Seed Global

Today marks the end of the first half of the year and it sure feels like time has flown by.

In this article, Ian De Lange Seed Chief Investment Officer, outlines the first half of the year.

Follow Ian on Twitter

Global Equity Markets

Despite various headlines causing anxiety and affecting investor sentiment, global equity markets in general have surprisingly remained largely resilient and shrugged off the negative news.

Here is a quick recap:

The year started on a positive footing with **China re-opening their economy**, which had been closed due to their strict zero-Covid policy. The optimism was pervasive and led to global equity markets recording their second-best January in over three decades.

Into February, investor enthusiasm waned as the focus turned once again to the **persistent inflation** and rising interest rates aimed at curbing it. Interest rates were hiked up in the US, UK, and Europe.

In March media attention turned to the pressure and **failure of some regional banks** in the US and the possibility that there would be a spillover into the broader financial markets. However, despite these widespread concerns and further rate hikes, markets prices continued to rise.

In April and May, headlines such as "***When will US hit its debt ceiling and what happens if country defaults*?"** heightened anxiety about the sustainability of the US dollar. At the same time however, investor sentiment turned extremely positive towards the artificial intelligence sector, and specifically microchip producer, Nvidia. This helped propel the technology-heavy Nasdaq index up by a huge 5.8% in May.

In June, the **geopolitical tensions** between the US and China persisted. Towards the end of the month the world witnessed the near mutiny within Russia involving the Russian mercenary Wagner Group.

While negative headlines dominated the news, **share prices in general continued to move up and in some cases surged during the first half of the year**. Investors that have stayed the course and were not deterred by the negative news have generally benefitted from a 13.8% increase in global equities (as measured by the MSCI World index). The dominant performance came from the US, with the broad S&P 500 gaining 15.5% over the 6 months.

That is not to say that every market is up uniformly. The UK and emerging markets, especially China, have performed relatively poorly, while Japanese shares are up 28.8% and the US tech heavy Nasdaq index is up 30.9%.

So, what can we learn from this? While challenges always exist, and the media loves to highlight them, businesses are incentivised and motivated to maximise profitability for their shareholders. Success lies in navigating through these challenges. Additionally, a tough economic environment adds extra pressure to weaker businesses, which ultimately separates the winners from the losers.

Ian De Lange CA(SA)
Chief Investment Officer

If you have any questions about the global investment environment, Ian and our team are here to assist you. We welcome you to reach out to us directly on global@seedinvestments.co.za.

Follow Ian De Lange on Social Media