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invest

Glacier Invest | Market snapshots

Monthly edition | October 2024 recap

Monthly market recap | October in review

Market news

- Retail trade sales in SA increased by 3.2% y/y in August, according to Stats SA. Seasonally adjusted retail trade sales increased by 0.5% in August compared with July. The largest contributors to this increase were general dealers at 4.8% and retailers of textiles, clothing, footwear and leather goods at 3.7%.
- Retail sales in the US increased 0.4% m/m in September, well above a 0.1% gain in August and beating market expectations of a 0.3% increase. Sales at miscellaneous store retailers recorded the biggest increase of 4%, followed by clothing at 1.5%.
- Exports from China grew by 2.4% y/y in September in US dollar terms, while imports rose by 0.3%. Both figures were well below analysts' expectations, according to a Reuters poll. Exports have been a major driver of growth in China’s economy, which in recent years has been weighed down by lacklustre consumer spending and a real estate slump.

International markets

MSCI World ($)	-1.98%
Global Bonds ($)	-3.35%
Global Property ($)	-5.02%
MSCI EM ($)	-4.32%
FTSE (£)	-1.64%
S&P 500 ($)	-0.92%

Local markets

FTSE/JSE All Share	-0.92%
Industrials	-5.90%
Resources	2.98%
Property	-2.84%
Financials	-0.38%
Cash	0.68%

Bond market

All Bond	-2.20%
Bonds 1-3 years	-0.06%
Bonds 3-7 years	-1.21%
Bonds 7-12 years	-2.13%
Bonds 12+ years	-3.42%

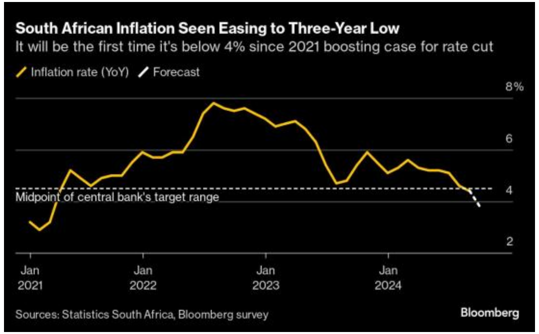
Currency

Rand vs USD	-2.53%
Rand vs EURO	0.20%
Rand vs GBP	1.69%
Rand vs JPY	0.43%
Rand vs AUD	0.003%

Source: Sanlam Investments Multi-Manager, Retail Brief, Trading Economics, CNBC – September 2024

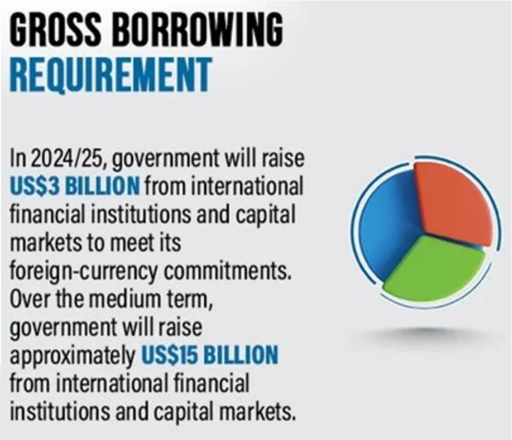
SA’s inflation dips below 4%

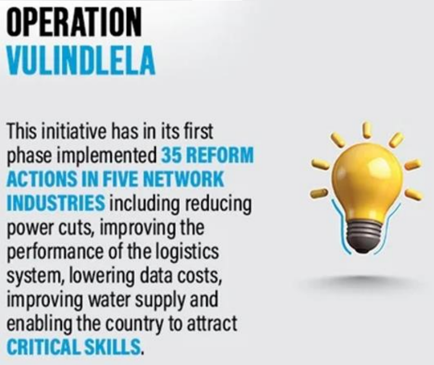
- South Africa's annual inflation rate declined below 4% for the first time in over three years, strengthening the argument for further monetary easing by policymakers.
- Consumer prices rose 3.8% in September, compared with 4.4% in the prior month.
- The decline in inflation to the lower end of the South African Reserve Bank (SARB)'s 3% to 6% target range, coupled with expectations of a further slowdown, is likely to prompt policymakers to implement a second consecutive rate cut on 21 November 2024. The downward pressure on inflation is driven by favourable agricultural harvests and subdued fuel prices.

