



OPPORTUNITY
PRIVATE CAPITAL

Economic Snapshot October 2021

LOCAL HIGHLIGHTS & LOWLIGHTS

- All-Share Index on 15 Oct: 67,000.81
- All-Share YTD return: 13.27%
- Market PE ratio: 12.11
- USD/ZAR currently at R14.77/\$,
- South Africa 10Y Government Bond yield: Current 9.555%

(Data: Bloomberg; Sharenet ; www.tradingeconomics.com)

NEWS

- Sanlam and Absa are teaming up to create a major asset management firm that will be the biggest black-owned operator in the space, building on Sanlam's existing deal with Patrice Motsepe's African Rainbow Capital.
- The News24 'out-of-order' index shows 43 municipalities falling into a delinquent or under-administration status for the first time (over and above those previously in trouble).
- In the three months to October, British manufacturers raised prices by the most since 1980 to cope with surging costs and labour shortages - and their cost expectations for the coming quarter were the highest since 1977.

Inflation contagion

I can remember it like it was yesterday. It was January 2005, and I went to do my grocery shopping at a large local supermarket in Randburg. I filled my trolley to the brim with everything from steaks and cans of tuna to cleaning products and blitz, and naturally a few beers to celebrate my first full salary. The 'till-slip' showed that it cost a whisker more than R500. Rewind a few more years to the mid-1980s and I remember getting 5 sweets for 1 cent at a store in Prince Albert after a family trip over the Swartberg pass.

Back to present day, and that same R500 will *maybe* get you two shopping bags full at your local store. The 1 cent? Well, when last did you see a 1 cent? You all know what I'm talking about – it's the slow erosion of our purchasing power, that thief without face or footprint. And all of a sudden, after our focus has been on variants and stimulus packages for the better part of 2 years, the 'thief' is back. And his (or her) fingerprints are popping up all over the show.

While South Africa has unfortunately been seen more of inflation than we would have liked over the last 20 years, other parts of the world without structural issues and political or policy uncertainty are waking up to a something they don't know all that well. The big question on everyone's lips is if the current effect is transitory, or if it will linger a little longer?

The bulls will tell you it will be over soon after the world re-opens, the bears will tell you to buy some inflation linked bonds because Goldilocks only found one bowl of imported porridge in their supply-chain affected story. The winner of the argument is yet to be determined, but the de-globalisation and energy transition stories may give the bears a bit more hope of an "I told you so" in 10 year's time. For now, it seems that most central banks have put their (and your) money on the transitory bet, with some quietly widening their remit to include employment alongside price stability. It will be tight, but may our wait for semi-conductors, cargo ships and that new set of golf clubs soon be over!

GRAPH OF THE MONTH: US Inflation



Source: Bloomberg, Mercer

Source: www.interest.co.nz

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