



News from Paul's Desk

Local markets are up from 76,000 points to 78,639. Offshore S&P 500 are up 2.96%, NASDAQ is up 3.83%. The rand however has posted big gains against USD and GBP, so our offshore funds in Rand terms have taken a knock.

Why is the rand so strong? Interest rates did not go up and it looks like the Reserve Bank is going to start raising rates back to normal levels. In saying that, our intrepid leaders in government are guaranteed to make some idiotic decisions before the end of the year, which will weaken the rand again.

For those who want to move money offshore, now is a good time to make use of the rand strength.



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News from Paul's Desk

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MONTHLY REVIEW | GLOBAL OVERVIEW

INTERNATIONAL INDICATORS

	CLOSE	JUN 2023	MAY 2023	YTD	12 MONTHS	2022
MSCI World	2966.72	5.93%	-1.25%	13.99%	16.52%	-19.46%
MSCI Emerging Market	989.48	3.23%	-1.90%	3.46%	-1.12%	-22.37%
JP Morgan EMBI	797.55	1.93%	-0.89%	3.81%	6.85%	-16.45%
Bloomberg Global Aggregate	452.30	-0.01%	-1.95%	1.43%	-1.32%	-16.25%

ASIA

	CLOSE	JUN 2023	MAY 2023	YTD	12 MONTHS	2022
Nikkei 225	33189.04	7.45%	7.04%	27.19%	25.75%	-9.37%
S&P/ASX 200	7203.30	1.58%	-2.98%	2.34%	9.67%	-5.45%
Hang Seng	18916.43	3.74%	-8.35%	-4.37%	-13.46%	-15.46%
CSI 300	3842.45	1.16%	-5.72%	-0.75%	-14.33%	-21.63%

UNITED STATES

S&P 500	4450.38	6.47%	0.25%	15.91%	17.57%	-19.44%
Dow Jones	34407.60	4.56%	-3.49%	3.80%	11.80%	-8.78%
Nasdaq	13787.92	6.59%	5.80%	31.73%	25.02%	-33.10%
Russell 2000	1888.73	7.95%	-1.09%	7.24%	10.58%	-21.56%

SOUTH AFRICA

All Share	76,027.83	1.28%	-4.03%	4.08%	14.81%	-0.90%
Africa Resource 20	61,994.83	-8.17%	-2.16%	-12.44%	-2.75%	-0.24%
Africa Industrial 25	106,419.9	3.55%	-3.08%	17.84%	34.02%	-5.39%
Africa Finance 15	16,057.13	11.39%	-8.15%	3.42%	9.34%	4.91%

EUROPE

Stoxx Euro 50	4,399.09	4.29%	-3.24%	15.96%	27.33%	-11.74%
FTSE 100	7,531.53	1.15%	-5.39%	1.07%	5.05%	0.91%
DAX 30	16,147.90	3.09%	-1.62%	15.98%	26.32%	-12.35%
CAC 40	7,400.06	4.25%	-5.24%	14.31%	24.94%	-9.50%

CURRENCIES

GBP/USD	1.27	2.10%	-1.00%	5.13%	4.31%	-10.71%
EUR/USD	1.09	2.05%	-2.99%	1.91%	4.06%	-5.85%
AUD/USD	0.67	2.48%	-1.69%	-2.19%	-3.47%	-6.20%
USD/JPY	144.31	3.56%	2.23%	10.06%	6.32%	13.94%

