8	3,3
Telecommunication	3,3	-4,6	-15,1	-27,0	-4,2

ALSI Contributors YTD (Approximate)

	Weight	Return	Contributior
Naspers Ltd Class N	10,1	14,0	1,3
Anglo American PLC	6,3	28,0	1,1
Capitec Bank Holdings Ltd	2,9	31,7	0,9
Anglogold Ashanti PLC	2,0	35,4	0,6
Prosus NV Ordinary Shares - Class N	3,3	19,4	0,6
Firstrand Ltd	5,5	8,1	0,5
Harmony Gold Mining Co Ltd	1,3	41,7	0,4
Sanlam Ltd	2,1	18,1	0,4
Nedbank Group Ltd	1,7	24,0	0,4
Compagnie Financiere Richemont SA Cl	2,9	13,3	0,3

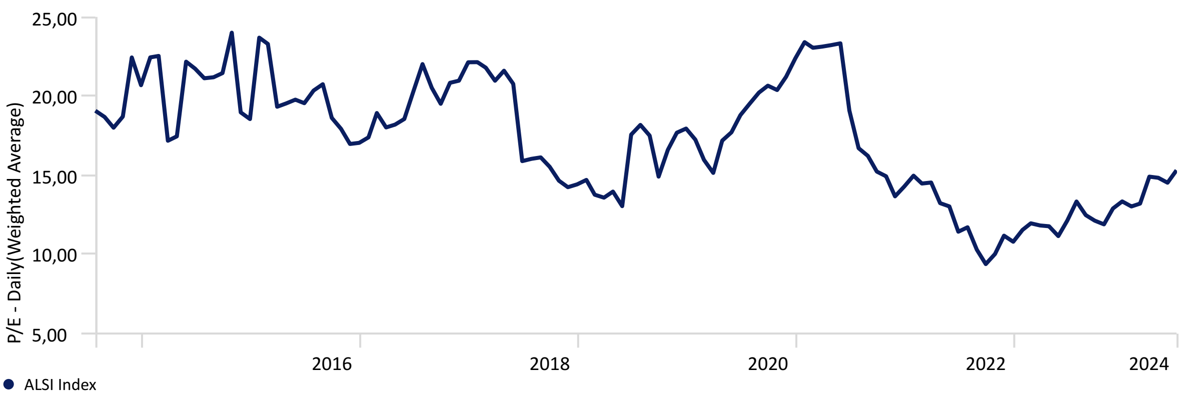
ALSI Detractors YTD (Approximate)

	Weight	Return	Contribution
MTN Group Ltd	2,8	-23,4	-0,8
Sasol, Ltd.	1,4	-24,4	-0,4
Anglo American Platinum Ltd	0,7	-36,8	-0,3
BHP Group Ltd	1,8	-15,2	-0,3
Sibanye Stillwater Ltd Ordinary Shares	1,0	-20,8	-0,2
Remgro Ltd	1,2	-15,7	-0,2
Anheuser-Busch InBev SA/NV	1,5	-8,9	-0,1
Kumba Iron Ore Ltd	0,5	-24,7	-0,1
Woolworths Holdings Ltd	0,9	-12,4	-0,1
Mondi PLC	2,0	-0,1	-0,1

Current ALSI Metrics

P/E	11,2
P/B	1,6
P/EBITDA	7,0
P/Cash Flow	7,1
P/S	1,9
Debt/Capital	30,1

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
Small Caps	6,5	10,7	9,6	20,2	16,8
Mid Caps	6,4	9,5	5,7	17,3	9,4
Top 40	3,7	7,9	5,5	7,2	11,1

STYLE BASED RETURNS

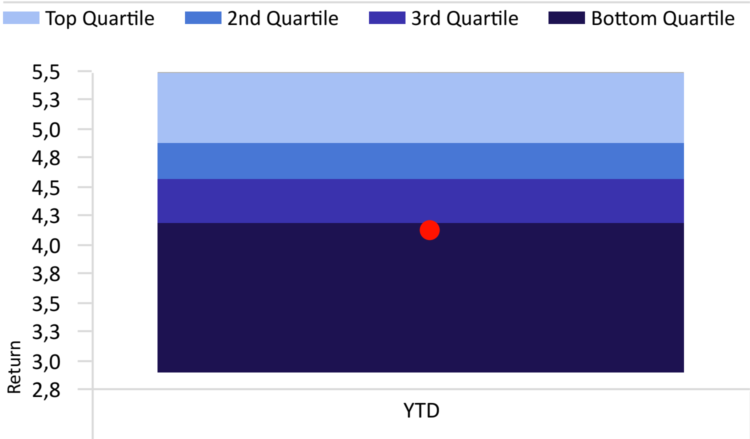
	1 Month	3 Months	YTD	1 Year	*3 Years
JSE Growth	4,0	8,3	8,8	11,4	10,9
JSE Value	4,2	8,0	2,6	5,6	11,4