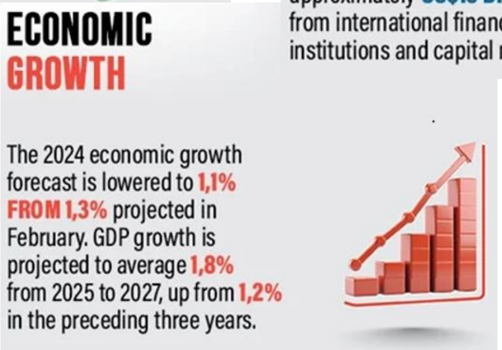


Source: Moneyweb, Cagle – October 2024

Highlights of the Medium-Term Budget Policy Statement

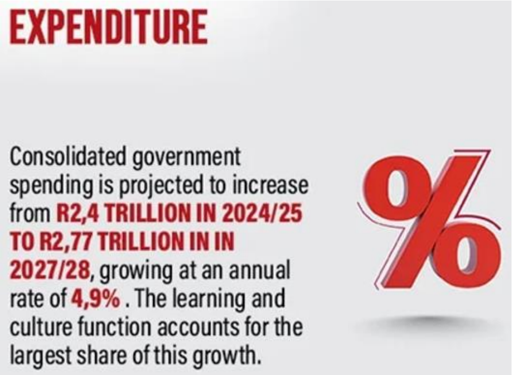


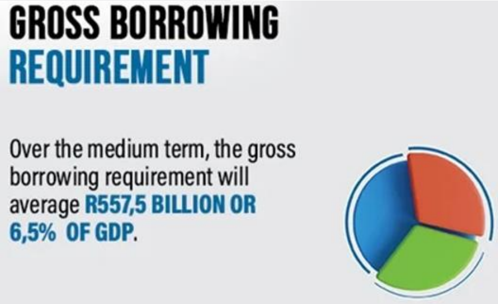




Source: News 24 – October 2024

Highlights of the Medium-Term Budget Policy Statement (continued)

