OPPORTUNITY

PRIVATE CAPITAL

Economic Snapshot December 2023

LOCAL ECONOMIC INDICATORS	NEWS
• All-Share Index 22 Nov: +-74,760 • All-Share 1y return: 3.35% • Market PE ratio: 11.54x • USD/ZAR currently at R18.75/$, • South Africa 10Y Government Bond yield: Current 10.14% • Brent Crude Oil: US$76.54 (Data: Bloomberg; ShareNet; tradingeconomics.com)	• This past month saw Pres Biden and Pres Xi Jinping meet in California, with reports that the meeting was less hostile than expected. Xi Jinping took a more reconciliatory/diplomatic tone, with some analysts speculating that the economic malaise in China may be playing a role. • Japan is continuing to surprise and fighting inflation for the first time in a long time. Further interest rate action from the central banks there is possible. • The conflict in the Gaza strip seems contained. This war was probably initiated because of Hamas' reaction to the pending accord between Israel and Saudi Arabia. • In the USA, the broader inflation picture is improving more than anticipated by analysts. The market reaction to this has been swift. • In South Africa, inflation risks remain, leading all 22 economists recently surveyed by Bloomberg to expect that rates will be left at 8.25% (at time of writing).

The Turning of the wheel

We often hear the term 'economic cycle' being used, referring to some unseen 'force' that plays out over time and influences capital markets.

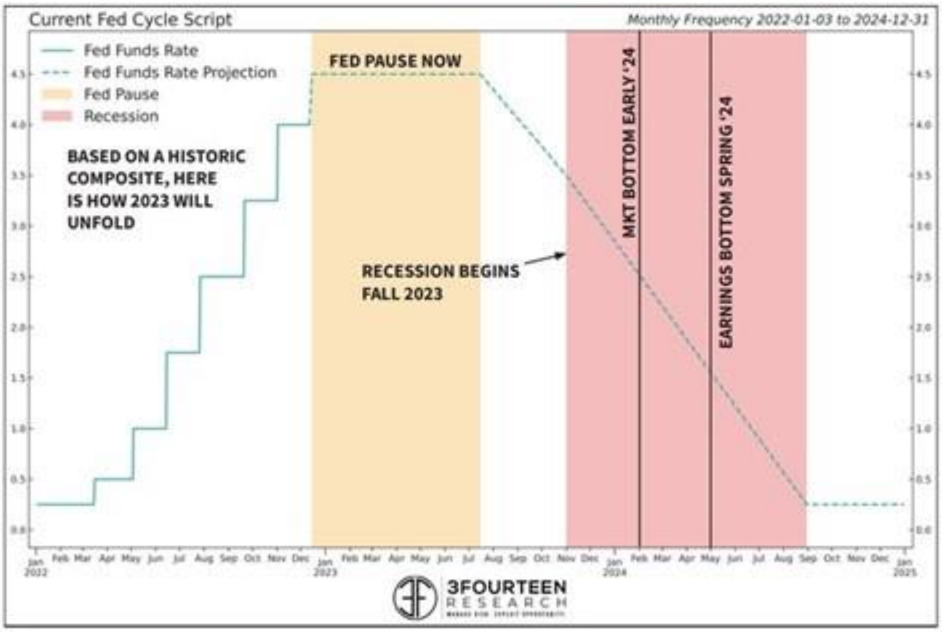
It is a product of the collective actions of all businesses, consumers, lending institutions, central banks, etc., but on a global scale. It is, of course, influenced by socio economic and political events too. While there are many intangible factors, we pick these trends as they are reflected in global trade numbers and the inflationary signs driven by the ebb-and-flow of supply and demand for various products and services. Identifying the cycle and when it will turn has proven to be a real head-scratcher for most.

After we all waited for the end of the pandemic, we are now waiting for the end of the inflation crisis. Analysts are closely watching various trends in an effort to explain what is transpiring, and importantly, trying to predict what comes next with the information at hand.

Statistics about new car sales, equity risk premiums, inventory levels, implied forward yields and labour force participation abound. Analysts have recently figured out why employment globally remained so high: it was because a lot of people over 55 and under 24 simply stopped working, and migrants, well, stopped migrating. In the USA, employment for people over 65 is currently at a record low. On the other side of the globe, China has uncharacteristically fallen into 'negative inflation' and their government has not intervened to stimulate growth, with reports that their property downturn is deeper than reported. Japan has surprised everybody and, alas, we have now also kicked the 'year-of-the-bond'-can down the road for one year still.

While no one could have predicted the events of 2023, the sequence of the broader economic cycle is often more predictable. Below is a dated chart from 3Fourteen Research showing how they thought it would play out, based on how the wheel has turned before. A difficult year is ending soon, long live the economic cycle.

GRAPH OF THE MONTH: - Forecast of Feb cycle from 2022/12



Source: Twitter
https://twitter.com/3F_Research/status/1608099215225376768

Click to view Current Available Investments from 14% p/a

Compiled by Dr. Rousseau Lötter (Head of Portfolio Analytics, Craigs Investment Partners, NZ).

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