

MONTHLY market overview

OCTOBER 2024
IN REVIEW



ECONOMIC AND MARKET OVERVIEW

As was expected, speculation about the US election dominated news flow during October. As Donald Trump gained momentum in the US election polls, the Trump trade appeared to be driving some of the more recent financial market movements.

With Trump's proposed policies expected to be inflationary, markets are processing the idea that, if Trump does win the election (which should be known by the time you read this), the Fed's easing cycle may be less aggressive, causing a rally in the dollar, which has already climbed to its highest level since August. If Trump has won, the consensus view is that equities are expected to get a boost from a Republican clean sweep, given Trump's business friendly policies such as corporate tax cuts. Only time will tell.

The Eurozone's flash estimate of headline consumer price inflation for October ticked up to 2.0% year-on-year from 1.7% in September, whilst the core measure remained steady at 2.7% year-on-year. This tick up in the headline rate was expected. A large factor behind this were energy prices which rose by 0.4% on the month after falling 1.7% last month, rather than a fundamental increase in price pressures.

This slight increase in headline inflation is unlikely to upset the current course of interest rates set by the governing council of the European Central Bank. Market expectations point to one more cut of 25 basis points before the end of the year, followed by an aggregate 1% reduction in 2025.

South Africa's finance minister Enoch Godongwana tabled the first medium term budget policy statement (MTBPS) of the newly formed government of national unity (GNU) in October. It saw a significant focus on infrastructure development in South Africa, providing a broad approach encompassing a new financing and appraisal system, scaling up public/private partnerships (PPPs) and a new approach to infrastructure borrowing. Infrastructure investment has fallen from 20% of South Africa's gross domestic product (GDP) in 2008, to 14% in the second quarter of 2024 as gross fixed capital formation (GFCF, another term for fixed investment) saw weak GDP growth slow investor appetite.

South Africa's trade balance jumped to a R12.8bn surplus, up from R5.1bn in August. The result, which was above the consensus forecast (Bloomberg) of a R5.0bn surplus, was underpinned by a 3.5% increase (month-on-month) in exports to R170.7bn, while import activity decreased by 1.3% to R157.9bn.

Reuters reported that market share of Organization of the Petroleum Exporting Countries (OPEC), has slipped to all-time lows, impacted by output cuts since 2022 and supply increases by the U.S. and other producers, according to the International Energy Agency. OPEC+ oil output is equal to 48% of world supply, according to Reuters' calculations based on IEA figures.

Saudi Arabia's crude output is below 10% of the world market, while U.S. oil output has risen to 20% of world supply.

The 2024 BRICS summit (which is the sixteenth annual BRICS summit), was held in Kazan, Russia. It was the first BRICS summit to include Egypt, Ethiopia, Iran, and the United Arab Emirates as members, following their accession to the organization at the previous BRICS summit. South Africa's delegation was led by president Cyril Ramaphosa, with Indian PM Narendra Modi and Chinese President Xi Jinping also in attendance. Aside from a number of controversial political statements, the BRICS members introduced a payment system named BRICS Pay. It is designed to facilitate transactions and the interchange of financial information between central banks of partnered nations, serving as an alternative to the Western interbank system SWIFT.

MARKET PERFORMANCE

After a strong start to the month where many developed equity markets traded at all-time highs, the MSCI World Developed Markets composite index sold off, to record only its second negative month this year (-1,0%). The sell-off in the second half of the month coincided with better-than-expected US economic data which led investors to reduce their expectations of Federal Fund rate cuts – pointing to a reliance of equity valuations on lower monetary policy rates.

In a similar vein, the upbeat data and rising likelihood of a Republican win in the US elections pushed US bond yields higher – the 10yr Treasury ending the month 0.5% higher and pushing all other risky assets, including emerging market equities (-2.8%) and bonds (-0.3%), lower. By the time of reading, the US election results are very likely to be finalised which, in itself, may lead to further market dislocations.

Visio Capital further reported that local equities (-0.9%) outperformed their emerging market peers. This came courtesy of a very strong performance from resources (2.5%), with gold stocks leading the way. After four months of declining bond yields and the expiry of the election risk premium embedded in yields, South African bonds weakened during October (-2.2%) in line with global markets, albeit outperforming the emerging bonds aggregate by a wide margin so far this year.