MONTHLY REVIEW | GLOBAL OVERVIEW

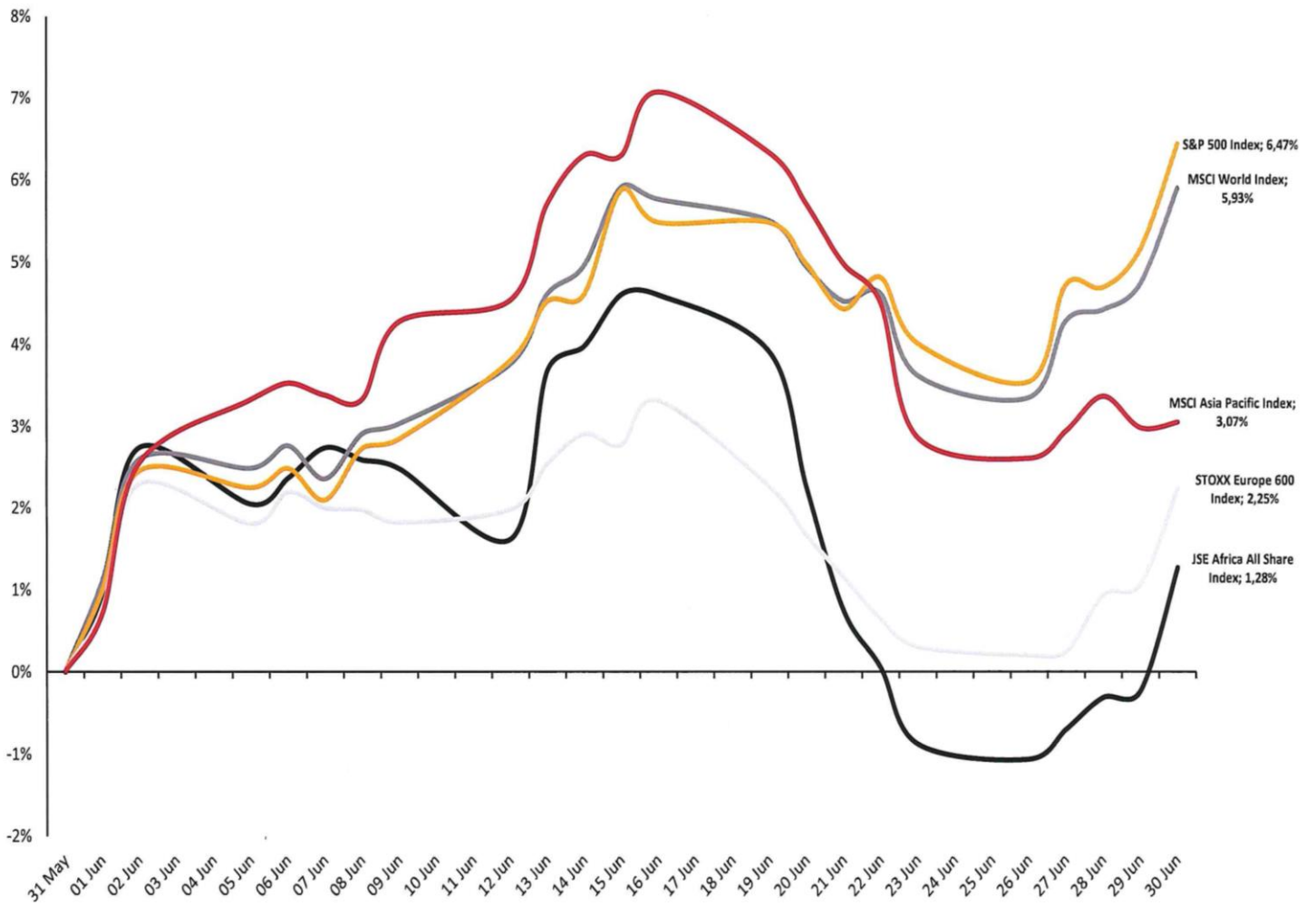
10 YEAR BOND YIELDS

	CURRENT MONTH YIELD %	PREVIOUS MONTH YIELD (%)	PREVIOUS YEAR YIELD (%)
United States	3.84	3.64	3.01
United Kingdom	4.39	4.18	2.23
Germany	2.39	2.28	1.34
Japan	0.40	0.44	0.23
Australia	4.02	3.61	3.66
South Africa	11.76	12.44	11.00

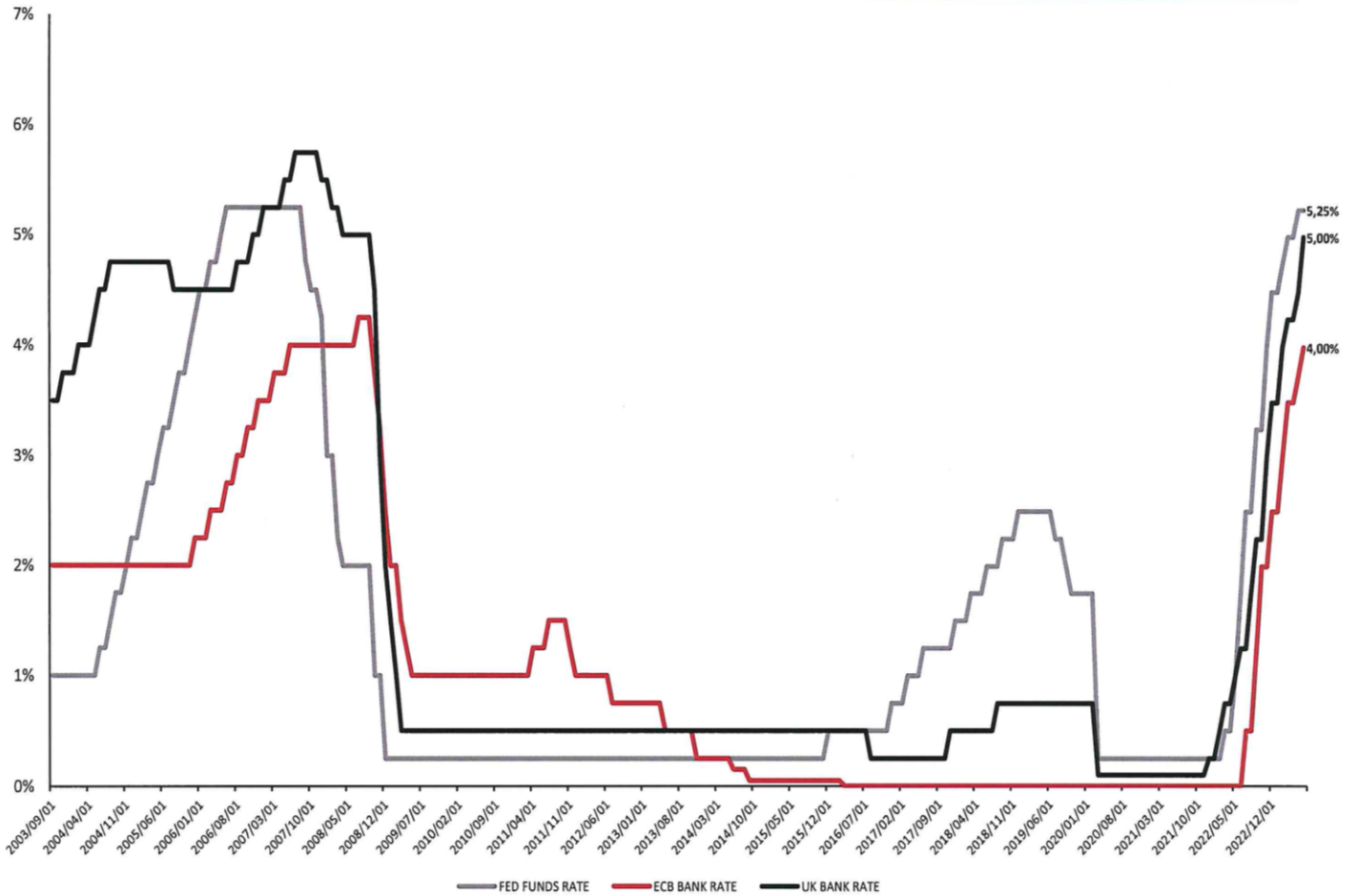
GLOBAL INTEREST RATES

	RATE
United States Fed Funds Rate	5.00% - 5.25%
European Central Bank Rate	4.00%
Bank of England Rate	5.00%
Bank of Japan rate	-0.10%
Reserve Bank of Australia Rate	4.10%
South Africa Prime Rate	11.75%

