

Market Overview

November 2024

Morningstar Investment Management
December 2024

For Financial Advisers & Their Clients

Market and Economic Summary

Global markets experienced significant volatility in November 2024, largely driven by Donald Trump's re-election as US President. The victory triggered a notable divergence between US and international markets, with US equities rallying while certain global markets declined. The immediate market reaction saw a pronounced 'Trump Trade' phenomenon, characterised by a surge in US equities and dollar strength. However, this initial euphoria proved short-lived, with most gains reversing within a week as markets adopted a more measured outlook. This month, the US dollar strengthened against major currencies, particularly impacting emerging market currencies. Global bonds recovered some of the ground lost in October with yields on US Treasuries ending the month lower (and prices higher). Emerging markets faced dual headwinds from currency weakness and concerns over proposed trade policies, particularly potential tariffs affecting export demand.

Monetary policy remained topical as the Federal Reserve (Fed) delivered an anticipated 0.25% rate cut, following September's larger 0.50% reduction. This brought the Federal Funds Rate down to 4.75%. The unanimous decision reflected the Fed's assessment that while inflation remains "elevated", particularly in services, overall price pressures are moderating. Turning to the UK, the Bank of England (BOE) implemented its second rate cut of the cycle, reducing its benchmark rate by 0.25% to 4.75%. This move signals the BOE's growing confidence in inflation control while balancing concerns about economic growth.

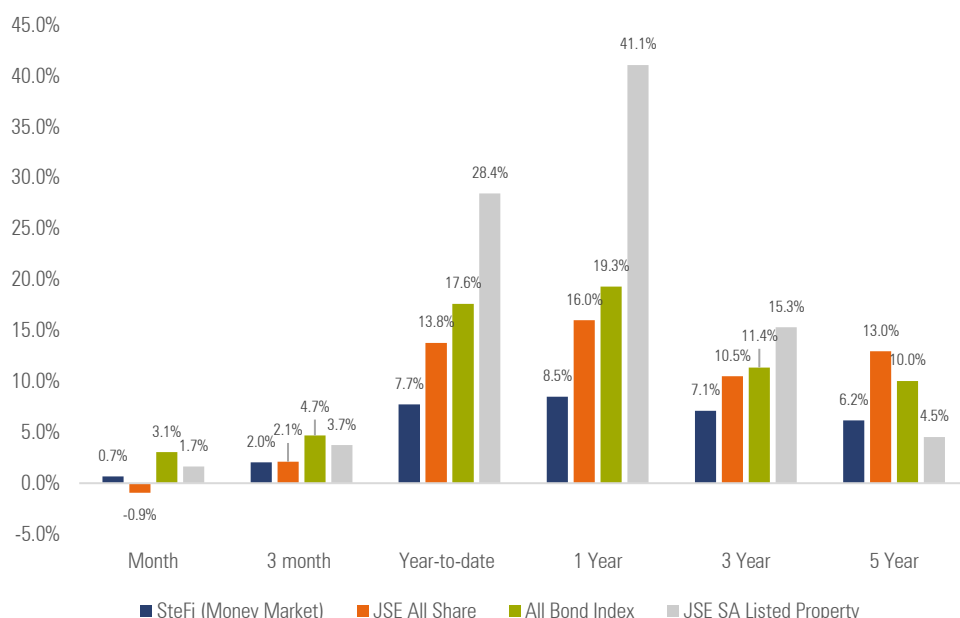
Global inflation dynamics showed notable shifts this month with several major economies experiencing upward pressure despite previous disinflationary trends. In the US, inflation ticked up to 2.6% (year-on-year to the end of October) from September's 2.4%, ahead of expectations. European inflation patterns demonstrated similar upward momentum. Eurozone inflation accelerated to 2% (year-on-year to the end of October), rising from September's 1.7%. UK inflation surprised marginally to the upside posting a 2.3% (year-on-year to the end of October) versus 2.2% expected, reaching a six-month high and exceeding the Bank of England's target. Japan's inflation moderated to 2.3% (year-on-year to the end of October) from 2.5%, reaching its lowest level since January 2024.

The third quarter of 2024 revealed divergent growth patterns across major economies, with the US maintaining robust momentum while other regions showed mixed performance. The US economy posted a 2.8% annualized growth rate (quarter-on-quarter to the end of Q3) marginally below the 3% expansion recorded in Q2. The Eurozone showed signs of recovery, achieving its strongest quarterly growth in two years at 0.4% (quarter-on-quarter to the end of Q3), ahead of the 0.2% expansion in Q2. In contrast, the UK's growth fell to 0.1% (quarter-on-quarter to the end of Q3), falling short of the expected 0.2% and marking its weakest quarterly expansion in nine months. China's quarterly growth accelerated to 0.9% (quarter-on-quarter to the end of Q3) ahead of the second quarter's 0.7% growth. This ninth consecutive quarterly expansion was supported by a comprehensive policy response including the People's Bank of China's largest stimulus package since the pandemic.

