Monthly Catchup

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While the excitement of the victory of the Springboks over the All Blacks, by one point in securing the Rugby World Cup 2023 is still in our minds, October 2023 did not produce the same vibe on the investment side. Sentiment over the risk of higher oil prices, inflation and the war in Israel added worldwide sell-off on markets. Luckily November has been a fresh breeze with markets that picked up from where we were left dismally at end October.

- Inflation is anticipated to start easing toward the midpoint of the South African Reserve Bank's 3% to 6% target range, which is where it prefers to anchor expectations. Against that outlook, economists are in consensus that the MPC will close off the year, leaving the benchmark rate unchanged for a third straight meeting while delivering a hawkish message. Most only anticipate rate cuts from the second quarter of next year. Supporting its decision to hold are fresh developments, including oil prices erasing their sharp rise from late August and the Federal Reserve appearing to be done with rate hikes.

- FNB Wealth and Investments' Wayne McCurrie said Transnet is a bigger catastrophe than Eskom and is causing severe economic damage. Speaking to Business Day TV, McCurrie said most South Africans do not realise the extent of the disaster because it does not touch them personally, like Eskom's load-shedding. "The average South African don't realise what a complete and utter catastrophe Transnet is. It is way worse than Eskom," he said.McCurrie's comments align with Krutham managing director Peter Attard Montalto, who also said the crisis at Transnet is more complex than that at Eskom. Attard Montalto explained that Transnet has quasi-regulatory functions on top of its deteriorating rail and port infrastructure. Transnet's finances are in such a mess that it asked the National Treasury to take on R61 billion of its debt. Attard Montalto said it is not a surprise, as Transnet had already been breaching loan covenants with banks at the beginning of the year. He said that the Treasury has little choice but to come through in some form and provide support for Transnet. "If you did not do these bailouts, they would come back to bite you ten times worse later regarding defaults and investors pulling out of the country." The problems at Transnet have severe economic consequences for the South African economy as it impacts many of the largest sectors. Stanlib chief economist Kevin Lings said it placed 68% of the country's GDP at risk as companies increasingly cannot import and export goods. South Africa's imports and exports combined comprise 68% of the country's GDP, effectively meaning that R3.1 trillion of R4.6 trillion of GDP depends on Transnet.

- Electricity Minister Kgosientsho Ramokgopa said Eskom employees must be paid bonuses to improve staff morale and performance as the utility struggles with "people problems". The Minister revealed this in his appearance before Parliament's Portfolio Committee on Public Enterprises. Eskom has not paid out performance bonuses since 2017, and it is not clear where the money to pay bonuses will come from. Ramokgopa said he had asked Eskom's management and board to re-introduce performance incentives for employees at power stations based on the station's performance. To pay for these bonuses, Ramokgopa suggested Eskom use the money saved from a reduction in the use of diesel as the performance of coal power stations has improved. However, Eskom has already spent R20 billion of its budget for diesel expenditure in the current financial year, which ends on 31 March 2024. Bloomberg recently reported that South Africa has been using ships to store diesel to ensure supply to run generators and reduce electricity outages. Diesel-fired turbines typically intended for peak use have been increasingly run to meet demand, while Eskom's poorly maintained coal plants remain susceptible to frequent breakdowns. Since South Africa doesn't have enough storage capacity onshore, this prompted the use of vessels off the southern coast near Mossel Bay to store the fuel.

