

December 2022

Line of THOUGHT

ECONOMIC AND MARKET OVERVIEW

NOVEMBER IN REVIEW

An advisory panel established by SA's parliament found there are grounds for lawmakers to investigate President Cyril Ramaphosa in connection with a scandal over a robbery at his game farm. "In light of all the information placed before the panel, we conclude that this information discloses, prima facie, that the president may have committed" violations of sections of the constitution, it said in the report published at the end of November. President Ramaphosa has called on the Constitutional Court to dismiss the report.

South **Africa's** central bank delivered another substantial interest-rate increase, prolonging its most aggressive monetary policy tightening cycle in at least two decades as it tries to tame inflation. The monetary policy committee raised the benchmark rate to 7% from 6.25%, and the prime rate from 9.75% to 10.5%.

Eskom restated the company's reported loss for the 2021 financial year to R25.3bn, its fourth straight deficit. It also continues to struggle with maintenance and emergency repairs which has led to stage 6 load shedding early in December.

US house prices have fallen 2% over the past two months but are still up more than 13% over the past year. In total, house prices have risen by an incredible 41% since the end of 2019. The most recent decline in house prices (August 2022) is extremely broad, with all 20 major cities surveyed recording a month-on-month fall-off in prices. House prices are expected to weaken significantly further in 2023, negating the housing bubble that emerged in 2020/2021. Hopefully this rebalancing of the housing market will remain orderly.

China has lifted its most severe Covid policies - including forcing people into quarantine camps - following landmark protests against the strict controls. People with Covid can now isolate at home rather than in state facilities if they have mild or no symptoms. They also no longer need to show tests for most venues and can travel more freely inside the country.

Global GDP growth is expected to slow to 1.2% next year according to the Institute of International Finance, the same as 2009. The slowdown will be led by Europe.

European Central Bank policymaker Mario Centeno said the ECB should slow the pace of interest rate hikes from December and sent a clear message that moves of 0.75% are not the norm as inflation is likely to peak this quarter. He does not believe that inflation is entrenched, nor that there are any second-round effects from wage increases, which have been well below inflation so far.

In the United States, Atlanta Fed President Raphael Bostic said he is ready to "move away" from 0.75% rate hikes at the December meeting and feels the Fed's target policy rate needs to rise no more than another percentage point to tackle inflation. "If the economy proceeds as I expect, I believe that 0.75% to 1% basis points of additional tightening will be warranted". "I believe this level of the policy rate will be sufficient to rein in inflation over a reasonable time horizon". That would set the policy rate at a range of 4.75% - 5%.

Lastly, the South African president completed a two-day state visit to the UK, the first since King Charles took the throne, with the Conservative government eager to focus on trade rather than challenge South Africa's refusal to impose sanctions on Russia over the invasion of Ukraine.

On a different note, Germany and Belgium both failed to make it past the group stage of the FIFA World Cup in Qatar, while Saudi Arabia (ranked 51st in the world) beat Argentina (ranked 3rd) 2-1.

December 2022

Line of THOUGHT

Market Performance

MARKET INDICES ¹ (All returns in Rand)	30 November 2022		
	3 months	12 months	5 years ²
SA equities (JSE All Share Index)	13.0%	11.1%	8.4%
SA property (S&P SA Reit Index)	9.2%	7.5%	-6.6%
SA bonds (SA All Bond Index)	2.8%	6.4%	8.9%
SA cash (STeFI)	1.5%	4.9%	5.8%
Global developed equities (MSCI World Index)	3.8%	-5.0%	12.8%
Emerging market equities (MSCI Emerging Market Index)	-2.0%	-12.0%	4.4%
Global bonds (Barclays Global Aggregate)	-1.6%	-11.8%	2.7%
Rand/dollar ³	-0.3%	6.1%	4.5%
Rand/sterling	2.1%	-4.5%	1.9%
Rand/euro	2.1%	-3.0%	1.5%
Gold Price (USD)	1.9%	-1.6%	6.5%
Oil Price (Brent Crude, USD)	-11.5%	21.1%	6.1%

Disclaimer

For internal use only. The information provided is of a general nature only and does not take into account investor's objectives, financial situations or needs. The information does not constitute financial product advice and it should not be used, relied upon or treated as a substitute for specific, professional advice. It is, therefore, recommended that investors obtain the appropriate legal, tax, investment and/or other professional advice and formulate an investment strategy that would suit the investor's risk profile prior to acting on such information and to consider whether any recommendation is appropriate considering the investor's own objectives and particular needs. Although the information provided and statements of fact are obtained from sources that Analytics Consulting considers reliable, we do not guarantee their accuracy, completeness or currency and any such information may be incomplete or condensed. No guarantee of investment performance should be inferred from any of the information contained in this document. Collective Investment Schemes in Securities ("CIS") are generally medium- to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance.

Any opinions, statements and information made available, whether written, oral or implied are expressed in good faith. Views are subject to change, without prior notice, on the basis of additional or new research, new facts or developments. All data is in base currency terms unless otherwise indicated, and sourced as disclosed.

Financial Services Providers: Portfolio Analytics Consulting (Pty) Ltd; FSP No 18490 and Analytics Consulting 1 (Pty) Ltd; FSP No 47564; Tel: (021) 936 9500; Website: www.analyticsconsulting.co.za.