



# **INTERACTIVE**

QUARTER 3 | 2024 MARKET REVIEW

15 October 2024

# GLOBAL EQUITY RETURNS





Quarter 3 | 2024

Returns quoted in US Dollars



# THE GLOBAL SCENE SUMMARY

Quarter 3 | 2024

REGION/CATEGORY	SUMMARY	CONSENSUS/MOOD
<b>Global Equities</b>	<ul style="list-style-type: none"> <li>- Overcame early turbulence.</li> <li>- Dovish pivot from central banks improved sentiment.</li> </ul>	<b>Cautiously Optimistic</b> 
<b>South Africa</b>	<ul style="list-style-type: none"> <li>- Eased policies and economic reforms drove gains.</li> <li>- Strong rand performance bolstered sentiment.</li> </ul>	<b>Cautiously Optimistic</b> 
<b>America</b>	<ul style="list-style-type: none"> <li>- Strongest YTD performance this century.</li> <li>- S&amp;P 500 led by small-cap rally and rate cuts.</li> </ul>	<b>Cautiously Optimistic</b> 
<b>Europe</b>	<ul style="list-style-type: none"> <li>- Weak economic data, manufacturing challenges.</li> <li>- Political uncertainty weighed on growth.</li> </ul>	<b>Neutral</b> 
<b>United Kingdom</b>	<ul style="list-style-type: none"> <li>- Equities rebounded, but large caps lagged.</li> <li>- BoE cut rates amidst inflation concerns.</li> </ul>	<b>Neutral</b> 
<b>China</b>	<ul style="list-style-type: none"> <li>- Stimulus package revitalised markets.</li> <li>- Property market received major support from the government.</li> </ul>	<b>Cautiously Optimistic</b> 
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>- Outperformed developed markets.</li> <li>- Asia led gains with support from China's stimulus.</li> </ul>	<b>Cautiously Optimistic</b> 

# THE GLOBAL SCENE

Quarter 3 | 2024

## GLOBAL

SOUTH AFRICA

AMERICA

EUROPE  
& UK

CHINA &  
EMERGING  
MARKETS



## ECONOMIC MOOD



## CAUTIOUS OPTIMISM

The global economic outlook remains cautiously positive, with most regions benefiting from dovish central bank policies, improving consumer confidence, and stimulus measures. However, risks remain, particularly around inflation, geopolitical tensions, and the lingering impact of slowdowns in key economies like China. The Q3 performance was driven by strong gains in equities, especially in emerging markets, and attractive fixed income opportunities globally.



# THE GLOBAL SCENE

Quarter 3 | 2024

## SOUTH AFRICA

GLOBAL

AMERICA

EUROPE  
& UKCHINA &  
EMERGING  
MARKETS

### ECONOMIC MOOD



CAUTIOUS OPTIMISM

### GROWTH

South Africa's Q2 GDP growth exceeded expectations at 0.4% q/q, reflecting improved household consumption and higher business confidence following the election. Economic conditions are gradually improving with the new political stability provided by the Government of National Unity.

### INFLATION

Inflation slowed to 4.4% y/y in August, well within the South African Reserve Bank's target band of 3-6%. This trend supports the expectation of rate cuts in the near term.

### INTEREST RATES

This quarter, the South African Reserve Bank (SARB) reduced the repo rate by 25 basis points to 8%, marking the first cut since 2020. Market forecasts suggest further reductions of up to 100 basis points

in the coming year, which could help support domestic equities and stimulate economic growth

### CORPORATE EARNINGS

South African equities have benefited from positive sentiment following the election and favourable global conditions. Key sectors such as financials and consumer goods performed well, while commodities saw mixed results.

### VALUATIONS

Local equities remain attractive, with some sectors close to fair value, offering opportunities for further gains in the coming quarters.

### OUTLOOK

The outlook is positive with expectations of economic reforms and stable electricity supply, which could further bolster investor sentiment.