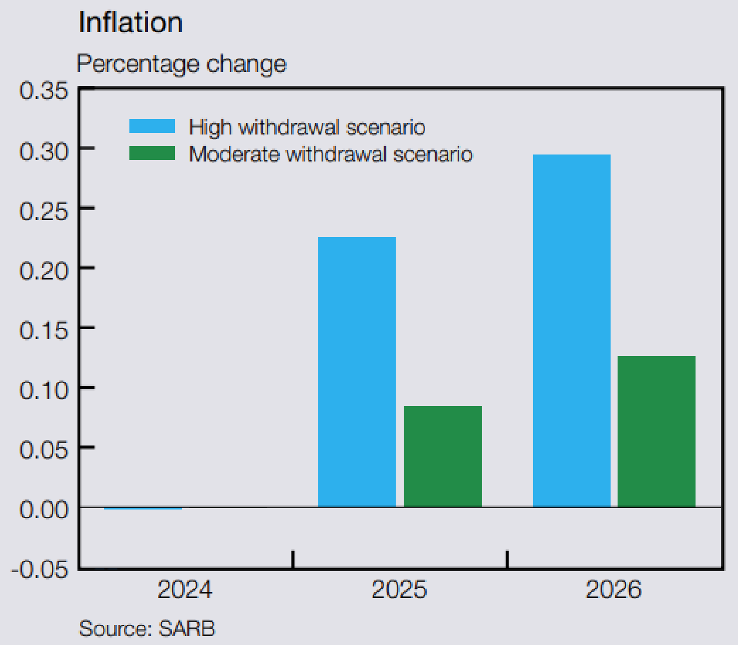




Source: News 24 – October 2024

SA's excessive two-pot withdrawals could prompt an interest rate hike

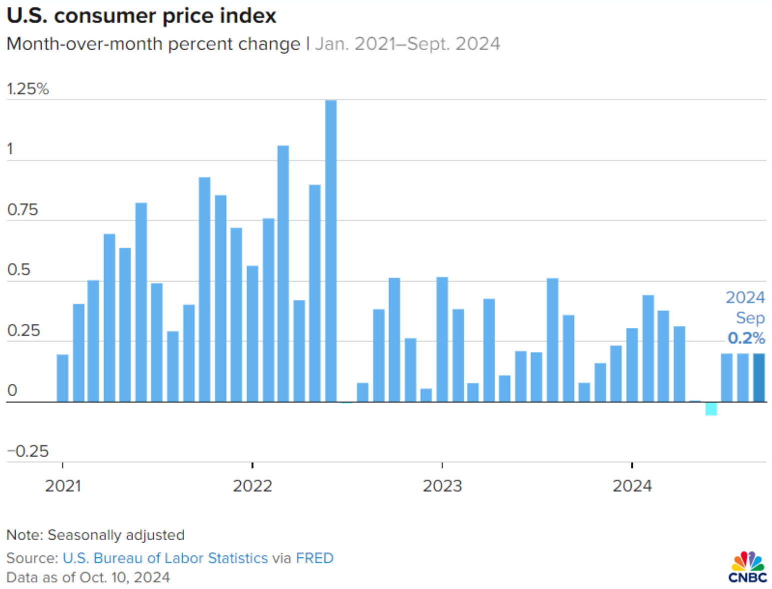
- If withdrawals under the new two-pot retirement system exceed expectations, the SARB may need to raise interest rates or pause its current rate-cutting cycle.
- Elevated withdrawals could lead to increased household spending, potentially driving up inflation and necessitating a policy response from the central bank.
- In the short term, the SARB expects withdrawals from the two-pot system to boost disposable income and consumption. This should result in higher economic growth as household spending makes up a large proportion of South Africa's GDP.
- "While the two-pot retirement reform provides some short-term relief to consumers, there are potential downsides," the SARB warned.



Source: Daily Investor, SARB – October 2024

Slight uptick in US inflation

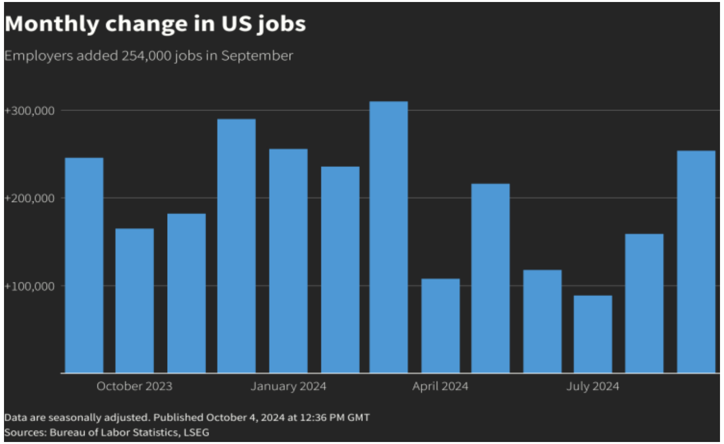
- The consumer price index (CPI), a comprehensive measure of the cost of goods and services across the economy, increased by a seasonally-adjusted 0.2% in September, bringing the annual inflation rate to 2.4%.
- The annual inflation rate was 0.1% lower than in August and is the lowest since February 2021.
- Excluding food and energy, core prices increased 0.3% in September, putting the annual rate at 3.3%.
- Most of the increase — more than three-quarters of the move higher — came from a 0.4% jump in food prices and a 0.2% gain in shelter costs, according to the Bureau of Labour Statistics. That offset a 1.9% fall in energy prices.

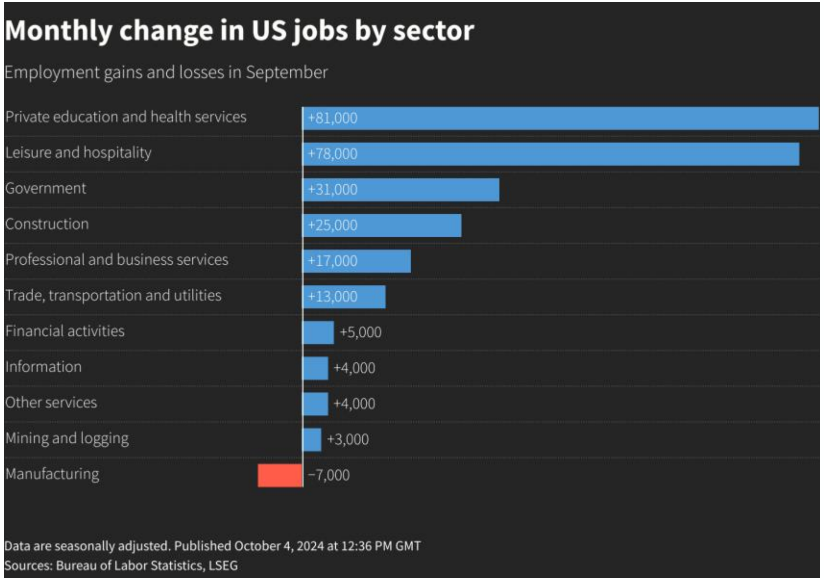


Source: CNBC, Financial Times - October 2024

US job gains increase in September

- US job gains increased by the most in six months in September and the unemployment rate fell to 4.1% from 4.2%, pointing to a resilient economy.
- Non-farm payrolls increased by 254 000 in September, surpassing expectations.
- Job gains were seen in food services, health care, government,social assistance, and construction.

