

Market overview November 2024

December 2024



Introduction

November saw significant market developments, influenced by political and economic factors globally. With the US election outcome dominating headlines, US equities experienced strong performance, buoyed by investor optimism following Donald Trump's re-election. The Republican Party's decisive victory was not fully reflected in the initial numbers, as they secured control of both the House and the Senate. This outcome was quickly followed by the nomination of key individuals for office by the incoming president, along with discussions of trade tariffs targeting neighbouring countries. As a result, US equities rallied, the US dollar strengthened, while markets potentially affected, such as Mexico, China, and certain European markets, showed weakness.

Additionally, central banks were in focus influencing market sentiment but continued as expected with both the Federal Reserve (Fed) and the South African Reserve Bank (SARB) cutting rates by 25 basis points.

Meanwhile, global economic performance was mixed, with key regions like the EU and China facing distinct challenges.

Global markets

Global equities as per the MSCI All Country World Index rallied 3.74%, with the US now making up almost 70% of the total world index. On the other hand, emerging market equities faced challenges returning -3.6% for the month when looking at the performance of the MSCI Emerging Market Index. Global property continued its rally, gaining 2.8% for the month (all in US\$).

In global fixed income, global bonds ended the month relatively flat with a modest 0.3% return when looking at the Bloomberg Global Aggregate Index but traded in a volatile range during the month (all in US\$).

Cash, as measured by the Short-Term Fixed Interest (SteFI) composite returned 0.7% for the month (in US\$).

US

The major news was the presidential election, where Donald Trump was re-elected for a second non-consecutive term. The prospect of a unified Republican government, with potential for pro-growth policies, such as tax cuts and high tariffs, also lifted investor sentiment. US equities performed strongly following the elections with the Dow Jones rising by 7.7%, the NASDAQ gaining 6.3%, and the S&P 500 up 5.9%. US bond yields initially moved higher on the back of the election outcome but managed to strengthen back to initial levels by month end.

The economy continues its "soft-landing" path, underpinned by resilient growth, a tight labour market, and steady consumer spending.

The Fed lowered interest rates by 25 basis points to a range of 4.50%-4.75% despite the rise in CPI to 2.6% y/y in October. However, the Fed funds futures curve has moved slightly higher post the election outcome. This signals that the market is now expecting less rate cuts to hit the market on the back of fears around possible inflation resulting from anticipated policy changes.

EU

Eurozone GDP growth was 0.4% q/q in the third quarter following 0.3% in the previous quarter and the 0.2% expected. Positive Eurozone growth was led by the zone's largest economy, Germany, which posted a surprise growth of 0.2% in Q3, avoiding the recession that had been forecast by some economists. On the political front, the ruling coalition collapsed in Germany, paving the way for early elections.

Inflation perked up again as CPI came in at 2.0% y/y in October, up from September's 1.7% and slightly above the 1.9% expected. Markets are pricing in another European Central Bank rate cut in December marking the fourth cut for the year.

UK

The UK economy grew by a lacklustre 0.1% q/q in Q3 from 0.5% the previous quarter, coming in below the 0.2% expected. Headline CPI rose to 2.3%, its highest rate for six months. While still relatively low, it marked a sharp increase from the 1.7% figure in September. The rise was largely due to an increase in energy prices. In November, the Bank of England (BoE) reduced its key interest rate by 25 basis points to 4.75%. However, expectations for another rate cut at the BoE's December meeting have since been tempered. BoE Governor Andrew Bailey reiterated that the central bank would adopt a "gradual" approach to interest rate cuts, considering potential inflationary pressures, such as tax increases in the UK and tariffs from the US.

The FTSE 100 entered positive territory having gained 1.7% (in US\$).

The UK government presented its first budget under the Labour party, which included an increase in employers' national insurance contributions and the inclusion of pensions in the Inheritance Tax regime.

China

China unveiled another round of stimulus measures aimed at reviving its struggling economy. The new debt resolution plan allows local governments to allocate US\$1.4 trillion towards reducing off-balance sheet or "hidden" debt.

