

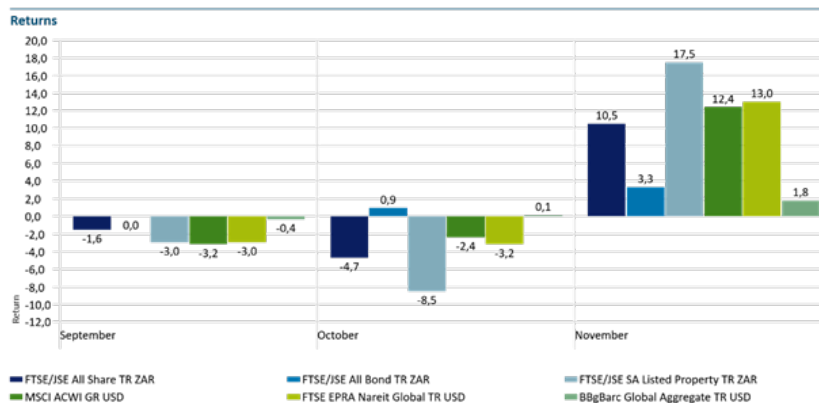
NAVIGA

Newsletter

November 2020

MARKETS

Financial markets delivered on the expectations of much better performance in November relative to prior months. Buoyed by optimism around the development and success of COVID-19 vaccines, progress in the United States (US) elections, as well as further confirmation of a growth rebound, both local and global assets surged in the month. This performance more than offsets the negative to weak months of September and October and continues to build on the positive market trends since the March crash.



However, the strong returns from offshore markets, shown above, were slightly offset by the strengthening local currency. The ZAR has now appreciated approximately 8% over the last 3 months and appreciated 5% just in November.

Economics and Politics

Local unemployment data released for the third quarter posted a significant jump, as expected, after the second quarter figures were affected by a data anomaly. The data was still slightly better than expected, despite the jump. Mining and manufacturing data remained positive for the end of the third quarter, while retail and trade figures also painted an upbeat picture. Although real retail sales only ticked up slightly month-on-month, the retail sales volume jumped by 136% quarter-on-quarter. Furthermore, real wholesale trade sales also saw a 150%+ rise quarter-on-quarter. These all made strong contributions to local GDP for the third quarter and helped drive a growth rebound of 13.5% quarter-on-quarter (66.1% annualized).

The South African (SA) repo rate was left unchanged at the November monetary policy meeting, which is also the last meeting for 2020, despite a very muted inflation environment and the recent appreciation in the ZAR. The decision seems to have been largely impacted by fiscal risks highlighted in the recent ratings downgrade by Fitch and Moody's. In their review, they raised concerns regarding a continued under delivery on reforms, and thus doubting the implementation as well as the positive impact of any reform implementation.

Meanwhile, the global recovery has been interrupted by the resurgence of rising infection rates and lockdown measures. Global economic indicators are slightly more mixed due to this, but nonetheless strong third quarter growth rebounds are being printed in various markets.

Regarding the elections, while Donald Trump contested the results for a considerable period, and has still not formally conceded, indications are pointing to a smoother transition than many feared.

Trump's term will end on 20 January, when the new president-elect is inaugurated, which still leaves some time for Trump's familiarly unpredictable antics.

Exchange Controls

At the end of October, following the announcement by Finance Minister Tito Mboweni, the SARB issued a circular on Exchange Controls that dealt with the reclassification of inward listed instruments. The comments were quickly taken up by market participants, and various questions, uncertainties, and assumptions came about. The circular suggested that instruments referring to foreign assets, that are inward listed and traded (and settled) in rand on the South African Exchange, will be classified as local exposure. This was then also assumed/interpreted to include Regulation 28 funds, which essentially means investor can invest 100% of their retirement money in offshore exposure.

The FSCA has since clarified that the circular does not override any prudential frameworks or regulations but given the amount of confusion caused, they have subsequently suspended the circular for further review.

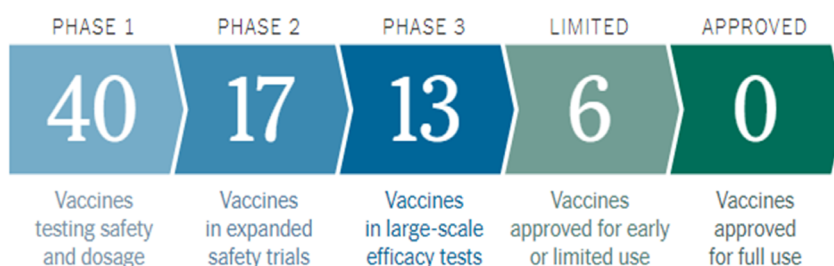
COVID-19 Vaccine

With many countries, including South Africa, seeing rising infection rates, and some already plunged back into strict lockdown conditions, the news of a vaccine breakthrough was very well received. Pharmaceutical company Pfizer announced in the first half of November that their experimental COVID-19 vaccine has shown a 94% effectiveness rate in initial trials.

Since then, positive news around vaccine development and antibody treatments have been surfacing more regularly. Worldwide, vaccine roll-outs will however not be possible before year end, due to the requirement of further testing and regulatory approval, although some countries will be able to start vaccinations in early December. Furthermore, it is unclear how the roll-out will occur, but we could likely see a phased approach where healthcare workers and nursing home residents receive priority, i.e., start with high-risk individuals.

Coronavirus Vaccine Tracker

By Carl Zimmer, Jonathan Corum and Sui-Lee Wee Updated November 30, 2020



Source: Coronavirus Vaccine Tracker, New York Times, www.nytimes.com

JSE All Share 10,51% 57 091,89 ▲	MSCI World (USD) 12,79% 2 583,14 ▲	MSCI EM (USD) 9,25% 1 205,07 ▲	SA Bonds 3,25% 740,88 ▲
SA Property 17,47% 242,53 ▲	CPI (y/y) 3,30% 117,10 ▲	Gold - 5,41% 1 776,30 ▼	Platinum 13,02% 959,51 ▲
Oil 26,20% 47,88 ▲	£/R - 2,13% 20,60 ▼	€/R - 2,40% 18,45 ▼	\$/R - 4,76% 15,47 ▼