** Annualised*

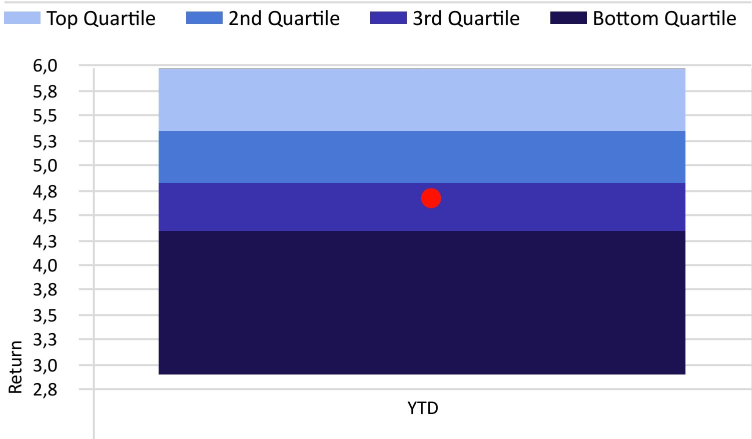
CATEGORY AVERAGES in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) SA MA Inc	1,7	3,3	4,1	9,9	7,5
(ASISA) SA MA Low EQ	1,8	3,3	4,7	9,9	8,1
(ASISA) SA MA Med EQ	1,9	3,6	5,2	9,8	8,6
(ASISA) SA MA High EQ	1,8	3,8	5,5	10,3	9,2
(ASISA) SA EQ General	3,3	7,4	5,5	9,8	9,4
(ASISA) SA RE General	5,8	5,3	8,2	23,2	9,7
(ASISA) Glb MA Low EQ	-2,5	-3,5	0,5	2,6	8,1
(ASISA) Glb MA Flex	-1,8	-2,7	4,5	7,1	8,7
(ASISA) Glb MA High EQ	-1,6	-2,4	3,3	6,3	8,3
(ASISA) Glb EQ General	-1,0	-2,0	8,0	12,0	10,0