Deflationary pressures persist, with the CPI slowing to 0.3% y/y in October, down from 0.4% y/y in September, and marking the slowest pace in four months. Producer prices also accelerated their decline, falling 2.9% y/y compared to 2.8% y/y in September, exceeding expectations of a 2.5% drop.

The key challenges to growth remain a slumping property sector and sluggish household consumption. Additionally, uncertainties around soft economic growth and the potential impact of increased tariffs under Trump's policies raise concerns about the future of China's export-driven economy. In addition, concerns were raised around the government stimulus measures long-term effectiveness, as more fundamental improvements are needed for sustained growth.

As a result, Chinese equities retreated by 4.4% (in US\$) in November when looking at the Hang Seng Index.

Japan

In Japan, October's CPI slowed slightly to 2.3% y/y, down from 2.4% in September, and slightly above the forecast of 2.2%. A rate hike is widely anticipated in December. Japan's third-quarter GDP showed growth of 0.2% q/q, aligning with expectations, but lower than the 0.5% growth in the second quarter.

The Nikkei Index delivered a modest decline of 0.8% (in US\$) for the month, reflecting ongoing economic challenges despite stable inflation.

South Africa

Economic growth projections for 2024 were revised slightly upwards to 1.1%, with 2025 expected to grow at 1.7%. South Africa's (SA's) inflation rate dropped to 2.8% y/y in October from 3.8% in September, below expectations. The South African Reserve Bank (SARB) responded by cutting the policy rate by 25 basis points to 7.75%.

November saw a pullback in the SA equity market and currency, but SA bonds showed positive performance. The FTSE All Share Index (ALSI) fell by 0.9% in rand terms, driven by a weak performance in the Resources sector (-6.8%),

while Financials and Industrials each gained 0.5%. SA listed property delivered a positive return of 1.7%, and SA bonds returned 3.1%. Inflation-linked bonds (ILB) also had positive returns with the Composite Inflation Linked Index adding 1.1%. The yield curve for ILBs has inverted, due to the very short dated I2025 bond level, and is currently trading very flat.

SA bonds performed better than the equity segment with the FTSE All Bond Index (ALBI) adding just over 3% positive returns on the month (all in rand). The yield curve also flattened slightly on the month with the back end rallying by about 40 basis points compared to the 22 basis points move lower on the front end of the curve.

SA cash gained 0.7% for the month (in rand).

Namibia

In Namibia, the NSX Overall Index decreased slightly by 0.1% in November, showing some resilience compared to the 1.6% decline in October. The NSX Local Index gained 0.7%, though it was lower than the 1.9% increase seen in October. The IJG All Bond Index rose by 2.65%, and the IJG Money Market Index increased by 0.65% (all in Namibian dollars).

Netumbo Nandi-Ndaitwah, Namibia's first female President-elect, vowed to implement "radical shifts" to tackle the country's high poverty and unemployment levels. In her first press conference after winning the 27 November election with 57% of the vote, she indicated potential breaks from SWAPO's previous policies. Despite opposition parties alleging voter suppression and election irregularities, Nandi-Ndaitwah dismissed the claims, with the electoral commission affirming the election was free and fair. She will assume office in March 2025. SWAPO's continued governance reassures investors seeking political continuity in Namibia's energy sector. Interim President Nangolo Mbumba currently leads the country.

Currency

The rand and Namibian dollar with its rand peg weakened by 2.1% against the US dollar and 0.6% to the British pound, though it strengthened against the euro by 0.8%. The US dollar's strength was underpinned by the robust economic performance, especially relative to the UK and other developed economies.

Commodities

Commodities had a challenging month, with mostly negative returns. The exceptions were lead (3.2%) and nickel (1.4%), which showed gains. After strong performance in recent months, gold declined 4.5% for the month but maintained a respectable 12-month return of 30.2%. Other notable declines included palladium (-14.2%) and silver (-9.2%).

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