

# Market Overview

January 2021

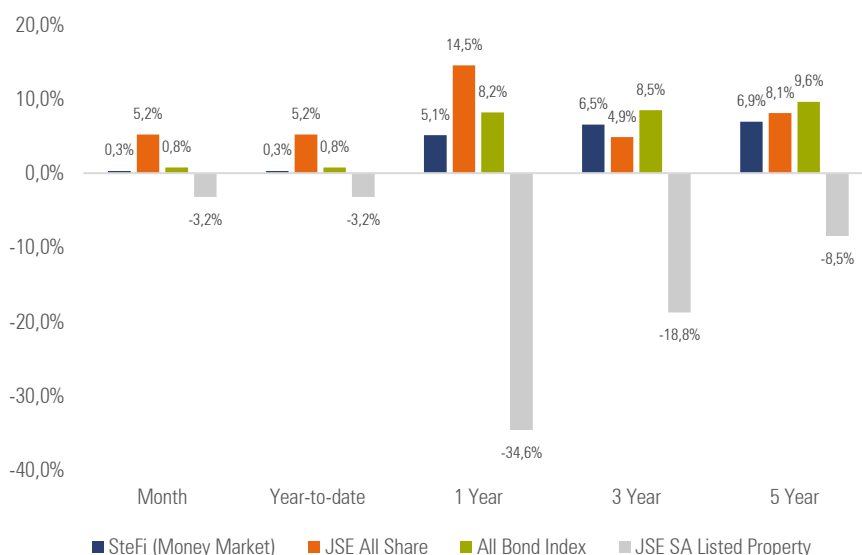
## Market and economic summary

Despite starting the year strongly, global markets ended the month slightly weaker, as ongoing concerns around the pace of global Covid-19 vaccine rollouts as well as continued lockdowns in the UK and certain areas in Europe weighed on sentiment.

US President Joe Biden was inaugurated on the 20<sup>th</sup> of January, as the US courts rejected continued unsubstantiated claims of voter fraud by Donald Trump and his campaign. This followed violent protests from Trump supporters at the Capitol building, a demonstration which led to the death of five people.

At its meeting in January, the US Federal Reserve left interest rates unchanged and announced that it will continue with its bond-buying programme. This, along with a proposed \$1.9 trillion economic aid and rescue package announced by President Biden, will continue to provide support to the US economy in its recovery from the Covid-19 pandemic.

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



Source: Morningstar Direct as at 31/01/2021. Returns are in South African Rand and have been annualised for periods longer than 1 year.

South African equities finished the month higher, bucking the trend in global developed markets slightly. The upward move in the local index was largely due to strong performance from large index constituents including Naspers and Prosus, as well as resource counters.

Local bonds ended the month higher, supported by foreign buying (albeit at a slower pace than previous months) as well as a slight flattening of the curve resulting from the decreased likelihood of further interest rate cuts.

Local listed property continued to exhibit volatile performance, as the stricter adjusted level 3 lockdown announced at the end of December acted as a headwind and increased uncertainty regarding the outlook for the sector.

The rand was weaker against most major developed market currencies for the month, as broad US dollar strength acted as headwind for most emerging market currencies.

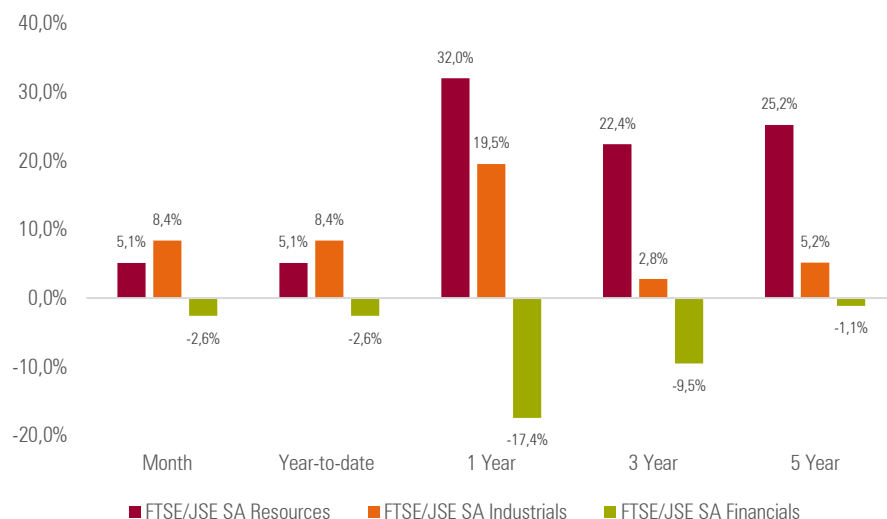
The South African Reserve Bank's Monetary Policy Committee (MPC) announced during the month that it will leave the repo rate unchanged at 3.5%. This was the third consecutive meeting where the MPC decided to leave the rate unchanged, despite two of the five members of the MPC favouring a cut.

SA headline CPI eased to a year-on-year figure of 3.1% to the end of December (from 3.2% in November), as transport inflation eased following the petrol price decrease in December. The rate of inflation for the 2020 calendar year was the lowest since 2004 and the second lowest since 1969.

South Africa's trade surplus narrowed to R32 billion in December (following a revised figure of R35 billion for November), with the trade balance supported by strong precious metal prices.

From a sector perspective, **Industrials** (+8.4%) and **Resources** (+5.1%) ended the month with decent performance, while **Financials** (-2.6%) struggled.