- South Africa's foreign policy decisions in 2023 have been problematic for foreign investors looking to invest in the country, preventing investment in economic development. This is feedback from Old Mutual CEO Iain Williamson, who spoke to CNBC Africa following the South Africa Tomorrow Conference in New York this week. At the 10th edition of the conference, there was a record turnout of prospective investors from the United States. South Africa was represented by CEOs from some of the country's largest companies, as well as Finance Minister Enoch Godongwana, Reserve Bank Governor Lesetja Kganyago, and Public Enterprises Minister Pravin Gordhan. Williamson said it is refreshing to hear perspectives on South Africa from outside the country that were more positive than expected. Emerging markets, in general, are in very difficult positions, with Russia and Turkey being largely uninvest able and China's growth declining. "So, from an investor's perspective in emerging markets, South Africa is not unattractive. It was a refreshing perspective for us," Williamson said. However, South Africa still has major challenges in relation to the supply of electricity, deteriorating logistics, and economic uncertainty that worry foreign investors. Williamson brought specific attention to South Africa's foreign policy as being a hurdle for preventing potential investment.
At the South Africa Tomorrow Conference, the country's geopolitical stance was "definitely a topic of conversation" between US investors and local companies. The country has repeatedly clashed with the world's largest economy over the Russia-Ukraine war and other geopolitical issues, with the former head of the World Bank warning that South Africa was playing a dangerous game.

(Photo: Sky News)

·Source: Daily Investor. www.dailyinvestor.com

MARKETS

20 Nov 2023	Close price at 17 Nov 2023	Weekly % change	Month to date	Year to date	Last 12 months
FTSE/JSE indices					
All-Share Index	73,920.75	3.5%	6.1%	1.2%	2.4%
All-Share Index Total Return	12,993.48	3.5%	6.2%	4.8%	6.2%
Resources Index	33,544.17	7.0%	2.7%	-18.8%	-17.7%
Industrials Index	107,876.05	2.5%	7.8%	11.3%	14.3%
Financials Index	42,628.09	1.9%	7.4%	8.6%	5.9%
Top 40 Index	67,925.67	3.8%	6.3%	1.4%	3.2%
Shareholder Weighted Index	13,849.06	3.0%	6.0%	-0.9%	-0.6%
Capped Shareholder Weighted Index	20,430.90	3.0%	5.8%	-1.3%	-1.1%
SA Listed Property Index	290.64	1.3%	4.9%	-8.6%	-5.8%
SA Volatility Index	18.01	-12.6%	-18.3%	-16.9%	-21.6%
Interest-bearing indices					
FTSE/JSE All Bond Index	920.52	1.9%	4.0%	7.3%	9.2%
STeFI Composite Index	542.92	0.2%	0.4%	7.0%	7.8%
FTSE/JSE Inflation Linked Index	344.14	1.6%	5.5%	5.5%	8.3%
Interest rates					
Prime rate	11.75%				
Repo rate	8.25%				
Commodities (in US dollars)					
Gold price	1,980.52	2.2%	-0.1%	8.6%	12.5%
Platinum price	901.12	6.9%	-3.5%	-15.8%	-8.3%
Oil price	80.50	-1.4%	-5.8%	-6.3%	-10.5%
Global indices (in base currency)					
Dow Jones (US)	34,947.28	1.9%	5.7%	5.4%	4.2%
S&P 500 (US)	4,514.02	2.2%	7.6%	17.6%	14.4%
Nasdaq (US)	14,125.48	2.4%	9.9%	35.0%	26.7%
FTSE 100 (UK)	7,505.03	2.4%	2.3%	0.7%	2.2%
Hang Seng (Hong Kong)	17,455.27	1.6%	2.0%	-11.8%	-3.4%
Shanghai	3,054.37	0.5%	1.2%	-1.1%	-2.0%
Nikkei (Japan)	33,585.20	3.1%	8.8%	28.7%	20.2%
Cac 40 (France)	7,234.09	2.9%	4.9%	9.9%	10.4%
Dax (Germany)	15,923.32	4.7%	7.5%	13.4%	12.0%
MSCI Emerging	976.52	3.0%	6.7%	2.1%	3.6%
MSCI Developed	2,985.19	2.9%	7.8%	14.5%	13.0%
US Volatility Index	13.80	-2.6%	-23.9%	-36.3%	-42.3%
Exchange rates					
Rand/US dollar	18.34	-2.1%	-1.7%	8.0%	5.6%
Rand/euro	20.00	-0.1%	1.4%	10.4%	11.0%
Rand/pound	22.84	-0.3%	0.8%	11.7%	10.8%
Dollar/euro	1.09	2.1%	3.2%	2.3%	5.2%
Inflation indicator					
CPI					5.4%