1 MONTH NORMALISED % PERFORMANCE (USD)

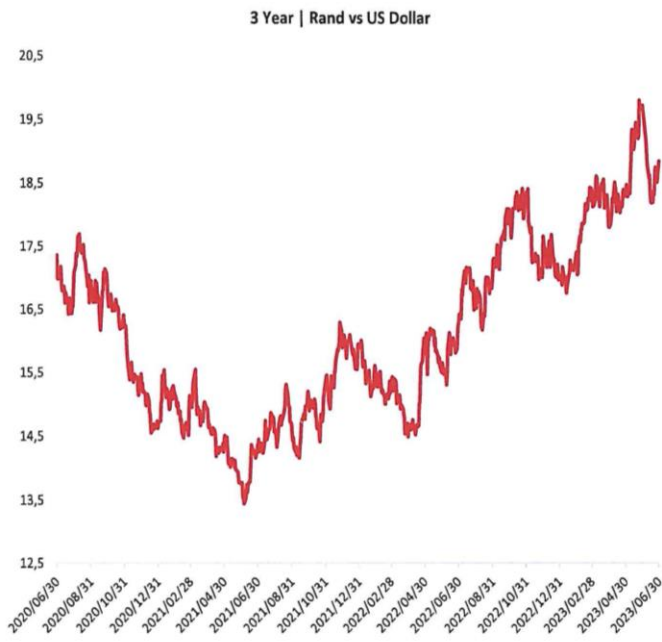
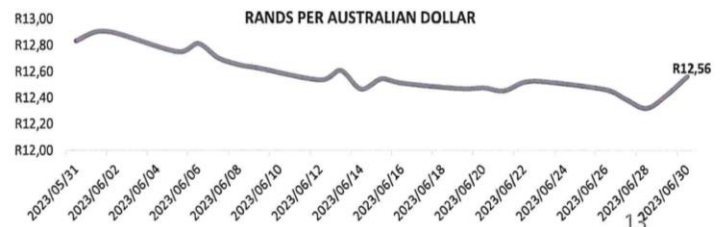
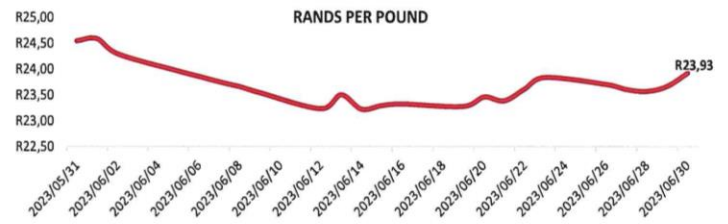
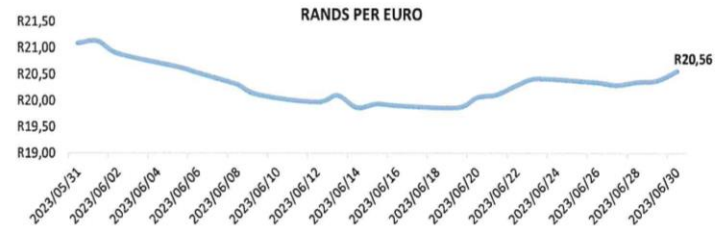
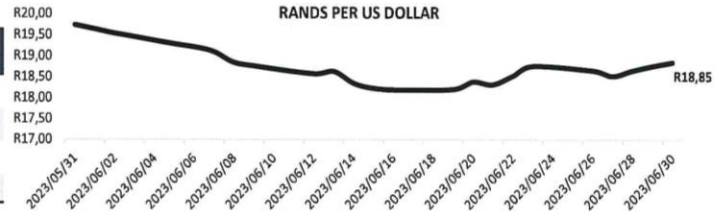


INTEREST RATES



SOUTH AFRICAN RAND

	CLOSING PRICE	JUN 2023	MAY 2023	YTD	2022
US Dollar / ZAR	18.85	4.45%	-7.85%	-10.63%	-6.90%
Euro / ZAR	20.56	2.48%	-4.64%	-12.75%	-0.56%
Pound / ZAR	23.93	2.51%	-6.79%	-16.10%	4.49%
AU Dollar	12.56	2.10%	-6.04%	-8.17%	-0.28%

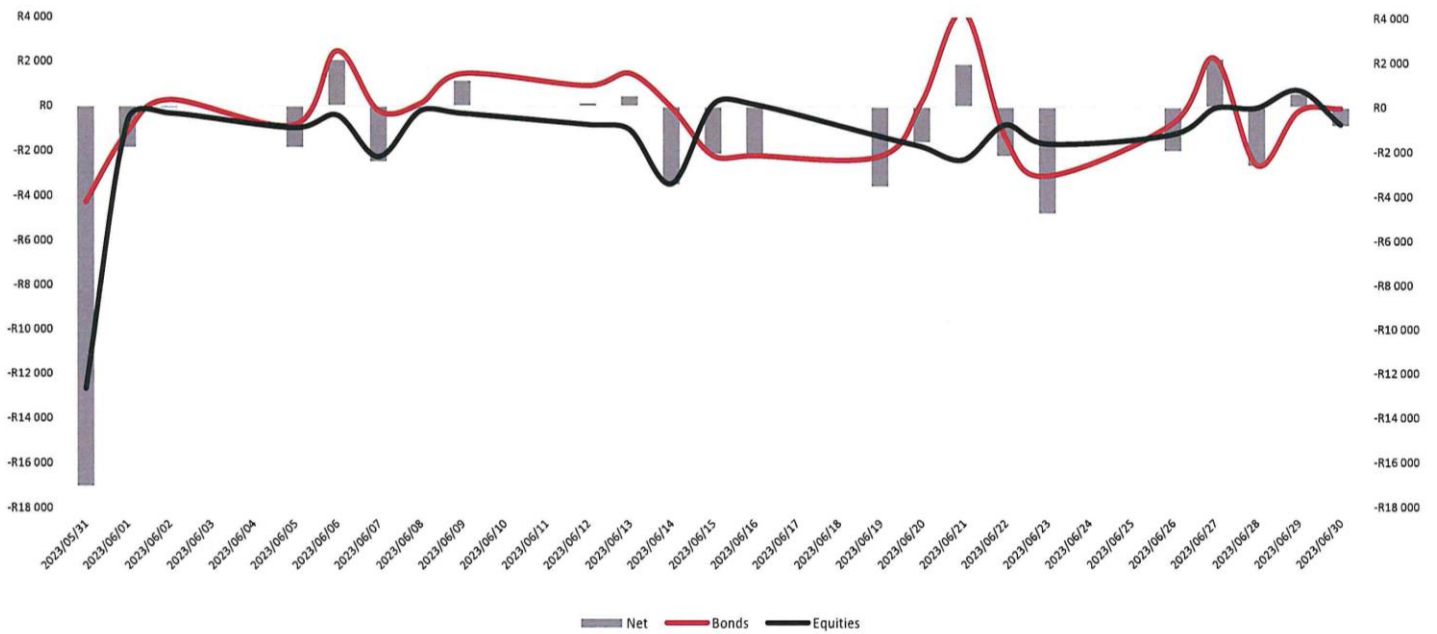


5-YEAR JSE PERFORMANCE (ZAR)

