

# Market Overview

30 November 2024



## Local Market

Domestic equities fell 0.9% in November, marking their second consecutive monthly loss. Year-to-date performance remains solid at 13.8%. Small Caps stood out, delivering a 3.6% return for the month, while Large Caps (1.6%) and Mid-Caps (0.1%) lagged. On a YTD basis, Small Caps remain dominant with a 31.3% return—20% ahead of the Large Cap index and 14% ahead of Mid-Caps. Over the past 12 months, Small Caps have returned 39.1%, far outpacing the 11.4% and 17.6% gains posted by Large Caps and Mid-Caps, respectively.

Sector performance was mixed in November: Financials (+0.6%) and Industrials (+0.5%) were relatively flat, while Resources declined sharply by 6.6%. Market heavyweights Naspers and Prosus declined by 2%. While newly listed WeBuyCars delivered a 26.1% return for the month and Pick n Pay sold off a portion of its Boxer Holding.

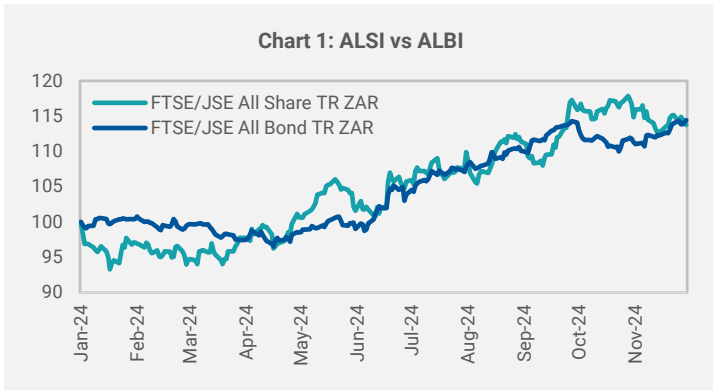
In dollar terms, the FTSE/JSE All Share Index fell 3.0%, underperforming the MSCI ACWI (3.7%) but slightly outperforming the MSCI Emerging Markets Index (-3.6%).

Local bonds gained 3.1% in November, which pushed YTD returns to 17.6%. Over 12 months, bonds have delivered a 19.3% gain, outpacing equities. Investor concerns around BRICS-related uncertainty and US trade policy under Donald Trump prompted a flight to safety late in the month.

Chart 1 (below) illustrates the cumulative growth of Domestic Equities (JSE All Share) versus Domestic Bonds (JSE All Bond) over 2024 through November. Domestic bonds have consistently held their own against equities.

SA headline inflation eased to 2.8% in October from 3.8% the prior month. Core inflation rose 0.2% month-on-month, bringing the annual rate down to 3.9%. This marks the 42nd consecutive month of core inflation remaining within the target range. Fuel inflation drove the decline, falling 5.3% in October and 19.1% over the past year, while food inflation edged higher. Cash remains an attractive asset class, offering a competitive real yield of 5%.

The Rand weakened against major currencies in November, moving from R17.61/\$ to R18.06/\$ by month-end. Over the past year, however, the Rand has strengthened, gaining 4.4% against the dollar, 7.4% against the euro, and 3.4% against the pound.



Source/s: Seed Investments (30 November 2024)

## Global Market

November was a strong month for global equities, continuing their 2024 rally with the MSCI ACWI gaining 3.7%. Sector leadership came from IT (4.3%), Financials (6.5%), Industrials (4.1%) and Energy (4.2%), supported by market optimism surrounding the US election results and a familiar figure, President-elect Donald Trump. Materials lagged (1.9%) and Health Care also struggled, weighed down by newly proposed measures to rein in pharmaceutical companies. Meanwhile, Tesla, buoyed by investor enthusiasm over Trump's victory, saw notable gains, aligning with Elon Musk's vocal support for the president-elect.

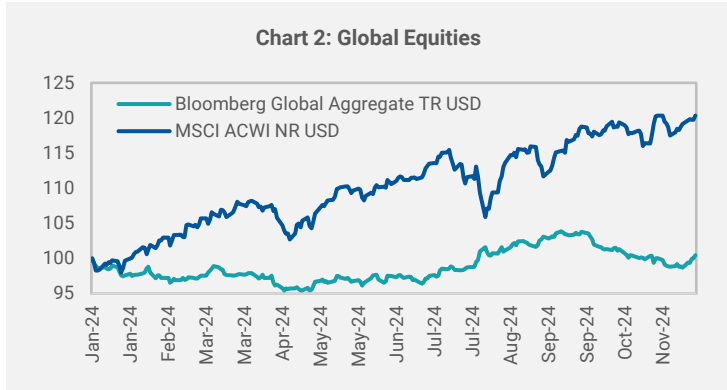
Small Caps led the charge across market caps, delivering a 5.2% return, ahead of Mid-Caps (4.8%) and Large Caps (3.6%). Developed markets (MSCI World) advanced by 4.6%, underpinned by strong US equity gains with the (S&P 500: 5.8%). European equities, however, declined by 2.7%.

