BRENTHURST
THE HOME OF WEALTH

Month in Review | November 2023

LOCAL MARKETS

- JSE SHAKES OFF THREE MONTHS OF DECLINES

After three consecutive months of declines, South Africa's JSE All Share Index closed an impressive 8.4% higher in November (+3.4% YTD). The share prices of industrial companies were among the best performers, with the Indi-25 gaining 10.4% MoM (+14.6% YTD), followed by the Fini-15 (+8.6% MoM/+9.3% YTD) and the SA Listed Property Index (+7.7% MoM/-6.2% YTD). The Resi-10 ended the month 5.9% higher (-17.7% YTD), boosted by good performances for the share prices of gold mining companies. The biggest shares on the exchange, based on market capitalisation, performed well - BHP Group closed 8.2% higher MoM, while Anheuser-Busch InBev, climbed 11.4% MoM. Prosus, SA's third-biggest listed company, and Naspers both jumped by 19.4%. Richemont, British American Tobacco, Glencore and Anglo American Plc recorded share price increases of 6.1%, 7.7%, 8.2% and 7.3% MoM, respectively.

Transaction Capital's share price continued to recover in November, emerging as the month's best-performing share, albeit from a low base. After gaining 15.2% in October, the share ended last month 44.2% higher, suggesting investor confidence in the management team to turn the ship around (YTD, however, it is still down 78.9%). Harmony Gold Mining took the second spot with a MoM share price gain of 35.4%. The gold miner's share price jumped after it reported strong quarterly sales and production. Cement maker PPC Ltd (+30.8% MoM) was November's third best-performing share, with its share price rising initially after the company released a trading update earlier in November and following the release of good 1H23 results. Brait Plc (-23.5% MoM) was November's worst-performing share, followed by Thungela Resources (-13.2% MoM) and Sibanye Stillwater, down 13.0% MoM.

INFLATION TICKS UP, INTEREST RATE UNCHANGED

SA's October headline CPI surprised on the upside, coming in at 5.9% YoY vs 5.4% YoY in September. The main drivers of this acceleration were food and non-alcoholic beverages (NAB), housing and utilities, and transport costs. Core inflation (excluding the volatile food and energy categories) continued its downward trend for a seventh consecutive month, printing at 4.4% in October, just below the midpoint of the South African Reserve Bank's (SARB) target range. Against this backdrop, as expected, the SARB looked through the first-round inflation impact of these supply-side shocks and kept the repo rate on hold at 8.25% at its last meeting for the year, with the prime rate remaining at 11.75%. Following the decision Reserve Bank Governor Lesetja Kganyago highlighted the risks associated with inflation, which has been sticky of late.

He also said that while load-shedding had eased recently it would still have an effect on the economy with "domestic growth likely to remain muted". Seasonally adjusted September retail sales (released in November) registered its first expansion of 2023, rising by 0.9% YoY. Ratings agency S&P Global affirmed its rating on SA as expected in November after it revised the outlook on the rating down from positive to stable in March. The agency, whose rating on SA is three notches below investment grade, expects growth to remain muted while public debt accumulates faster than it previously expected.

VEHICLE SALES REFLECT THE REALITIES OF STRUGGLING ECONOMY

Figures released by industry body Naamsa showed that 45 075 vehicles were sold in November. That was 9.8% fewer than in November 2022. After 11 months of 2023, aggregate sales of 491 987 were a mere 0.8% ahead of the same stage in 2022. At the end of October, the year-on-year gap was 2.1%.

As a result, it is no longer guaranteed that full-year 2023 sales will finally return to pre-Covid levels. In 2019, the market was 536 612, before collapsing to 390 206 a year later. This recovered to 529 562 in 2022 and, until very recently, it was assumed that 2023 would comfortably outsell 2019.

Following the announcement of the industry sales, Business Day reported that Brandon Cohen, chair of the National Automobile Dealers' Association (Nada), said sales "have finally yielded to the pressures of a depressed economic environment". Even generous buyer incentives from dealers and vehicle manufacturers couldn't turn the tide. Netwerk24 reported that consumers and businesses prefer spending on alternative power supply systems rather than buying new vehicles.