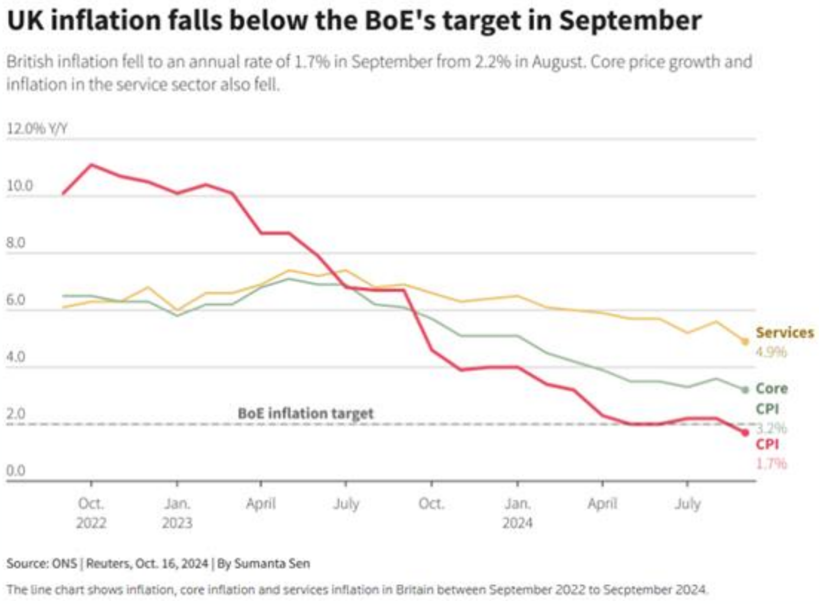




Source: Reuters - October 2024

UK inflation falls sharply in September

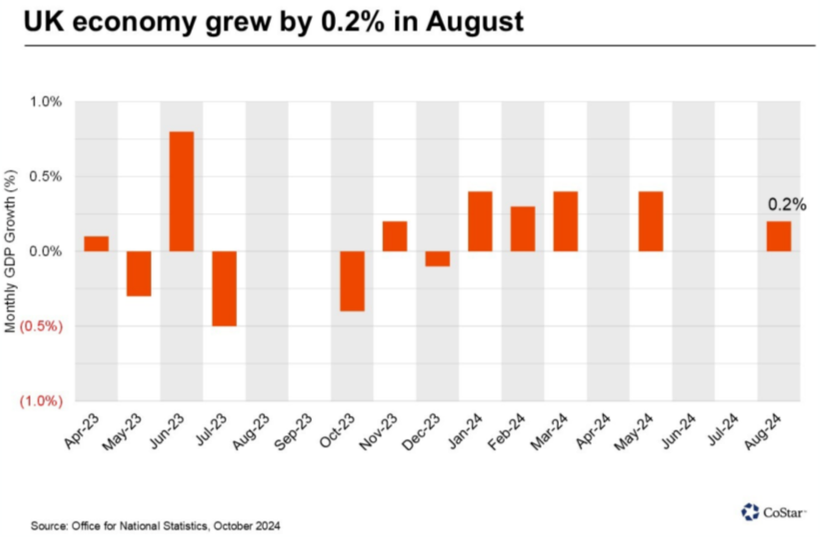
- The Office for National Statistics (ONS) reported a significant decline in UK inflation to 1.7% in September, fuelling market expectations for a potential rate cut by the Bank of England (BOE) in November.
- The figure was lower than the 1.9% anticipated by economists surveyed by Reuters and marked the first drop below the BOE's 2% target since April 2021.
- Inflation remained relatively stable around this level over the past four months, with a reading of 2.2% in August.
- Core inflation, which excludes energy, food, alcohol and tobacco, was 3.2% for the month, down from 3.6% in August and below the 3.4% forecast in a Reuters poll.
- Price rises in the services sector, the dominant portion of the UK economy, eased significantly to 4.9% last month from 5.6% in August, and are now at the lowest rate since May 2022.



