



An Emotional 6 Months

We are at the halfway mark for the year, and it seems like the months are flying by quicker than ever. It's been a positive year for most investable asset classes, with some strong performances, but these invariably come with the standard fare of high volatility.

Market participant emotions are best described by the late Sir John Templeton, who said *"Bull markets are born on pessimism, grow on scepticism, mature on optimism, and die on euphoria."* This year we have seen elements of each of these emotions across various markets and asset prices.

Here is a brief half year summary.

Monetary Commodities

Gold is the most well-known monetary asset, with a history spanning millennia. Its demand comes from jewellery, investment and central banks. Most of this demand can therefore be described as "safe haven". This year, the bull market in gold appears to have grown on **skepticism** with the price up 13%.

Silver's demand comes from jewellery and investment, but it has greater industrial use in electronics and is a key component in photovoltaic cells used in solar panels. **Optimism** is more evident here with the price up almost 22%.

Bitcoin could be considered a monetary commodity, often referred to as "digital gold". The price peaked in March, fell back some 20%, but is still up 45% this year on what appears to be **optimism**.

Industrial Commodities

These are the raw materials used in production processes across construction, manufacturing and energy, with prices exhibiting high degrees of cyclicity.

Copper is a metal with excellent electrical conductivity and widely used for all electric wiring, building industry, transport industry, electric motors, telecommunication cables, and medical applications etc. The price is up 11%, but off its highs reached in May.

Platinum and palladium are mostly used in the automotive industry in catalytic converters, reducing harmful unburned hydrocarbons into carbon dioxide. They are also used in the chemical, glass and medical industry. Platinum is flat for the year, while palladium is down 15%.

Iron ore, used in the iron and steel industry for all construction, is reflecting a high degree of **pessimism**, down 25% this year.

Equity Assets

Performance has naturally varied across countries, and then especially across sectors, but 2024 has generally exhibited a more positive underpin with a mood that could be described as **skeptical optimism**. On a global level, equity prices are up 12% in USD terms.

The US broad market has done remarkably well over the period, not least due to the **euphoria** in chip designer and supplier Nvidia (up 150%), which helped the S&P 500 and Nasdaq to a new record close on June 18. For the six months, the overall index is up some 16%, which is a phenomenal achievement.

On the other hand, the Chinese equity market has been in the doldrums for a while, reflecting a high dose of **pessimism**. Locally domiciled shares are down around 3%.

Japanese shares have continued moving up on **optimism**. Part of this is due to their weaker currency, which touched new multi decade lows this week, benefiting Japanese exporters, but requiring global investors to adjust their returns of 18.50% accordingly.

The South Africa equity market has been somewhat of a laggard until this month, with a high degree of **pessimism** framing valuations. This month the market received a boost from the generally positive election outcome and the promise of the government of national unity. Overall, the index is up 5%, while the currency is flat against the USD.

Property

Property is very area-specific and includes numerous types such as office space, industrial, single family and apartment residential, and single use such as storage, etc. While most property is held directly, financialisation is growing. This year there seems to be more **pessimism** with prices, in general, down.

In conclusion, while prices of assets will always be a function of fundamentals including the underlying supply and demand, we can never discount the significant **impact of emotions on valuations**.



Ian De Lange CA(SA)
Chief Investment Officer

If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

Follow Ian De Lange on Social Media