INTERNATIONAL MARKETS

- GLOBAL MARKETS RALLY

Historically a strong month for equities, November lived up to its reputation, recording a broad bull rally in global markets. China, however, was the glaring exception as its troubled real estate sector and ongoing concerns around its slowing economy weighed on investor sentiment. MoM, the MSCI World was 9.4% higher (+18.6% YTD) as investors seemed to increasingly believe that the US Federal Reserve (Fed) would keep interest rates on hold or even start cutting rates next year following several positive inflation data prints. At its 1 November meeting, the Fed kept rates unchanged, but Fed Chair Jerome Powell said it was watching the economic data closely and keeping its options open for further rate increases.

In US economic data, October headline inflation, as measured by the Consumer Price Index (CPI), rose 3.2% YoY, coming in below market expectations. October US retail sales fell (-0.1% MoM) for the first time in seven months, while September retail sales were revised higher to a 0.9% increase vs the previously reported 0.7% MoM rise. YoY, retail sales slowed to 2.5% in October vs September's upwardly revised 4.1%. October core personal consumption expenditure (PCE), excluding food and energy, the Fed's preferred inflation gauge, slowed to 3.5% YoY (in line with expectations) compared to 3.8% YoY in September, giving the Fed more incentive to keep rates at current levels.

After posting three consecutive months of losses, US markets reversed course in November, with the share prices of Big Tech leading the charge. The Dow (+8.8% MoM/+8.5% YTD) rallied to a new high for the year on 30 November, while the tech-heavy Nasdaq Composite and the blue-chip S&P 500 indices jumped 10.7% (+35.9% YTD) and 8.9% MoM (+19.0% YTD), respectively.

EUROPEAN AND UK MARKETS CLOSE HIGHER

In Europe, Germany's DAX gained 9.5% MoM (+16.5% YTD), while France's CAC Index closed November 6.2% higher (+12.9% YTD). In economic data, October euro area inflation was lower at 2.9% (the lowest in 15 months) vs 4.3% YoY in September. Germany's November inflation fell to its lowest level since June 2021 as energy prices dropped, coming in at 2.3% YoY vs October's 3.0% print. France's October inflation was 3.8% YoY, compared to September's 4.9% YoY. According to Eurostat, EU and euro area GDP data were relatively stable QoQ for 3Q23. A flash estimate released in mid-November showed that the euro area's GDP shrank by 0.1% in 3Q23 – the first contraction since 2020. The figure followed 0.2% QoQ growth in 2Q23.

The UK's blue-chip FTSE-100 advanced by 1.8% in November and is up 0.03% YTD. Cheaper gas and electricity prices saw October UK inflation fall to 4.6% vs September's 6.7% YoY print – the lowest YoY increase in two years.

China's equity markets were the outlier in November's stock market rally as investor concerns around that country's economic recovery continued to weigh on sentiment. In addition, Hong Kong-listed China property share prices dropped last month after reports that authorities had launched a criminal probe into one of China's biggest privately owned financial conglomerates – debt-laden Zhongzhi Enterprise Group. MoM, Chinese equity markets disappointed, with Hong Kong's Hang Seng Index down 0.4% in November (-13.8% YTD), while the Shanghai Composite Index was up only 0.4% MoM (-1.9% YTD). China's official November Manufacturing Purchasing Managers Index (PMI) slipped further into contraction territory, coming in at 49.4 vs 49.5 in October. The PMI has contracted for five consecutive months (since April), it expanded in September and then contracted again in October. The official non-manufacturing PMI, measuring business sentiment in the services and construction sectors, stood at 50.2 in November vs 50.6 in October. The 50-point mark separates expansion from contraction.

Japan's benchmark Nikkei closed 8.5% higher MoM (+28.3% YTD). October core CPI accelerated slightly to 2.9% YoY vs 2.8% in September.

Brent crude was down for a second consecutive month (-5.2% MoM) and is now 3.6% in the red YTD. Iron ore prices rose 3.7% MoM and are up 10.3% YTD. The spot gold price remained above the psychological US$2,000 level, ending the month 2.6% higher (+11.6% YTD). The platinum price retreated by 0.8% MoM, while palladium plummeted by 10.2% MoM and rhodium gained 2.3%.

Sources: Anchor Capital; Business Day; Netwerk24

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