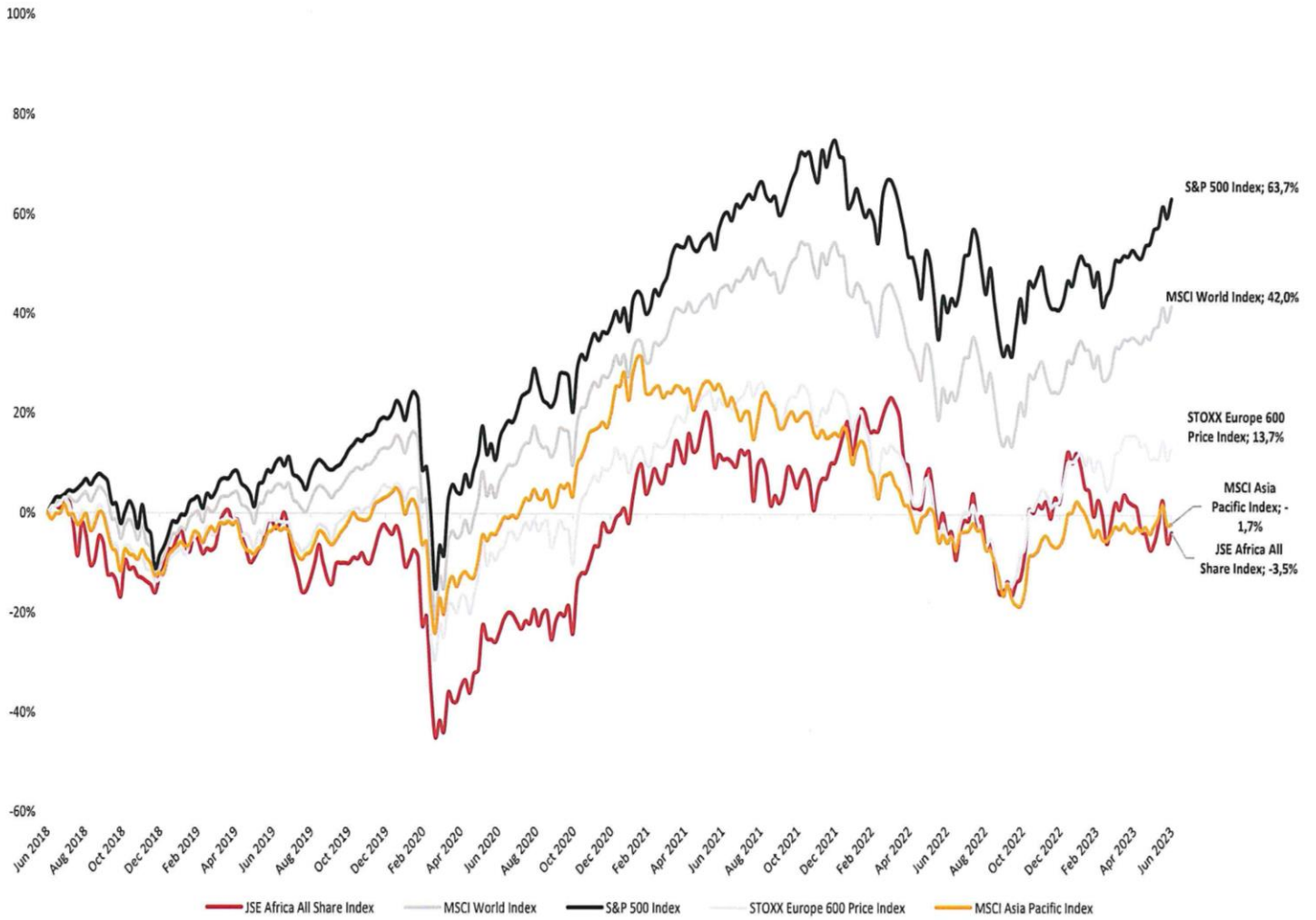


INTERNATIONAL FLOWS

	LAST PRICE	1 MONTH	YEAR-TO-DATE	1 YEAR
SA Equity Sales to Foreigners	-32315.40	-69589.28	-143965.36	-32315.40
SA Bond Sales to Foreigners	-5807.26	-217656.20	-338849.70	-5807.26
Net	-38122.66	-287245.49	-482815.06	-38122.66



5-YEAR JSE vs LEADING GLOBAL INDICATORS (USD)



WHY AMERICAN CAPITALISM REIGNS SUPREME

On a recent trip to Fernandina Beach, I had lunch with a friend who told me there is no better place on Earth to live than northern Europe.

“They have free healthcare, free college tuition and generous government pensions,” she said. “If you could live anywhere, why would you choose anyplace else?”

Some might answer that any nation that takes most of your income in taxes – especially after you include the 21% value-added tax – is not offering great value for “free.”

But let’s set that discussion aside for a moment.

Is northern Europe a great place to live?

It certainly offers a higher quality of life than many places. And if an individual places high value on economic equality and security, the answer might well be yes.

Those who place a higher value on economic opportunity and financial freedom, on the other hand, will answer with a resounding no.

That’s not just *my* opinion, by the way.

Britain’s *Economist* magazine recently published a report on American economic performance over the last three decades.

It concluded that the U.S. economy isn’t just dominant. That dominance is *accelerating*.