# THE GLOBAL SCENE

Quarter 3 | 2024



## AMERICA

EUROPE  
& UK

CHINA &  
EMERGING  
MARKETS



### ECONOMIC MOOD



**CAUTIOUS OPTIMISM**

### GROWTH

The U.S. economy continued its resilient performance in Q3, supported by robust consumer spending and the strength of the labor market. There are still expectations of a soft landing, with a 35% chance of recession over the next 12 months.

### INFLATION

Inflation continued to edge lower, allowing the Federal Reserve to maintain a dovish stance. However, inflation remains above the 2% target, keeping the door open for further monitoring of economic conditions.

### INTEREST RATES

The Fed cut interest rates by 50 bps in Q3, contributing to improved sentiment in both equity and fixed income markets. However, future rate decisions will depend on upcoming inflation data.

### CORPORATE EARNINGS

Earnings growth in the U.S. remains solid, driven by the consumer and technology sectors. The AI revolution has started contributing to productivity gains in some industries.

### VALUATIONS

U.S. equity markets, particularly in tech, are facing elevated valuations. However, the broad market continues to offer opportunities, especially in sectors like financials and industrials.

### OUTLOOK

While there's some concern about economic slowdown, the consensus leans towards a soft landing scenario, supported by resilient earnings and dovish monetary policies.



# THE GLOBAL SCENE

Quarter 3 | 2024

GLOBAL

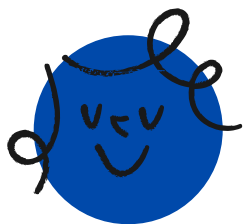
SOUTH AFRICA

AMERICA

**EUROPE  
& UK**

 CHINA &  
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MARKETS


## ECONOMIC MOOD



**NEUTRAL**

## GROWTH

Europe posted moderate growth in Q3, with Germany and France leading the way. The DAX Index delivered strong returns of 10.4% for the quarter, reflecting improving conditions despite geopolitical uncertainties.

## INFLATION

Inflation in Europe remains above the European Central Bank's (ECB) target, but the disinflationary trend continues. The ECB is expected to maintain its current interest rate stance for now.

## INTEREST RATES

The ECB has not made further cuts, but the likelihood of rate reductions in 2024 remains high if inflation continues to cool.

## CORPORATE EARNINGS

European corporate earnings rebounded, particularly in the industrial and consumer sectors, driven by renewed domestic demand.

## VALUATIONS

European equities are considered relatively attractive, especially in sectors such as financials and value stocks.

## OUTLOOK

The outlook for European equities remains cautiously optimistic, with a rebound in corporate activity expected as inflation cools and political risks subside.



# THE GLOBAL SCENE

Quarter 3 | 2024

GLOBAL

SOUTH AFRICA

AMERICA

EUROPE  
& UK
**CHINA &  
EMERGING  
MARKETS**


## ECONOMIC MOOD



**CAUTIOUS OPTIMISM**

## GROWTH

China saw a modest recovery in Q3, with signs of economic stabilization following a slow start to the year. The Chinese government's aggressive stimulus measures, including interest rate cuts and property market support, drove a strong rally in Chinese equities.

## INFLATION

Chinese inflation remained subdued at 0.6% y/y in August, largely due to weak domestic demand. However, food price increases contributed to the slight uptick.

## INTEREST RATES

The People's Bank of China (PBOC) cut key lending rates and the reserve requirement ratio to support growth. This easing is expected to continue into 2024.

## CORPORATE EARNINGS

Chinese corporate earnings, particularly in real estate and consumer sectors, showed signs of improvement due to the stimulus measures.

## VALUATIONS

Chinese equities surged, with the Hang Seng Index up 22.3% for the quarter, driven by attractive valuations following a prolonged downturn in previous quarters.

## OUTLOOK

China's outlook remains cautiously optimistic, with the government likely to continue supporting key sectors. Risks related to the property market and deflationary pressures remain.





