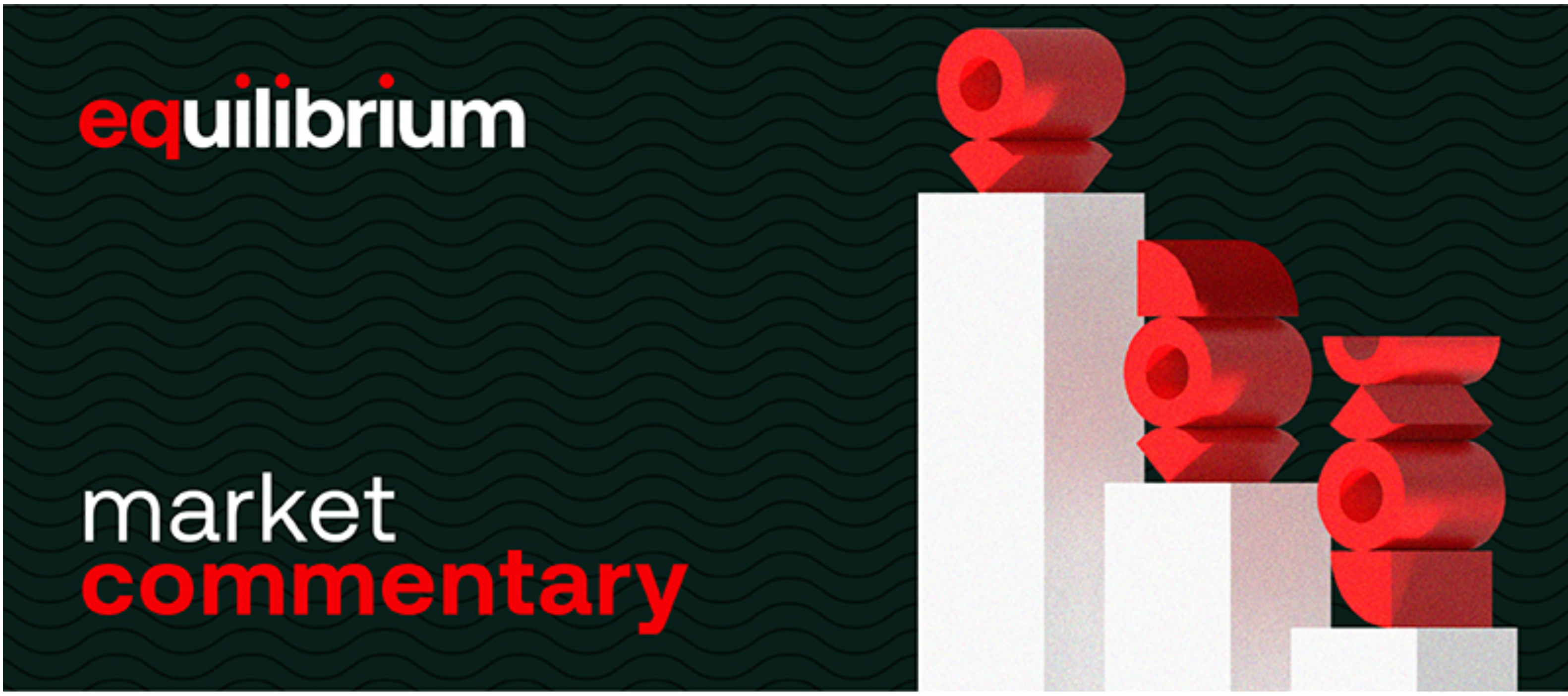

Monthly market commentary | January 2024

Following the quarter 4 rally in 2023, performance across asset classes showed a mixed picture in January. The market's optimistic view on rate cuts faced resistance from some central bankers, creating a less favourable environment for fixed income. Segments of risk assets experienced a boost as positive economic data fuelled hopes for a ‘soft landing’. This optimism was tempered towards the end of the month when the US Federal Reserve (Fed) took a less dovish stance during its January meeting. Similarly, the Monetary Policy Committee (MPC) locally opted to maintain the repo rate at its current level and is expected to keep it unchanged for the next two meetings. The MPC remains concerned about inflation risks leaning towards the upside, given the impact of domestic logistical constraints and international geopolitical issues.

Global equity markets showed a mixed performance. The Nikkei had a strong month, rising by 8.4%[2] in US dollar (USD) terms and recording its best January in 25 years. In contrast, the Hang Seng shed 9%[2] in USD terms. Chinese growth was under pressure because of tough policies targeting property, technology, private education and healthcare and other sectors while Chinese policymakers stepped up their efforts in recent weeks to support the economy and markets. The ongoing underperformance of the Chinese equity market highlights that investors do not expect that stimulus from the government will be meaningful enough. Negative sentiment towards the Chinese economy deepened further in January as the liquidation of debt-ridden China Evergrande Group intensified concerns about the embattled real estate sector. After a good recovery in December, the rand ended the month 2.1%[2] weaker, at R18.68 to the USD.

Developed Market (DM) equities were up 1.1%[2] and extended their outperformance over emerging market (EM) equities, down 4.7%[2] in USD terms. DM and EM equities delivered returns of 15.1%[2] and -5.4%[2] over the last 12 months respectively, in USD terms. The positive sentiment around global developed markets is not spilling over into emerging markets, driven by concerns around China and challenges on home soil.

On the back of less than meaningful stimulus announcements in China, the local equity market (Capped SWIX) ended January2.8%[1] lower. The resources index was the biggest loser, falling 6.3%[1], with financials 2.3%[1] lower and industrials down 1.2%[1]. SA Listed property continued its strong performance in quarter 4 of 2023, with a return of 4.1%[1] for the month, being the best performing South African asset class by returning 15.8%[1] over the last 12 months.

After the sharp rally towards the end of last year, bond market volatility increased as strong growth data did not justify the magnitude of rate cuts priced in by the market at the end of last year. Global bonds (WGBI) ended the month 0.1%[1] higher and 7.1%[1] higher over the last 12 months in USD terms. Local bonds (ALBI) ended the month 0.7%[1] higher and up 7.3%[1] over 12 months. Inflation-linked bonds gained 0.1%[1] for the month, for a return of 8.2%[1] over the last 12 months.

Local cash (SteFI composite) remained stable, delivering a 0.7%[1] return for the month and 8.2%[1] over the last 12 months.

Prepared by Equilibrium

Enabling your advice outcomes

[1] Morningstar
[2] Profile Data
[3] Momentum Investments

For more information and the latest DFM updates

Website: eqinvest.co.za

LinkedIn: https://www.linkedin.com/company/eq-invest/