Turning to South African Asset classes, SA equities (-0.9%) recorded another negative month, though still outperforming the broader emerging market composite. The local index was dragged down by a weak performance from the Resources sector (-6.7%), with platinum miners being the largest detractor. Poor performances were recorded by Northam Platinum (-13.6%) Impala Platinum (-11.6%) and Anglo American Platinum (13.8%). Despite the market weakness, the SA retail sector performed strongly, with Pepkor (+17.0%) and Mr Price (+12.5%) producing strong returns. Financials (+0.5%) and Industrials (+0.5%) offered some positive contributions, ending the month marginally positive. SA's Small-Cap Index (+3.6%) offered some positive contributions, ending the month higher and ahead of the large-cap peers.

South African bonds ended the month positively (+3.1%), as yields declined in line with global peers extending their strong performance. This momentum is largely on the back of falling inflation, a lower repo rate, and an improving fiscal outlook improving domestic demand. The yield on South Africa's 10-year government bond hovered around 9.10% — its highest since mid-November — though still below the near 11% peak seen during the May elections. South African listed property also continued its upward trend, with the property index rising +1.7% in November, ahead of the broader equity. The rand weakened this month on the back of the stronger dollar.

Exhibit 1 | SA Market Performance (total returns)



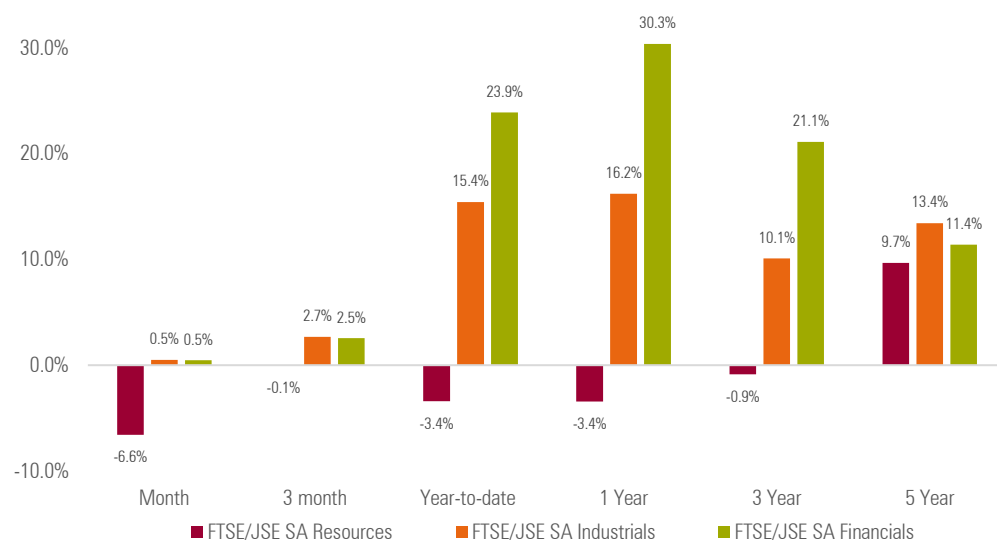
Source: Morningstar Direct as at 30/11/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

The South African Reserve Bank (SARB) reduced the repo rate by 0.25% to 7.75% in November, while signaling a measured approach to future easing. The SARB's forward guidance suggests further rate reductions, with rates expected to stabilise slightly above 7%. South Africa's economic landscape presents a unique contrast to global trends, with inflation falling below the target range to 2.8% (year-on-year to the end of October), marking the fifth consecutive monthly decline. This disinflationary trend has been driven by multiple factors including weakness in fuel prices, broader moderation in goods inflation supported by medium-term rand strength and core inflation easing to 3.9% (year-on-year to the end of October). The Monetary Policy Committee's expect GDP growth to reach 2.0% by 2027. However, the SARB remains vigilant about potential inflation risks.

South Africa's unemployment rate fell to 32.1% in the third quarter of 2024, down from a two-year high of 33.5% in the prior period. This is the first decrease in South Africa's unemployment rate since the third quarter of 2023. The expanded definition of unemployment, which includes those discouraged from seeking work, was 41.9% in the third quarter of 2024, compared to 42.6% in the previous three-month period.