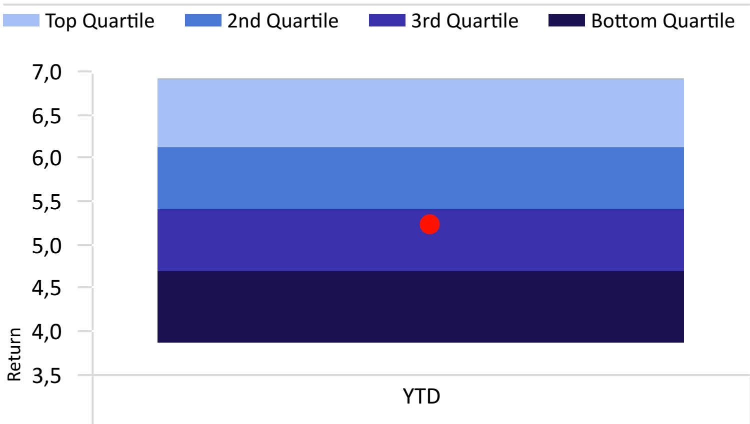
SA MA INCOME



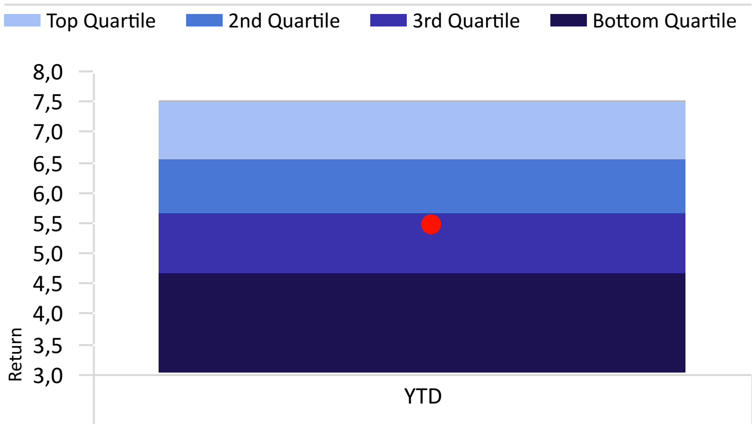
SA MA LOW EQUITY



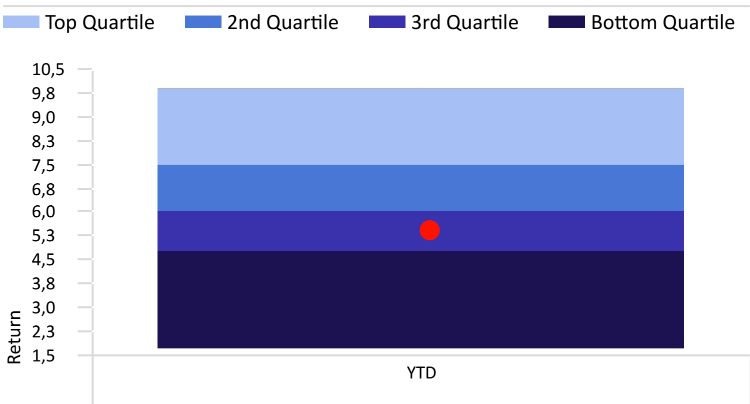
SA MA MED EQUITY



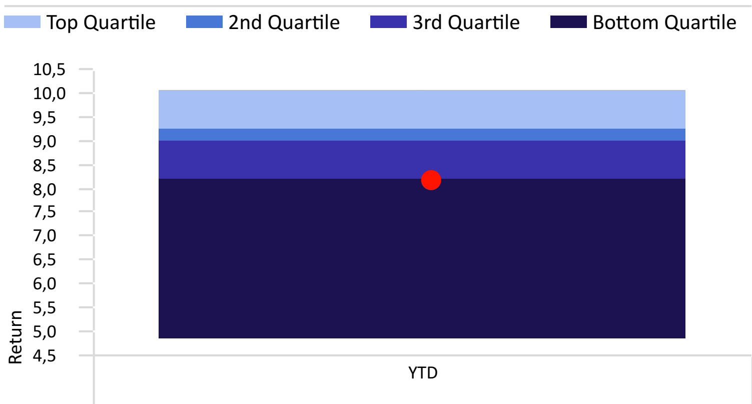
SA MA HIGH EQUITY



SA EQUITY GENERAL



SA RE GENERAL



** Annualised*

LOCAL COMMENTARY

Ahead of the South African National Election, domestic assets factored in a substantial risk premium due to the potential that the ruling party (the ANC) may lose its majority and be forced into a coalition with the leftist parties of the EFF or the MK (Jacob Zuma's breakaway party). The outcome that unfolded, which saw this majority lost and the formation of a Government of National Unity (GNU) saw South African assets rally as optimism returned to the equity, bond and property market. Now referred to the "GNU dawn" or the "GNU South Africa" was a low probability event that economists and political analysts had penciled in in their scenario analysis – the magnitude of the rally in domestic assets post the announcement of a GNU suggests just how unexpected this was.

The strong performance of SA equities was led by domestic focused sectors: retailers (17.1%), banks (16.2%), and life insurance (16.0%), while listed property returned 6%. The yield on the SA 10-year bond fell from a pre-election April high of 12.5% to a low of 11.2% on the 21st of June when it appeared that the GNU was proceeding smoothly. This was in fact the second-best 2nd quarter performance for SA nominal bonds in the last 22 years.

Of course, the strength of the rand in such scenarios (+3.3%) combined with a market configuration dominated by companies with offshore earnings means that there were losers despite the positivity. For example, resources fell 3.7% on aggregate, while Naspers and Richemont fell 4.3% and 5.2% respectively. The same is true for the SA property sector which saw offshore-focused counters like Sirius (-6.5%), MAS (-5.7%), and NEPI (1.2%) well behind their domestic focused peers like Hyprop (14.8%), Redefine (12.0%), Growthpoint (10.8%).

It's important to appreciate that these strong moves for SA assets coincided with a strong relative outperformance by emerging markets over their developed market counterparts but SA did in fact outperform both their EM and DM peers on the renewed optimism.

On the economic front, the consumer price index (CPI) remained steady at 5.2% in May (released in June) and although unchanged from April is down from 5.3% in March and 5.6% in February. Disinflation in Bread and Cereals, and Dairy products outweighed the higher inflation in Meat, Fish, and Fruit and Vegetables to help lower food inflation to 4.3% (4.4% in April). The lower Food price was negated by the higher Transport inflation which at a y/y increase of 6.3% (from 5.7% in April) made up 0.9% of the headline inflation figure. Core inflation remained steady at 4.6%, slightly above market expectations of 4.5%, though the underlying components were mixed. Inflation slowed for vehicles, personal care, clothing and textiles, water and other services, and restaurants and hotels, but was counterbalanced by higher prices for alcoholic beverages, tobacco, and transport. Administered prices, which are regulated and less influenced by central bank policy rates and constitute 16.2% of the total CPI basket, increased by 8.9% (8.8% in April), reaching their highest level in 16 months. These relatively sticky administered prices pose a challenge for the SARB's 4.5% inflation target and its goal to adjust the target to align more closely with South Africa's trading partners. Over the past 15 years, administered price inflation has been 2.1% above headline inflation. If this trend continues, non-administered price inflation would need to average 4.2% to meet a 4.5% inflation target, or 2.7% to meet a 3% target.

Although the trajectory of the inflation rate moving comfortably back into the original 3-6% target band suggests rate cuts may be on the cards for SA in the coming months, the adjustment to meet the 3% target likely means rates in SA will remain at current levels until there is more certainty that inflation this path can be maintained and until we begin to see more developed market peers easing monetary policy.

In the first quarter of 2024, economic growth disappointed, contracting by 0.1% as declines in government and private consumption and investment outweighed gains in net exports. Economic data released in June were mixed; vehicle and retail sales were disappointing, indicating a constrained consumer, while manufacturing and mining production rebounded after a significant contraction in March. Encouragingly, forward-looking indicators improved in the second quarter of 2024 compared to the first quarter. The SARB's composite leading indicator index, which leads GDP growth by three quarters, rose to its highest level in 14 months. Additionally, business and consumer sentiment, measured by surveys conducted by the BER, although still indicating depressed economic conditions, improved in the second quarter of 2024. Economic growth is expected to pick up over the remainder of the year as the new government settles in and structural reforms are implemented with renewed vigor.

