



OPPORTUNITY

PRIVATE CAPITAL

Economic Snapshot January 2022

LOCAL HIGHLIGHTS & LOWLIGHTS

- All-Share Index on 17 Jan: 74,956
- All-Share YTD return: 23.18%
- Market PE ratio: 12.57
- USD/ZAR currently at R15.50/\$
- South Africa 10Y Government Bond yield: Current 8.900%

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

NEWS

- After arriving on the scene just over a month ago, Omicron is still spreading like a wildfire and putting global healthcare systems under severe strain.
- Just days into the new year the Federal Reserve of America fired a salvo of warning shots, announcing interest rate rises and quantitative tightening earlier than the markets expected. Other countries are set to follow suite.
- Russia and the Ukraine are at it again, with a fall-out there projected to add to global oil prices and subsequent inflation.
- South Africa's one and only driving license card machine is in for repairs. In Germany of all places.

New year, new beginnings

Each year brings its own surprises with its accompanying highs and lows. Many of you will have had your strategy meetings already and, with it, some guess work about what the new year will hold. Let's polish up the old glass ball and see what people around the world are saying.

Many economic voices are forecasting inflation to be high and more permanent than expected. JP Morgan is reporting rising inflation in the US, the Euro area and, except for China, the rest of the world too. Oil prices and a sluggish supply chain will only add fuel to the fire. Some are forecasting these pressures on spending power to also put strain on the worldwide property market after investors piled into property at low interest rates.

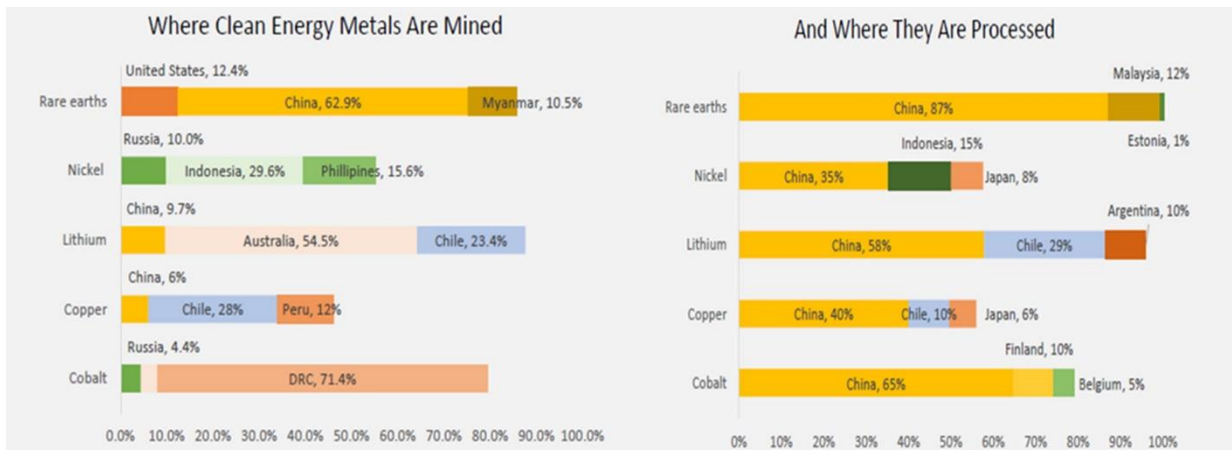
Bloomberg is seeing a continued comeback in commodities, with most worldwide commodities expecting inventory drawdowns in 2022. Only Corn and Soy are predicted to have a positive change, while wheat, aluminum and European gas are forecast to have the biggest reduction in inventory.

The Economist is foreseeing that Taiwan will be the most dangerous place on earth given the power struggles with China. That said, with Omicron looming large China will be very susceptible to economic isolation of the rest of the world team up against them, so it may postpone any large moves. Russia on the other hand is much more resilient with greater resources and food self-sufficiency, making their squabble with the Ukraine and Kazakhstan more likely to boil over into a fight. Both geopolitical events are foreseen to have ripple effects across the globe.

The situation in China is being watched closely because of their importance in global goods production (see the chart below for insight into their place in the global supply chain). Their success in largely eliminating Covid has allowed their factories to remain open, but a significant outbreak of Omicron or international sanctions will have a major effect on multiple global industries.

This time next year we will know what *really* played out, and I'm wondering what word we would use to describe 2022? The Merriam Webster Dictionary Word of the Year was 'vaccine' for 2021 and 'pandemic' for 2020, while the Economist nominated 'transitory' and 'unprecedented' for the two years respectively. For 2022 I would venture to say the word 'Reset' will likely play out, but let's review it in 12 months' time!

GRAPH OF THE MONTH: Where clean metals are mined and processed



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