

moment of portfolio facts & figures

Monthly market commentary | December 2021

Global equity markets finished the year strongly, bouncing back from a weak November as it became apparent that the latest COVID-19 variant was significantly less severe than previous strains. Developed markets (DMs) rallied 4.3% month-on-month (MoM) to end the year 22% higher.¹ Global value stocks (as classified by MSCI) ended the year strongly (+7% MoM), doing just enough for the MSCI Global Value Index to outperform the MSCI Global Growth Index in 2021 for only the third time in the past fifteen calendar years.¹

Emerging market (EM) equities also eked out gains in December (MSCI EM +1.8% MoM) although this was not enough to push them into positive territory for 2021 (MSCI EM -2.5% YoY).¹ China and Russia were again the largest drag on performance, the latter still being caught up in geopolitical tensions related to the build-up of troops on its border with Ukraine. Chinese companies, particularly those with primary listings outside mainland China, were comfortably the worst performers for 2021.

US 10-year government bond yields drifted marginally higher in December, ending the year at 1.5%, up from 0.9% at the beginning of 2021, as December's US Federal Reserve (Fed) meeting brought the announcement that the Fed would accelerate the pace of quantitative easing (QE) tapering with the aim of winding down balance sheet expansion by the end of 1Q22 and buying itself the option to start hiking rates in 2Q22 as US inflation reached a 40-year high (6.8% YoY).¹ Across the Atlantic, the European Central Bank (ECB) announced that it would start winding down its QE purchases in 1Q22.

As anxiety around the latest COVID-19 variant receded, along with reduced fears of higher movement - and travel restrictions, oil bounced back from its November collapse, with Brent crude oil rallying 10% MoM to end the year slightly below the \$80/bbl level – 50% higher for 2021.¹

The JSE ended the year strongly as concerns around the Omicron COVID-19 variant receded and global risk assets rallied into year-end. The FTSE/JSE Capped SWIX bounced by 4.9% for December, ending the year 27% higher – the strongest year for the local bourse since 2012.¹ There were gains across the board in December and it was mainly the gold miners (the star performers in November) that were a drag – down 6% MoM.¹ For the year, there were contributions across the board, with the only major laggards being Naspers and Prosus, which were down 18% YoY,

dragged lower by the poor performance of their largest underlying investment, Chinese tech conglomerate Tencent (-12% YoY measured in rand terms) as regulatory reform in China weighed on sentiment.¹

South African (SA) 10-year government bond yields recovered in December, rallying back below 10% to end the year at 9.8% – only fractionally higher than where they started 2021 (9.7%).² Inflation came in at 5.5% for November, in line with expectations and still comfortably within the SA Reserve Bank's (SARB's) 3%-6% target range.² Local property also had a very strong December, continuing the strong recovery that started in November 2020, with the SAPI and ALPI returning 7.9% and 7.6% respectively.²

Compiled by

Momentum Investment Consulting

¹ Anchor Capital December 2021 commentary

² Morningstar, Momentum Investments

Disclaimer: Reasonable steps have been taken to ensure the validity and accuracy of the information in this document. However, Momentum Investment Consulting does not accept any responsibility for any claim, damages, loss or expense, howsoever arising out of or in connection with the information in this document, whether by a client, investor or intermediary. The content used in this document is sourced from various media publications, the Internet and Momentum Investments. For further information, please visit us at momentum.co.za/MIC.

Momentum Investment Consulting (Pty) Ltd is an authorised financial services provider (FSP32726) and part of Momentum Metropolitan Holdings Limited and rated B-BBEE level 1. MIC-55-AZ-44219-C.