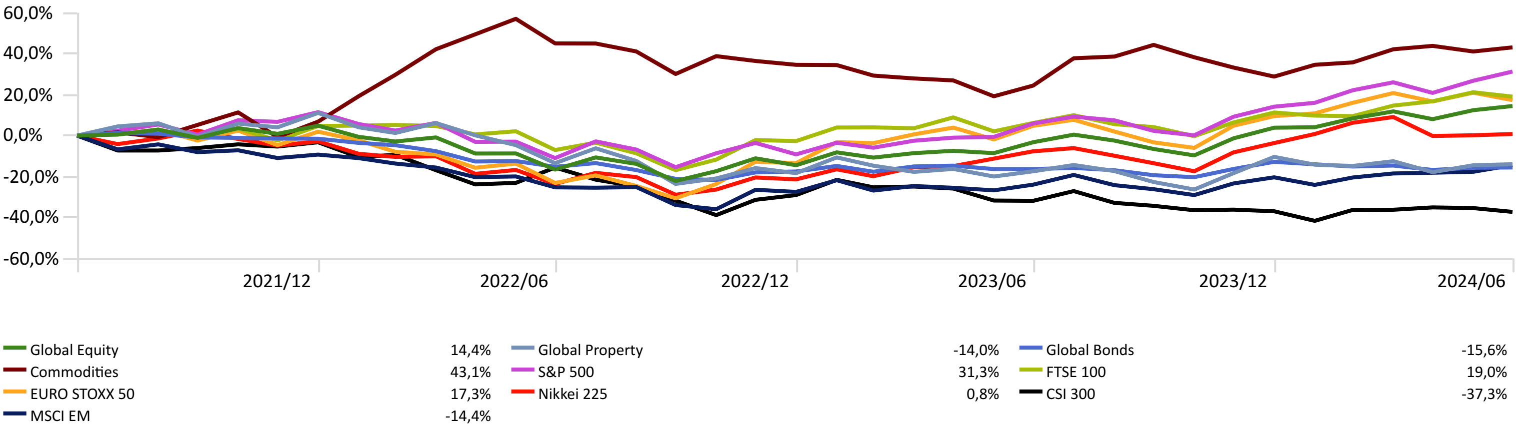
MARKET WATCH As of 2024/06/30

ROCKWEALTH CAPITAL

ASSET CLASS RETURNS in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
Global Equity	1,8	2,3	10,2	18,3	4,6
Global Property	0,6	-1,7	-4,0	4,2	-4,9
Global Bonds	0,1	-1,1	-3,2	0,9	-5,5
Commodities	1,4	0,7	11,1	15,0	12,7
S&P 500	3,6	4,2	15,0	24,0	9,5
FTSE 100	-1,8	3,8	7,0	12,1	6,0
EURO STOXX 50	-3,0	-2,8	7,1	12,0	5,5
Nikkei 225	0,6	-7,6	4,6	9,1	0,3
CSI 300	-2,9	-1,6	-0,5	-7,9	-14,4
MSCI EM	3,9	5,0	7,5	12,5	-5,1

3 YEAR CUMULATIVE RETURNS in USD



CALENDAR YEAR RETURNS IN USD

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Best	CSI 300 51,6	Nikkei 225 10,6	S&P 500 11,2	MSCI EM 37,3	NASDAQ 100 0,0	NASDAQ 100 39,5	NASDAQ 100 48,9	Glb Property 30,0	FTSE 100 -7,0	NASDAQ 100 55,1	NASDAQ 100 17,5
	Glb Property 21,8	NASDAQ 100 9,8	MSCI EM 11,2	NASDAQ 100 33,0	Glb Bonds -1,2	CSI 300 36,9	CSI 300 38,1	S&P 500 28,2	Glb Bonds -16,2	S&P 500 25,7	S&P 500 15,0
	NASDAQ 100 19,4	CSI 300 2,3	NASDAQ 100 7,3	CSI 300 32,3	Glb Property -4,7	S&P 500 30,7	Nikkei 225 24,5	NASDAQ 100 27,5	EU STOXX -17,7	DAX 24,5	MSCI EM 7,5
	S&P 500 13,0	Glb Property 2,0	Glb Property 5,8	EU STOXX 28,1	S&P 500 -4,9	Glb Property 24,1	MSCI EM 18,3	FTSE 100 17,3	DAX -17,7	EU STOXX 22,7	FTSE 100 7,0
	Glb Bonds 0,6	S&P 500 0,7	Nikkei 225 5,6	DAX 28,1	Nikkei 225 -7,9	EU STOXX 23,8	S&P 500 17,8	EU STOXX 14,0	S&P 500 -18,5	Nikkei 225 22,6	DAX 5,6
	MSCI EM -2,2	EU STOXX -1,0	DAX 3,8	Nikkei 225 25,6	FTSE 100 -14,1	DAX 23,2	DAX 12,9	DAX 7,6	Nikkei 225 -19,1	FTSE 100 14,3	EU STOXX 4,7
	Nikkei 225 -4,5	DAX -1,6	Glb Bonds 2,1	FTSE 100 22,5	MSCI EM -14,6	FTSE 100 22,0	EU STOXX 9,3	CSI 300 -1,2	MSCI EM -20,1	Glb Property 11,0	Nikkei 225 4,6
	FTSE 100 -5,2	Glb Bonds -3,2	EU STOXX 1,1	S&P 500 21,1	EU STOXX -16,9	Nikkei 225 21,9	Glb Bonds 9,2	MSCI EM -2,5	Glb Property -25,8	MSCI EM 9,8	CSI 300 -0,5
	EU STOXX -8,5	FTSE 100 -6,7	FTSE 100 -0,2	Glb Property 9,4	DAX -22,2	MSCI EM 18,4	Glb Property -7,9	Nikkei 225 -4,4	CSI 300 -26,7	Glb Bonds 5,7	Glb Bonds -3,2
Worst	DAX -9,9	MSCI EM -14,9	CSI 300 -15,4	Glb Bonds 7,4	CSI 300 -27,7	Glb Bonds 6,8	FTSE 100 -8,8	Glb Bonds -4,7	NASDAQ 100 -32,4	CSI 300 -11,2	Glb Property -3,5

