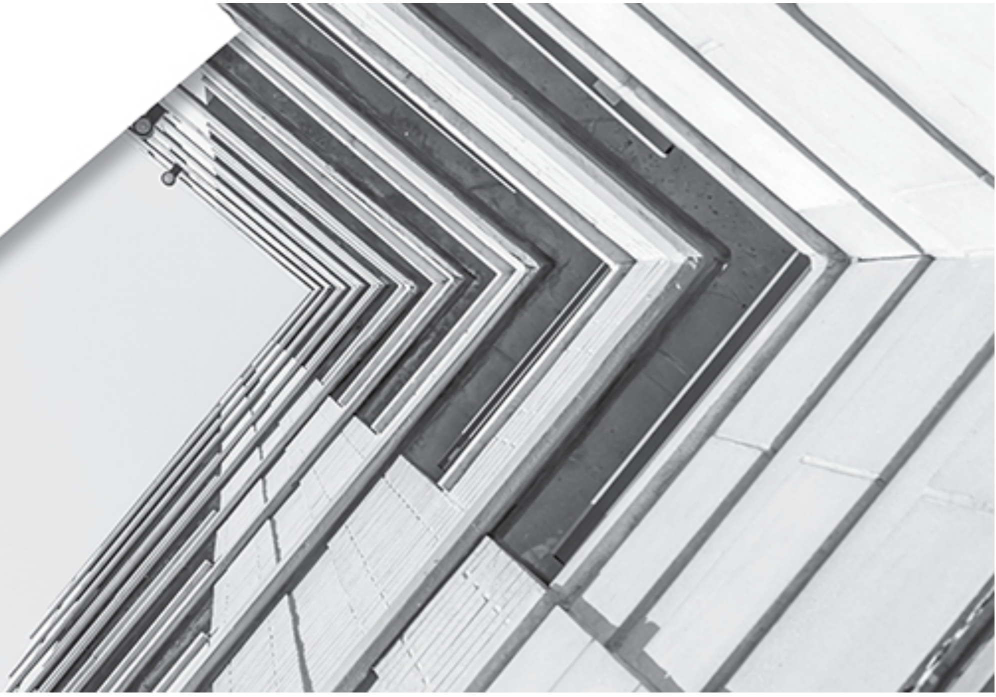
momentum
investments



IN THE
moment

Monthly market commentary | December 2020

Global markets continued to advance in December after an exceptionally strong November. The start of vaccination programs in many countries contributed to positive sentiment, as did the eventual approval of a USD900 billion stimulus package in the US which includes a USD600 cheque for qualifying Americans. This was supported by the finalisation of a post-Brexit agreement between the UK and EU. On the economic front, incoming data remained largely positive despite several countries imposing new lock down restrictions as a result of the faster transmission of the new virus variant.[1,2]

The MSCI World USD Index returned 4.1% in the month resulting in a 14.1% total return for the calendar year. The index is up roughly 70% since its March low. Returns across the major developed market countries for the month were broad-based. The S&P 500, German DAX, FTSE 100 and Nikkei all delivered returns of between 3% and 4% in USD. France underperformed with a USD return of just 0.6%. US large-cap technology stocks continued their run in December and were the best performing stocks over the year with the NYSE FANG+ Index delivering an incredible 103% return.

Emerging market stocks outperformed their developed market counterparts over both the month and year with USD returns of 7.4% and 18.3% respectively. Brazil, Russia and India saw their country indices rise 9.3%, 10.2% and 7.8% respectively over the month in USD. Emerging market currencies also rallied strongly, in part due to US dollar weakness. The rand was among the best performers with the local unit strengthening 5.3% to end the month at R14.69 against the USD. The rand is now just 5% weaker against the USD over the calendar year.[1,2]

The local equity market participated in the global rally with the All Share Index (ALSI) returning 4.2% in the month and the Capped SWIX Index up 5.5%. This resulted in the ALSI delivering 7% for the year and the Capped SWIX Index rising a marginal 0.7%. Foreigners turned net buyers of SA equites in the month with cumulative net inflows of R15.3 billion following the R16.1 billion net outflow in November, bringing the cumulative net outflow for the year to R112.5 billion. Most sectors contributed positively in the month except for the technology, telecommunications and travel and leisure sectors. Basic materials (9.4%) was the best performer in the month, driven by platinum stocks which rose 20.8% on the back of a sharp rise in the prices of platinum group metals. Domestically sensitive 'SA Inc' shares also generally performed well despite the president announcing adjusted Level 3 lock down restrictions and Eskom implementing further load-shedding. These shares, however, continue to significantly lag the broader market over the year with most counters positing double-digit negative returns. Resources (RESI 10: 21.1%) was the best performing super-sector for the year, followed by Industrials (INDI 25: 14.2%) and then Financials (FINI 15: -16.7%). Local property had another good month with the SA Listed Property Index (SAPY) up 13.7% after rising 17.5% in

November. The SAPY is, however, still down 34% over the year after falling close to 40% in the March sell-off. [1,2]

December saw a rise in US bond yields on the back of the announcement of additional fiscal spending. The 10-year bond yield rose 8 basis points (bps) to end the month at 0.92%. European yields remained fairly flat with the German and French 10-year yields remaining in negative territory at rates of -0.57% and -0.34% respectively. The UK 10-year yield fell 9 bps due to the post-Brexit agreement and ended the month at 0.21%. In the South African bond market, foreigners continued to be net buyers of local bonds. There was a net inflow of R19.8 billion in December following the R12.1 billion net inflow in November. Over the year however, foreigners remained net sellers with cumulative net outflows of close to R40 billion. The All Bond Index recorded a strong return of 2.4% in the month on the back of the positive global sentiment and risk-on environment. The yield curve continued to flatten with yields on the short-end rising 9.5 bps and yields on the long-end falling 29 bps. Longer-dated bonds (12+ years) returned 2.8% while shorter-dated bonds (1 to 3 years) returned 0.2%. The ALBI returned an impressive 8.7% for the year with the longer-end (4.6%) still meaningfully lagging the 3 to 7-year sector, which was the best performer with a return of 16.3%. The ALBI ended the year on a yield of 8.7% - a significant recovery from the 12.4% yield seen in March, aided in part by the South African Reserve Bank (Sarb) cutting interest rates by 3% during the year.[2]

The Consult Select multi-asset class portfolios participated meaningfully in the global risk-on rally and experienced another strong month of absolute returns. The portfolios also continued to meaningfully recover underperformance relative to peer funds mostly because of their relatively higher allocation to SA listed property which was one of the best performing asset classes in the month. Consult Select 3 (2.2%) delivered the lowest return while Consult Select 7 (3.6%) was the best performer, reflecting the progressively higher allocation to growth asset classes. Consult Select Income delivered another strong monthly return of 0.8%.[3]

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Source:
[1] Anchor Capital December Market commentary
[2] Asset class returns – December 2020, RMB Markets Research
[3] Momentum Wealth