S&P Global Ratings has revised its outlook on South Africa's debt from stable to positive. According to S&P, this revision reflects the potential for stronger-than-expected economic growth and the stabilization of government debt, provided the new coalition government can accelerate economic reforms while addressing infrastructure and fiscal challenges. S&P highlighted that the improved outlook is based on expectations of increased political stability following the May general elections and a renewed drive for reform, which could bolster private investment and GDP growth.

Exhibit 2 | SA Sector Performance (total returns)

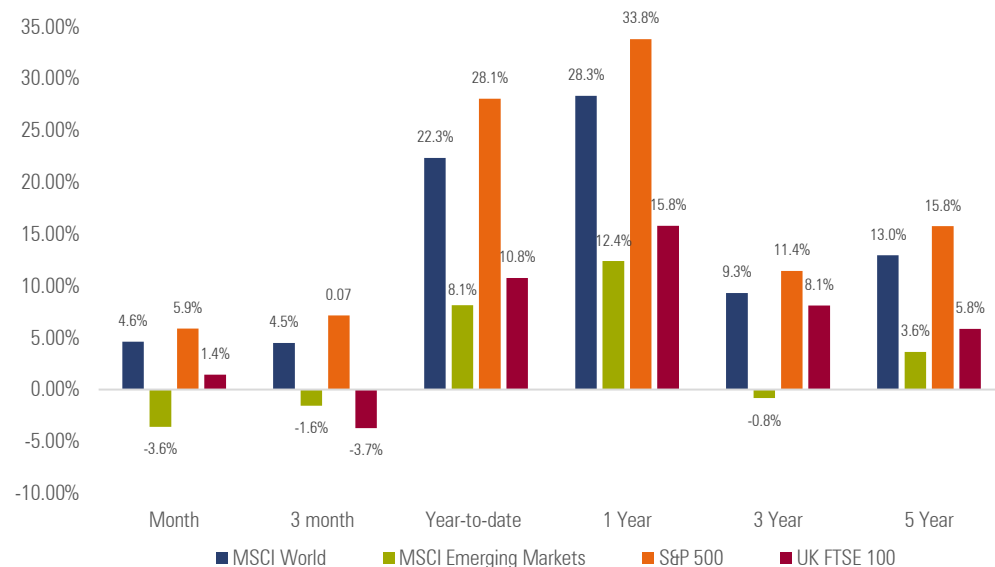


Source: Morningstar Direct as at 30/11/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

Global equity markets exhibited geographic divergence in November. US equities outperformed, buoyed by optimism over Donald Trump's re-election and anticipated policy shifts favouring domestic markets. In contrast, other global markets faced headwinds. The **MSCI World Index** (+4.6%) recorded positive gains for the month, while the **MSCI Emerging Markets Index** (-3.6%) lagged behind its developed market peers.

Within emerging markets, China's **Shanghai SE Composite** (-4.6%) ended the month lower, reflecting the widespread weakness in broader emerging markets. Performance in major developed markets delivered mixed performance, as the UK's **FTSE 100** (+1.4%) and Germany's **DAX** (+0.1%) posted marginally positive returns, whereas Japan's **Nikkei 225** (-0.8%) delivered negative performance.

In the US, tech-heavy **NASDAQ 100** (+5.3%) delivered strong gains, outperforming the broader market. Furthermore, the **S&P 500** (+5.9%) also delivered strong gains over the month, with Financials, Consumer Discretionary and Telecommunications contributing to performance.

Exhibit 3 | International Market Performance (total returns)

Source: Morningstar Direct as at 30/11/2024. Returns are in US dollars and have been annualised for periods longer than 1 year.

Impact on Client Portfolios

Portfolios delivered positive returns over the month, supported by a strong performance from US equities, which acted as a tailwind for portfolios with offshore exposure. However, funds with exposure to emerging markets detracted from performance this month. South African equity markets declined marginally, whereas local bonds and property experienced relatively strong gains over the month, benefitting portfolios. Additionally, the weakening rand against the US dollar provided a slight tailwind to returns on global assets in rand terms.

We remain comfortable with the current positioning of client portfolios, both from an asset allocation and a manager selection perspective. We will continue to follow our valuation-driven approach by allocating assets to the most attractive areas of the market from a reward-for-risk perspective and ensure we build robust portfolios. We are confident that we will continue to deliver on the specific investment objectives of each client portfolio independent of the prevailing market environment.

