MONTHLY MARKET UPDATE
DECEMBER 2022
INVESTMENT PLANNING • RETIREMENT PLANNING • OFFSHORE INVESTMENTS
TAX PLANNING • ESTATE PLANNING • LIFE INSURANCE

BRENTHURST
THE HOME OF WEALTH

LOCAL MARKETS
- POLITICAL TENSION AND LOAD-SHEDDING CONTINUE

Nominations for new leadership positions in the ruling party regularly made news headlines in November in the run-up to the ANC's conference, with many new and old names appearing, while the power issues continued with regular daily load-shedding. The month ended with much drama as the so-called Phala Phala issue took centre stage.

Despite all the political noise and power outages the JSE All Share Index surged 12.2% MoM (+1.5% YTD). The local stock exchange was buoyed by Chinese markets rebounding (local companies stand to benefit from a China reopening, given the sway of commodities, tech and luxury retail on the JSE), and the JSE has now rallied 19.2% since reaching a 2022-low of 6,263.9 on 29 September. Resources were the main drivers (and star performers) in November as the share prices of mining companies rallied, with the Resi-10 closing 17.3% higher MoM (+3.5% YTD). The Indi-25 was a close second with a 15.1% MoM gain (-5.2% YTD). Financials and locally listed property companies also put in a solid performance, with the Fini-15 jumping 5.5% MoM (+10.8% YTD) and the SA Listed Property Index rising by 5.2% MoM (-7.9% YTD).

A jump in the iron ore price saw Kumba Iron Ore's share price soar 39.8% MoM, which made Kumba Iron Ore the best-performing share on the JSE for November. Kumba was closely followed by Prosus (+39.0% MoM) and Naspers (+38.7% MoM). The share prices of these two companies rebounded from their poor performances in October (when their share prices fell by 16.2% and 16.0% MoM, respectively) to emerge as November's second and third-best performing shares.

Spar Group (-14.5% MoM) was November's worst-performing share. The grocery retailer's share price plummeted 15% on 17 November after it released FY22 results which missed its full-year profit target and cut its dividend by more than half. Pulp and paper producer, Sappi, was in second place with a 13.4% share price loss in November, followed by Steinhoff, with a MoM share price decline of 12.7%.

ANOTHER INTEREST RATE HIKE

October headline inflation, as measured by the consumer price index (CPI), surprised to the upside (after slowing for two months), coming in at 7.6% vs September's 7.5% print. With fuel inflation already known in advance (and thus ultimately factored in) and food inflation broadly steady in October, the upside surprise in this particular release came from core CPI (5.0% YoY in October vs September's 4.7% YoY print).

Whilst the additional, out-of-cycle survey of medical health insurance turned out higher than initially forecast, the overall rise in core CPI was fairly broad-based, adding to signs that inflation is continuing to broaden beyond the energy and food price shocks and, thus, becoming more entrenched. According to Stats SA data, retail trade sales declined 1.9% in 3Q22, increasing the chances that the economy will fall into a recession and the path out will be arduous amid Eskom's mounting woes. Unsurprisingly, the interruption of the downtrend in inflation from the recent peak in July served to stoke the South African Reserve Bank's (SARB's) inflation concerns while supporting its general approach in this rate-hiking cycle of erring on the side of caution and front-loading the interest rate hikes. Subsequently, the SARB's Monetary Policy Committee (MPC) voted in its last meeting of 2022 to hike rates by a further 75 basis points, taking the repo rate to 7.0%.

The latest (3Q22) Quarterly Labour Force Survey (QLFS) print, released on 29 November, showed that the total number of employed South Africans rose 1.3% QoQ to 15.8mil, while the official unemployment rate declined from 33.9% in 2Q22 to 32.9% in 3Q22. The rand strengthened by 6.7% against a weaker US dollar as the greenback fell from multi-decade highs. YTD, however, the local unit is still down 7.3% vs the dollar.

As business activity and new orders improved for the second consecutive month, Absa's purchasing managers index (PMI) data shows that manufacturing activity expanded in November. The seasonally adjusted Absa PMI rose to 52.6 points in November from 50.0 points in October, despite the ongoing load-shedding challenges. "This suggests that the manufacturing sector could book another slight expansion in the fourth quarter," Absa said in a statement.

ANOTHER POSITIVE MONTH FOR VEHICLE SALES

New-vehicle sales registered their eleventh consecutive month of year-on-year growth in November. Sales of cars and commercial vehicles during the month totalled 49,413 — an 18.2% increase on the 41,795 of November 2021. As a result, aggregate 2022 sales to the end of November stood at 486,895. That was 13% more than the 428,549 at the same stage last year. November car sales of 32,859 outdid the previous year's 28,100 by 16.9%. For the first 11 months of 2022, the car market was 334,010, or 19.6% more than 2021's 279,388.

INTERNATIONAL MARKETS
- POSITIVE MONTH FOR GLOBAL MARKETS

November saw global markets end on a positive note (MSCI World +7.0% MoM) for the second consecutive month as lower US inflation, decent US quarterly earnings and a weaker US dollar buoyed equity markets.

In addition, while widespread protests in China against that country's stringent COVID-19 restrictions roiled investor sentiment earlier in the month, Chinese authorities said near the end of the month that they are working on gradually easing the country's strict zero-COVID policy, indicating a possible end of the policy being in sight, and, consequently, an improvement in the Chinese economy, which also boosted sentiment.

