

# Market Overview

November 2020

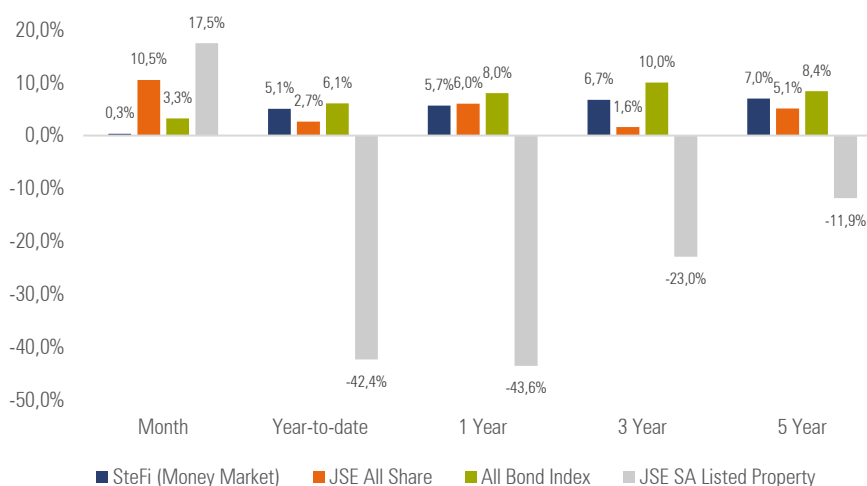
## Market and economic summary

Global markets rebounded strongly in November, largely driven by positive news on the Covid-19 vaccine front, as three major pharmaceutical companies (Moderna, Pfizer and AstraZeneca) announced that they have developed vaccines which appear to be highly effective in treating the virus.

The election of a new US President also supported the risk on sentiment, as markets reacted positively to the election results and expectations of diminishing political noise and a formal transition of power under Democratic President-elect Joe Biden.

The positive moves in global markets came despite Covid-19 induced lockdowns continuing across Europe and the United States, as countries implemented stricter measures to control the spread of the virus.

### Exhibit 1: SA Market Performance (total returns)



Source: Morningstar Direct as at 30/11/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities moved sharply higher during the month, supported by strong positive moves in all sectors, particularly Financials, which have taken the brunt of the pain in 2020.

Local bonds delivered decent performance, supported by the return of foreigners to the SA market (foreigners bought R12.1 billion of local bonds in November according to Bloomberg) and projections from Finance Minister Tito Mboweni in the Medium Term Budget Policy Statement (MTBPS) which the market perceived as more realistic.

Local listed property rebounded strongly in November after a torrid few months, supported by Covid-19 vaccine developments and hopes of a continued economic improvement post the virus.

The rand ended the month stronger against most major currencies, supported by positive global sentiment and the return of foreigners to the local bond market.

The Monetary Policy Committee (MPC) kept the repo rate unchanged at 3.5% at its meeting in November, despite 2 of the 5 MPC members favouring an interest rate cut.

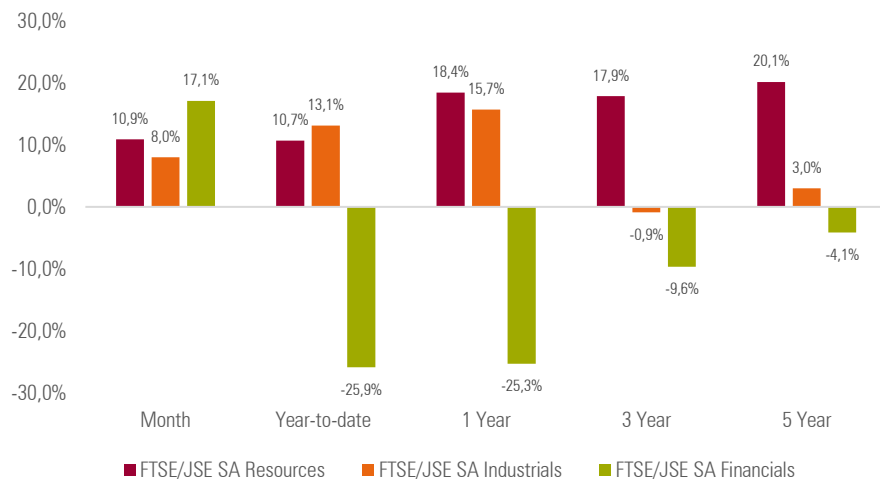
Both Moody's and Fitch downgraded South Africa's sovereign credit rating further into sub investment grade territory during the month, however, the market reaction to the news was subdued, appearing to indicate that the moves were already priced into the local market.