CURRENCIES vs. USD

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-1,3	-0,8	-3,0	-1,8	-3,3
GBP	-0,7	0,1	-0,8	-0,6	-2,9
JPY	-2,3	-5,9	-12,4	-10,1	-11,6
CNY	-0,3	-0,5	-2,4	0,0	-3,8

Currency performance in USD - a positive number represents USD weakness, while a negative number represents USD strength

** Annualised*

GLOBAL SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI/Financials	-0,6	0,1	9,4	22,0	6,2
MSCI ACWI/Health Care	1,9	0,3	7,4	10,7	3,8
MSCI ACWI/Materials	-3,5	-3,2	-1,3	5,9	-0,1
MSCI ACWI/Technology	9,1	11,4	24,8	37,7	13,7
MSCI ACWI/Industrials	-1,7	-1,8	7,1	15,1	5,4
MSCI ACWI/Cons Staples	-1,4	-0,2	2,5	1,3	1,3
MSCI ACWI/Cons Discretionary	2,0	-1,5	4,3	9,0	-2,6
MSCI ACWI/Energy	-1,5	-0,8	8,5	16,6	17,0

MSCI ACWI Contributors YTD (Approximate)

	Weight	Return	Contribution
NVIDIA Corp	3,2	149,5	3,1
Microsoft Corp	4,6	19,3	0,9
Amazon.com Inc	2,6	27,2	0,7
Meta Platforms Inc Class A	1,6	42,7	0,6
Apple Inc	4,4	9,7	0,5
Eli Lilly and Co	1,0	55,8	0,4
Alphabet Inc Class A	1,5	30,5	0,4
Broadcom Inc	0,9	44,9	0,4
Alphabet Inc Class C	1,3	30,3	0,4
Novo Nordisk A/S Class B	0,6	40,7	0,2

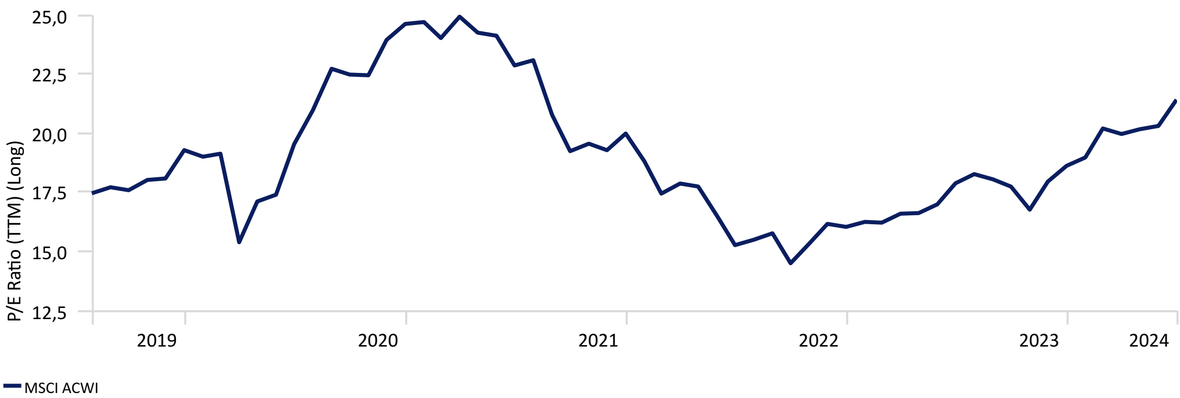
MSCWI ACWI Detractors YTD (Approximate)

	Weight	Return	Contribution
Tesla Inc	0,9	-20,4	-0,2
Intel Corp	0,3	-37,9	-0,1
Nike Inc Class B	0,2	-30,1	-0,1
Nestle SA	0,5	-9,1	0,0
McDonald's Corp	0,3	-13,0	0,0
Accenture PLC Class A	0,3	-12,9	0,0
CVS Health Corp	0,1	-23,8	0,0
Lululemon Athletica Inc	0,1	-41,6	0,0
AIA Group Ltd	0,1	-20,6	0,0
Johnson & Johnson	0,6	-5,3	0,0

