

# Market Overview

## October 2024

Morningstar Investment Management  
November 2024

For Financial Advisers & Their Clients

### Market and Economic Summary

Global markets produced weak returns in October 2024 as global sentiment soured towards risk assets. Global equity markets initially started the month strongly with some reaching all-time highs. This upward momentum was short-lived, as global equities experienced a sell-off triggered by better-than-expected United States (US) economic data, which led to reduced expectations for further cuts in the Federal Funds rate. In October, only three of the S&P 500's eleven sectors posted gains, as equity markets produced poor returns. Turning to bonds, weakness crept into the global bond market with yields moving higher (and prices lower) as the economic data pointed to a resilient US economy. In addition, speculation of a potential Donald Trump victory in the November 5th election contributed to the increased US yields, as his policies on tariffs, taxes and immigration are viewed as inflationary. Turning to Japan, the yen weakened following the snap election reversing all gains made since the Bank of Japan's interest rate hike in late July, weighing on investor sentiment and applying downward pressure on Japanese equities. Emerging markets were not spared in the weaker environment with large index constituents including China and India experiencing drawdowns leading the broader emerging market basket lower.

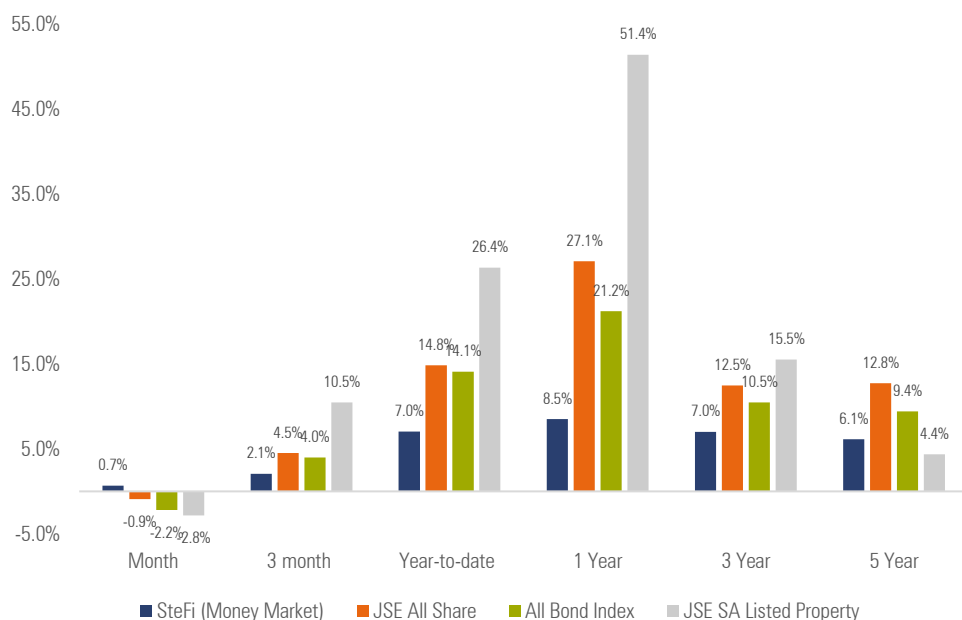
The annual inflation rate in the US continued its downward trend this month slowing for the sixth consecutive month to 2.4% (year-on-year to the end of September), the lowest level since February 2021. This figure represents a slight decrease from 2.5% in August, although it came in marginally above analysts' expectations of 2.3%. In contrast, the core inflation rate unexpectedly rose to 3.3% (year-on-year to the end of September) up from 3.2% in the preceding two months, ahead of market expectations of 3.2%. In the Euro Area, the annual inflation was revised down to 1.7% (year-on-year to the end of September), a decline from an initial estimate of 1.8% and down from 2.2% in August. This marks the lowest inflation rate since April 2021 and falls below the European Central Bank's target of 2%. The lower-than-expected inflation led the European Central Bank (ECB) to cut policy rates by an additional 0.25%, bringing the benchmark interest rate down to 3.25%. Meanwhile, China's annual inflation rate remained subdued at 0.4% (year-on-year to the end of September) below market expectations and down from 0.6% in August. This figure is the lowest recorded since June and highlights the need for Beijing to implement further policy measures to address the growing deflationary pressures in the economy.

Turning to other economic updates, the US economy continued to demonstrate resilience in the third quarter of 2024, growing at an annualized rate of 2.8%, falling short of the 3% growth recorded in the second quarter and below economists' forecasts of 3%. In the Eurozone, preliminary estimates indicated that GDP expanded by 0.4% in the third quarter of 2024, marking the strongest growth rate in two years. Meanwhile, the Chinese economy demonstrated resilience, recording a seasonally adjusted growth of 0.9% in the third quarter of 2024, up from a 0.7% increase in the second quarter. This marks the ninth consecutive quarter of growth, driven by recent government initiatives designed to stimulate consumption, mitigate deflationary risks and reverse the downturn in the real estate sector.

