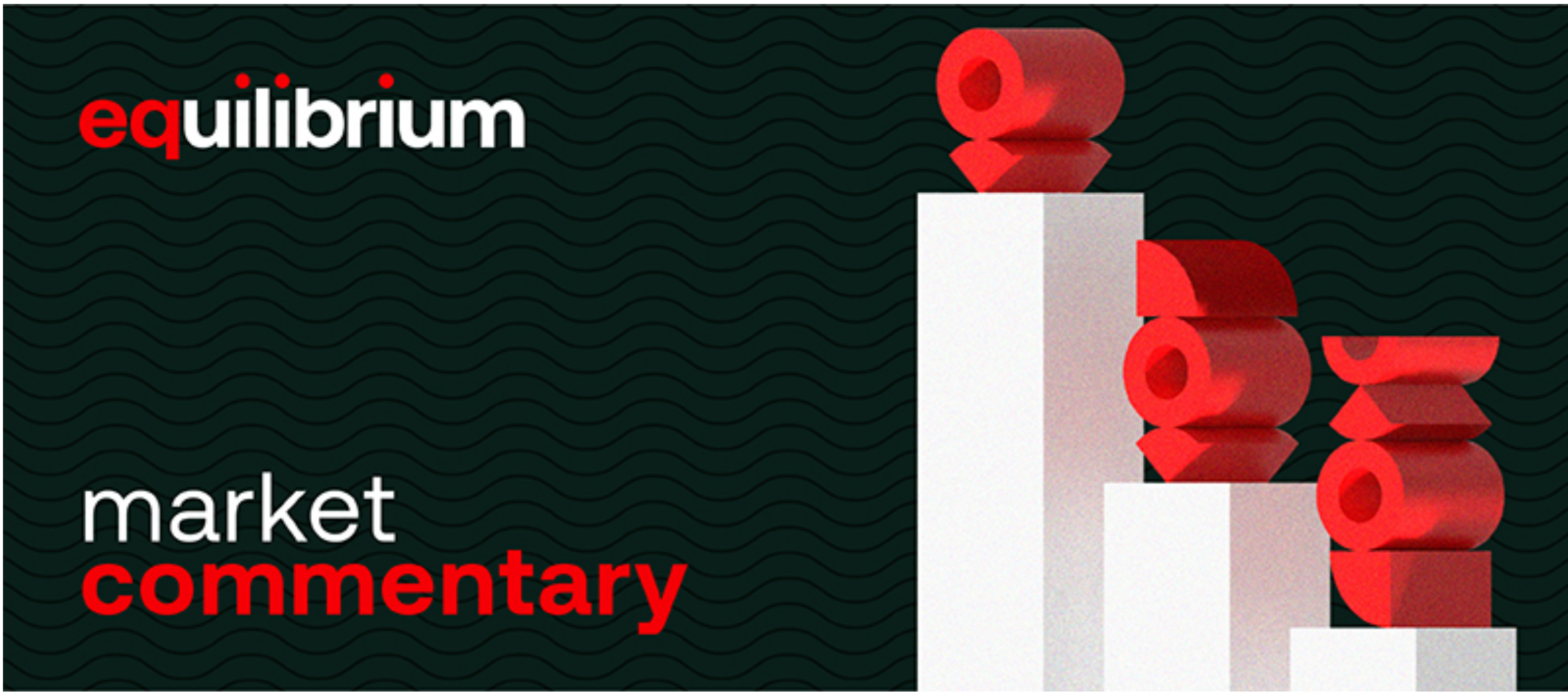

Monthly market commentary | November 2023

November provided a proverbial lifebuoy to investors, as they found respite with strong performances from both local and global equity markets, which helped recuperate most of the losses from the preceding three months. The impetus for these performances was powered by improved investor sentiment, as softer messaging from the US Federal Reserve (Fed) and favorable US inflation data curated a narrative that restrictive monetary policy may start to taper sooner than previously anticipated. Notwithstanding the barrage of negative news locally, improved investor sentiment also filtered into the local market to provide for a strong month of performances.

Global equities (MSCI ACWI) ended the month up an impressive 9.2%[1] in US dollar (USD) terms, largely supported by developed market equities (MSCI World) which delivered 9.4%[1] over the month. Contributions were broad based as most developed market constituents enjoyed the change in sentiment, with the standout performer being Europe (MSCI Europe Ex UK), up a whopping 10.8%[1] in USD terms off the back of strong returns from the German and French markets. Emerging markets (MSCI EM) were not far off, up 8%[1] for the month, which proves impressive when contextualised with a mere 2.5%[1] return in USD terms from China (MSCI China) amidst struggles in their real estate sector. The largest contributor came from Brazil, with a 14.2%[1] return for November in USD terms (MSCI Brazil). Although November saw general US dollar weakness, the rand still managed to weaken 1.1%[2] against the greenback, ending the month at R18.85[2] against the USD.

November's performance provides evidence that currently global factors dominate local factors. In a month that played host to stage six load shedding, a somewhat negative Medium Term Budget Policy Statement (MTBPS), and heightened logistical issues faced by Transnet, local equities (Capped SWIX) still managed to end the month 8.6%[1] higher as global investor sentiment turned positive. Large contributions came from Naspers and Prosus, as their largest investment in Chinese tech company Tencent enjoyed a rally following better-than-expected results. As gold miners continue to piggy-back off a rising gold price, Harmony Gold's stellar improvement in operating performance led to a standout performance in November. From a sector perspective, industrials fared best with a 10.1%[1] return over the month mainly as a result of gains in the construction and materials subsector.

Local property (ALPI) finally enjoyed some reprieve after a tough preceding six months, rallying 9.0%[1] to bring the year-to-date return into positive territory.

The WGBI ended the month up 4.9% in USD terms[1], with the 10-year US Bond yield dropping 0.61% as the Fed changed its outlook and assigned an 88.5% probability of an interest rate cut by May 2024[2]. Local bonds followed the strong performance from their global counterparts, ending the month 4.7%[1] higher. The main drivers of performance came from the longer end of the curve in the seven- to 12-year area and the 12+ year area, contributing 5.2%[2] and 5.9%[2] respectively as yields ticked lower. Inflation-linked bonds followed the trend, delivering a 5.0%[1] return (IGOV) with most performance coming from the longer end of the curve. Local cash (STeFI composite) remained stable, delivering a 0.7%[1] return for the month.

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

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