Source: Reuters, CNBC – October 2024

UK economy grows in August, following two months of stagnation

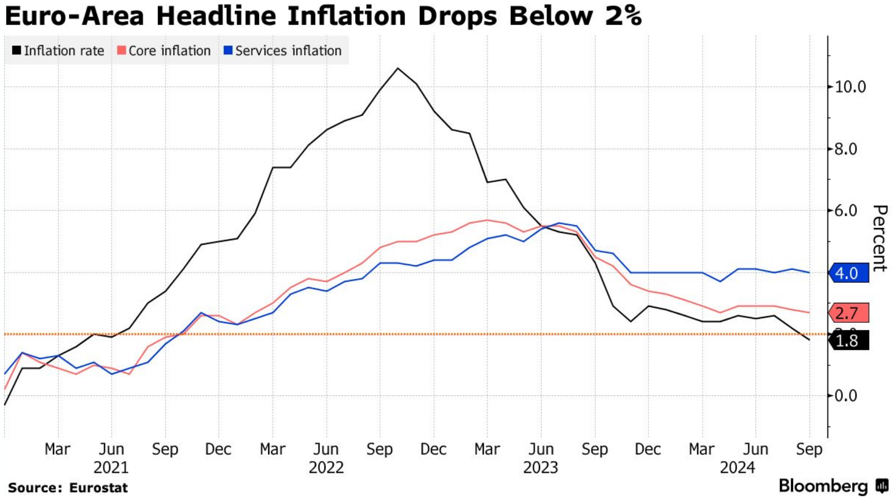
- The UK economy expanded in August after two consecutive months of stagnation, offering some relief to Finance Minister Rachel Reeves as the new Labour Government prepared to present its first budget in October.
- Economic output rose by 0.2% m/m in August, according to figures from the ONS. It was in line with expectations in a Reuters poll of economists.
- All major sectors showed growth in August, the statistics office said, but weaker-than-expected growth in the dominant services sector was offset by a strong rebound in manufacturing and construction.
- Over the three months to August, the UK's economic growth rate expanded 0.2%, compared with the 0.5% recorded in the three months to July.



Source: Reuters, CNBC, CoStar – October 2024

Eurozone inflation dips below 2%

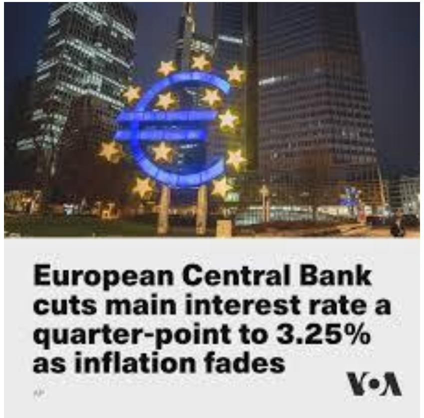
- Eurozone inflation dipped below 2% for the first time since mid-2021 in September. This reinforces an already solid case for a European Central Bank (ECB) rate cut this month as a three-year battle to tame runaway price growth nears its end.
- Inflation in the 20 countries using the euro eased to 1.8% in September from 2.2% in August, according to Eurostat data.
- Core inflation, the more closely watched figure on underlying price trends, dipped to 2.7% from 2.8% on slower services price growth. It was below expectations for 2.8%.