Emerging markets underperformed, losing 3.6%, with Brazil (7.1%), China (4.4%), and South Africa (3.0%) among the weakest performers. Concerns over potential US tariff increases weighed heavily on export-dependent economies. India stood out with a relatively modest decline of 0.8%, underscoring its resilience in an otherwise challenging environment.

Global property markets posted a 2.7% gain for November but remain behind equities on a year-to-date basis (10.2%) and over the past 12 months (21.2%). Meanwhile, US government bond yields edged lower, closing the month at 4.2% (down from 4.3% in October), as investor confidence steadied post-election. The Bloomberg Global Aggregate Index rose 0.3% for the month, reflecting modest gains in global fixed income.

US headline PCE inflation increased by 0.2% month-on-month and 2.3% year-on-year in October, matching market expectations. Core PCE inflation has remained between 2.6% and 2.8% over the past six months, well above the Federal Reserve's 2% target. Markets are pricing a 66% probability of a 0.25% rate cut at the upcoming FOMC meeting on 18 December 2024.

Chart 2 (below) showcases the performance of global equities (MSCI ACWI) against global fixed income (Bloomberg Global Aggregate) through 2024. Global equities have significantly outpaced fixed income, with stellar contributions from the US markets, which make up approximately 60% of the MSCI ACWI.



Source/s: Seed Investments (30 November 2024)

Asset Class (ZAR)	MTD	YTD	1 Year	3 Years	5 Years	10 Years
Local Equity	-0.9%	13.8%	16.0%	10.5%	13.0%	9.0%
Local Property	1.7%	28.4%	41.2%	15.3%	4.5%	3.2%
Local Bonds	3.1%	17.6%	19.3%	11.4%	10.0%	8.5%
Local Cash	0.6%	7.5%	8.2%	6.8%	5.7%	6.1%
Global Equity	6.0%	18.9%	20.2%	12.1%	16.1%	14.8%
Global Property	5.0%	8.8%	15.5%	3.0%	6.1%	9.6%
Global Bonds	2.5%	-0.8%	-0.3%	0.0%	2.8%	5.4%
Global Cash	2.6%	3.7%	0.5%	8.3%	6.9%	7.0%

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## Local Review

### Equity

Domestic equities recorded a second consecutive monthly loss in November, declining by 0.9%. Despite this, year-to-date performance remains in the early teens at 13.8%. Small Caps stood out with an impressive 3.6% return for the month, while Large Caps (1.6%) and Mid-Caps (0.1%) detracted. On a year-to-date basis, Small Caps delivered a stellar 31.3% return, significantly outperforming Large Caps (11.3%) and Mid-Caps (17.3%). Over the rolling 12 months, Small Caps maintained dominance with a 39.1% return, compared to 11.4% for Large Caps and 17.6% for Mid-Caps. Financials (0.6%) and Industrials (0.5%) were flat, while Resources saw a steep decline of 6.6%. Earnings multiples rose alongside price increases and stronger earnings yields. IC and model rankings held steady at 3.

### Fixed Income

Local bonds delivered a strong 3.1% return in November, boosting year-to-date gains to 17.6% and 12-month performance to 19.3%. Bonds have now surpassed equities across year-to-date, 12-month, and 3-year timeframes, offering consistent returns with reduced risk. The South African 10-year government bond yield fell from 10.5% to 10%, reflecting a broad decline in yields across all maturities. Model rankings have softened to 3, while IC rankings remain stable at 3.

### Cash

Headline inflation in South Africa declined by 0.1% month-on-month in October, bringing the annual rate down further to 2.8% from 3.8% in September. Core inflation rose slightly by 0.2% month-on-month, resulting in an annual rate of 3.9%. This marks the 42nd consecutive month within the target range. Fuel inflation fell by 5.3% in October and has dropped 19.1% over the past year, while food inflation increased marginally. Cash continues to offer an attractive 5% yield, with an overweight allocation recommendation intact.