In 1990, the U.S. economy accounted for 40% of the GDP of the G7 nations. By 2022, it accounted for 58%.

In 1990, American income per person was 24% higher than the income per person in Western Europe.

Today it is about 30% higher.

Americans don’t just have higher incomes and lower taxes. They also have greater wealth.

According to Statista, the average financial wealth per U.S. adult is \$580,000. The average financial wealth per European adult is less than \$94,000.

(It’s also worth noting that the Census Bureau reported that American poverty hit an all-time low in 2021.)

Europeans like to poke fun at all the middle-class Americans touring their continent.

But you don’t see the reverse happening here.

While Americans can afford a trip to Europe, most Europeans cannot easily afford a trip here.

Why do Americans have higher incomes and greater wealth?

It’s true that we work more hours. However, we also do more with less.

American labor productivity increased by 67% between 1990 and 2022, compared with a 55% increase in Europe and a 51% increase in Japan.

Our economic recovery from the pandemic has been the strongest of any major economy. (Meanwhile, the eurozone announced last week that it had slipped back into a recession.)

America is also the world leader in innovation.

The U.S. accounts for 22% of the patents in force abroad, up from 19% in 2004. That's more than any other nation.

In 1990, the U.S. accounted for a quarter of the world's economy. Since then, China has risen to become an economic superpower and the world's second-largest economy.

Yet the U.S. has retained its global preeminence – and still accounts for a quarter of the world economy.

It's common to hear that millennial and Gen Z Americans are enduring greater hardships today and not living as well as their parents.

Not true.

According to the U.S. Census Bureau, millennials have household incomes \$9,000 higher than Gen X households and \$10,000 higher than baby boomer households at the same age, in inflation-adjusted dollars.

The American stock market has generated the world's highest returns over the last three decades, as well.

If you had invested \$10,000 in the S&P 500 in 1990, you would have more than \$230,000 today.

If you had invested \$10,000 instead in a global equity index that excludes U.S. stocks, you would have about \$51,000 today.

In short, Americans earn more income, have more assets and enjoy higher equity returns than Europeans.

That's because the American brand of capitalism is tilted toward dynamism, with freer markets and smaller welfare states.

While our economy is superior to any real-world alternative, it is under assault from some who argue for more regulated markets, higher taxes and a larger welfare state.

That *does* create more equality. But that's because everyone has less. A lot less.

Remember that the next time someone extols the benefits of "the European economic model."

THE RAND'S NOSE-DIVE OVER THE PAST DECADE



The rand has been in free-fall over the past 10 years, and the past week's news events have only reminded South Africa of the rand's vulnerability to international and local instability.

The rand hit a new all-time low against the dollar last week – surpassing R19 to the US dollar – following allegations that South Africa supplied weapons to Russia.

Additionally, the rand has been taking a beating due to ongoing and heightened load shedding, the country's greylist status, and uncertainty about economic and political policy.

Everest Wealth, a private investment and wealth management company, outlined some factors putting pressure on the rand and showed the rand's depressing performance over the past decade.

“The rand's value against other major currencies has attracted considerable attention recently, highlighting its volatility and vulnerability to the market, and there are several factors that affect the rand's exchange rate,” it said.

For one, “political and economic uncertainty has significantly influenced the rand in the past 10 years and resulted in the currency seeing a real seesaw.

“These events have led to a lack of foreign investment, which in turn results in the rand seesawing,” said the head of product development at Everest Wealth, Thys van Zyl.

He added that the rand is known for reacting to international events, and developments in the American financial market have already had a major influence on the currency this year.

The country's trade balance also affects the rand's exchange rate. A significant trade deficit can also put pressure on a country's currency. If a country imports more goods and services than it exports, there is a greater demand for foreign currencies which leads to the depreciation of the domestic currency.

“In the past ten years, South Africa has experienced several trade deficits, which has ultimately affected the rand,” said Van Zyl.

Additionally, the National Treasury has provided more bad news for the country's economy, expecting South Africa to fall short of its primary surplus budget goal for the fiscal year ending in February 2023.

South Africa is a major exporter of commodities such as gold, platinum and coal, and the rand's value is also affected by the change in international commodity prices.

"If commodity prices fall, this could negatively affect South Africa's export earnings, trade balance and the overall value of the rand."

This is a crucial factor affecting the rand right now, as the Bureau for Economic Research (BER) noted a decrease in critical South African export commodities, adding that there is little prospect of them turning around any time soon.

