



SELECT MANAGER

Newsletter

November 2023

MARKETS AND ECONOMICS

After three months of significant market downturns, November delivered some welcome relief before the start of the holiday season. Driven by signs of moderating inflation and slowing economic activity, and encouraged by central banks leaving rates unchanged, investors once again became convinced that we are at the end of the rate-hiking cycle. While central banks continued to emphasise the potential for rates to remain at elevated levels and cautioned investors to not become overly optimistic, markets started to aggressively price in rate cuts for 2024. The expectations are now for the first interest rate cuts to be announced in the United States as early as March 2024, followed by the European Central Bank in April, and then the Bank of England in June. Apart from optimism around disinflation and rate cuts, lower oil prices in the face of slowing global demand (especially from China, the world's largest oil importer) and some signs of strain among the Organization of the Petroleum Exporting Countries also took pressure off markets. As evidence of the 'lower' risk environment, the so-called 'Fear Index' (VIX Index) that measures the stock market's expectation of volatility dropped to its lowest level since early 2020 (right before COVID-19 hit).

The improved market environment resulted in stellar returns from most asset classes during November. While the broader MSCI World Index recorded its best monthly return in three years, the S&P 500 posted its second-best November return since 1980. Global bonds (as measured by the Bloomberg Global-Aggregate Total Return Index) also delivered their best monthly returns since late 2008, following persistent selling pressures and an increasing yield since April this year. Locally, equities and bonds had a similarly positive experience as their global counterparts. The Johannesburg Stock Exchange was also further supported by an almost 20% jump in Prosus and Naspers, following strong performance from their Chinese tech investment, Tencent, that reported better-than-expected results.

While global sentiment was supportive, there were also a few positive headlines locally. As part of their review of South Africa's (SA's) long-term foreign and local currency rating, Standard and Poor's Ratings maintained their BB- and BB ratings with a stable outlook. Furthermore, in a report by the Financial Action Task Force, the watchdog highlighted that SA is now deemed fully or largely compliant in 35 out of the

40 recommendations made for SA to be removed from its grey list. This marks considerable progress in the fight to be taken off the 'dirty money' list before the January 2025 deadline.

A few other local economic highlights included:

- + Local inflation accelerated to 5.9% in October, just under the upper limit of the 3% to 6% inflation target band. The primary drivers of the increase were food and non-alcoholic beverages, fuel, and energy prices. Core inflation, however, moderated slightly from 4.8% in September to 4.5% in October.
- + At their Monetary Policy Meeting in November, the South African Reserve Bank (SARB) once again left interest rates unchanged at 8.25%. This is the third consecutive policy meeting where rates remain unchanged, after ten consecutive rate increases. In its statement, the SARB highlighted that it would want to see inflation sustainably around the 4.5% midpoint before considering lower interest rates.
- + SA's unemployment rate fell to 31.9% in the third quarter of 2023 (from 32.6% in the second quarter). Job gains were predominantly driven by the finance sector, as well as community and social services. The manufacturing, mining, and transport sectors saw the biggest losses.

We wish you and your loved ones a cheerful festive season and a prosperous 2024! Thank you for the opportunity to be your financial partner in 2023 - we look forward to working with you on your financial well-being in the coming year!

JSE All Share 8,55% 75 534,36 ▲	MSCI World (USD) 9,38% 3 023,63 ▲	MSCI EM (USD) 8,00% 987,10 ▲
SA Bonds 4,73% 927,14 ▲	SA Property 9,14% 298,27 ▲	CPI (y/y) 5,90% 112,80 ▲
Gold 2,26% 2 041,32 ▲	Platinum -0,44% 929,59 ▼	Oil -4,89% 80,86 ▼
\$/R 1,10% 18,86 ▲	€/R 4,06% 20,53 ▲	£/R 5,01% 23,80 ▲