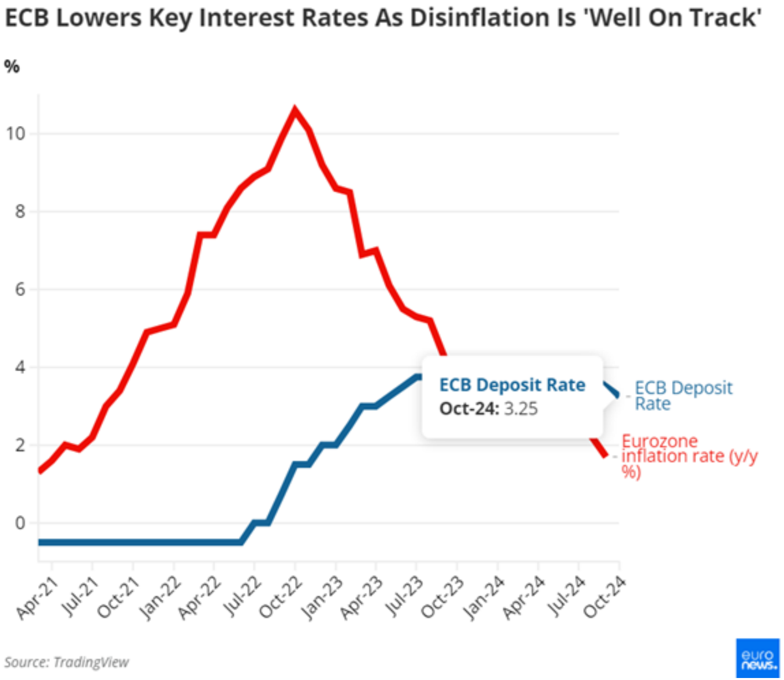


Source: The New York Times, Reuters, Hedgeye, Bloomberg - October 2024

ECB cuts interest rates

- The ECB implemented its third interest rate cut of the year in October, signalling that inflation across the Eurozone is increasingly under control. However, the economic outlook for the region continues to weaken.
- This marks the first consecutive rate reduction in 13 years, reflecting a strategic shift by the ECB from prioritising inflation control to supporting economic growth, which has underperformed compared to the US for the past two years.





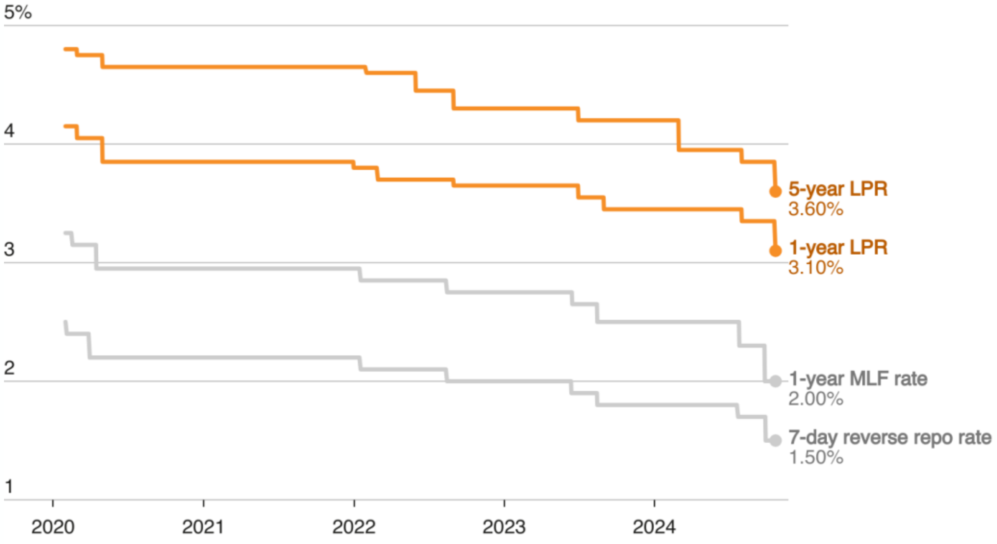
Source: Reuters, Euro News, Voice of America - October 2024

China cuts benchmark lending rates

- The People's Bank of China (PBoC) lowered its main benchmark lending rates by 25 bps in October. The lending rates were last cut in July.
- The one-year loan prime rate (LPR) has been cut to 3.1% from 3.35%. This rate influences corporate loans and most household loans in China.
- The five-year LPR has been trimmed to 3.6% from 3.85%. This rate serves as a benchmark for mortgage rates.
- On 24 September 2024, the PBoC announced a 50-bps reduction in the reserve requirement ratio for banks, along with a 20-bps cut to the benchmark seven-day reverse repo rate. These measures represent the most aggressive stimulus efforts since the pandemic. They are aimed at supporting the struggling property sector and stimulating consumer spending.

China c.bank cuts benchmark loan prime rates

China's central bank lowered the 1-year and 5-year loan prime rates by 25 basis points.

