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LOCAL MARKETS
- JSE ENDS THE YEAR WITH ANOTHER DECLINE

The JSE was down for a third consecutive month in December. The All Share Index retreated by 0.5% MoM but was up 9.4% in 2024 (-2.8% in 4Q24). Mining shares were the worst performers (with coal miners hardest hit) for a second month as commodity prices continued to decline, pushing the Resi-10 down 5.9% MoM (-9.8% in 2024/-10.3% 4Q24). Industrials, as measured by the Indi-25, outperformed, gaining 2.2% MoM (+14.4% in 2024/-0.9% 4Q24), while the SA Listed Property Index (-0.1% MoM/+21.4% 2024/-3.4% 4Q24) and the Fini-15 (-1.6% MoM/+15.3% 2024/-2.9% 4Q24) also lagged. The rand weakened by 4.2% against the US dollar (-2.6% 2024/-9.1% 4Q24) in December.

Industrial Group, Barloworld, was December's best-performing stock, soaring 26.9% MoM. The share price rocketed after Barloworld CEO Dominic Sewela and Saudi Arabia's Zahid Group announced an offer for all its shares at an 87% premium to the share price at the time. Datatec (+14.6% MoM) and Tiger Brands (+14.4% MoM) were the second and third best-performing shares, respectively. December's worst-performing shares were, for the most part, commodity counters as metal prices continued to slump due to (among other factors) softening demand from China. Sibanye Stillwater (-16.2% MoM) was the worst performer as it continues to face a challenging platinum group metals market, even with the gold price performing well in 2024. Sibanye was followed by two major platinum producers, Impala Platinum (Implats) and Northam Platinum, with MoM declines of 14.0% and 13.4%, respectively.

SLIGHT UPTICK IN INFLATION

SA's annual consumer inflation accelerated to 2.9% in November from 2.8% in October, according to the latest data from Stats SA, though the consumer price index (CPI) remained flat month on month, reflecting overall price stability. Food prices, a key component of household spending, eased further.

Stats SA said inflation for food and non-alcoholic beverages (NAB) dropped sharply to 2.3% in November, down from 3.6% in October, and marking the lowest rate in 14 years. Eight out of 11 food and NAB categories recorded declines, including vegetables, milk, eggs, cheese, bread and cereals.

Wandile Sihlobo, chief economist at the Agricultural Business Chamber of SA, said key factors such as easing disruptions in vegetable and meat supply chains, a recovery from the avian influenza outbreak and India's resumption of rice exports contributed to the moderation in food price inflation.

TRADE BALANCE SURPLUS

SA recorded a preliminary trade balance surplus of R34.7bn in November 2024. For the 11 months to end November a preliminary trade surplus of R181.3bn was recorded, Sars reported in a release issued in December, an improvement from the R111bn surplus for the comparable period in 2023.

The NWU Business School Policy Uncertainty Index (PUI) for 4Q 2024 unexpectedly went much further into negative territory to 65.7, compared to 53.5 in 3Q 2024 (baseline 50). On balance, therefore, negative factors outweighed positive ones over the last three months of the year. Although further in negative territory, the PUI nonetheless identified the relevant data confirming SA's slow but uneven economic recovery.

Business and consumer confidence have been boosted in recent months by factors such as much lower inflation, the easing of interest rates, heavy withdrawal of pension funds under the 'two-pot' system, the cessation of Eskom load-shedding, and the formation of the GNU. The SARB says that currently, household spending (i.e. consumption) is doing most of the 'heavy lifting' in SA's improved growth prospects.

INTERNATIONAL MARKETS
- MIXED PERFORMANCES FOR GLOBAL MARKETS

Global markets (MSCI World -2.6% MoM/+19.2% for 2024) recorded mixed performances in December, with most ending a stellar year on a disappointing note as year-end profit-taking emerged. A much hoped-for Santa Claus rally (the phenomenon where markets rise over the last five trading days of December to 2 January) also did not materialise. At its final meeting for 2024, the US Federal Reserve (Fed) cut rates, but Fed Chair Jerome Powell projected only two further cuts of 25 bpts each in 2025, adding that inflation might remain sticky this year. These comments could have been interpreted as being more hawkish than market participants had hoped, thus also contributing to the declines in US equity markets.

