MONTHLY
market overview

NOVEMBER 2024
IN REVIEW

analytics CONSULTING

ECONOMIC AND MARKET OVERVIEW

Donald Trump was elected as the 47th president of the United States of America. The Republican party also gained control of the Senate while maintaining control of the House of Representatives.

This clean sweep means that Trump's proposed policies are far more likely to be implemented than what would have been the case if the Democrats still had a majority in the Senate.

The South African Reserve Bank's monetary policy committee (MPC) cut interest rates by a further 25bp to 7.75%, the second cut in the cycle. This widely anticipated decision was unanimous, with all committee members in agreement. The Reserve Bank's forecast sees rates easing further in the future, stabilising "a bit above 7%". However, it continues to stress that this rate path from their projection model remains a "broad policy guide".

According to the governor, Lesetja Kganyago, South Africa's inflation is projected to stay below 4.0% until mid-2025, rising to 4.3% in the third quarter of 2025 and 4.6% in the next quarter. The GDP growth projection was left unchanged at 1.1%, 1.7% and 1.8%, before reaching 2.0% in 2027, although the SARB was more constructive in stating there are upside potential to the growth outlook.

The MPS statement also referred to recent changes in the accessibility of retirement savings. The expected withdrawal from the two-pot retirement savings has been raised to R51bn from R40bn in the last quarter of 2024, with a larger proportion directed to consumption rather than debt repayments.

Markets had taken note of incoming US President Trump's choice of Scott Bessent as Treasury Secretary, perceived as a more moderate and conventional voice who, inter alia, had previously described tariffs as a negotiation tool that he would recommend to be 'layered in gradually'. This narrative was immediately challenged, with the pledge by Trump on the 20th January to impose, via an Executive Order, a 25% tariff on all products imported into the US from Canada and Mexico. Trump stated that the tariffs would last until these countries stopped drugs, particularly fentanyl, and prevented illegal migrants entering the US through their borders. Trump also threatened to impose 'an additional 10% tariff, above any additional tariff' on all Chinese products entering the US until China clamped down on fentanyl being sent to the US.

Mexico, China and Canada are the three largest exporters to the US in value terms, jointly constituting the source of over 40% of US imports. The tariffs on Mexico and Canada would seem to contravene the terms of the US-Mexico-Canada Agreement on trade negotiated by and signed into law by Trump in 2020 and not due to be renegotiated until 2026.

Some suggestions are that through this threat, Trump may be seeking to bring forward the timing of this renegotiation. The initial reaction in markets has been a jump in the US dollar against the Mexican peso, the Canadian dollar and the Chinese yuan, with a smaller USD appreciation against other currencies. The sway of more moderate voices with President-elect Trump is far from clear. He's also not only targeting his immediate neighbours...

...as his threat of 100% tariffs on the so-called BRICS nations, if they move away from using the US dollar, caused a stir in markets and international relations. Early in December he demanded that the BRICS nations commit to not creating a new currency or back any other currency to replace the U.S. dollar, threatening to impose punitive duties on their imports if they do not comply. "We require a commitment from these countries that they will neither create a new BRICS currency, nor back any other currency to replace the mighty U.S. Dollar or, they will face 100% tariffs and should expect to say goodbye to selling into the wonderful U.S. economy," Trump wrote in a post on his social media platform, Truth Social. "They can go find another 'sucker!' There is no chance that the BRICS will replace the U.S. Dollar in international trade, and any country that tries should wave goodbye to America."

MARKET PERFORMANCE

Developed market equities (MSCI World up +4.6%) recorded a very strong month as the "Trump trade" unfolded. This refers to the expectation that the incoming US president's policies will be pro-growth, pro-US and, on balance, somewhat more inflationary.

In contrast, emerging market equities sold off during the month (MSCI Emerging Markets down -3.6%) as proposed protectionist trade policies by the incoming US administration pose a significant risk to this grouping.

South African equities recorded a negative month (-0.9%) as a weak resource sector outstripped the strong performance of retail stocks. Pick n Pay, Pepkor, Mr Price and Foschini all had double digit gains, but it was more than offset by the platinum and gold miners. Local bonds rebounded strongly (up 3.0%) with lower inflation and repo rates, better fiscal prospects, and seasonal factors remaining supportive.