## INTERACTIVE FUNDS OUTLOOK & BEYOND

### Interactive Income Prescient Fund:

The recent interest rate cut by the South African Reserve Bank has not diminished the appeal of local bond markets, which continue to offer attractive yields relative to inflation & foreign bond markets.

**For foreign investors in search of yield,** South African bonds remain an attractive destination. The Income Fund maintains a conservative approach, favouring shorter-duration bonds to minimise volatility while targeting a return of 3% above inflation. **This cautious strategy ensures that the fund remains well-positioned to outpace inflation over the long term, providing investors with a reliable, inflation-beating return.**

### Interactive Balanced Fund:

In the previous quarter, **we highlighted how lower interest rates** would support risk assets such as SA equities. This has been borne out in our Balanced Fund's performance, **where early allocation to South African assets contributed positively. The fund delivered returns of 4.39% for the quarter and 17.21% over the past 12 months.** Additionally, the Satrix Dividend Plus, which we noted as benefiting from further rate cuts, returned **8.57%** this quarter. **Strategic asset allocation decisions made earlier this year have proven beneficial, with the fund capitalising on key market opportunities.**

### Interactive Global Equity Fund:

Global equity performance, as represented by the MSCI World Index, has been dominated by the so-called "magnificent seven" companies. While much of their growth has been fuelled by a blend of optimism and market momentum, at Interactive, we continue to adopt a conservative stance. **We prefer to focus on dividends, value, and quality investment themes, anticipating that these areas will gradually yield returns as central banks strive to achieve a lower inflation and interest rate environment.**



## SOUTH AFRICAN ASSET CLASS RETURNS

Quarter 3 | 2024

Currency: South African Rand

Best ↑       ↓ Worst	SA Property 18,7	SA Property 51,3	SA Property 56,0	Global Equity 106,8	Global Equity 293,5
	SA Bonds 10,5	SA Bonds 26,1	SA Equity 51,0	SA Equity 89,8	SA Equity 145,9
	Global Property 9,7	SA Equity 23,9	Global Equity 46,7	SA Bonds 59,9	Global Property 140,7
	SA Equity 9,6	Global Equity 21,1	SA Bonds 37,3	SA Cash 34,6	SA Bonds 138,0
	SA Cash 2,1	Global Property 18,1	SA Cash 22,1	SA Property 29,9	SA Cash 90,0
	Global Bonds 1,7	SA Cash 8,5	Global Property 17,9	Global Property 24,0	SA Property 52,3
	Global Equity 0,7	Global Bonds 1,4	Global Bonds 0,0	Global Bonds 2,2	Global Bonds 49,9
	Last Quarter	1 Year	3 Year	5 Year	10 Year

# GLOBAL ASSET CLASS RETURNS

Quarter 3 | 2024

Currency: US Dollar

Best   Worst	DM Property 16,3	DM Equity 33,0	DM Equity 31,7	DM Equity 89,1	DM Equity 175,2
	EM Property 15,7	DM Property 30,2	DM Property 4,2	EM Equity 34,8	DM Property 63,5
	EM Equity 8,9	EM Equity 26,5	EM Equity 2,5	DM Property 12,4	EM Equity 54,0
	DM Bonds 8,0	EM Bonds 16,9	EM Bonds -0,5	EM Bonds 6,9	EM Bonds 36,7
	DM Equity 6,5	EM Property 16,2	EM Property -10,3	DM Bonds -13,7	EM Property 11,2
	EM Bonds 5,8	DM Bonds 9,7	DM Bonds -15,2	EM Property -20,2	DM Bonds -4,8
	Last Quarter	1 Year	3 Year	5 Year	10 Year



