Newsletter

January 2022

MARKETS AND ECONOMICS

It was a tough start to the year in January, for offshore markets in particular. Rising geopolitical tensions between the United States (US) and Russia, a more hawkish Federal Reserve (Fed), continued inflationary pressures, and a price drop of more than 20% in a single day for Netflix and Meta (the parent company of Facebook) all contributed to a rollercoaster ride in the markets that, for the most part, ended in significant losses. The main culprits were developed market equities, specifically growth shares, that sold off through the month and underperformed emerging markets. While gold prices fell amidst rising interest rate fears, some positive indicators out of China boosted most commodity prices. Furthermore, tensions around Russia, one of the primary global oil producers, drove oil prices significantly higher, benefitting energy stocks around the world.

Locally, it was a busy month between various economic events, the fire at Parliament, public hearings around the more than 20% tariff increase proposed by Eskom, various internal conflicts in the African National Congress (ANC), and the partial release of the report by the Judicial Commission of Inquiry into Allegations of State Capture. Despite all the noise, both locally and abroad, the local market withstood the global sell off to end the month slightly higher. The All-Share Index even reached a new record high above the 76 000 level during the month. Performance was primarily driven by local mining companies, while banks also benefitted from the rotation into value stocks.

THE FOLLOWING ARE SOME OF THE LOCAL ECONOMIC HIGHLIGHTS:

+ Headline inflation rose to 5.9% for the year in December, up from 5.5% in November. It is now sitting at the upper band of the Reserve Bank's target range.
+ The Monetary Policy Committee (MPC) announced another 0.25% increase in interest rates, as expected by most market participants following the November increase.
+ Retail sales increased 3.3% for the year in November, while new vehicle sales were 3.5% lower in December.
+ The World Bank announced the approval of a $750 million development policy loan to South Africa (SA), to assist in ongoing spending on critical health and social programmes. This loan forms part of the foreign loans included in the fiscal framework from the November 2021 Medium Term Budget and is thus not considered 'new' funding.

THE FOLLOWING ARE SOME OF THE GLOBAL ECONOMIC HIGHLIGHTS:

+ US growth estimates point to a strong gross domestic product (GDP) growth figure of 6.9% for the fourth quarter of 2021, mainly driven by private inventory investment, exports, and consumer spending. The US Fed kept interest rates unchanged in January, as market expectations of future rate hikes seem to increase, with more policy rate hikes now expected in 2022.
+ The People's Bank of China, moving against its global counterparts, further eased economic conditions during January by cutting their key one-year policy rates for the second consecutive month.
+ Inflation in the Eurozone reached a record high of 5% in December, primarily driven by the rising cost of energy. Preliminary GDP data for the Eurozone is pointing to a 0.3% growth for the fourth quarter (4.6% year-on-year). France, Italy, and Spain were the primary growth drivers, while the German economy contracted.
+ In the United Kingdom (UK), inflation rose to 5.4% in December, ahead of market forecasts, driven by rising energy prices and supply chain disruptions.

JSE All Share 0,86% | 75 206,00	**MSCI World (USD)** - 5,29% | 3 061,46	**MSCI EM (USD)** - 1,89% | 1 221,10
SA Bonds 0,85% | 838,56	**SA Property** - 2,85% | 330,88	**CPI (y/y)** 5,90% | 121,10
Gold - 2,12% | 1 807,95	**Platinum** 5,11% | 1 027,50	**Oil** 14,76% | 93,27
$/R - 3,49% | 15,43	**€/R** - 4,69% | 17,70	**£/R** - 4,04% | 20,91

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