Following Trump's election, the greenback has been trading stronger against most of its trading partners' currencies with the euro taking particular strain. The rand weakened against both the US dollar and the British pound, but gained a little against the euro.

The value of gold pulled back during the month, with oil remaining stable as the global economic growth outlook did not change much.

MARKET INDICES[1]	30 NOVEMBER 2024		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years[2]
SA equities (JSE All Share Index)	2.1%	16.0%	13.0%
SA property (S&P SA REIT Index)	5.3%	47.8%	2.0%
SA bonds (SA All Bond Index)	4.7%	19.3%	10.0%
SA cash (STeFI)	2.0%	8.5%	6.1%
Global developed equities (MSCI World Index)	6.3%	22.4%	17.8%
Emerging market equities (MSCI Emerging Markets Index)	0.2%	7.2%	8.0%
Global bonds (Bloomberg Barclays Global Aggregate)	0.3%	-0.3%	2.8%
Rand/dollar [3]	1.7%	-4.7%	4.3%
Rand/sterling	-1.6%	-4.3%	3.9%
Rand/euro	-2.9%	-7.7%	3.4%
Gold Price (USD)	6.5%	30.4%	12.6%
Oil Price (Brent Crude, USD)	-7.4%	-11.9%	3.2%

1. Source: Factset
2. All performance numbers in excess of 12 months are annualised.
3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.

DID YOU KNOW?

IT PAYS NOT TO PEEK

“If you drink much from a bottle marked ‘poison’ it is certain to disagree with you sooner or later.”
Alice, from Alice in Wonderland

We can’t get way from the fact that life consists of one decision after the other. Even when you don’t make a decision it’s a decision to not make one. We may as well learn how to become better at it.

Earlier this year a pioneer in the world of behavioural finance (or simply understanding human decision making) passed away at the age of 90. Daniel Kahneman was an Israeli-American psychologist best known for his work on the psychology of judgment and decision-making as well as behavioural economics, for which he was awarded the 2002 Nobel Memorial Prize in Economic Sciences together with Vernon L. Smith.

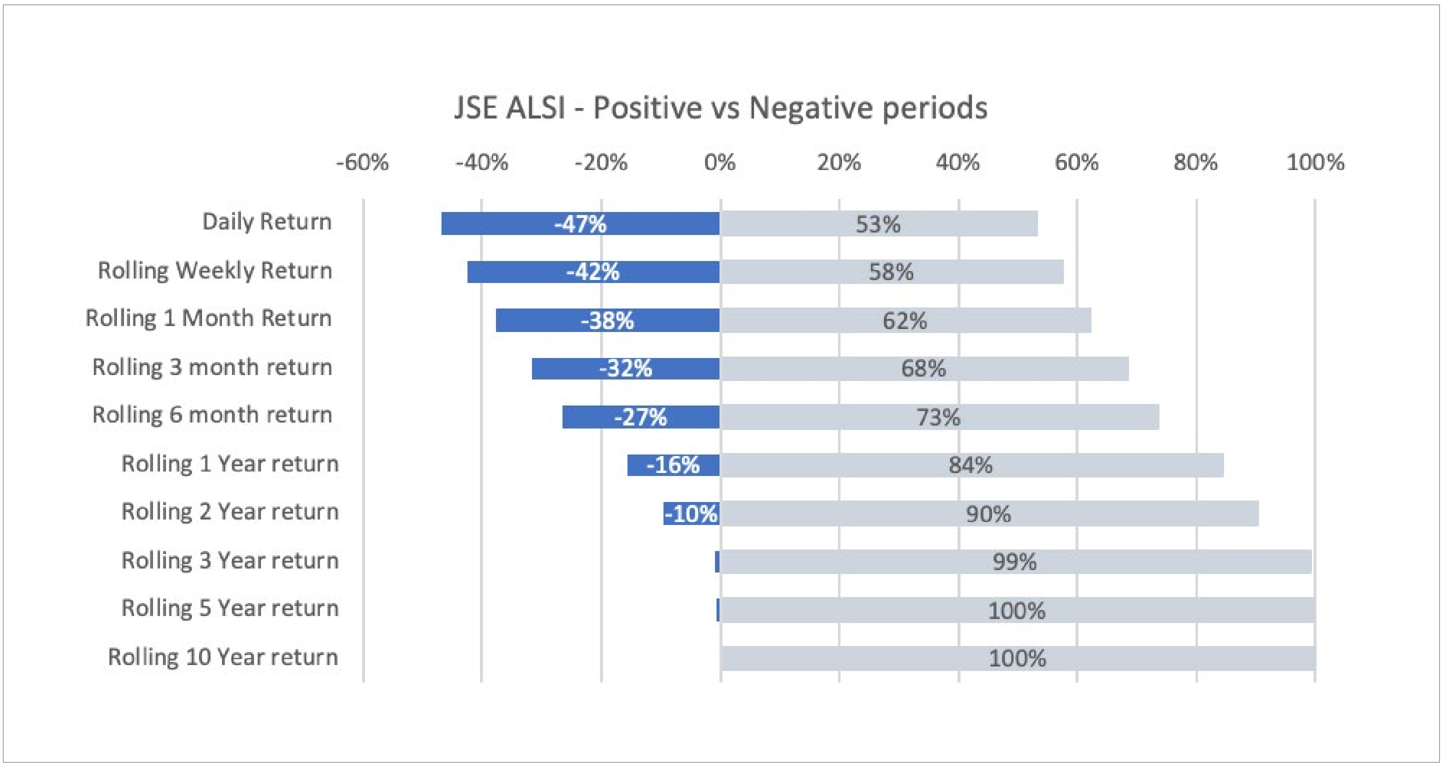
One of the theories that Kahneman and his colleagues (Amos Tversky among others) proposed was that of Prospect Theory This is also known as loss aversion. Tversky and Kahneman proposed that losses cause a greater emotional impact on an individual than does an equivalent amount of gain, so given choices presented two ways—with both offering the same result—an individual will pick the option offering perceived gains.