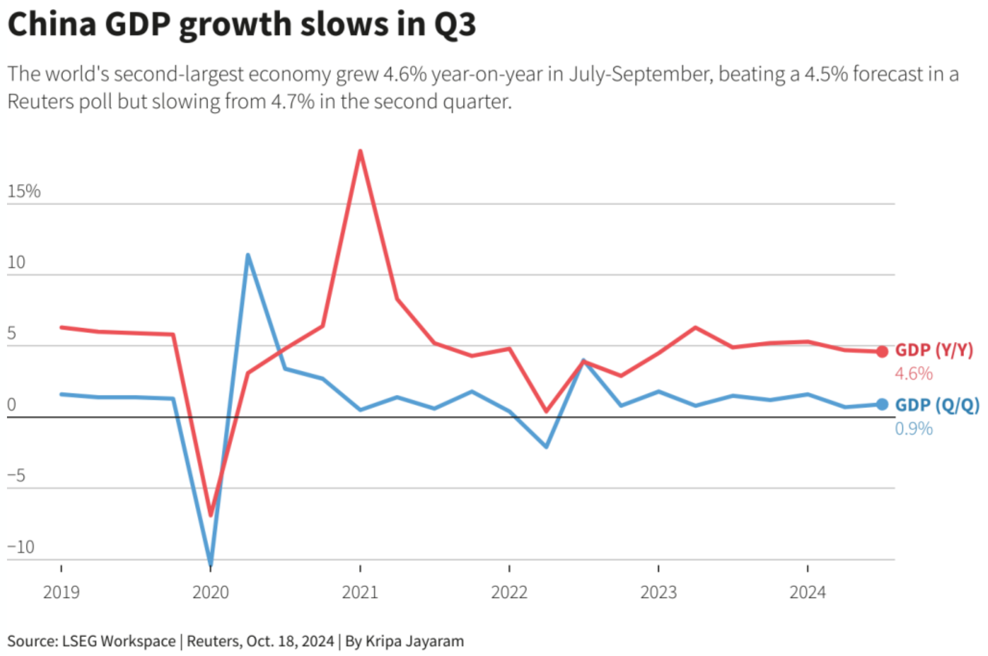


Source: LSEG Workspace I Reuters, Oct. 21, 2024 I By Kripa Jayaram

Source: CNBC, Reuters - October 2024

China’s Q3 GDP weakest since 2023

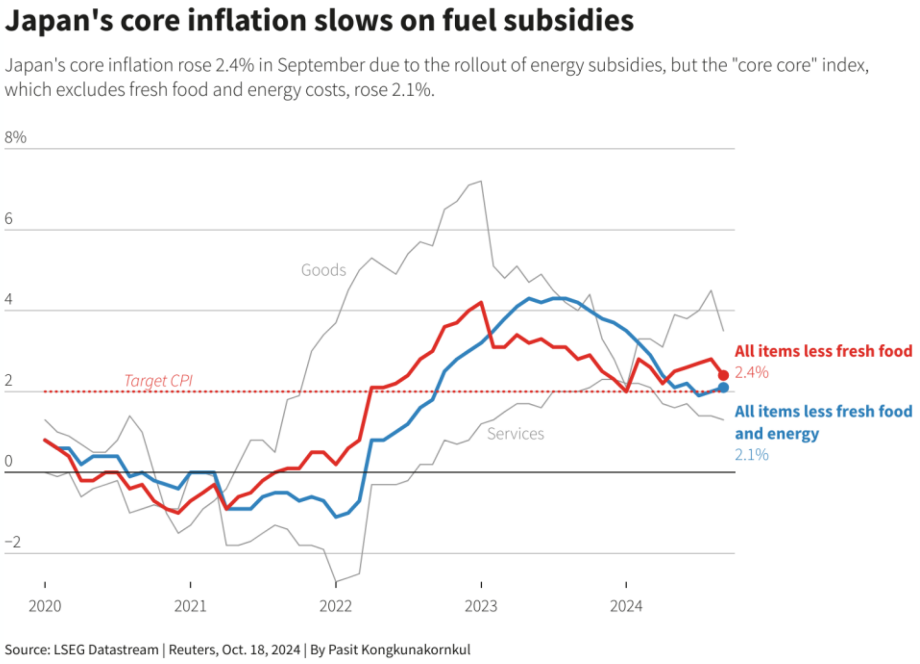
- China's economy recorded its slowest growth since early 2023 in the third quarter, despite stronger-than-expected figures for consumption and industrial output last month. The downturn in the property sector continues to pose a significant challenge for Beijing as it seeks to reinvigorate economic growth.
- Since late September, authorities have intensified policy stimulus, but markets are now looking for further details on the scale of these measures and a clearer strategy to ensure sustainable, long-term economic recovery.
- The world's second-largest economy grew 4.6% in Q3, official data showed, a touch above a 4.5% forecast in a Reuters poll but below the 4.7% pace in the second quarter.



