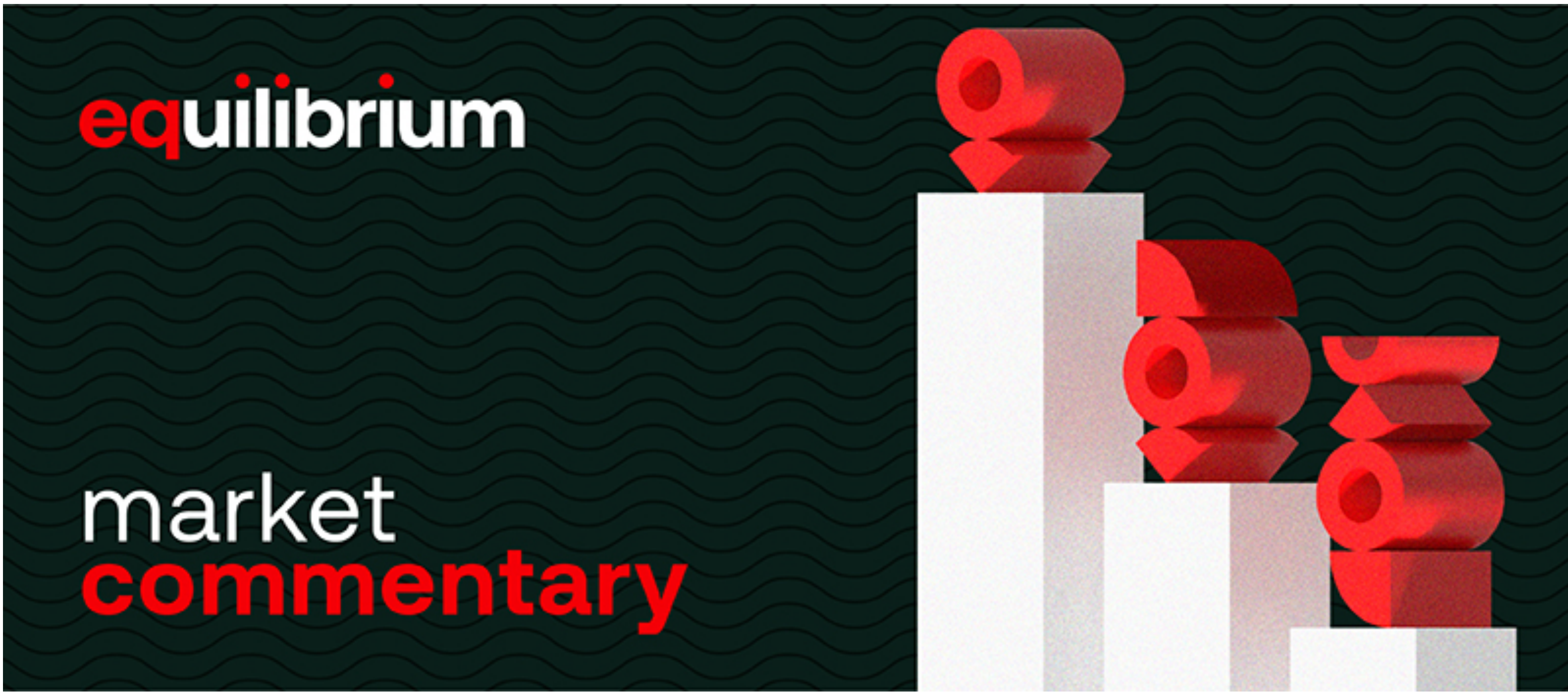

Monthly market commentary | December 2023

The year ended on a positive note as both local and global markets yielded encouraging returns.. The primary driver behind the optimistic trend in December was the heightened anticipation of a US Federal Reserve (Fed) interest rate cut in 2024. This sentiment aligns with the overarching theme of the year, where market dynamics were significantly influenced by investor sentiment. This increased investor optimism, coupled with a consensus-beating November headline inflation print, led local markets to a positive end to the year.

Global equities (MSCI ACWI) ended the month up 4.8%[1], bringing the yearly performance to 22.2%[1] in US dollar (USD) terms. The strong end to the year was supported by developed market equities (MSCI World) with a 4.9%[1] return for the month and 23.8%[1] for the year in USD terms. The UK (FTSE 100), Japan (TOPIX), the US (S&P 500) and Europe (MSCI Europe ex UK) all posted monthly returns above 4.5%[1] for the month in USD terms.

Emerging markets (MSCI EM) lagged their developed markets counterparts with a 3.9%[1] return for the month and 9.8%[1] for the year in USD terms (meaning their yearly performance lagged their developed market counterparts by more than 10%). Big contributors for the month were Brazil (MSCI Brazil) and India (MSCI India) with 7.2%[1] and 8.1%[1] returns respectively in USD terms. China (MSCI China) was the only large market to deliver a negative return in December with a -2.4%[1] return, down 11.2%[1] over the year in USD terms, following another unexpected regulatory intervention for the Chinese government. Although the rand had a strong month (strengthening by 2.6% against the USD), the local currency ended the year 7.8% weaker to end the year at R18.36[2] to the USD.

As evidenced throughout the year, the local equity market was largely influenced by global factors with improved investor sentiment. This was supported by a favourable November headline inflation print. It brought the local market (Capped SWIX) up 2.9%[1] over the month, bringing the yearly performance to 7.9%[1]. From a sector perspective, financials fared best over the month with a strong 5.8%[1] return, bringing the sector's yearly performance to an impressive 20%[1]. Industrials lagged with a muted 0.7%[1] return over the month, but still ended the year up a strong 16.6%[1]. Resources ended the year with a negative month to bring the total performance to a remarkably low -11.8%[1]. Local property (ALPI) ended the year incredibly strong, rallying 9%[1] in November and 9.9%[1] in December to bring the return for the year to 10.7%[1], some 3% higher than its local equity counterpart.

December saw generic 10-year yields decline in all major markets, leaving the WGBI up 4.2%[1] in USD terms for the month. Given the turbulent year for global bonds, investors will be relieved to see a positive yearly performance of 5.2%[1] in USD terms, especially after the tumultuous year experienced in 2022 (down 18.3%[1] for the year). Local bonds (ALBI) ended the month 1.5%[1] higher, with the main driver of performance coming from the seven- to 12-year area with a 2.2%[2] return as yields ticked lower. December's positive return brought the yearly performance of the ALBI to an impressive 9,7%[1]. Inflation-linked bond yields followed the trend and ticked lower, leading to a 2.2%[1] return (IGOV) over the month and bringing the yearly performance to 7%[1]. Local cash (STeFI composite) remained stable, delivering a 0.7%[1] return over the month and ending the year up 8.1%[1].

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[1] Morningstar
[2] RMB asset class returns – December 2023
[3] Momentum Investments

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