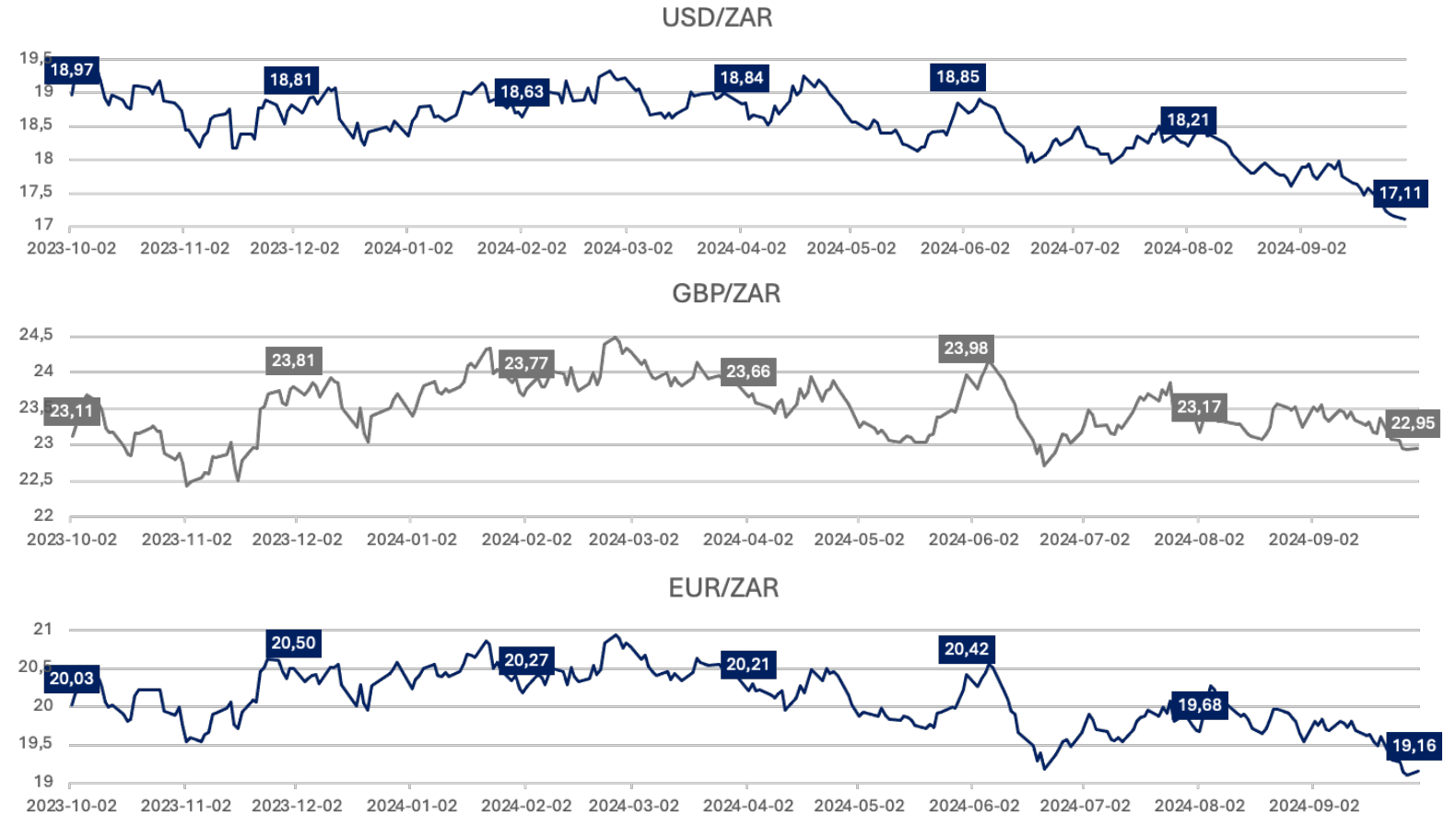
## CURRENCY COMPARISONS

Quarter 3 | 2024

In Q3 2024, the South African Rand saw varied movements against major currencies. The Rand strengthened slightly against the US Dollar, driven by the SARB's 0.25% rate cut and improved political stability following favourable election results.

