BRENTHURST
THE HOME OF WEALTH
THE HOME OF WEALTH

LOCAL MARKETS
- UNEMPLOYMENT AT A NEW RECORD HIGH

SA's latest unemployment data for the 3rd quarter of the year, shows the country's joblessness crisis worsening to a new record, and also reveals the costs of the violence and looting that engulfed KwaZulu-Natal and parts of Gauteng in July. The provinces accounted for more than half of the 660,000 jobs lost during the third quarter of 2021.

The national unemployment rate climbed to 34.9% from what was already a record 34.4% in the previous three months. Unemployment as measured by the expanded definition, which includes those who have stopped searching for work, rose 2.2 percentage points to 46.6%.

During the third quarter, the largest employment decrease was recorded in Gauteng, which was down 200,092 to 4.4 million employed people. KwaZulu-Natal recorded a decrease of 123,000 to 2.2 million. The jobs report is further bad news for an economy that suffered another blow with the discovery of the Omicron variant, which has seen countries close their borders to SA, plunging the tourism industry, one of the big employers before the Covid-19 outbreak, into a new crisis.

JSE CLOSES HIGHER IN CONTRAST TO GLOBAL MARKETS

In contrast to major global markets, SA JSE All Share Index (+4.5% MoM/+18.6% YTD) closed the month higher, with mining shares once again accounting for the bulk of gains. Commodity, platinum group metals (PGMs), and industrial shares were the star performers with the Resi-10 jumping 6.8% MoM (+16.8% YTD), the Indi-25 rising by 6.4% MoM (+19.5% YTD) and the SA Listed Property Index up 2.1% MoM (+18.5% YTD). However, financial shares underperformed for a second month, with the Fini-15 losing a further 2.6% MoM (+12.7% YTD). The JSE's biggest shares by market cap, Naspers, and Prosus' performances disappointed, with Prosus, the biggest share on the JSE, falling 2.9% MoM, while Naspers closed 5.1% lower MoM. Among the largest resources companies listed on the exchange, the share price of Anglo American Platinum (Amplats) gained 10.2% MoM, BHP Group rose an impressive 8.5% MoM, Anglo American jumped 3.4% MoM and Glencore was up 2.1%. Rand hedge, Compagnie Financière Richemont SA (Richemont) closed 26.4% higher MoM.

Royal Bafokeng Platinum (RBPlat) was November's best-performing share, jumping 33.8% MoM. RBPlat was followed closely in the second spot by Gold Fields, which recorded a 31.4% MoM share price gain. Richemont was November's third best-performing share, with a MoM share price gain of 26.4%. The company posted better-than-expected first-half (1H22) earnings on 12 November and confirmed that it is in talks to divest control of its struggling e-commerce platform, Yoox-Net-A-Porter.

Local hotel, leisure, and gaming companies recorded impressive share price gains in October but, unfortunately, most of those gains were reversed in November. This came as fear around the new COVID-19 variant sparked renewed travel curbs as the UK and other countries frustratingly put SA (and other Southern African countries) back on their red list, with flights being temporarily banned. Tsogo Sun Gaming (-22.1% MoM) was November's worst-performing share. It was followed closely by Sun International (-20.9% MoM) in the second spot and City Lodge Hotels (-18.3% MoM) in the third position.

The Medium-Term Budget Policy Statement (MTBPS) was presented by Finance Minister Enoch Godongwana in November and, overall, his maiden budget amid SA's increasingly complex fiscal environment hit the right tone and incorporated all the 'keywords', the market was hoping for. Godongwana reiterated the government's commitment to fiscal consolidation via expenditure restraint, combined with structural reforms to lift trend growth and, in turn, fiscal revenues.

As expected, the key fiscal ratios benefited materially from upward revisions to GDP estimates and a sizeable revenue overrun, while markets were likely relieved at the policy continuity and a strong intent of becoming more pro-growth via collaboration with the private sector through public-private partnerships. believe the fiscal risks remain elevated, with plenty of execution risk. The repeatedly announced growth initiatives are still lacking in detail and, overall, debt stabilisation remains distant.

INTEREST RATE HIKED

In local economic data, October annual headline inflation, as measured by the consumer price index (CPI), came in at 5% YoY – unchanged vs September. Core CPI (excluding the volatile categories of food and energy costs) remained steady at 3.2%, and services inflation stood at just 3% YoY – both indicative that demand-pull inflation remains subdued. Food prices have been a key driver of SA's higher inflation prints over the past few months but, for October, the food and non-alcoholic beverages inflation categories eased for a second-consecutive month to a seven-month low of 6.1%.

Unfortunately, its disinflationary impact on the headline print was offset by the higher fuel price inflation. At its November meeting, the SA Reserve Bank's (SARB's) Monetary Policy Committee (MPC) raised the repo rate by 0.25% to 3.75%, in line with market expectations. November also saw further rolling blackouts courtesy of Eskom, with the lack of power continuing to negatively impact local businesses and SA's economic growth. The local unit closed the month 4.2% weaker against the greenback and on a YTD basis, the rand has declined by 8.1% against the US dollar.

The new vehicle market continued its gradual recovery in November. According to the industry body's monthly report, a total of 41 588 vehicles were sold in November, a gain of 553 units over the previous month and a 6.6% improvement over November 2020. Passenger cars led this charge with a 9.4% year-on-year growth, supported by a resurgent rental car market, while the light commercial vehicle market declined by 0.8%. The medium and heavy commercial market segments grew by an encouraging 22.1% and 8.1% respectively.