Source: Reuters - October 2024

Japan’s core inflation eases

- Japan's core CPI, which includes oil products but excludes fresh food prices, rose 2.4% in September from a year earlier.
- The slowdown from a 2.8% rise in August was largely due to the government's roll-out of temporary subsidies to curb utility bills, which will weigh on inflation in coming months.
- An index stripping away the effects of fresh food and fuel, which is closely watched by the Bank of Japan (BoJ) as a better indicator of demand-driven price moves, rose 2.1% y/y in September after a 2% gain in August.
- Japan's core CPI has exceeded the BoJ's 2% target for well over two years, prodding the BoJ to end negative rates in March and raise short-term rates to 0.25% in July.



Source: Reuters, Tulsa World - October 2024

Of interest: ASISA announces new standard

- The Association for Savings and Investment South Africa (ASISA) has updated its fund classification standard for collective investment scheme (CIS) portfolios effective 1 October 2024 to improve comparability of performance and risk among South Africa's 1 852 local CIS portfolios.
- The revision was prompted by the SARB's 2022 increase in offshore investment limits for South African CIS portfolios from 40% to 45%.

Classification tiers:

Tier 1: Portfolios are categorised by geographical exposure, with South African portfolios now defined as having at least 55% of assets in SA, and the offshore/Africa split removed, allowing 45% to be invested globally.

Tier 2: Unchanged, with four main asset classes: equity, multi-asset, interest-bearing, and real estate.

Tier 3: Reflects specific portfolio focus within asset classes (e.g. equity – general, interest-bearing – variable term).

New categories and changes:

Equity Portfolios: A new "SA equity – SA general" category has been introduced for portfolios investing solely in local shares.

Equity – Africa Category: Added under the global portfolio classification.

Multi-Asset Portfolios: The "multi-asset – SA high equity" category was added for portfolios fully invested in South African markets.

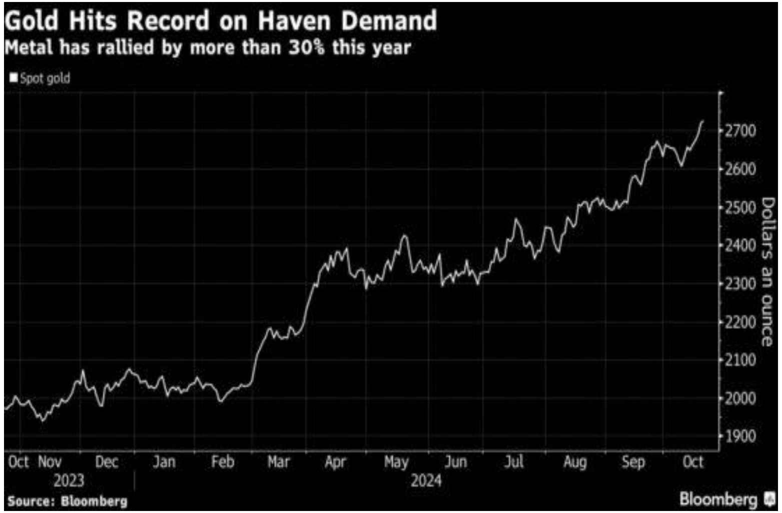
Interest-Bearing Portfolios: Renamed "interest-bearing – SA money market" and two new classifications were added:

- **Variable-term inflation-linked bonds** for portfolios investing primarily in inflation-linked bonds.
- **Unclassified (global portfolios)** for portfolios with a diverse range of interest-bearing securities that lack direct comparability.

Source: Citywire, FA News, Moneyweb, ASISA – October 2024

Of interest: Gold reaches a record high

- On January 1, gold was trading at US$2 063.73/ounce. Fast forward to 25 October 2024, and the price of gold was US$2 734.46/ounce. This represents an increase of US$670.73/ounce, amounting to a growth rate of approximately 33% in a little over 10 months.
- The recent rally becomes even more noteworthy when compared to gold's prior record highs. In August, the price reached US$2 525/ounce — a milestone that marked a new peak at the time. However, gold's price was far from plateauing at that point. The price of gold continued to surge, eventually surpassing that mark by over US$200/ounce.
- This upward movement has established the past year as a standout year for gold.



Source: Moneyweb, Reuters, CartoonStock, CBS News, Bloomberg – October 2024

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