

### Current Outlook – Low Global Growth

### Portfolio Position – Cautious

**South African sentiment is more positive than it has been for years. The Government of National Unity (GNU) is making rapid progress in several key areas. This has been welcomed by industry, resulting in a strengthening Rand and more buoyant equity markets. US economic data shows signs of a weakening economy and in response to this the Fed has initiated a rate cutting cycle.**

#### South Africa

The South African economy is projected to grow at only 1% in 2024 and the SARB forecast for 2025 is a mere 1,5%. However, government and business have thrown their combined weight behind a push to get the economy back above 3% growth by the end of 2025, creating thousands of jobs in the process.

The JSE rallied from 71 000 in March when the elections were announced to 87 000 today, as markets have become more confident that government is serious about boosting economic growth.

The Rand has strengthened from lows of R19,65 to the US\$ at the time of the elections to its current level of R17,41 as a more optimistic mood gains momentum in SA. Bonds have also strengthened significantly since the formation of the GNU and the cabinet announcements.

The Reserve Bank cut its key repo rate by 0,25% to 8% in September. This is the SARB's first policy easing since the pandemic in 2020. SA annual inflation slowed to 4.4%, which is below the midpoint of the target range of 3% to 6%, for the first time in over three years.

#### Developed Markets

The Federal Reserve cut the target range for the Fed funds rate by 0,5% in September. This is the first reduction in interest rates since March 2020, and markets are expecting further cuts totalling 1% before year end.

US equity markets have continued their run in 2024, rising by 28% over the past the year, although most of the gains have been in a handful of shares. The US economy is showing signs of weakening but has been much more resilient than most analysts had expected.

The US election in November is the big risk over this quarter because so many Americans of both parties have stated that they will not accept the election result if it goes against them. US Treasuries are regarded as "risk-free" assets, however if there is political instability around the election, US\$ trillions of these assets may have to be significantly re-priced.

The US government continues to stimulate the economy and equity markets in the run-up to their elections. However geopolitical tensions remain high and combined with election uncertainty, global markets are becoming increasingly jittery.

SA is going through a period of good news with interest rate cuts providing some relief to consumers, while reduced loadshedding and structural reforms are boosting our economy. However, the US elections and escalating global conflicts are creating global market uncertainty.

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