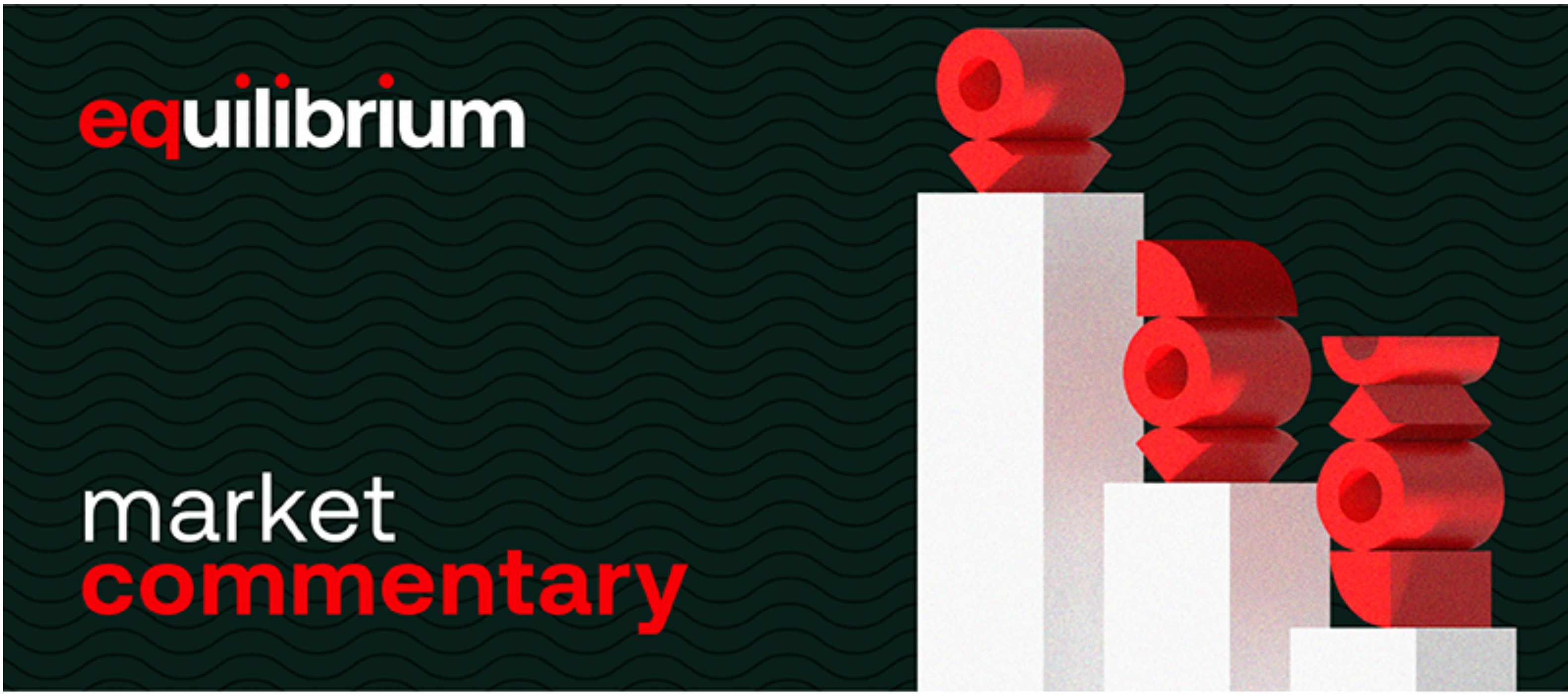

Monthly market commentary | November 2024

The primary market driver in November was the outcome of the United States (US) elections, with global equities yielding positive returns with prospects of further tax cuts, expansionary fiscal policy and the implementation of a more nationalist trade policy boosting US equity markets. This led the way over the month but other markets that shone brighter included China, Australia and the United Kingdom. Global bonds recovered some of the ground lost in October, with the yield on US 10-year Treasuries ending the month 0.1% lower. November proved to be a solid month in terms of the performance of risk assets, with markets still guided by prospects of further global interest rate cuts and anticipated US economic growth.

Developed market equities (MSCI World) recorded another strong month primarily driven by the 'Trump Trade, up 4.6%[1] in US dollar (USD) terms. The S&P 500 also delivered a solid return for the month, 5.8%[1] higher in USD terms. Although the volatility and expectations of a slower path for the US Federal Reserve's (Fed) interest rate cuts persist, global property (FTSE EPRA Nareit) was up 1.8%[1] for the month in USD terms. Emerging market equities (MSCI EM) suffered a consecutive negative month, down 3.6%[1] in USD terms, as proposed protectionist trade policies by the Trump administration pose a significant risk to this collective, with Chinese (MSCI China) and Brazilian (MSCI Brazil) markets leading the way, down 4.4%[1] and 7.1%[1] respectively.

In fixed income markets, global bonds only marginally benefitted, as concerns that Trump's policy proposals could reignite inflation in the upcoming year and reduce expected interest rate cuts to only three in the next twelve months. The FTSE WGBI ended the month 0.2%[1] higher in USD terms. In the face of a stronger USD and general risk-off sentiment, the rand again weakened against the USD, down 2.1%[1], and ended the month at R18.16[2] to the USD.

Local equities (FTSE/JSE Capped SWIX) recorded another negative month, ending the month 0.9%[1] lower, but continuing to outperform emerging markets by a significant margin. The Retail sector rendered stronger performance benefitting from real disposable income and the two-pot withdrawals, with Financials and Industrials delivering moderate positive returns of 0.6%[1] and 0.5%[1] respectively. Listed property (ALPI) returned a second positive return in the past three months, delivering 1.7%[1] for the month and still up a significant 41.7%[1] over the past year.

After a brief stall in October, local bonds (FTSE/JSE ALBI) continued their strong run as local demand remained strong due to falling inflation and a lower repo rate in line with global markets, up 3.1%[1] for the month. The yield curve bull flattened during November as investors warmed up to SA's fiscal outlook. Bonds in the 12+ year maturity spectrum were 4%[1] higher for the month, followed by the seven to 12-year and three to 7-year maturity spectrum, up 3.2%[1] and 2.3%[1] respectively.

SA's inflation slowed for the fifth month in a row to 2.8% as at the end of October (year-on-year), compared to 3.8% in September. It is now below the lower end of the 3% to 6% target range set by the South African Reserve Bank (SARB), strengthening the case for further interest rate cuts by the SARB. Local cash (STeFI) returned 0.7%[1] during the month and 8.5%[1] over the last 12 months.

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[1] Morningstar
[2] Momentum Investments

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