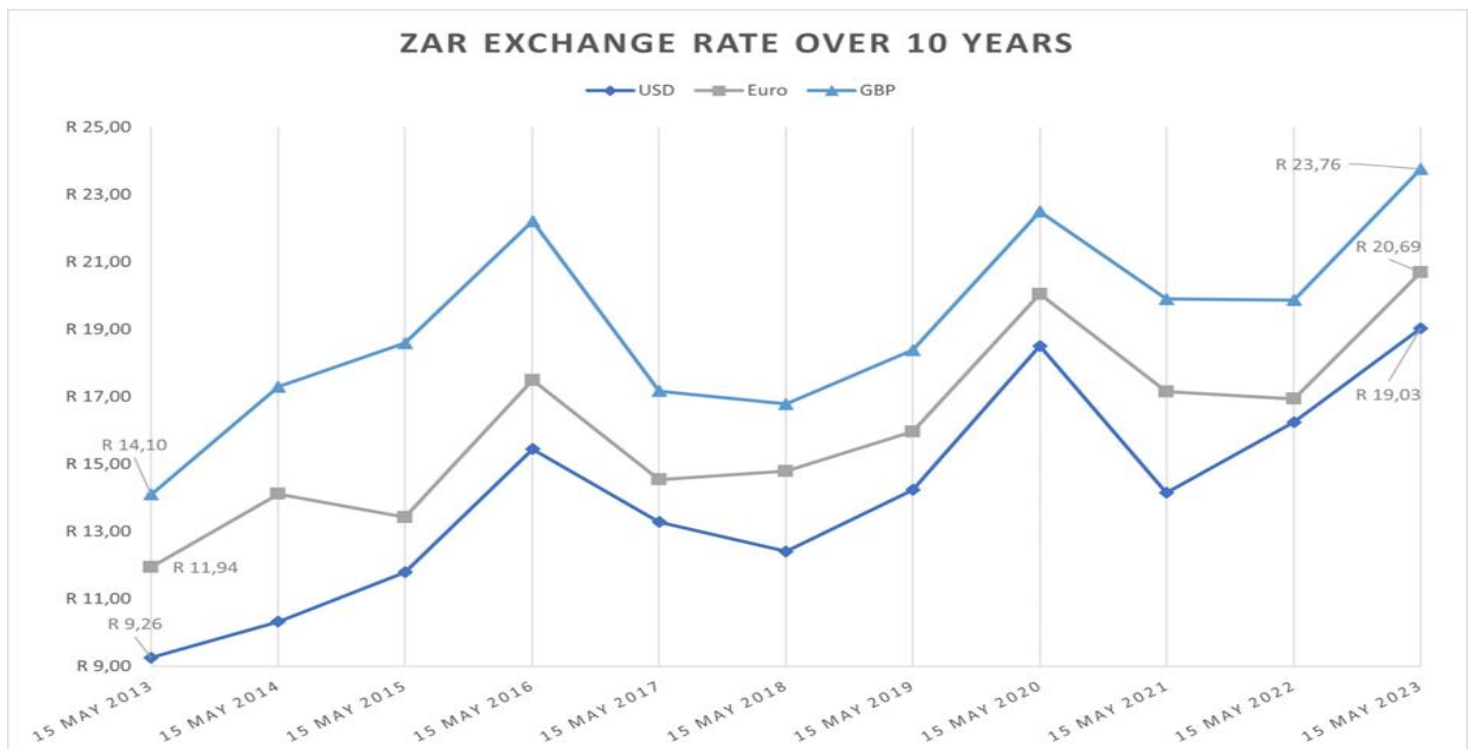
Announcements by central banks and monetary policy decisions have also compounded the rand's decline.

If a central bank follows a policy that increases the money supply or lowers the interest rate, it can cause the currency to weaken. These factors affected the rand's value relative to other currencies, especially during the Covid-19 pandemic.

As a result of several of these factors, the rand has weakened significantly since 2013.

As of 15 May 2013, the rand stood at R9.26/\$, R11.94.00/€, and R14.10/£. **As of 15 May 2023, the rand had weakened by 105% against the dollar, 73% against the euro, and 69% against the pound.**

This is how the rand has performed against some of the world's largest currencies over the past 10 years:



Source: Businesstech finance staff writer

BRICS IS MARCHING TOWARDS A UNIFIED CURRENCY



Amid the palpable anticipation, and the transformative discussions, we are witnessing the ascent of a momentous topic that promises to redefine global financial dynamics — the inception of a unified Brics currency. The formation of a collective currency is expected to be the most prominent subject of discourse when the leaders of the five emerging nations convene in Johannesburg in August for the Brics summit. Recently, South Africa’s Foreign Minister Naledi Pandor emphasised the potential of a departure from the dominant role of the dollar, highlighting the possibility of empowering other nations. She has aptly recognised the inherent challenges that lie ahead, asserting the need for comprehensive discussions on the matter.

Pandor has been cautioning against unwarranted assumptions of success, wisely acknowledging the intricate nature of economics and the imperative of considering the diverse interests of all countries involved. Her nuanced perspective underscores the importance of a well-informed and inclusive approach to any potential shift in the global financial landscape.

“It’s a matter we must discuss and discuss properly. I don’t think we should always assume the idea will work, because economics is very difficult, and you have to have regard for all countries,” said Pandor, while answering a question about the Brics currency.

Casting light on the audacious ambitions of these emerging economic powers, China is leading this movement for an alternative monetary regime. Other members of the group have lent their unwavering support to China’s

visionary endeavour to challenge the grip of US “dollar hegemony”. Such a stance befits China’s transformative rise on the global stage, unveiling its intent to reconfigure the existing financial order.

Emboldened by their shared aspirations, the Brics nations have converged upon the idea of a unified currency. The creation of a unified Brics currency represents a clarion call for emancipation from established conventions, a stride towards forging a new epoch of economic equilibrium. With the prospect of such a drastic shift on the horizon, the financial world is bracing for a profound reordering, as the echoes of Brics currency resonate across the globe.

While a unified Brics currency holds the allure of shifting power dynamics, it is not without numerous obstacles. As the project takes shape, the nations involved must confront complex questions and unbolt the intricacies of forging a new path. The challenges, both practical and geopolitical, loom large, demanding careful deliberation and strategic manoeuvring.

Since the culmination of World War II, the US dollar has reigned supreme as the preeminent global currency. A staggering 80% of international transactions flow through its channels, while close to two-thirds of the currency reserves held by central banks are stored in the greenback. The US capital markets, in turn, bask in their liquidity, embodying the pinnacle of financial prowess.

This status quo has endowed the US with hegemonic influence and leverage in the international arena. The far-reaching reach of the dollar has solidified America’s position as an economic superpower. The dollar’s dominance, however, is not without consequences. While it has bestowed undeniable advantages upon the US, it has also attracted scrutiny and generated concerns among some actors in the international community. The immense power wielded by the dollar has led to debates surrounding the potential vulnerabilities and asymmetries inherent in such a system.

Critics argue that the inordinate reliance on a single currency in global transactions exposes economies to volatility and external shocks, underscoring the need for diversification and alternatives.

The push for de-dollarisation has returned with a vengeance after the Western sanctions against Russia due to the Ukraine conflict. In an attempt to exert pressure on Russia, the US imposed punitive sanctions last year, seizing an enormous \$300 billion of Russia’s foreign currency reserves and excluding prominent Russian banks from the global interbank messaging system, Swift.

However, this strategy of “weaponising” the dollar had an unintended outcome — it sparked the rise of alternative financial frameworks championed by Russia and China. As a consequence, there is a renewed momentum towards de-dollarisation.

The vision of a Bric alliance, originally conceived by former Goldman Sachs chief economist Jim O’Neill in 2001, took its time to materialise. It wasn’t until 2009, in the wake of a global financial meltdown, that the bloc convened for its inaugural summit in Yekaterinburg, Russia. Driven together by the urgency of the economic crisis, the member states pledged to revamp international financial institutions to better reflect the shifting dynamics of the global economy.