### Currency

The Rand weakened slightly against the trade-weighted currency basket and major currencies in November, starting the month at R17.61/\$ and ending at R18.06/\$. Over the past year, the Rand has gained 4.4% against the Dollar, 7.4% against the Euro, and 3.4% against the Pound. Despite recent movements, the ZAR remains 50% undervalued against the Dollar. Both IC and model maintain a neutral weighting for currency allocation.

## Global Review

### Equity

Global equities extended their 2024 rally in November, with the MSCI ACWI gaining 3.7%. IT (4.3%), Financials (6.5%), Industrials (4.1%), and Energy (4.2%) led the monthly gains, while Materials underperformed (1.9%). Small Caps outperformed with a 5.2% return, followed by Mid-Caps (4.8%) and Large Caps (3.6%). Developed markets (MSCI World) rose by 4.6%, driven by US equities (S&P 500: 5.8%), while European equities contracted by 2.7%. Emerging markets lagged with a 3.6% decline, led by Brazil (7.1%), China (4.4%), and South Africa (3.0%). India fared relatively better at 0.8%. We maintain a focus on high-quality stocks with a slight underweight in global equity allocation.

### Property

Global property markets rose 2.7% in November but continue to underperform equities year-to-date (10.2%) and over the past 12 months (21.2%). Both model and IC rankings remain steady at 3.

### Fixed Income

US government bond yields declined into November, closing at 4.2%, down from 4.3% in October. This drop followed post-election stabilization as investors placed confidence in leadership continuity. The Bloomberg Global-Aggregate Index edged up 0.3% for the month. BCA continues to anticipate higher inflation ahead and favors nominal bonds over real bonds. Both model and IC rankings hold at 4.

### Cash

US headline PCE inflation rose by 0.2% month-on-month and 2.3% year-on-year in October, aligning with market expectations. Core PCE inflation has fluctuated between 2.6% and 2.8% over the past six months, still far from the 2% target. Markets currently price a 66% probability of a 0.25% rate cut at the Federal Reserve's FOMC meeting on December 18, 2024. Model and IC rankings remain at 3.

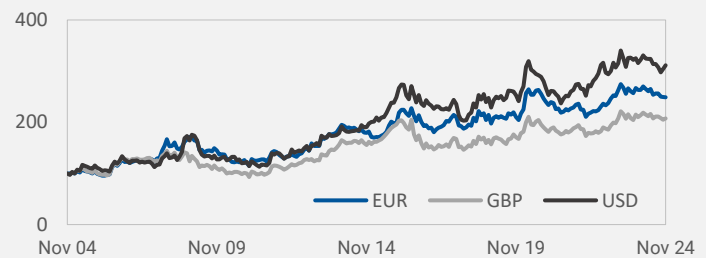
### Alternative

Other asset classes that can be considered include structured notes, private equity, direct real estate, commodities, and hedge funds and can provide investors with uncorrelated returns. These uncorrelated global assets are particularly attractive in low-interest rate environments as they offer asymmetric return profiles. Alternative asset classes can thus perform a useful role in multi asset portfolios as they help provide more consistent returns.

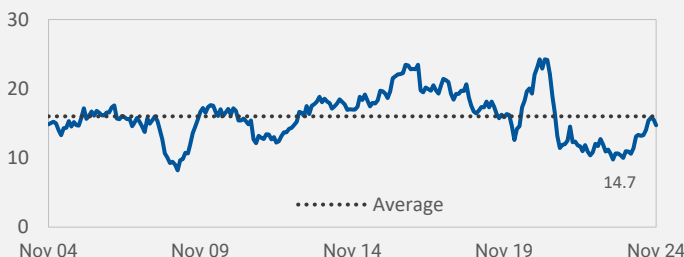
ZAR vs USD



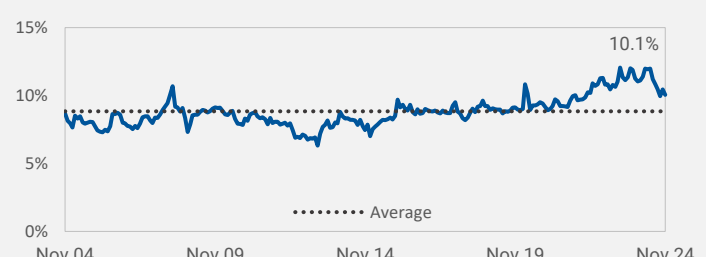
Currencies vs ZAR (Rebased to 100)



ALSI PE Ratio



SA Government 10 Year Bond Yield



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