US MARKETS LOWER IN DECEMBER, HIGHER FOR THE YEAR

US markets limped into year-end but have posted significant gains for 2024, reaching a series of all-time highs along the way as solid consumer spending and a strong jobs market buoyed the US economy. The Dow was down 5.3% MoM (+0.5% in 4Q24/+12.9% in 2024), while the blue-chip S&P 500 retreated by 2.5% (+2.1% in 4Q24/+23.3% in 2024). It was the Dow's worst December since 2018 and its biggest MoM percentage drop since September 2022. However, the tech-heavy Nasdaq managed to eke out a 0.5% MoM gain (+6.2% in 4Q24/+28.6% in 2024).

In US economic data, November headline inflation, as measured by the Consumer Price Index (CPI), rose to 2.7% YoY, while core CPI, excluding the erratic food and energy components, was at 3.3% YoY. MoM, both headline and core inflation rose 0.3%. November core personal consumption expenditure (PCE), excluding food and energy, the Fed's preferred inflation gauge, printed at 2.8% YoY – unchanged from October.

EUROPEAN MARKETS CLOSE HIGHER, UK MARKET DECLINES

European equity markets also recorded a late-year sell-off, as concerns about high valuations and policies, especially regarding tariffs under incoming US President Donald Trump, weighed on sentiment. MoM, Germany's DAX gained 1.4% (+3.0% in 4Q24/+18.8% in 2024), while France's CAC closed December 2.0% higher (-3.3% in 4Q24/-2.2% in 2024).

November eurozone headline inflation printed at 2.2% vs October's 2.0% YoY. The European Central Bank (ECB) cut rates a fourth time in December (by 25 bpts), taking its benchmark rate to 3.0%.

The UK equity market reversed November's gains, with the blue-chip FTSE-100 ending December 1.4% lower (-0.8% in 4Q24/+5.7% in 2024). November UK inflation rose to 2.6% (its highest level in eight months) vs 2.3% in October. Core inflation printed at 3.5% YoY, up from October's 3.3% print.

A BETTER MONTH IN CHINA

China's equity markets closed December in the green as various stimulus measures introduced since September to bolster its economy (including interest rate cuts, incentives for home buying and funding schemes to buy equities) overshadowed ongoing economic concerns. MoM, Hong Kong's Hang Seng rose 3.3% (-5.1% in 4Q24/+17.7% in 2024), while the Shanghai Composite advanced by 0.8% in December (+0.5% in 4Q24/+12.7% in 2024). November inflation declined to a five-month low of 0.2% YoY vs 0.3% in October. December's manufacturing PMI maintained a positive momentum printing at 50.1 vs November's 50.3.
Japan's benchmark Nikkei ended December higher (+4.4%) and is up 5.2% in 4Q24 and 14.2% in 2024. At its last meeting of 2024, the Bank of Japan (BOJ) kept rates unchanged as policymakers remained cautious over the country's economic outlook. Inflation rose slightly more than expected in November, indicating a sustained uptick that could push the BoJ into raising rates early in 2025.

In commodities, Brent crude oil rose 2.3% MoM (-3.1% in 2024) due to declining US stockpiles and renewed optimism around China after President Xi Jinping pledged to promote growth. Gold declined 0.7% MoM (+27.2% in 2024) even though geopolitical tensions are expected to remain high moving into 2025, with central banks continuing to buy gold, while the US debt situation will likely worsen under the Trump administration, fuelling ongoing safe-haven demand for the yellow metal. Among platinum group metals (PGMs), platinum lost 4.5% MoM (-8.5% YoY), palladium plummeted 7.2% MoM (-17.1% YoY), and rhodium was unchanged MoM (+3.4% YoY). Iron ore retreated 1.2% MoM (-25.3% YTD) as the world's largest iron ore consumer, China, grapples with a sluggish economy, particularly in its crucial property sector, weighing on the steelmaking ingredient.

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