INTERNATIONAL MARKETS
- NEW VIRUS VARIANT SPOOKS MARKETS

Historically, the start of the US holiday season (November), has typically been a strong month for Wall Street. However, this year markets were choppy, starting off relatively strong, then coming under pressure towards the middle of the month, before ending November with a decidedly risk-off tone after US inflation came in ahead of expectations and fears around the new COVID-19 variant (Omicron) saw US share prices drop sharply on Black Friday (26 November) – a shortened trading day because of the US Thanksgiving holiday.

The Omicron variant was first identified by South African (SA) scientists and the news triggered a global shift away from risk assets (and a knee-jerk reaction towards SA by several countries). The Dow Jones Industrial Average (Dow) dropped by 2.5% on the day, its worst day of the year, while the S&P 500 lost 2.3% and the Nasdaq slipped 2.2% on the day. The VIX or CBOE Volatility Index, Wall Street's "fear gauge," rose to 28 – its highest level in two months. According to news reports the performance of the three major indices combined for the worst Black Friday for the US stock market since 1950.

Global markets were further rattled on the last day of the month by concerns that the variant could possibly evade vaccines, after Moderna's CEO told the Financial Times that he expected them to be less effective against the new strain, resulting in fresh selling across asset classes.

In the US, two of the three major indices closed November in the red, with the blue-chip S&P 500 down 0.8% MoM (+21.6% YTD) and the Dow losing 3.7% MoM (+12.7% YTD). The tech-heavy Nasdaq (+0.3% MoM/+20.6% YTD) managed to post a small MoM gain. In terms of US economic data, the second estimate of 3Q21 GDP slowed sharply (to 2.1% QoQ), although it was ahead of the first estimate of a 2.0% QoQ gain. However, the revision was still well below the solid gains of 6.3% growth achieved in 1Q21 and the 6.7% growth for 2Q21. On the positive side, Reuters reported that economists are expecting a solid GDP rebound in the current quarter (4Q21) "as long as rising inflation and a recent uptick in COVID cases do not derail activity."

EUROPEAN MARKETS ALSO LOWER

In Europe's largest economy, Germany, the DAX fell 3.8% MoM (+10.1% YTD), while the eurozone's second-biggest economy, France's CAC Index retreated by 1.6% MoM (+21.1% YTD). On the economic data front, the new wave of the COVID-19 pandemic is only having a limited impact thus far on eurozone economies, with IHS Markit's headline purchasing managers' index (PMI), which measures the health of the economy, unexpectedly rising to a two-month high of 55.8 in November after slipping to a half-year low of 54.2 in October.

The UK's FTSE 100 Index ended November 2.5% lower (+9.3% YTD), while on the economic data front, UK GDP growth slowed sharply in 3Q21 to 1.3% vs 5.5% in 2Q21. This as surging COVID-19 infection rates, rising prices, and global supply constraints, were worsened in the UK by post-Brexit trade restrictions.

In Asia, worries over the Omicron variant, Chinese regulatory crackdowns, and ongoing concern around that country's property sector weighed on stocks. China's Shanghai Composite Index closed marginally up (+0.5% MoM) and is now 2.6% higher YTD, while Hong Kong's Hang Seng Index plummeted 7.5% MoM (-13.8% YTD).

In economic data, retail sales in China rose 4.9% YoY in October, beating Reuters consensus expectations of a 3.5% YoY gain, while industrial output also grew (+3.5% YoY) beating consensus expectations for a 3% increase. Nevertheless, China's economy continued to slow last month, with car and homes sales dropping once again as the country's housing market crisis dragged on. As power shortages eased in November, it led to improved manufacturing production, and China's official manufacturing PMI rebounded slightly to 50.1 in November – the first expansion in manufacturing activity for two months (it was at 49.2 in October and at 49.6 in September), albeit still the third-lowest level in 21 months. The 50-point mark separates expansion from contraction.

In Japan the Nikkei closed 3.7% lower MoM (+1.4% YTD).

On the commodity front, the rally in benchmark Brent crude oil prices came to an abrupt halt with the announcement of the new variant and the Brent crude oil price was down 16.4% MoM (+36.2% YTD). The gold price retreated again and closed November at 0.5% lower than October. The price of iron ore fell by 18.6% MoM (-41.3% YTD), while platinum and palladium prices also retreated – down 8.1% and 13.1% MoM, respectively.

Sources: Sources: Anchor Capital; IOL.co.za; Business Day

BRENTHURST WEALTH OFFICES WILL BE CLOSING WED, 15 DECEMBER 2021 & REOPEN MON,3 JANUARY 2022.

MAY THIS SEASON BE WRAPPED WITH CHEER & FILLED WITH

celebration

FOR THE NEW YEAR.

ON BEHALF OF ALL OF US AT BRENTHURST WE EXTEND OUR SINCERE THANKS AND APPRECIATION FOR YOUR SUPPORT THROUGHOUT THE YEAR. WE WISH YOU AND YOUR LOVED ONES A FESTIVE HOLIDAY

CONTACT ANY OF OUR HIGHLY QUALIFIED FINANCIAL ADVISORS AT OUR OFFICES COUNTRYWIDE

– BRENTHURST AWARDED LEADING WEALTH MANAGER IN SOUTH AFRICA 2021 –

Johannesburg	+27 (0) 11 799 8100	**Claremont**	+27 (0) 21 418 1236
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

BRENTHURST SATELLITE OFFICES:

GARDEN ROUTE | KWAZULU-NATAL | FREE STATE | MPUMALANGA | NORTH WEST