Current MSCI AC Metrics

P/E	17,8
P/B	3,0
P/EBITDA	22,0
P/Cash Flow	11,1
P/S	2,8
Debt/Capital	38,7

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Small Cap	-1,2	-1,6	2,3	10,6	-0,8
MSCI ACWI Mid Cap	-1,1	-2,5	3,3	10,8	0,0
MSCI ACWI Large Cap	2,8	3,8	12,8	21,0	6,4

STYLE BASED RETURNS

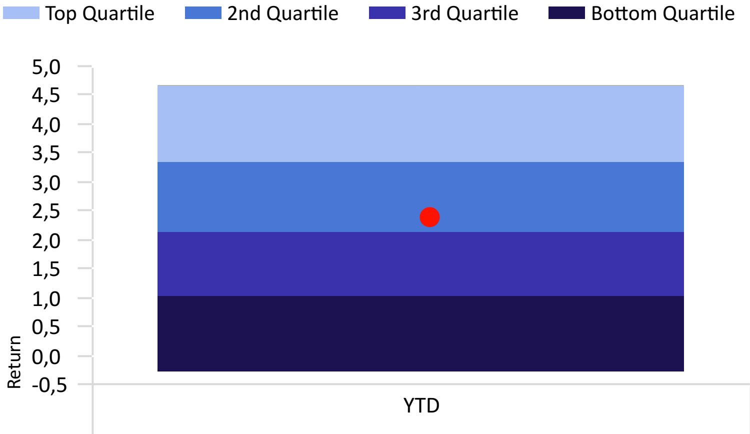
	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Value	-0,5	-0,6	6,2	13,9	4,8
MSCI ACWI Growth	4,8	6,2	16,3	24,7	5,5

** Annualised*

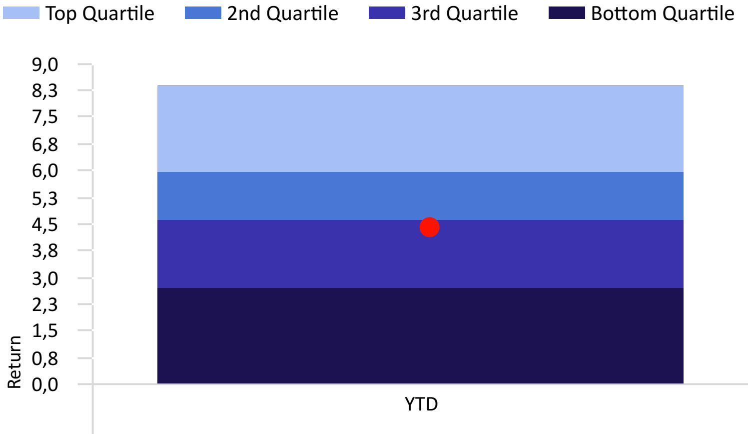
CATEGORY AVERAGES in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) Glb MA Low EQ	0,6	0,1	0,7	6,1	-0,5
(ASISA) Glb MA Flex	1,2	0,9	4,7	10,8	0,2
(ASISA) Glb MA High EQ	1,5	1,2	3,5	10,0	-0,2
(ASISA) Glb EQ General	2,0	1,7	8,2	15,9	1,4
EAA USD Cautious Allocation	0,8	0,6	2,4	6,8	-0,5
EAA USD Moderate Allocation	1,2	1,0	4,4	9,5	0,2
EAA USD Flexible Allocation	1,0	1,0	4,1	9,1	0,3
EAA USD Diversified Bond - ST	0,5	0,9	1,5	5,0	1,4
EAA USD H/Y Bond	0,8	0,9	2,2	8,9	0,5
EAA USD Aggressive Allocation	1,5	1,4	6,7	12,0	1,5

