GRYPHON

with purpose

GRYPHON MARKET COMMENTARY

August 2022

WITH HINDSIGHT

GLOBAL

MSCI World Developed Markets returned a strongly positive +8.0% in dollars for the month of July, while Emerging Markets were flat at -0.2%. China was the worst performing country within Emerging Markets, delivering -9.4%. Concerns around China include prospective weak economic growth, defaults in their property sector, and continued COVID19 lockdowns. Year to date, the MSCI World reflects a -13.9%, with the European region at -16.4% and Emerging Markets at -17.6%. The dollar bounced off parity after the Federal Reserve hiked interest rates in the belief that enough has now been done to prevent inflation becoming endemic. Coupled with the slightly weaker dollar was a rally in US long bond yields which resulted in growth stocks outperforming value stocks for the month. The Ukraine War continues to result in elevated natural gas prices in Europe which are likely to constrain economic growth throughout the region.

LOCAL

Following three months of negative returns, the All Share Index returned +4.2% for July. Bonds were also positive at +2.4%. However, year-to-date, cash has outperformed with a total return of 2.6%, while bonds returned 0.5% and equities -4.4%. The SARB hiked rates by 75bps during the month of July. Central Bankers in other emerging markets have hiked rates aggressively placing pressure on the SARB; local headline inflation at a 13-year high of 7.4% only added to that pressure. Vehicle sales in July were strong, driven by rental car sales, which accounted for 13.2% of sales as tourist arrivals pick up.

MONTHLY STATS

EQUITY INDICES	MTD	YTD % Δ	12M % Δ
MSCI WORLD (USD)	7.97%	-13.94%	-8.74%
MSCI EMERGING MARKETS (USD)	-0.16%	-17.61%	-19.77%
DOW JONES INDUSTRIAL	6.82%	-8.60%	-4.14%
S&P 500	9.22%	-12.58%	-4.64%
UK FTSE 100	3.54%	0.53%	5.56%
JAPANESE NIKKEI 225	5.34%	-3.44%	1.90%
GERMAN DAX	5.07%	-17.80%	-17.31%
FRENCH CAC 40	8.87%	-9.85%	-2.48%
AUSTRALIAN ASX	6.33%	-7.78%	-6.40%
JSE ALL SHARE	4.22%	-4.43%	4.72%
JSE TOP 40	4.03%	-4.86%	4.11%
JSE ALL SHARE SWIX	2.83%	-2.84%	4.10%
JSE TOP 40 SWIX	2.33%	-2.71%	2.90%

CURRENCIES/ COMMODITIES	VALUE	MTD	YTD % Δ	12 M % Δ
ZAR vs USD	16.60	-2%	-4%	-14%
ZAR vs GBP	20.21	-2%	6%	0%
ZAR vs EUR	16.98	1%	6%	2%
ZAR vs AUD	11.60	-3%	0%	-8%
EUR vs USD	1.02	2%	10%	14%
GBP vs USD	1.22	0%	10%	12%
YEN vs USD	133.24	2%	-16%	-21%
GOLD	1766	-3%	-3%	-3%
PLATINUM	900	-2%	-7%	-16%
IRON ORE	118	-5%	-2%	-40%
COPPER	7801	-5%	-20%	-20%
NICKEL	22050	-5%	5%	11%
BRENT OIL	104	-5%	34%	38%

BONDS	VALUE	YTD BPT Δ	12M BPT Δ
USA BOND 10 YEAR	2.65	116	142
USA BOND 2 YEAR	2.9	217	272
GERMAN BOND 10 YEAR	0.83	108	129
GERMAN BOND 2 YEAR	0.27	91	103
UK BOND 10 YEAR	1.86	94	130
UK BOND 2 YEAR	1.72	105	166
RSA LONG TERM GILT	10.708	106	151
RSA 10 YEAR	10.708	106	151
RSA 3 YEAR	8.33	232	252
RSA REPO RATE	5.5	175	200
RSA PRIME LENDING RATE	9	175	200
USA INFLATION RATE	9.1	210	370
RSA INFLATION RATE	7.4	150	250

LOOKING FORWARD

GLOBAL

Nancy Pelosi’s visit to Taiwan has added to geopolitical tensions and serves as a reminder of the tensions between the U.S. and China. We have been concerned for some time about the rising probability of “de-globalisation” and its impact on technological progress and global integration. However, its impact on inflation and asset prices should not be underestimated. The large market capitalization corporations in most stock market indices are global in nature and restrictions (regulatory and/or political) will impact future growth and profits. In addition to subdued profit growth, inflation in the 1970’s heralded an extended period during which long-term interest rates were required to be above inflation in order to bring it sustainably under control. The period of financial repression, i.e. the keeping of interest rates (artificially) below inflation, may indeed be over. While this may not be the current consensus in financial markets, the impact will be significant.

LOCAL

South African risk assets continued to rally into the new month as global risk-on sentiment is supportive of emerging markets. Measures to support Eskom by assuming a portion of its debt have buoyed sentiment; acknowledging a problem is the first step to resolving the problem. In Eskom’s case, however, many steps remain. Lower profits from resource companies indicate the leveraged impact of lower commodity prices and higher operating costs and we are less sure that the South African fiscus can continue to rely on the commodity-price-induced windfall into the future. We remain cautious of South African risk assets, i.e. both equities and bonds, and believe that the best risk-adjusted returns are to be expected from cash.

FUND COMMENTS

GRYPHON MONEY MARKET FUND: Conservatively managed, superb yield.

GRYPHON DIVIDEND INCOME FUND: Enhanced, tax-efficient yield.

GRYPHON ALL SHARE TRACKER FUND: Low cost, diversified exposure to local equities.

GRYPHON GLOBAL EQUITY FUND: Low-cost exposure to international equity diversification.

GRYPHON PRUDENTIAL FUND (REG 28): Currently positioned for preservation: 55% local cash, 45% offshore cash.

GRYPHON FLEXIBLE FUND: Currently positioned for preservation: 55% local cash, 45% offshore cash.

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