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



Source: Morningstar Direct as at 31/01/2021. Returns are in South African Rand and have been annualised for periods longer than 1 year.

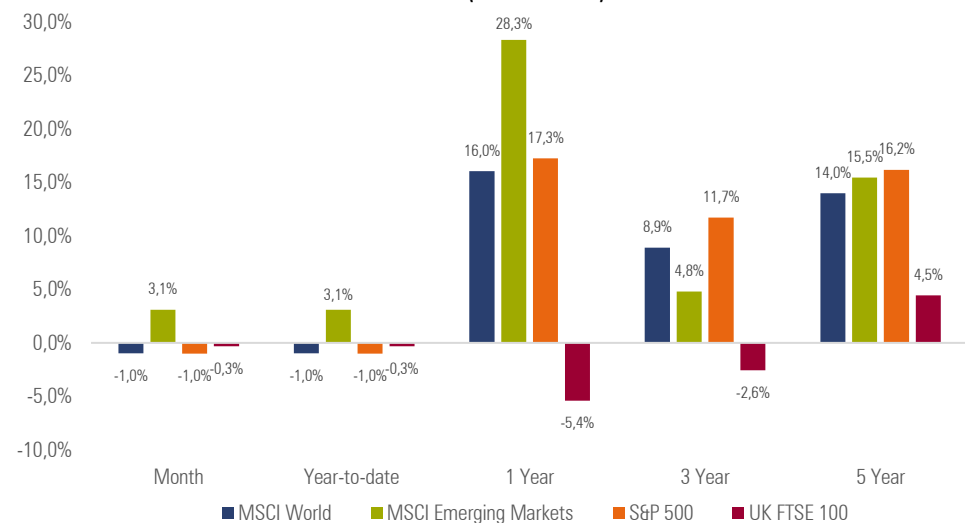
Most major developed equity markets struggled to generate positive returns for the month, as continued concerns around Covid-19 related issues weighed on global sentiment. The **MSCI World Index** delivered a return of -1.0% for the month.

Emerging market equities fared better than developed markets over the month, supported by decent returns from Asian equity markets. The **MSCI Emerging Markets Index** delivered a return of +3.1% for the month.

Major equity markets showed mixed performance for the month, with the UK's **FTSE 100** (-0.3%), Japan's **Nikkei 225** (-0.6%) and Germany's **FSE DAX** (-2.8%) all ending the month in the red. China's **Shanghai SE Composite** (+1.5%) was one of the few major equity markets to end the month in positive territory.

US equities had mixed performance for the month, with the tech heavy **NASDAQ 100** (+0.3%) ending slightly higher and the **S&P 500** (-1.0%) ending the month in the red.

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



Source: Morningstar Direct as at 31/01/2021. Returns are in US dollars and have been annualised for periods longer than 1 year.

### Impact on client portfolios

Most portfolios managed to deliver decent performance for the month, which was largely driven by returns from the local equity market. The rand was weaker against most major currencies, which acted as a tailwind for the performance of global allocations, despite mixed performance from major global equity markets. Income focused investors also generated positive performance for the month, supported by continued foreign buying of local bonds which supported the performance of this asset class.

Markets continue to be sensitive to news around the efficacy and the pace of the rollout of Covid-19 vaccines across the globe. We expect this continue until there is evidence that vaccinations have had a significant impact on infection rates and economies return to full functionality. In the interim, we will look to take advantage of dislocations in the market by allocating to what we perceive as undervalued assets using our valuation driven approach. We would encourage investors to have a similar mindset and focus on long-term fundamentals rather than short-term market movements.

<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	5,21	5,21	14,51	4,85	8,10	7,96
JSE SA Listed Property	-3,21	-3,21	-34,59	-18,76	-8,46	-1,21
All Bond Index	0,76	0,76	8,20	8,49	9,62	8,85
STeFI (Money Market)	0,31	0,31	5,11	6,54	6,92	6,73
<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	5,41	5,41	17,61	6,04	8,49	8,19
JSE Mid Cap	2,59	2,59	-9,33	-2,83	3,99	5,33
JSE Small Cap	3,88	3,88	4,32	-5,24	2,06	3,13
FTSE/JSE SA Resources	5,12	5,12	32,00	22,40	25,22	6,15
FTSE/JSE Ind/Financials	-2,60	-2,60	-17,43	-9,53	-1,12	3,80
FTSE/JSE SA Industrials	8,38	8,38	19,52	2,77	5,15	8,42
<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	-0,97	-0,97	16,04	8,90	13,99	10,22
MSCI Emerging Markets	3,09	3,09	28,33	4,81	15,45	8,05
S&P 500	-1,01	-1,01	17,25	11,70	16,16	13,32
NASDAQ 100	0,32	0,32	45,00	24,22	26,11	21,78
FTSE 100	-0,33	-0,33	-5,41	-2,55	4,45	1,07
SSE Composite	1,51	1,51	25,52	-0,86	5,32	7,01
Nikkei 225	-0,59	-0,59	25,80	9,87	15,04	10,90
FSE DAX	-2,78	-2,78	13,44	-0,23	9,01	3,82
US T-Bill 3m	0,01	0,01	0,26	1,48	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	7,88	7,88	-3,92	-6,81	9,97	-8,88
Gold	-1,26	-1,26	17,65	11,49	10,89	5,86
Platinum	10,01	10,01	15,75	3,44	5,09	-3,08
Copper	1,75	1,75	41,43	3,52	11,64	1,51

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