



FG ASSET MANAGEMENT

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November was a risk on month for global assets, specifically within US markets, as the re-election of President Trump and his expected policies drove US equity valuations even higher and the US dollar stronger. The US election was held at the start of the month, where the Republican party won the majority votes for the presidency, the House, and the Senate. Also known as a “Red Sweep” which allows the incoming president Trump more power to get his policies approved. His policies include, lower corporate taxes, lower regulation, higher import tariffs and a stricter stance on immigration. Lower corporate taxes and regulation drove the positive performance in US equities. Higher tariffs and tighter immigration are expected to be inflationary which drove yields even higher from its September lows. The market took comfort in the announcement of Trump’s nomination for the Treasury secretary, Scott Bessent, which brought some relief to bond yields into month end. Bessent, a hedge fund manager by trade, is seen as experienced, well qualified and more pragmatic.

US data showed no material signs of weakness. The unemployment rate remained stable at the low level of 4.1%. Headline annual inflation accelerated from a three year low of 2.4% to 2.6%, in line with expectations. Energy and goods inflation is slightly negative with the majority of the pricing pressure remaining within the services sector. The US Federal Reserve cut the Fed funds interest rates by 0.25% to a new range of 4.5% to 4.75% as widely anticipated. The Fed Chairman, Powell, also commented that he would not step down if requested by the re-elected Trump and that it is “not permitted under the law.” As polls and expectations increasingly pointed towards a Trump victory, we saw inflation expectations grow alongside it which drove expectations for future rate cuts to recede. By the end of the month there were only three more 0.25% rate cuts priced in from the Fed for the next twelve months.

In contrast, local assets came under pressure alongside emerging markets as the stronger US dollar and expectations for export debilitating tariff policies from the incoming Trump administration weighed on sentiment. Locally, however, there were a number of positive developments. Firstly, the S&P ratings agency revised its outlook from stable to positive on South Africa’s sovereign rating. It is currently rated BB for its local currency debt and BB- for its foreign currency debt. The revision was due to the improvement in political stability following the May elections which could help support reform thereby boosting private investment and growth. The BER business confidence index increased to its highest level in three years due to improved business activity and conditions.



Local inflation continued its downward trend with annual headline inflation falling more than expected to 2.8% from 3.8%, the fifth consecutive monthly decline. Falling fuel prices continued to be the key driver behind the decline with petrol and diesel prices now 19.1% lower than a year ago. The South African Reserve Bank (SARB) cut interest rates by 0.25% to 7.75% as expected by the market. Despite current low inflation levels, the Monetary Policy Committee (MPC) did not consider a larger 0.50% cut given the material upside risks that they see for prices over the medium term.

Index	Asset Class	NOVEMBER 2024
STEFI Composite Index	Local Cash	0.65%
FTSE/JSE All Bond (Total Return)	Local Bonds	3.06%
FTSE/JSE SA Listed Property (Total Return)	Local Property	1.65%
FTSE/JSE Africa All Share (Total Return)	Local Equities	-0.94%
Bloomberg Global Aggregate (USD)	Global Bonds	0.34%
FTSE EPRA/NAREIT Global Index (USD)	Global Property	2.82%
MSCI AC World (USD)	Global Equities	3.77%

Source: Morningstar