This entailed devising an alternative to the International Monetary Fund and the World Bank, as well as challenging the entrenched dominance of the US dollar. The Brics alliance, which turned from Bric to Brics after the induction of South Africa in 2010, has witnessed a wavy evolution, with its intentions occasionally questioned and its influence appearing uncertain. As circumstances shift and economic realities unfold, the prospect of a genuine challenge to the established international financial architecture becomes a more tangible prospect.

With yet another economic crisis, coupled with the cornering of one of the alliance’s most formidable members, Brics’s drive to abandon the US-led system has gained renewed attention. Despite China being the only Brics

economy to sustain robust growth, the collective influence of the group has surpassed that of the G7 in terms of its relative contribution to global GDP, based on purchasing power parity.

Moreover, bilateral trade between Brics nations is experiencing a rapid ascent. While progress toward the alliance's broader aspirations seemed to have stalled, recent developments indicate a renewed momentum. Discussions among members now revolve around the concept of "de-dollarising" trade, with many passionately entertaining the idea of a shared Brics currency.

A Brics currency holds the potential to challenge the supremacy of the US dollar, or at the very least, unsettle its position of authority by facilitating cross-border trades among the Brics members and like-minded countries. In addition, the Brics bloc appears to be resurging as a platform for collaboration on various fronts, including climate change, global governance and development. Notably, 19 countries, including Argentina, Turkey, Pakistan and Saudi Arabia, have expressed interest in joining the Brics, and these aspirations will be deliberated at the group's summit in South Africa in August.

Indeed, it is grievances that seem to bind the Brics members and other aspirants together. Developing economies, in particular, are harbouring deep frustration over the onerous conditions imposed upon them by Western-dominated institutions. They are weary of what they perceive as a hypocritical stance on critical policy issues, including the transition to a greener future. Conservation demands and restrictions on technology sharing are seen as attempts to unjustly constrain their economies. But perhaps the most significant source of discontent lies in their scepticism toward Western norms and values, viewing them as mere cover-ups for self-serving actions by Western powers.

The failure, or reluctance, of the West to reform global governance in a way that grants emerging economies, such as China, greater influence has only compounded these grievances. Brics nations seek a currency that ensures accessibility and equitable treatment in global trade, aiming to address the US dollar's role as a tool for American hegemony, which they believe creates economic instability and hampers global recovery.

The process of establishing a common currency among a group of nations is typically protracted, necessitating extensive co-operation over a span of years. The example of the euro's inception shows the intricate nature of this undertaking, often entailing the gradual phasing out of local currencies.

So far, about 41 countries have shown interest in accepting, and trading with, a Brics currency. They include oil-rich nations from the Middle East. However, it appears that the endeavours of the Brics nations are primarily focused on formulating a currency unit specifically intended for facilitating cross-border trade, rather than a comprehensive replacement for individual national currencies.

This strategic approach mitigates some of the inherent complexities involved and lends credence to the plausibility of their collective efforts. By narrowing the scope, the Brics nations seek to tread the path forward with increased feasibility, recognising the potential benefits of a currency unit tailored for cross-border transactions.

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MARKET INDICATORS

AS AT 30 April 2023

	DY %	P/E Ratio	1 Month %*	12 Months %*
FTSE/JSE All Share Index	3.8	11.9	3.4	12.6
FTSE/JSE Resource Index	6.1	6.3	4.0	-5.0
FTSE/JSE Industrial Index	4.0	8.5	3.1	32.0
FTSE/JSE Financial Index	5.2	9.5	3.4	0.0
FTSE/JSE SA Quoted Property Index	8.3	12.0	5.4	3.3
ALBI BEASSA Bond Index			-1.1	6.4
STeFI Money Market Index			0.6	6.2
MSCI World Emerging Markets (R)			1.9	8.1
MSCI World Emerging Markets (\$)			-1.1	-6.5
MSCI World Index (R)			4.9	19.9
MSCI World Index (US\$)			1.8	3.7

*Total return index percentage change

Economic Indicators		Latest Data	Previous Year
Exchange Rates			
Rand/US\$	April - 23	18.29	15.81
Rand/UK Pound	April - 23	22.98	19.88
Rand/Euro	April - 23	20.15	16.67
Rand/Aus\$	April - 23	12.10	11.16
Commodity Prices			
Gold Price (US\$)	April - 23	1 989.8	1 897.3
Gold Price (R)	April - 23	36 354.5	30 348.0
Oil Price (US\$)	April - 23	80.3	107.10
Interest Rates			
Prime Overdraft	April - 23	11.3%	7.8%
3-Month NCD Rate	April - 23	8.09%	4.4%
R186 Long-bond Yield	April - 23	8.8%	8.3%
Inflation			
CPI (y-o-y)	March - 23	7.1%	5.9%
Real Economy			
GDP Growth (y-o-y)	December - 22	1.3%	1.8%
HCE Growth (y-o-y) (Household Consumption Expenditure)	December - 22	2.0%	2.3%
Household Consumption Expenditure (HCE) Growth (y-oy)			
Gross Fixed Capital Formation (GFCF) Growth (Y-O-Y)	December - 22	5.4%	-3.0%
Manufacturing Production (y-o-y) (seasonally adjusted)	March - 23	-1.4%	-1.0%
Balance of Payment			
Trade Balance (cumulative 12-month)	March - 23	\$6.9	\$47.2
Current Account (% of GDP)	December - 22	-2.6%	2.1%
Forex Reserves (incl. gold)	April - 23	\$1 132.6	\$954.0

Sources: JSE, Iris, I-Net

Fund	Year To Date Performances 1st Jan to 31st December 2023	30 June 2023
Allan Gray Balanced	6.74%	0.47%
Allan Gray Stable	6.06%	-0.33%
Coronation Balanced Plus	9.95%	2.49%
Investec Managed	7.87%	-0.10%
Prudential Balanced	7.47%	2.32%
Prudential Inflation Plus	5.01%	2.15%

Skybound Capital Funds

South Africa

Fund	Year To Date Performances 1st Jan to 31st December 2023	Current Performances as at 31 April 2023
The Apello Fund	3.38 %	0.76%
The Azacus Fund	3.32%	0.74%

Skybound Capital Funds

INTERNATIONAL - GBP

	Year To Date Performances 1st Jan to 31st Dec 2023	Current Performances as at 31 June 2023
Prism Income	2.3%	0.39%
Prism Income Australian	0.50%	0.26%
The Willow Tree	1.50%	0.40%

WHAT A JOKE

Something to celebrate

A new monk arrives at a monastery. He is assigned to help the other monks copy the old texts by hand. He notices, however, that they are copying copies, not the original books.