Following global markets, South Africa (SA) stocks were under pressure in October, with the local markets ending the month in negative territory. Despite this, SA equities outperformed their emerging market peers, largely due to a strong performance from Resources (+3.0%), with gold stocks leading the way over the month including AngloGold Ashanti PLC (+7.1%) and Gold Fields Ltd (+7.9%). On the other hand, the Industrial (-2.8%) and Financial (-0.4%) sectors delivered relatively weak performance over the month of October, detracting from performance. SA’s Mid-Cap (+0.5%) and Small-Cap (+0.1%) indices offered some positive contributions, ending the month marginally positive.

Following on from global bond markets, the SA All bond Index (-2.2%) ended the month lower as South African nominal bond yields moved higher. Yields moved to their highest level since late July as investors remained focused on the South African Reserve Bank (SARB)’s future moves. Additionally, expectations that the US Federal Reserve will adopt a more moderate approach to rate cuts this year remained intact, influencing sentiment in the South African bond market. SA listed property (-2.8%) ended the month in negative territory, however, continues to be the best-performing local asset class on a year-to-date basis (+26.4%). The rand weakened this month in the face of a stronger dollar and general risk off sentiment.

**Exhibit 1 | SA Market Performance (total returns)**



Source: Morningstar Direct as at 31/10/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

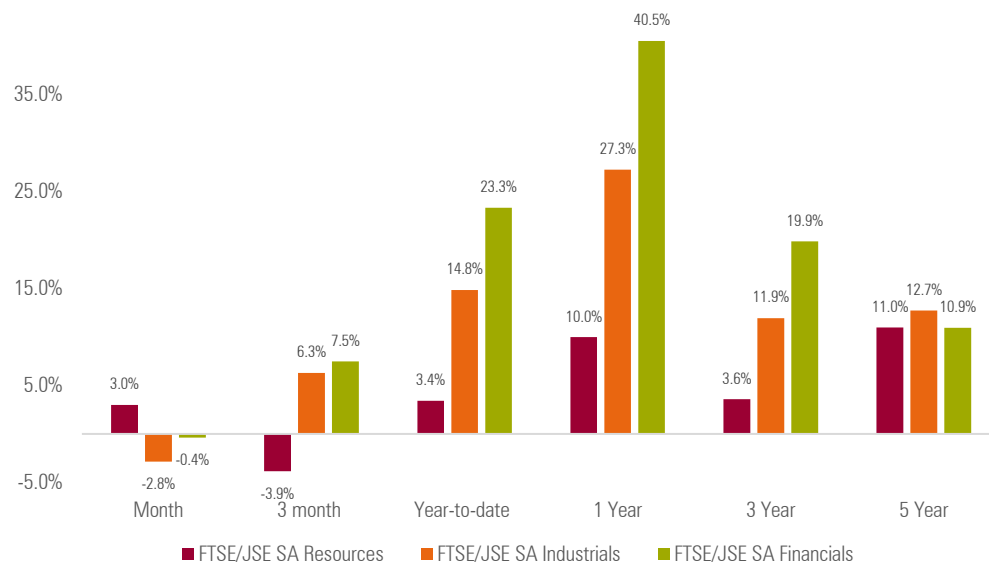
South Africa’s annual inflation slowed for a fourth consecutive month to 3.8% (year-on-year to the end of September) and is now at the lower end of the reserve bank’s 3% to 6% target range, strengthening the case for further interest rate cuts by SARB. In its recently published biannual monetary policy review, the central bank stated that its policy stance remains moderately restrictive, and the disinflation process is progressing as expected.

The South African Chamber of Commerce and Industry (SACCI) business confidence index decreased to 110.2 in September 2024, below the 111.5 recorded in August. The overall trend remains positive following May’s elections. Factors such as an increase in international tourists, higher export volumes, and lower inflation continue to support the positive outlook

During the month, the South African National Treasury announced the 2024 Medium-Term Budget Policy Statement (MTBPS) which presented a mix of fiscal challenges and policy initiatives. Economic growth forecasts have been scaled down to 1.1% for 2024 and 1.7% for the period 2025-2027. While investment and household spending forecasts remain conservative, the Treasury is pinning hopes on infrastructure-

driven growth alongside potential boosts from decreasing inflation, anticipated monetary easing and rising commodity prices. Revenue forecasts were revised downward, with gross collections expected to reach R1.84 trillion for the 2024/25 period, a reduction of R22.3 billion due to lower-than-expected fuel tax, personal income tax and VAT collections.

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



Source: Morningstar Direct as at 31/10/2024. Returns are in South African Rand and have been annualised for periods longer than 1 year.