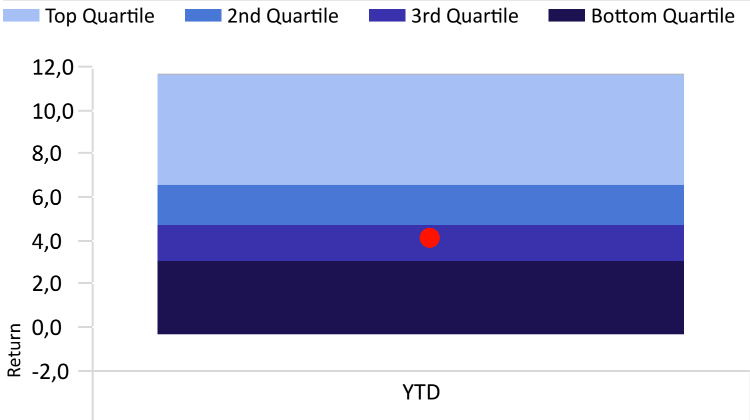
EAA USD CAUTIOUS ALLOCATION



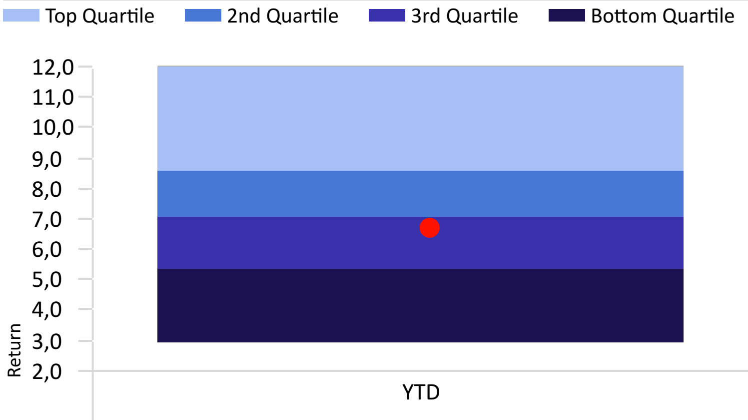
EAA USD MODERATE ALLOCATION



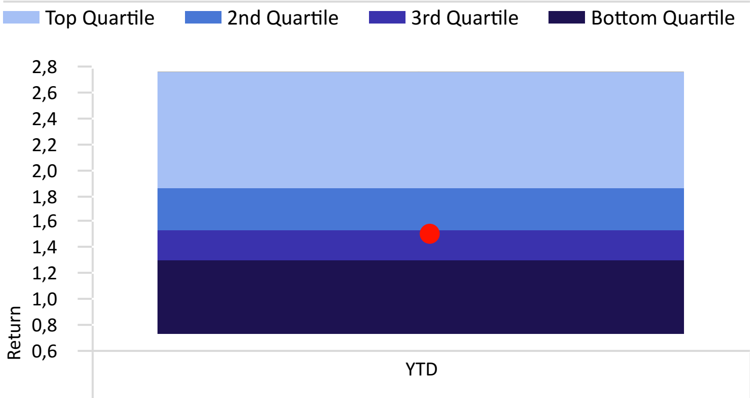
EAA USD FLEXIBLE ALLOCATION



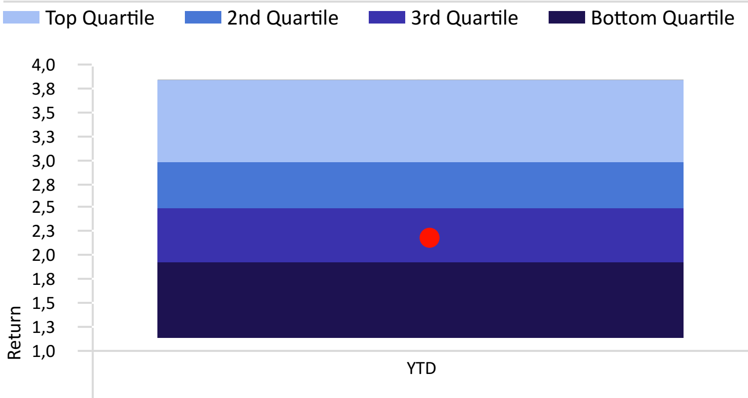
EAA USD AGGRESSIVE ALLOCATION



EAA USD DIVERSIFIED BOND - SHORT TERM



EAA USD HIGH YIELD BOND



** Annualised*

OFFSHORE COMMENTARY

The second quarter of 2024 built on the successes of the first, with risk assets delivering another set of positive returns to investors. Economic momentum carried over from the first quarter, providing a buoyant environment for equity markets, despite some fluctuations and challenges. April's strong data initially heightened concerns about the US economy overheating, leading investors to dial back expectations for central bank rate cuts. However, as the quarter progressed, these fears subsided, reviving hopes for a soft landing. In Europe, economic momentum also remained positive as the effects of the cost-of-living shock continued to abate. Persistent services inflation remained above levels consistent with central bank targets, leading to fewer anticipated rate cuts by Western central banks.

United States

US shares gained in Q2, driven by the information technology and communication services sectors. AI-related companies continued to perform strongly, bolstered by robust earnings and positive outlook statements. Financials also saw gains as numerous banks announced dividend increases after passing the Federal Reserve's stress tests. Despite initial concerns about economic overheating, hopes for a soft landing grew, supported by easing annual inflation and a strong labor market.

After an initial pick-up in April, US economic data softened over the quarter and generally came in below consensus since early May. Despite this, the Federal Reserve struck a hawkish tone at its June conference with all but one cut being removed from the 2024 projections. Soft US consumer data meant that investors were slightly more hopeful for policy easing, and rates markets continued to point to two cuts by the end of the year. This more sanguine investor view meant that, despite changes to Fed projections, Treasury yields ended the quarter where they started, and US Treasuries were the only major sovereign market to deliver positive returns with gains of 0.1% over the quarter.

Eurozone

Eurozone shares moved lower amid political uncertainties and diminishing expectations for significant interest rate cuts. The announcement of parliamentary elections in France introduced volatility, with French equities underperforming. The ECB's interest rate cut, while anticipated, did little to offset concerns about sticky inflation. Forward-looking economic data pointed to a slowdown in the eurozone's recovery.

The European Central Bank cut interest rates by 25 basis points in early June. However, the scope for further cuts may be limited by sticky inflation. Annual inflation in the euro area was 2.6% in May, up from 2.4% in April. Forward-looking data pointed to a slowdown in the eurozone's economic recovery. Politics was a key focus in the quarter, with European parliamentary elections seeing gains for right-wing nationalist parties, notably in France, where President Macron's call for parliamentary elections surprised markets and led to French equities underperforming the broader eurozone index.