So, the new monk goes to the head monk to ask him about this. He points out that if there was an error in the first copy, that error would be perpetuated in all the subsequent copies. The head monk says, "We have been copying from the copies for centuries, but you make a good point, my son."

So, he goes down into the cellar with one of the copies to check it against the original.

Hours later, nobody has seen him. One of the monks goes downstairs to look for him. He hears sobbing coming from the back of the cellar and finds the old monk leaning over one of the original books, crying. He asks what's wrong.

"The word is 'celebrate', not celibate'!"

The nice thing about memories is that they don't spoil no matter how long you keep them.

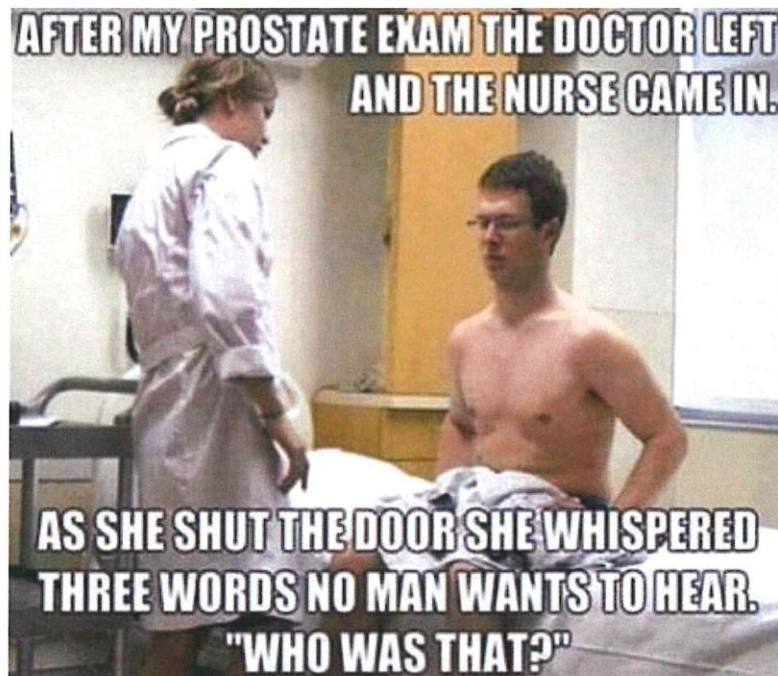
Today a woman knocked on my door and asked for a small donation towards the local swimming pool. I gave her a glass of water.

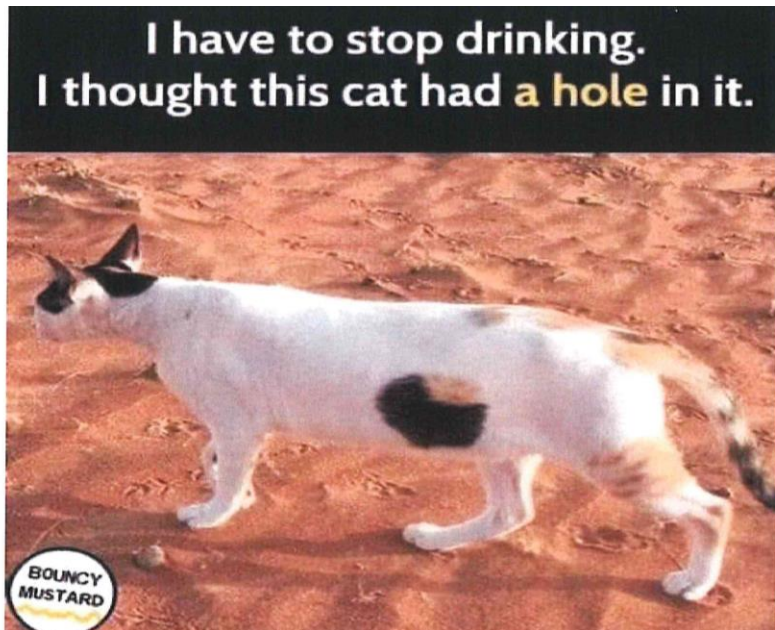
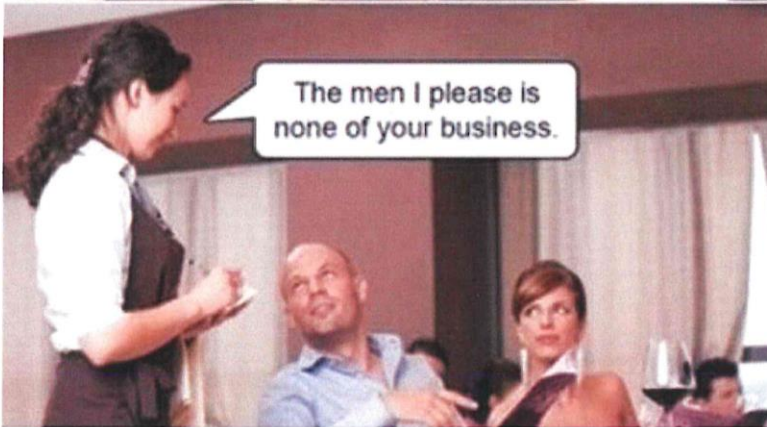
It's my wife's birthday tomorrow. She's been leaving jewellery catalogues all over the house, so I've bought her a magazine rack.

Waiter: "How do you like your steak, sir?" Customer: "Like winning an argument with my wife."

Waiter: "Rare it is."

Stranger danger





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