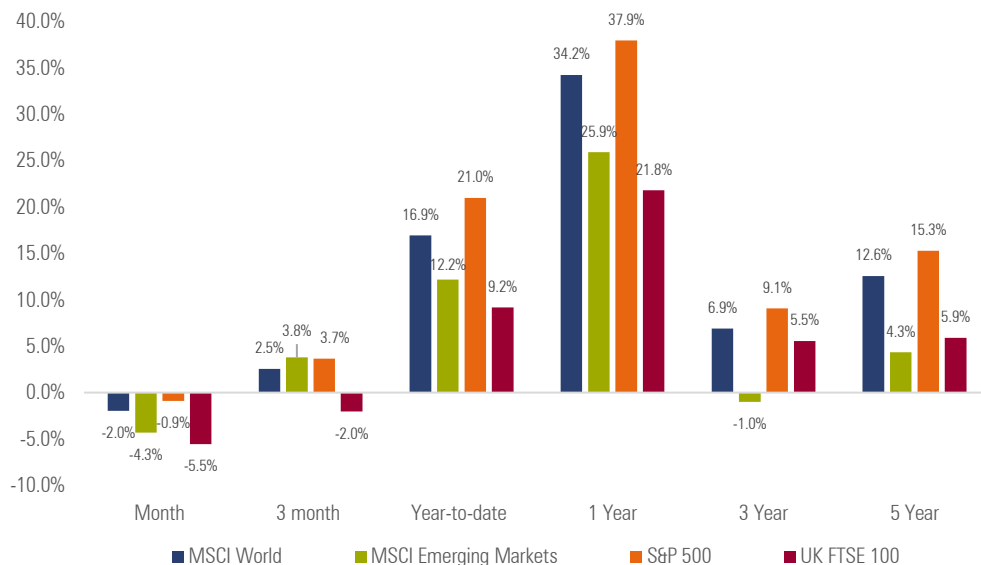
Most major developed equity markets recorded negative returns, as the market reacted negatively towards better-than-expected US economic data which led to reduced expectations for further cuts in the fed funds rate. This resulted in a particular weak environment for developed markets with the **MSCI World Index** (-2.0%) ending in negative territory.

Emerging markets recorded weak returns this month with most regions ending in negative territory. As a result, the **MSCI Emerging Markets Index** (-4.3%) ended lower lagging behind its developed market peers.

Performance in most major developed markets was largely negative with the UK's **FTSE 100** (-5.5%), Japan's **Nikkei 225** (-3.2%) and Germany's **DAX** (-4.0%) all posting negative returns. Within emerging markets, China's **Shanghai SE Composite** (-4.6%) ended the month lower, dragging the emerging markets index lower.

In the US, tech-heavy **NASDAQ 100** (-0.8%) ended slightly negative, marginally outperforming the broader market. Furthermore, the **S&P 500** (-0.9%) struggled over the month, as Healthcare, Consumer Staples and Real Estate detracted from performance.

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



Source: Morningstar Direct as at 31/10/2024. Returns are in US dollars and have been annualised for periods longer than 1 year.

### Impact on client portfolios

Portfolios struggled to generate positive returns as global equities sold off, driven by stronger-than-expected US economic data, which reduced expectations for further federal funds rate cuts impacting sentiment towards risk assets. South African assets mirrored global market weakness, with declines across local equities, bonds and property sectors. The weaker rand against the US dollar provided a buffer to the weak global asset class returns, benefitting portfolios.

As we move into November, the upcoming US elections are likely to introduce heightened market volatility and uncertainty. Additionally, central bank actions will be closely watched, with their policy decisions expected to play a significant role this month. Given these dynamics, we anticipate continued market volatility as participants respond to shifts in both monetary policy and election outcomes. This environment underscores the importance of building portfolios that not only manage risk but also optimize returns across a range of market conditions, reinforcing the need for robustness and diversification.

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.

<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	-0.92	14.85	27.16	12.48	12.76	9.29
JSE SA Listed Property	-2.84	26.35	51.56	15.51	4.37	0.21
All Bond Index	-2.20	14.11	21.29	10.49	9.43	9.69
STeFI	0.68	7.05	8.53	7.00	6.14	6.46
<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	-1.15	13.27	25.29	12.41	13.02	9.39
JSE Mid Cap	0.46	17.77	33.80	10.44	8.82	7.13
JSE Small Cap	0.06	26.71	40.79	16.91	18.93	10.32
FTSE/JSE SA Resources	2.98	3.40	9.99	3.57	10.98	12.70
FTSE/JSE Ind/Financials	-0.38	23.31	40.61	19.86	10.95	8.41
FTSE/JSE SA Industrials	-2.84	14.84	27.33	11.95	12.73	6.90
<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	-1.96	16.94	34.29	6.90	12.57	11.06
MSCI Emerging Markets	-4.32	12.17	25.95	-0.99	4.35	2.88
S&P 500	-0.91	20.97	38.02	9.08	15.27	13.97
NASDAQ 100	-0.82	18.99	39.19	8.77	20.73	19.06
FTSE 100	-5.54	9.19	21.85	5.55	5.91	4.61
SSE Composite	-3.07	9.89	11.74	-5.97	2.06	-1.49
Nikkei 225	-3.22	9.85	28.19	2.48	5.91	6.17
FSE DAX	-3.97	11.92	32.30	4.49	7.61	4.31
US T-Bill 3m	0.39	4.49	5.45	4.01	2.53	2.39
<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>
Gold	3.96	31.55	36.92	15.62	12.59	11.57
Platinum	1.02	-0.50	5.85	-0.46	1.23	1.20
Copper	-4.68	9.34	15.29	-1.92	8.70	3.02

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 31/10/2024.

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