



## OPPORTUNITY PRIVATE CAPITAL

Economic Snapshot May 2021

### LOCAL HIGHLIGHTS & LOWLIGHTS

- All-Share Index on 15 May: 66,598
- All-Share 1-year return: 38.35%
- Market PE ratio: 26.10
- USD/ZAR currently strong at R14.11/\$
- South Africa 10Y Government Bond yield: Current 8.52% (Data:

Bloomberg; Sharenet;  
([www.tradingeconomics.com](http://www.tradingeconomics.com))

### NEWS

- While some countries have large scale vaccine roll-outs, the 3rd wave of Covid19 is rearing its head across the world, India being especially hard hit.
- Gold prices are up again as inflation fears begin to rise across the globe.
- Rand showing continued strength as international risk appetite increases.
- Ace Magashule facing serious headwinds in the ANC, but not going down without a fight.
- ANC reported to have a R80m PAYE bill it owes to SARS, delays in paying salaries.
- Olympic games hang in the balance as organisers consider postponement thereof.

### Green, greener, Green Bonds

It has been some time in the making, but the world of SRI (Socially Responsible Investing) has slowly crept into view and is here to stay. The 'hard' lockdowns we have had over the last year or so has sped up the momentum of SRI, as people observed how the lockdowns allowed the earth to breathe a sigh of relief while production ground to a halt, international travel largely stopped, and globe-trotting executives played with their kids over lunch after their last Zoom meeting.

A part of the SRI trend that has gone largely unnoticed is the 'Green Bond' market. A Green Bond is a debt instrument with a fixed interest structure, with the capital it raises used for climate change- or environmental related ventures. The World Bank is reported to have issued the first green bond twelve years ago, with many institutions following suite in the years since. These bonds normally have a tax incentive coupled to them to stimulate investment.

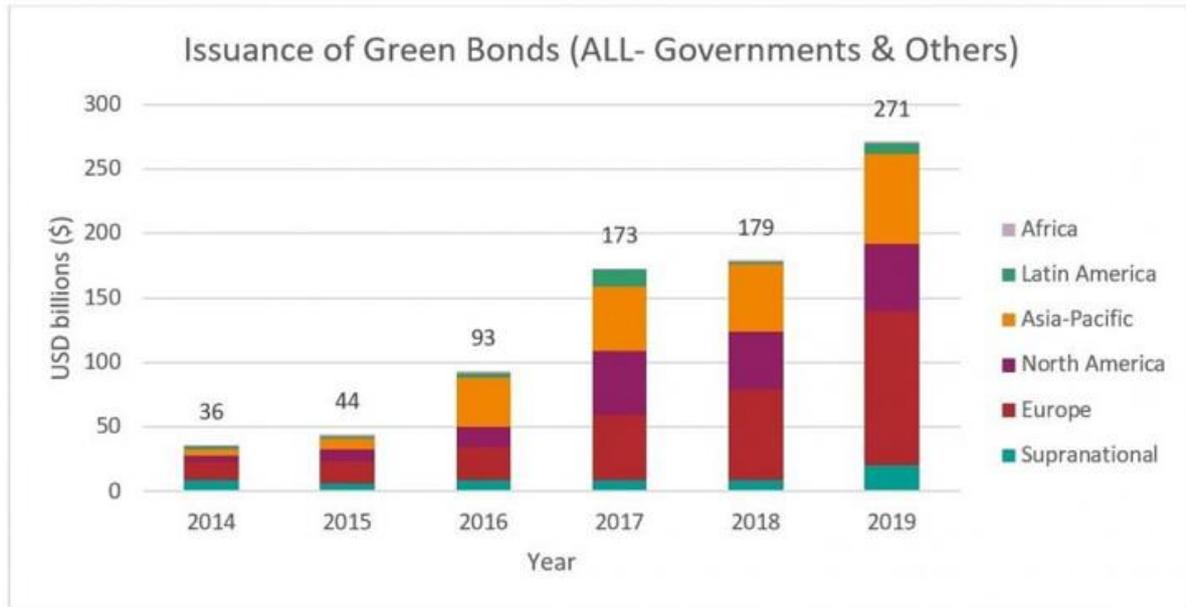
These bonds specifically target advances in "*energy efficiency, pollution prevention, sustainable agriculture, fishery and forestry, the protection of aquatic and terrestrial ecosystems, clean transportation, clean water, and sustainable water management*" (Investopedia). While China specifically drove the increased issuance of these bonds in 2016 (See graph below), the European Union has subsequently overtaken them as the market leader in issuances.

One successful World Bank project was in India, where the funds were allocated to the Rampur Hydropower Project. This project added 1,957,000 low-carbon megawatts annually to the northern India grid, saving a reported 1,407,700 tons of carbon dioxide emissions a year.

I expect that we will hear more and more about SRI's influence on companies in the years to come. Some current developments include both Nike and Adidas reviewing their supply

chains due to alleged forced labour in China, while Elon Musk has suddenly grown allergic to Bitcoin due to the carbon footprint of the digital currency.

### GRAPH OF THE MONTH: Green Bonds



Source: [Green bonds and a look to the future - Actuaries in government \(blog.gov.uk\)](https://blog.gov.uk/green-bonds-and-a-look-to-the-future-actuaries-in-government/)

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