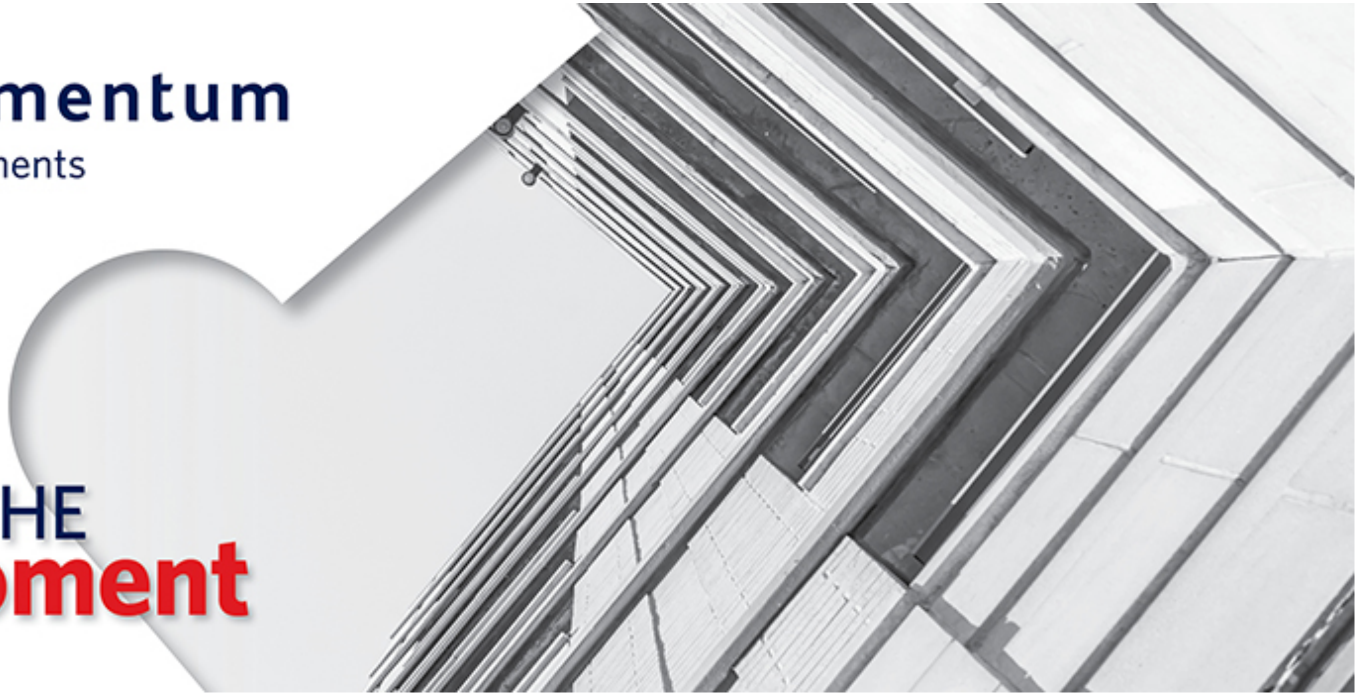
momentum
investments



IN THE moment

Monthly market commentary | January 2021

Global equity markets delivered mixed performance in January. Although global economic data continued to show a broad recovery in growth, it was also the deadliest month of the pandemic with more than 400 000 Covid-19 deaths being registered alongside the spread of more transmissible variants of the virus. Lock downs of various degrees of severity continued for many countries, and investors remained concerned about the speed and efficacy of the international vaccination rollout.[1]

The MSCI World Index (developed markets only) ended the month 1% lower in USD terms. Most of the major countries delivered negative returns. The S&P 500 declined 1.1% despite the Democrats winning the Senate elections (which raises the likelihood of further fiscal stimulus to support the economy). Germany, France, and the UK delivered returns of -2.1%, -2.7% and -0.8% respectively, all in USD terms.

Asian countries fared better with Japan and China returning 0.8% and 2.7% respectively in USD. India, Brazil and Russia, however, posted negative returns. The MSCI EM Index was still up 3.1% in USD terms, bringing its 1-year return to 25.2%, comfortably ahead of the MSCI World Index which returned 13.6% over the same period. Most of the major EM currencies weakened against the USD, with the rand closing the month 3.4% weaker at 15.16.[1,2]

The local equity market advanced in line with the headline EM index, despite the country enduring a full month of level 3 lock down restrictions as coronavirus infections and deaths continued to escalate.

The FTSE/JSE Capped SWIX Index returned 3.1%, resulting in a third consecutive month of gains for the first time in 2-years. Foreigners were also net buyers of SA equities for a second consecutive month, although the magnitude of net purchases were much less at R6bn. Returns were largely driven by Naspers (15%), Prosus (9%) and basic materials (5%). Financials (-2.6%) was the largest detractor resulting in a decline of 17% over the last 12-months and thus remaining significantly behind Resources and Industrials which were up 32% and 21% respectively over the same period. Local property gave up some of its gains from the final quarter of last year with the SAPY down 3.2% in the month.[2]

Global bond yields generally drifted marginally higher in the month on the back of higher inflation expectations. The US 10-year bond yield rose 15bps to end the month at 1.07%. Locally, yields on the short end of the curve rose 12.5bps while long bond yields fell slightly, resulting in another month of curve flattening.

The All Bond Index (ALBI) was up 0.7% in the month, with 12+ year bonds returning 0.9% and 1 to 3-year bonds up just 0.2%. Foreigners were once again net buyers of local bonds with an inflow of R8.6bn after the R19.8bn inflow in December.[2]

The Consult Select portfolios delivered positive returns across the board as follows: Consult Select Income (0.4%), Consult Select 3 (1.0%), Consult Select 5 (1.5%), Consult Select 7 (1.7%) and Consult Select 7-Plus (1.7%). The sequence reflects the progressively higher allocation to local and global equities which performed well in ZAR, as you move up the risk spectrum.[3]

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Source:

[1] Anchor Capital January 2021 Market commentary
[2] Asset class returns – January 2020, RMB Markets Research
[3] Momentum Wealth