For example, assume that the end result of receiving $100. One option is being given $100 outright. The other option is being given $200 and then having to give back $100. The utility of the $100 is exactly the same in both options. However, individuals are most likely to choose to receive straight cash because a single gain is generally observed as more favourable than initially having more cash and then suffering a loss.

This is also true for monitoring investment portfolios. We are inundated with market news – whether it’s on X, Bloomberg, Google Finance or a daily update on WhatsApp, investors are bombarded with what “happened in markets today”. Various market indicators are quoted, often with the movement in the leading equity market index mentioned first. So, when the local radio DJ on the drivetime show says that the All Share Index ended the day 1% lower it causes a greater emotional impact on investors than a similar sized gain. Day in and day out these daily numbers are reported, and day in and day out the negative emotions outweigh the potential psychological gain from positive returns.

Using data from over 20 years the FTSE/JSE All Share Index ended the day in negative territory nearly 47% of the time. This means that it’s almost a coin toss whether today will be in the red or not. An investor monitoring their portfolio daily would therefore be disappointed almost as much as they would be pleased, with the hurt of disappointment outweighing the joy of a gain.

Here’s the interesting thing – markets have the tendency to go up over time. That same investor, now looking at weekly returns only, would be disappointed only 43% of the time. The monthly observer only 38% of the time, and over rolling quarters the equity market is down only one third of the time:



