

# Market and Model Update

Waypoint Asset Management | November 2023

## Introduction

As we stand on the brink of a new chapter, it's both prudent and gratifying to cast a retrospective glance at the financial landscape we've traversed. The past year has been characterised by remarkable resilience and recovery in financial markets, defying the odds posed by global challenges. In this article, we embark on a reflective journey to explore the factors contributing to sustained positive returns, the lessons learned, and the implications for the future of finance. As we celebrate the successes of the recent past, we also acknowledge the evolving dynamics that continue to shape the world of finance and investment.

## Global Markets

<b>Market Indicators</b>	30/11/2022	30/11/2023	% Change
<i>US Inflation</i>	7.1%	3.1% (forecasted)	(4.00%)
<i>US 10 Y Bond Yield</i>	3.701%	4.35%	0.649%
<i>Brent Crude Oil</i>	\$86.99	\$80.86	(-7.05%)
<b>Indices</b>			
<i>S&amp;P500</i>	4080.11	4567.80	11.95%
<i>Eurostoxx 100</i>	1286.93	1364.00	5.99%
<i>FTSE 100</i>	7573.05	7453.75	(1.58%)
<i>Nikkei 225</i>	27 955.46	33 486.89	19.79%
<i>CSI 300</i>	3823.60	3496.20	(8.56%)
<i>JSE All share</i>	74 828.00	75 534.36	0.94%

Over the past year, the economic landscape has witnessed a notable and welcomed trend - a decline in inflationary pressures. This positive development has brought a sense of relief to consumers, businesses, and policymakers alike. The gradual easing of inflation over the one-year period can be attributed to a combination of factors, including prudent monetary policies and the decrease in energy prices, especially natural gas and coal.



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Over the past year, developed market indices have demonstrated a commendable recovery, highlighting resilience in the face of adversity. Major indices in countries such as the United States, Europe, and Asia (Japan) have experienced substantial rebounds, reflecting the global economy's gradual emergence from the uncertainties of the preceding period. Despite the positive trends in most developed stock markets, the UK's FTSE 100 has remained noticeably different.

Unlike its counterparts, the FTSE 100 has faced headwinds that have impeded its recovery trajectory. Factors such as inflationary pressures, political instability and domestic economic challenges have contributed to the English stock market's relative underperformance compared to other developed market indices. Despite this divergence, the contrasting performance of the FTSE 100 serves as a reminder of the intricate and interconnected nature of global financial markets, where each index responds to a unique set of circumstances shaping its respective economic landscape.

China's markets have also been in the limelight as they have experienced a notable and concerning decline, influenced primarily by challenges emanating from the housing markets and subdued economic activity. The real estate sector, a significant driver of China's economic growth, has faced headwinds characterised by increased regulatory scrutiny and measures aimed at cooling property prices.

While designed to promote market stability, these interventions have contributed to a ripple effect, impacting investor confidence and overall market sentiment. Additionally, weaker-than-expected economic forecasts have further dampened optimism, leading to a broad-based decline in stock values. The interplay of these factors underscores the delicate balance China must strike between sustaining economic growth and averting potential financial risks. As policymakers navigate these challenges, investors are keenly monitoring developments in the housing sector and anticipating policy adjustments that could shape the trajectory of China's stock market in the coming months.



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## South Africa

The South African markets found themselves grappling with challenges that resulted in stagnation and uncertainty. Chief among these issues is the persistent problem of load shedding, a recurring power outage phenomenon that significantly thwarts economic activities and productivity. The unreliability of energy supply adversely impacts various sectors, hindering growth prospects and eroding investor confidence.

Additionally, political pressures escalated in anticipation of the national election scheduled for 2024, creating an atmosphere of uncertainty as the electorate weighs potential outcomes and their implications for economic policies. The combination of load shedding and political uncertainties has led to a cautious approach among investors, resulting in subdued market performance and a sense of stagnation in South African markets.

Our monthly market and model updates for 2023 are now closed. Despite the uncertainties and obstacles investors faced, the year was primarily successful in rebounding from the woes of 2022.

As we continually monitor local and offshore markets, we believe our models are optimally positioned for our clients to take advantage of current market conditions, optimising their risk profiles.



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