South Africa's trade surplus continued to be resilient, as October figures released showed a trade surplus of R36.1 billion (an increase from the revised September figure of R33.4 billion), as the prices of key exports (including precious metals and iron ore) remain elevated relative to the prices of key imports (including oil).

SA headline CPI picked up to a year-on-year figure of 3.3% to the end of October (from 3.0% in September), largely driven by higher food and non-alcoholic beverage prices, which offset the effect of lower oil prices.

All local equity sectors ended the month higher, with **Financials** (+17.1%), **Resources** (+10.9%) and **Industrials** (+8.0%) all the ending the month with strong performance.

**Exhibit 2: SA Sector Performance (total returns)**



Source: Morningstar Direct as at 30/11/2020. Returns are in South African Rand and have been annualised for periods longer than 1 year.

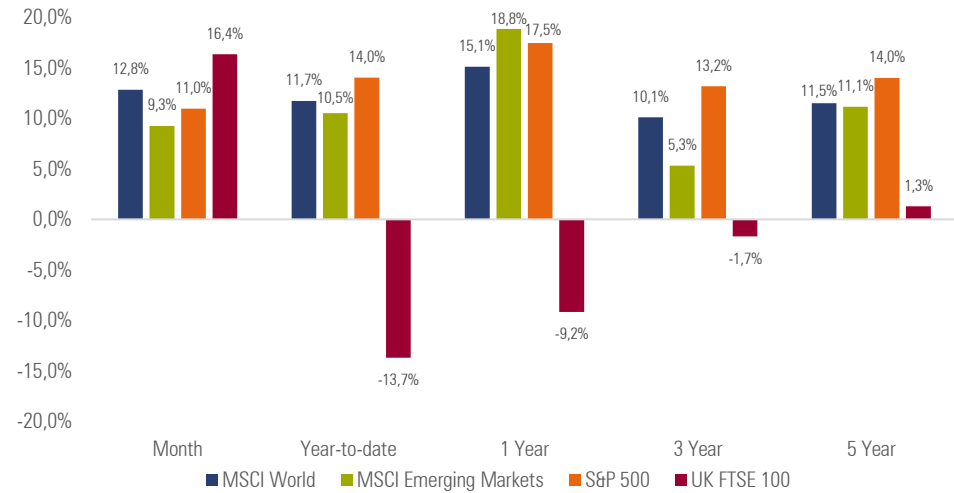
Most major developed equity markets ended the month significantly higher, supported by Covid-19 vaccine announcements and the outcome of the US Presidential Election. The **MSCI World Index** delivered a return of +12.8% for the month.

Emerging market equities also ended the month higher, despite delivering slightly weaker performance than those generated in developed markets. The **MSCI Emerging Markets Index** delivered a return of +9.3% for the month.

Most major equity markets ended the month higher, with Germany's **FSE DAX** (+18.1%), the UK's **FTSE 100** (+16.4%), Japan's **Nikkei 225** (+15.4%) and China's **Shanghai SE Composite** (+7.1%) all delivering strong performance for the month.

US equities also ended the month significantly higher, with both the tech heavy **NASDAQ 100** (+11.1%) and the **S&P 500** (+11.0%) ending the month with strong performance.

