Newsletter

November 2021

MARKETS AND ECONOMICS

November was another good month for local equities. It was also positive for most other local asset classes, as the market moved in contrast to its global counterparts amidst the increasing rate of COVID-19 infections and the discovery of the Omicron variant by South African scientists. This discovery resulted in various levels of travel restrictions imposed on South Africa and a global risk-off sentiment, with many countries implementing further restrictions on movement and activity. Global markets weakened amidst these uncertainties and weaker sentiment, as most equity indices across the United States (US), Europe, and Asia ended the month lower. Local equities were able to withstand the sell-off primarily thanks to the weakening currency that benefitted the rand-hedge counters, and the gold miners, benefitting from the higher US dollar price of gold.

A strong month of local returns in November brings us to the last month of a very rewarding year in terms of investment performance. The local equity and property markets have both returned more than 20% for the year thus far, while the average flexible offshore allocation has returned more than 15%. Despite various hiccups and market-moving events throughout the year, growth assets were clearly the place to be.

In economic news, the main releases in the local market were centred around the South African Reserve Bank (SARB), who revised their gross domestic product (GDP) growth forecasts slightly lower, inflation slightly higher, and increased interest rates by 0.25% for the first time since 2018, on the back of inflation and exchange rate concerns. The SARB model is pointing to another 25 basis-point hike in each quarter of 2022, 2023, and 2024.

Other highlights included the first "mini-budget" speech from our new Finance Minister, which, for the most part, soothed investor concerns and reiterated the focus on fiscal consolidation. The unemployment figures for the third quarter of 2021 were also released and reported a 34.9% unemployment rate. On a more positive note, government has, for now, decided against imposing stricter domestic restrictions in light of the fourth wave of COVID-19 infections. However, recent announcements indicate that the country might be moving to vaccine mandates for specific activities or locations, such as public events. A task team has been established in this regard to investigate the implications and to make recommendations.

In global news, Jerome Powell from the US Federal Reserve (Fed) announced that the Fed would start tapering bond purchases by $15 billion per month, although some members of the Policy Committee seem to prefer a faster tapering process, which could also imply an earlier start for interest-rate hikes. Other headlines included a spike in US inflation to 6.2%, the highest level since 1990, while US quarterly GDP growth estimates for the third quarter slowed to 2.1%. In Europe, inflation increased to 4.9%, while in the United Kingdom (UK) GDP growth slowed to 1.3% in the third quarter, compared to 5.5% in the previous quarter.

November also saw the biggest monthly decline in the oil price since March 2020, on the back of the spreading Omicron variant. This comes after plans by the US for the strategic release of oil reserves by participating countries (such as the UK, China, India, and Japan) to stabilise prices and to reduce pressure were relatively ineffective.

JSE All Share 4,47% | 70 475,02	**MSCI World (USD)** - 2,19% | 3 101,80	**MSCI EM (USD)** - 4,08% | 1 212,42
SA Bonds 0,66% | 801,19	**SA Property** 2,16% | 323,44	**CPI (y/y)** 5,00% | 122,90
Gold 0,55% | 1 793,14	**Platinum** - 6,87% | 952,76	**Oil** - 17,31% | 69,23
$/R 4,17% | 15,89	**€/R** 2,46% | 18,01	**£/R** 1,29% | 21,13

Thank you for your support throughout the year. We wish you a blessed festive season with friends and family, and look forward to helping you achieve your investment goals in 2022 and beyond!

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