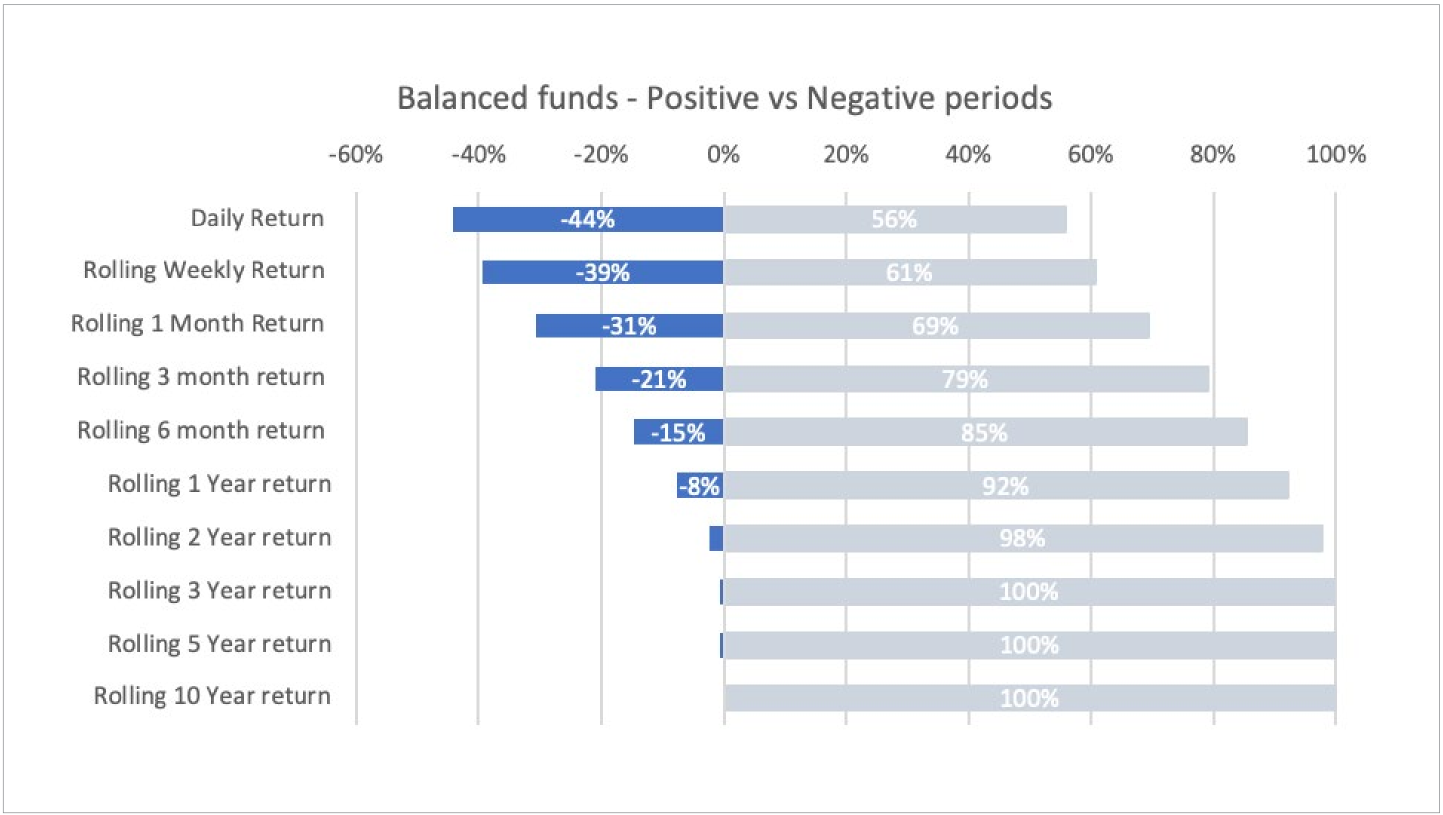
DID YOU KNOW?

The longer the time lapse between checking up on portfolios the better the outcome – you can sense a pattern emerging. Over one year periods the market is down only once every 6 years, and beyond three years the market is pretty much higher all the time.

The first observation to make from this that it's better for your health to not monitor your portfolio too frequently.

There's also a second lesson – invest in a diversified portfolio of assets. The illustration below looked at a pure South African equity portfolio. Most investors are likely to invest in a wide variety of assets, locally and abroad. Let's call this a balanced fund.

An analysis of the three largest balanced funds in South Africa shows that, not only do they typically have fewer "down" days than the equity market, but are also three times less likely to be in negative territory after three years, compared to the local equity market:



There's a third lesson too. Connect with a trusted advisor who can protect you from your own behavioural biases. In this way you can not only protect your savings but take some time at the end of the year to take a vacation (even if it's a stay-cation). Rather check your heart rate, calorie intake or activity schedule frequently. Or even the level of your gin and tonic supply, if you must.

That will be far better for your physical and emotional wellbeing than checking your portfolio every day.

Happy holidays!