**Exhibit 3: International Market Performance (total returns)**



Source: Morningstar Direct as at 30/11/2020. Returns are in US dollars and have been annualised for periods longer than 1 year.

**Impact on client portfolios**

All portfolios delivered strong performance for the month, largely driven by returns from both local and global equity allocations. The rand acted as a slight headwind to the performance of global allocations, however, the strong moves in global markets more than offset the local currency strength. Income focused investors will also be pleased with returns generated in the month, as the return of foreign purchasing of local bonds proved supportive of the performance of the SA bond market.

With the US Election a thing of the past, the focus has now turned to Covid-19 vaccine developments and the pace at which these vaccines can be disseminated across the globe. While recent developments on this front have been encouraging, the continued lockdowns across the United States and Europe highlight the fact that we are not out of the woods quite yet. While markets may continue to move on new vaccine developments, we would encourage investors not to get distracted from what they can control – saving more and having a patient, long-term mindset which allows them to reach their financial goals.

<b>Local Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE All Share	10,51	2,65	6,04	1,59	5,12	6,63
JSE SA Listed Property	17,47	-42,37	-43,57	-22,95	-11,86	-3,44
All Bond Index	3,25	6,07	8,04	10,01	8,39	8,02
STeFI (Money Market)	0,31	5,06	5,67	6,74	7,02	6,76
<b>Local Market Sectors</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
JSE Top 40	10,37	5,76	9,61	2,46	5,48	6,96
JSE Mid Cap	10,05	-19,68	-15,91	-4,25	1,81	3,57
JSE Small Cap	15,56	-5,39	-5,19	-6,98	-2,56	1,70
FTSE/JSE SA Resources	10,90	10,71	18,42	17,85	20,13	5,15
FTSE/JSE Ind/Financials	17,10	-25,85	-25,30	-9,63	-4,11	2,31
FTSE/JSE SA Industrials	8,01	13,09	15,71	-0,88	3,00	7,18
<b>Global Market Indices</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
MSCI World	12,83	11,72	15,11	10,11	11,49	9,46
MSCI Emerging Markets	9,25	10,51	18,83	5,31	11,13	5,26
S&P 500	10,95	14,02	17,46	13,17	13,99	12,71
NASDAQ 100	11,10	41,64	47,30	25,70	22,67	21,04
FTSE 100	16,35	-13,69	-9,15	-1,70	1,28	0,08
SSE Composite	7,07	17,68	26,07	0,89	-0,88	5,07
Nikkei 225	15,35	18,56	21,54	9,87	11,80	9,54
FSE DAX	18,11	6,90	8,94	0,79	5,75	3,14
US T-Bill 3m	0,01	0,38	0,51	1,55	1,17	0,85
<b>Commodities</b>	<b>1 Month</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>
Oil Price Brent Crude	27,04	-27,89	-23,77	-9,20	1,30	-11,30
Gold	-6,34	16,36	20,71	11,25	10,67	5,00
Platinum	14,91	2,84	9,51	1,36	3,33	-4,75
Copper	14,64	24,67	31,10	4,32	10,80	1,27

## Disclaimer

©2020 Morningstar. All Rights Reserved. The Morningstar name and logo are registered trademarks of Morningstar, Inc. The information, data and analyses contained herein (1) includes the confidential and proprietary information of Morningstar, (2) may not be copied or redistributed, (3) does not constitute investment advice (4) is provided solely for informational purposes and therefore is not an offer to buy or sell a security, and (5) is not warranted to be correct, complete or accurate. Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data or analyses or their use. All data sourced from Morningstar Direct. Past performance is not a guide to future returns. Morningstar Investment Management South Africa (Pty) Ltd is an authorised financial services provider (FSP 45679).

## Morningstar South Africa

5<sup>th</sup> Floor  
20 Vineyard Road  
Claremont  
7708  
+27 21 201 4645