MARKET INDICES ¹	31 OCTOBER 2024		
(All returns in Rand except where otherwise indicated)	3 months	12 months	5 years ²
SA equities (JSE All Share Index)	4.5%	27.2%	12.8%
SA property (S&P SA REIT Index)	15.3%	55.6%	2.3%
SA bonds (SA All Bond Index)	4.0%	21.3%	9.4%
SA cash (STeFI)	2.1%	8.5%	6.1%
Global developed equities (MSCI World Index)	-0.3%	26.6%	16.2%
Emerging market equities (MSCI Emerging Markets Index)	0.9%	18.8%	7.7%
Global bonds (Bloomberg Barclays Global Aggregate)	-2.2%	3.3%	1.6%
Rand/dollar ³	-2.8%	-5.7%	3.3%
Rand/sterling	-2.7%	-0.1%	3.1%
Rand/euro	-2.5%	-3.1%	2.7%
Gold Price (USD)	12.8%	37.9%	12.6%
Oil Price (Brent Crude, USD)	-9.4%	-16.3%	4.0%

1. Source: Factset

2. All performance numbers in excess of 12 months are annualised.

3. A negative number means fewer rands are being paid per US dollar, so it implies a strengthening of the rand.

DID YOU KNOW?

HOW TO SURVIVE IN THE WORLD OF FALSE NEWS

“It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”

Various¹

We are surrounded by numbers in news: there’s a 49% chance that a prosecutor/prosecuted will be the next US President, 1 in 10 people alive today will grow older than 100, 68% of statistics are made up on the spot. The examples are endless, and we are inundated by all kinds of numerical and statistical claims from celebrities, politicians, analysts and even our neighbours. Extraordinary (but untrue) claims, filled with numbers and percentages, is one of the biggest enablers of false news.

But how should we deal with the unwavering attack of information that fills up our inboxes and reels and stories and, eventually, our minds? One approach would be to not trust any of them. Mutter something about “lies, damned lies and statistics” or crack a joke about a statistician that enters a bar? That may not be the best approach.

Tim Harford (an economic journalist) suggests a different angle: the three C’s of data wisdom. He proposes this approach to make statistics add up:

1. Be Calm.

Most statistics come packaged with a wide range of emotions. They’re supposed to make us angry, or joyful, or afraid. Shocking crime rates, Eskom’s debt burden or the quantum of government corruption are all presented to attract attention. These numbers are why information goes viral on social media or end up in news headlines – they are typically designed to awake particular emotions. There’s nothing wrong with feeling emotions, but they impede on our ability to think clearly. So, before you share a post that has you hot under the collar, take a moment to recognise your instinctive reaction. It may vary from rage to denial to vindication (“I told you so”). Once you have noticed this reaction, take a deep breath and look at the statistic again. It may seem different now.

2. Get Context.

For example, if a newspaper headline claims that Nvidia (on any given day the largest or second largest firm in the world, measured by market capitalisation) has lost investors \$50 billion, it sounds like a very big number. Add to that that some politician/business leader’s comment lead to this decline and they have “destroyed” this value, emotions can run very high. The best place to start is probably by figuring out whether \$50 billion is a big number. As it happens it makes up less than 1.5% of Nvidia’s market capitalisation, and unless all the shares in Nvidia changed hands on that day, the “loss” has not been realised for all investors. So, context matters.

3. Be Curious.

When we use a number as a weapon in an argument, or a prop for our pre-conceived ideas, we learn nothing. Instead, we should use statistics as a tool to understand the world, almost like a telescope is to an astronomer. Ask yourself what a statistic is really telling you about a subject, and what other questions it inspires.

Source: Tim Harford, Open University

¹This quote is often attributed to Mark Twain, but there is no solid evidence that he wrote or said it. Scholars at the Centre for Mark Twain Studies have found no substantive evidence supporting the attribution to Twain. The quote has also been linked to other humourists like Josh Billings, Artemus Ward, and Will Rogers, but it remains uncertain who originally coined it.

None of us have the time to do this for every statistical claim we come across, so a final good habit is to ask whether the source of the information respects the “three C’s”. A good journalist (or author or content creator) will help you be calm, will give you context and feed your curiosity.

Sticking to these principles will not only keep you from spreading false information but can be greatly instructive in making the world add up for you. Which will make you part of the only 7% of recipients of this newsletter that read it to the end.

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