

THAT EXTRA BIT

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Adviceworx

THE REGIONAL BREAKDOWN OF STOCK MARKET SECTORS OVER TIME

Over the last decade, the composition of global stock market sectors has changed substantially. Based on an article by Visual Capitalist explaining the regional breakdown of each sector in 2011 and 2021, the information technology sector's weighting has nearly doubled while the energy sector's weighting has shrunk by nearly three-quarters.

The following data is based on the MSCI ACWI Investable Market Index (IMI), a global equity index intended to represent the entire stock market. Here is how regional weights by stock market sectors have changed in percentage point terms over the last decade. For example, emerging markets' utility weighting shrunk from 0.5% to 0.3% of the global stock market, a decline of 0.2 percentage points.

SECTOR	EMERGING MARKETS	NORTH AMERICA	ASIA PACIFIC	EUROPE, MIDDLE EAST AND AFRICA	TOTAL
Utilities	-0.2	-0.1	-0.3	-0.5	-1.0
Communication Services	0.3	4.9	0.1	-0.8	4.5
Materials	-0.9	-1.0	-0.9	-1.2	-4.0
Industrials	-0.4	0.7	-0.6	-0.3	-0.7
Consumer Discretionary	0.7	2.0	-0.6	-0.4	1.6
Consumer Staples	-0.3	-0.9	-0.3	-1.0	-2.4
Health Care	0.4	2.9	0.2	-0.3	3.2
Financials	-1.1	-0.5	-2.1	-2.4	-6.1
Information Technology	0.8	8.2	-0.2	0.7	9.5
Energy	-1.2	-4.8	-0.3	-2.0	-8.2
Real Estate	0.3	2.1	0.7	0.5	3.5

Financials shrunk the most in the Asia Pacific region and Europe, Middle East, and Africa (EMEA). The most dominant country in the Asia Pacific region, Japan has seen banking troubles due to shrinking populations and ultra-low interest rates that created razor thin profit margins. In EMEA, the UK's financial services sector was hit hard when billions of dollars were moved out of London into new centres like Frankfurt after Brexit.

The energy sector, composed almost entirely of oil and gas companies, saw declines in all regions. Given that the US is the biggest producer of crude oil and natural gas in the world, North America had the furthest to fall and experienced the largest drop.

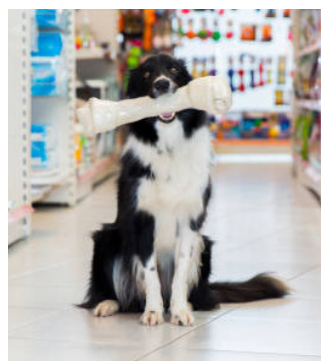
On the other hand, North America saw the biggest increases in sectors like health care, real estate, and communication services. The latter is due to the telecommunications sector being broadened and renamed as the communication services sector in 2018. This newer sector reflects the way people share information and entertain themselves, and includes big US names like Meta, Alphabet and Netflix.

Regional shifts within stock market sectors

Investors are likely familiar with the shifts in overall sector weightings. However, this data sheds new light on which regions have become more or less dominant within stock market sectors.

North America increased its overall weighting, thanks in part to the ballooning market valuations of US big tech companies. Relative to their starting weight, emerging markets have seen impressive growth in numerous sectors. On the other hand, Asia Pacific and EMEA have shrunk nearly across the board.

Investors looking to invest in international equity may want to be mindful of these trends within stock market sectors. As geopolitical dynamics and business environments shift, what will regional weightings look like in another 10 years?



CHECKERS TARGETS GROWING PET CARE MARKET WITH MORE STANDALONE PET STORES IN SOUTH AFRICA

Shoprite-owned Checkers became the first retailer in South Africa to rollout standalone pet stores seven months ago and aims to have a total of 12 stores by the end of the year. Checkers opened its first dedicated pet store, Petshop Science, on 6 April at the Fairbridge Mall in Cape Town. This week, the retailer opened its 10th store under its Pet Science banner in Eden Meander, George. It has further plans to open two more before the end of the year in Table Bay Mall, Sunningdale, and St Johns Centre, Pinetown, in mid-December.

The expansion of the pet store footprint is in line with its pet insurance offering, which the retailer introduced last year. The retailer is taking advantage of the country's booming pet economy with more South Africans, especially millennials opting to own pets over becoming parents themselves.

In its 2021 annual report, Shoprite group said that some of its strategic growth opportunities include investing in a range of initiatives. These include building on Checkers' position in the market, opening new stores and developing new formats, and embarking on store refurbishments.

SOURCE
 Sources: Visual Capitalist, Business Insider

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