United Kingdom

UK equities rose, with the FTSE 100 achieving fresh all-time highs. Small and mid-sized companies saw a flurry of new bids, driven by expectations of a potential turning point for domestically-focused companies. Despite encouraging inflation trends, the Bank of England maintained its base interest rate at 5.25%, amid concerns about high wage inflation. Prime Minister Rishi Sunak's call for a general election added to the market's focus on political developments.

Having suffered a mild recession over the second half of 2023, it was confirmed the UK economy rebounded strongly in the first quarter of 2024, recording GDP growth of 0.7%. However, more recent data revealed growth had stagnated in April, with the three-month unemployment rate (to April) rising to 4.4% as the economy shed 140,000 jobs. Despite slowing UK growth and encouraging inflation trends, the BoE maintained base interest rates at 5.25%, amid concerns that the fall in UK inflation may only be temporary, driven by high wage inflation in services, which was 5.7% in May.

Japan

Japanese equities posted positive returns in local currency terms but faced challenges due to yen depreciation. The Bank of Japan's actions, including reducing JGB purchases, provided some support to financial stocks. However, concerns about the yen's weakness and its impact on inflation persisted. Strong corporate earnings and increased share buybacks were positive developments, but conservative earnings guidance weighed on market sentiment.

The second quarter concluded with stronger-than-expected earnings results. Japanese companies showed sales growth, pricing power, and cost control, leading to improved corporate profitability. However, market sentiment was weighed down by conservative earnings guidance from company management for the new fiscal year. Additionally, the record-high number of inbound tourists contributed to increased spending in Japan, which supported consumption despite stagnant consumer sentiment.

Asia ex Japan

Asia ex Japan equities achieved solid gains in the second quarter. Taiwan, India, and Singapore were the best-performing markets in the MSCI AC Asia ex Japan Index in Q2, while Indonesia, the Philippines, and Thailand were the worst-performing markets. Shares in China also achieved strong gains in the quarter, as low valuations for many Chinese stocks encouraged Asia-focused investors to cautiously return to the Chinese market following concerns about India's high valuations and Japan's continued currency weakness.

Ongoing investor optimism for stocks expected to gain from the expansion of artificial intelligence (AI) drove shares in Taiwan higher in the second quarter, with Taiwan the best-performing index market for the quarter and in the year-to-date period. Indian shares also achieved robust growth in the second quarter, driven by continued positive investor sentiment towards the country. However, South Korean stocks recorded a modest decline amid growing investor caution over the global economy and the timing of US interest rate cuts.

Emerging Markets

Emerging market equities outperformed their developed counterparts, delivering quarterly returns of 5.1%. Strength in Asian markets, particularly in Taiwan and China, contributed significantly to this performance. Moves by Chinese authorities to support the real estate sector and strong AI-related stock performance in Taiwan helped Asia ex-Japan equities achieve a 7.3% return. Despite lackluster returns in Latin America, the overall emerging market performance was robust.

Turkey was the best performer over Q2 helped by optimism that economic policy will remain orthodox. South Africa was another top performer, as investors welcomed the results of the country's general elections which saw the African National Congress Party and Democratic Alliance, along with a number of smaller parties, form a coalition "Government of National Unity". Meanwhile, markets like Korea and some energy-related markets such as Kuwait, UAE, Colombia, and Saudi Arabia underperformed, with Brazil and Mexico posting the biggest losses in US dollar terms.

Global Bonds

The quarter commenced on a disappointing note for global bond markets, spurred by renewed concerns about US inflation causing investors to reassess the timing of interest rate cuts. Later, a more conducive market environment was driven by the emergence of softer labor market conditions and encouraging news on inflation. Political risk drove idiosyncratic weakness across certain emerging markets. Additionally, the announcement of snap parliamentary elections in France instigated localized weakness, whereas the prospect of UK elections was less contentious.

High yield (HY) markets enjoyed another positive quarter, with strong outperformance over both government bonds and investment grade corporates. Global government bond markets diverged during the quarter. Following an initial sharp sell-off in US Treasuries, yields peaked towards the end of April and subsequently trended lower. Central banks were firmly in the spotlight, with the Federal Reserve striking a relatively hawkish tone and the European Central Bank announcing a 25bps cut in June. Meanwhile, the Bank of England's decision to keep interest rates unchanged was dubbed as "finely balanced".

Commodities and Digital Assets

The S&P GSCI Index achieved modest gains, led by industrial and precious metals. Digital assets saw a consolidation in prices after a strong Q1, with Ethereum and Bitcoin posting quarterly returns of -5.8% and -12%, respectively. The launch of spot crypto ETFs and regulatory progress provided a positive backdrop for the digital asset industry. The energy component achieved a modest gain over the quarter, with a robust price gain for natural gas. Within agriculture, a significant price gain for coffee failed to offset weaker prices for cotton, corn, cocoa, and sugar.

The first half of 2024 was a turning point for the digital asset industry, where we witnessed the regulatory approval and launch of spot crypto ETFs by some of the largest traditional financial institutions in countries such as the US, Hong Kong, and Australia. Native crypto funds living on the blockchain are also emerging.