The US Federal Reserve (Fed) delivered a much anticipated 0.75% rate hike – the fourth hike in a row – in November. US rates have increased by 3.75% in eight months (since mid-March 2022). Last week, the consistent message from two Fed presidents (St. Louis's James Bullard and Bank of New York's John Williams) seemed to be that US rates are likely to remain higher for longer and cuts are only likely to come through in 2024. However, Fed Chair Jerome Powell said that smaller rate hikes are likely ahead and could start "as soon as December." He cautioned that monetary policy would likely remain restrictive until real signs of progress emerge on inflation. Investors applauded his comments, and US indices rallied into month end. The blue-chip S&P 500 rose 5.4% (-14.4% YTD) in November, with all eleven S&P sectors ending the month on a positive note and the materials sector (+11.5% MoM) the standout performer. The tech-heavy Nasdaq gained 4.4% MoM (-26.7% YTD), and the Dow Jones was up 5.7% (-4.8% YTD).

In US economic data, inflation improved better than expected as October consumer price index (CPI) data slowed. Consensus economist forecasts were anticipating headline CPI to decrease from 8.1% YoY in September to 7.9% YoY in October, but instead, headline CPI came in at 7.7% YoY.

EUROPEAN MARKETS CLOSE HIGHER

In Germany, the DAX ended the month 8.6% higher (-9.4% YTD), while France's CAC Index closed November 7.5% in the green (-5.8% YTD). Europe's biggest economy, Germany, saw its November inflation cool slightly (although it remained near a record high), coming in at 11.3% YoY from October's 11.6% YoY jump. MoM prices were unchanged. France's inflation rate remained at a record high of 6.2% YoY – unchanged from October – while Spain's November CPI fell 0.1% MoM, bringing that country's YoY inflation rate down to 6.8%.

Eurozone inflation slowed more than expected, coming in at 10.0% in November vs October's revised reading of 10.6% YoY. Nevertheless, that number remains at five times the European Central Bank's (ECB's) stated 2% target, with the energy and food components continuing to contribute to high inflation.

The UK's blue-chip FTSE-100 Index closed November with an impressive 6.7% gain (+2.6% YTD). UK October inflation hit a 41-year high of 9.6% YoY vs September's 8.8% YoY print. Food prices soared to a new high of 12.4% in November as prices of basics such as eggs, dairy products and coffee rose significantly.

"Building long-term relationships is a key component of our philosophy and the cornerstone of Brenthurst investment approach."

PROTESTS IN CHINA BUT MARKETS IMPROVE

In China, that country's ongoing zero-COVID policy saw an unprecedented show of defiance and anger from the populace over harsh (and costly) curbs instituted by the government to combat the spread of the virus.

There was a heavy police presence in protest cities, weighing on market sentiment for most of the month. However, towards month-end, growing signs that China was easing its zero-COVID policy soothed sentiment as global investors bet on China pushing ahead with reopening plans and relaxing its strict COVID-19 protocols. Following Chinese equities' extended losses in October, last month saw China's major indices end on a positive note. Hong Kong's Hang Seng Index soared 26.6% MoM (-20.5% YTD), while the Shanghai Composite Index closed 8.9% higher MoM (-13.4% YTD). On the economic data front, China's official manufacturing purchasing managers index (PMI) fell to 48 in November vs October's 49.2 print.

In Japan, the benchmark Nikkei gained 1.4% MoM in November (-2.9% YTD), while economic data showed that the country's economy unexpectedly shrank in 3Q22 (GDP slid 1.2% YoY annualised) as a drop in the yen battered the country's growth momentum. Consensus economists' forecasts had expected GDP growth of 1.2% YoY.

Sources: Anchor Capital, Capital, Business Day

SMART TIP | Review your investment plan

It is always advisable to review your finances as your circumstances change. Is your will up to date? Is your risk cover still relevant to your needs? Are your retirement investments structured for optimum benefit? Our advisors have shared their insights regarding these issues in our weekly newsletters. If you missed any of the articles or comments by our team, find it here: Investment Reports.

BRENTHURST'S OFFICES WILL BE CLOSING 23 DEC 2022 & WILL REOPEN 9 JAN 2023

If you have any instructions regarding your investments before our offices close, please contact your financial advisor by 15 Dec 2022.

Wishing you a joyful Festive Season and delightful New Year.

WE APPRECIATE AND VALUE YOUR CONTINUED SUPPORT.

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR OFFICES COUNTRYWIDE TO DISCUSS YOUR INVESTMENT STRATEGY

THIS IS THE SIXTH TIME THAT WE HAVE BEEN LISTED AMONGST THE TOP FIVE COMPANIES IN SOUTH AFRICA, OF WHICH WE WERE ADJUDICATED THE TOP BOUTIQUE WEALTH MANAGER IN 2020 AND 2017.

Johannesburg	+27 (0) 11 799 8100	**Claremont**	+27 (0) 21 100 3901
Sandton	+27 (0) 10 035 1391	**Bellville**	+27 (0) 21 914 9646
Pretoria	+27 (0) 12 347 8240	**Stellenbosch**	+27 (0) 21 882 8706
Cape Town Waterfront	+27 (0) 21 418 1236	**Val de Vie Estate**	+27 (0) 21 100 3901
		Mauritius	00 230 5843 5215