Local Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE All Share	-0.94	13.76	16.04	10.50	12.96	8.92
JSE SA Listed Property	1.65	28.44	41.16	15.32	4.55	0.18
All Bond Index	3.06	17.59	19.35	11.36	10.04	10.32
STeFI	0.65	7.75	8.50	7.12	6.15	6.48
Local Market Sectors	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
JSE Top 40	-1.60	11.46	13.01	9.88	13.12	8.91
JSE Mid Cap	-0.10	17.65	26.96	10.99	8.66	6.77
JSE Small Cap	3.56	31.23	39.10	18.98	20.06	11.31
FTSE/JSE SA Resources	-6.59	-3.41	-3.43	-0.87	9.67	11.87
FTSE/JSE Ind/Financials	0.48	23.89	30.42	21.12	11.38	7.82
FTSE/JSE SA Industrials	0.51	15.42	16.24	10.08	13.44	6.76
Global Market Indices	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
MSCI World	4.62	22.34	28.39	9.31	12.96	11.43
MSCI Emerging Markets	-3.58	8.15	12.42	-0.82	3.62	2.32
S&P 500	5.87	28.07	33.89	11.44	15.77	14.41
NASDAQ 100	5.31	25.31	32.27	9.97	21.01	19.59
FTSE 100	1.44	10.76	15.83	8.10	5.84	4.80
SSE Composite	-0.22	9.64	8.25	-6.32	2.39	-1.24
Nikkei 225	-0.82	8.95	14.35	3.33	5.67	5.33
FSE DAX	0.09	12.02	17.16	6.84	7.27	4.21
US T-Bill 3m	0.38	4.89	5.37	4.14	2.58	2.43
Commodities	1 Month	YTD	1 Year	3 Years	5 Years	7 Years
Oil Price Brent Crude	0.50	-5.82	-12.40	0.93	3.05	1.91
Gold	-3.04	27.55	30.24	13.68	12.67	10.96
Platinum	-5.53	-6.00	0.32	-0.14	1.01	0.00
Copper	-5.73	3.08	4.15	-3.25	7.32	2.43

Note: The performance of Local Market Indices and Local Market Sectors is quoted in rands and the performance of Global Market Indices and Commodities is quoted in US dollars. All data is sourced from Morningstar Direct as at 30/11/2024.

About the Morningstar Investment Management Group

Morningstar's Investment Management group, through its investment advisory units, creates investment solutions that combine award-winning research and global resources with proprietary Morningstar data. Morningstar's Investment Management group provides comprehensive retirement, investment advisory, and portfolio management services for financial institutions, plan sponsors, and advisers around the world.

Morningstar's Investment Management group comprises Morningstar Inc.'s registered entities worldwide including: Morningstar Investment Management LLC; Morningstar Investment Management Europe Limited; Morningstar Investment Management South Africa (Pty) Ltd; Morningstar Investment Consulting France; Ibbotson Associates Japan, Inc; Morningstar Investment Adviser India Private Limited; Morningstar Investment Management Asia Ltd; Morningstar Investment Services LLC; Morningstar Associates, Inc.; and Morningstar Investment Management Australia Ltd.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data. The company has operations in 27 countries.

Important Information

The opinions, information, data, and analyses presented herein do not constitute investment advice; are provided as of the date written; and are subject to change without notice. Every effort has been made to ensure the accuracy of the information provided, but Morningstar makes no warranty, express or implied regarding such information. The information presented herein will be deemed to be superseded by any subsequent versions of this document. Except as otherwise required by law, Morningstar, Inc or its subsidiaries shall not be responsible for any trading decisions, damages or losses resulting from, or related to, the information, data, analyses or opinions or their use. Past performance is not a guide to future returns. The value of investments may go down as well as up and an investor may not get back the amount invested. Reference to any specific security is not a recommendation to buy or sell that security. There is no guarantee that a diversified portfolio will enhance overall returns or will outperform a non-diversified portfolio. Neither diversification nor asset allocation ensure a profit or guarantee against loss. It is important to note that investments in securities involve risk, including as a result of market and general economic conditions, and will not always be profitable. Indexes are unmanaged and not available for direct investment.

This commentary may contain certain forward-looking statements. We use words such as “expects”, “anticipates”, “believes”, “estimates”, “forecasts”, and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

The Report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is not a citizen or resident of or located in any locality, state, country or other jurisdiction listed below. This includes where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar or its subsidiaries or affiliates to any registration or licensing requirements in such jurisdiction.

The Report is distributed by Morningstar Investment Management South Africa (Pty) Limited, which is an authorized financial services provider (FSP 45679), regulated by the Financial Sector Conduct Authority.

Morningstar South Africa

5th Floor
20 Vineyard Road
Claremont
7708
+27 21 201 4645