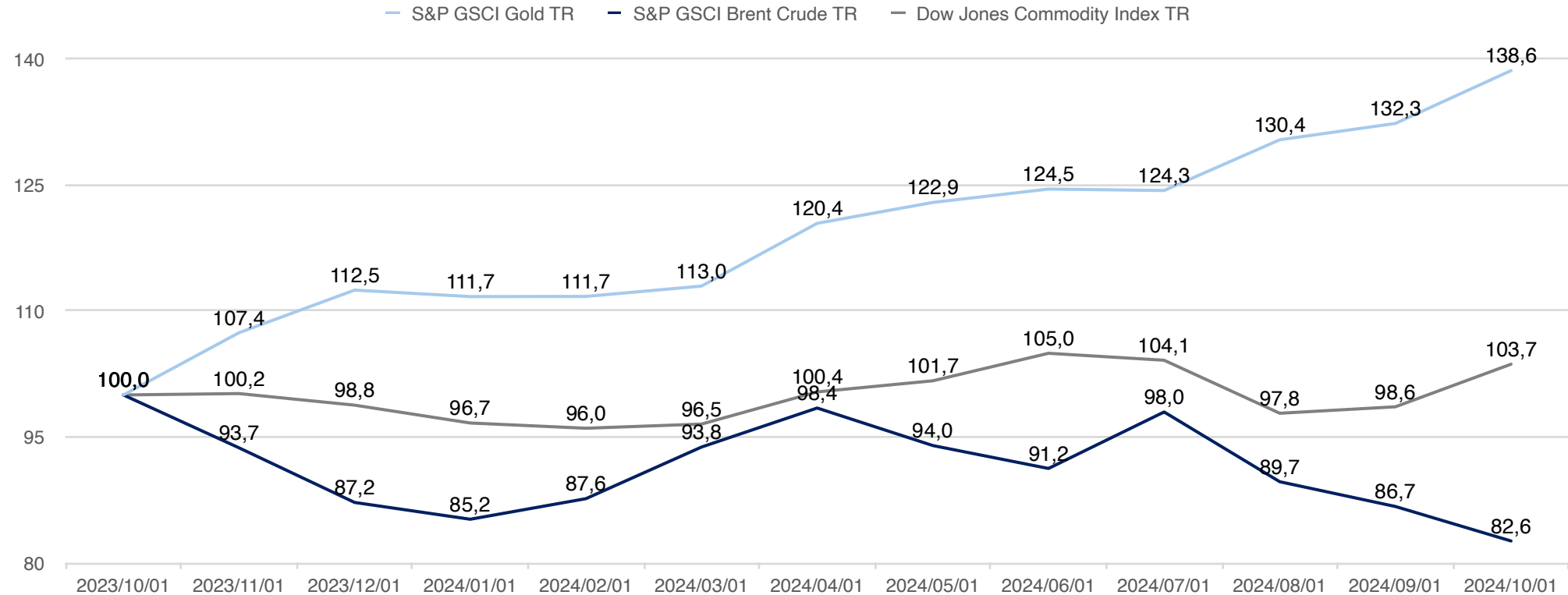
This coincided with a weakening dollar, as the US Federal Reserve adopted a more dovish stance. However, the Rand depreciated against the Euro and British Pound, influenced by stronger economic recovery in Europe and the UK, where central banks maintained higher interest rates.

Global risk aversion and fluctuations in commodity prices added further pressure on the Rand against these currencies.



## COMMODITY TRACKER

Quarter 3 | 2024



Commodity markets were mixed, with gold prices reaching record highs due to geopolitical risks and monetary easing, gaining 14% for the quarter. Oil prices declined significantly, with Brent crude falling 17.5%, driven by rising supply and weak demand from China. Other commodities such as platinum and zinc saw minor gains.



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