

Newsletter

November 2022

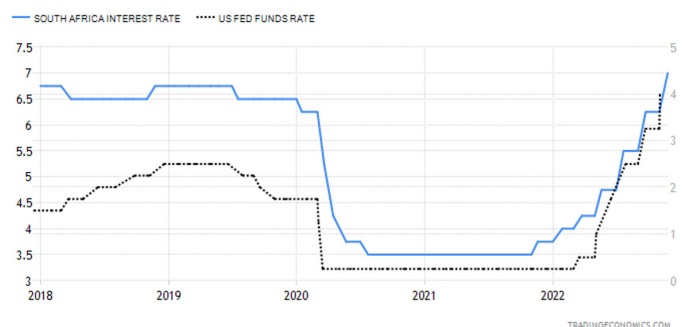
NAVIGA

MARKETS AND ECONOMICS

November was another strong month, continuing the rally that started in October, as growth assets outperformed globally. In base currency, South African equities outperformed most global equity indices, albeit predominantly driven by rand-hedge counters, with both Naspers and Prosus adding more than 38% for November. Markets were buoyed by less aggressive talks by United States (US) Federal Reserve (Fed) Chair Jerome Powell, as well as by signals from Chinese authorities that COVID restrictions could be eased. Albeit small steps, the scrapping of negative test result requirements for many activities, as well as new home quarantine guidelines, are all noteworthy changes to the current policy. Expectations that the Chinese economy could re-open early in 2023, which would add significantly to global demand and to growth, have been a strong contributor to improved sentiment towards growth assets. This is despite protests and unrest spreading across multiple cities towards the end of the month against draconian lockdowns, censorship, and leadership structures.

During the last week of November, local headlines focussed on the findings of an independent panel report into theft at President Cyril Ramaphosa's Phala Phala farm. The report findings suggested that the President may have violated his oath and could be guilty of misconduct. After the findings were announced, reports indicated that the President will be resigning from his position and stepping aside while the investigation is ongoing, sending the local currency and local assets into a sell off. However, after seemingly being convinced by supporters within the party, the President decided to appeal and to fight the findings, driving a partial recovery and recouping some of the losses. It will likely be a volatile month ahead, as the impact of the report and political fight unfolds, with the African National Congress Elective Conference also taking place in December.

The South African Reserve Bank (SARB) raised interest rates by 0.75% at their November meeting, taking the repo rate up to 7%. In the US, the Fed also increased rates by 0.75% at the start of November. Meeting minutes released later in the month indicated that Fed officials expect lower rate hikes going forward, while markets now expect a 0.5% increase in December. While South Africa and the US have significantly different inflation drivers, it is unlikely for the SARB to pause their hiking cycle while the Fed is still hiking aggressively, as the inflation differential plays an important role in the flow of capital. Comments from the SARB this month, albeit less hawkish, have again reiterated that inflation will have to move down to 4.5% sustainably before they will be comfortable stopping the cycle. To our benefit, the SARB started their cycle before the US, and was initially more aggressive in tackling inflation increases, which potentially allows us the benefit of pausing the cycle earlier. Some expectations are pointing to another 0.25% hike in January, taking the repo rate to what many believe will be the peak rate of 7.25%.



A few other economic highlights include:

- + The South African unemployment rate fell to 32.9% in the third quarter, ahead of market expectations. The report, by Statistics South Africa, indicate that there was a large move from unemployed to either employed or economically-inactive categories. That being said, the overall level of employment remains approximately 4% below the pre-COVID levels.
- + South African inflation accelerated to 7.6%, from 7.5%, for the month of October, driven by higher food and non-alcoholic beverages, housing, and transport.
- + The RMB/BER Business Confidence Index dropped to 38 for the last quarter of 2022, on the back of declines in wholesale and retail confidence, and despite an uptick in building confidence.

We wish you and your family a happy festive season and prosperous 2023! **Thank you** for entrusting us with your investment goals in 2022.

We look forward to continuing our partnership in the new year!

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| JSE All Share 12,33% 74 828,00 ▲ | MSCI World (USD) 6,95% 2 720,89 ▲ | MSCI EM (USD) 14,83% 972,29 ▲ |
| SA Bonds 3,91% 852,44 ▲ | SA Property 6,32% 315,93 ▲ | CPI (y/y) 7,60% 106,50 ▲ |
| Gold 7,24% 1 759,80 ▲ | Platinum 8,94% 1 018,00 ▲ | Oil -6,29% 86,97 ▼ |
| \$/R -6,21% 17,21 ▼ | €/R -1,22% 17,92 ▼ | £/R -1,36% 20,76 ▼ |