



# OPPORTUNITY

PRIVATE CAPITAL

## Economic Snapshot October 2022

### LOCAL ECONOMIC INDICATORS

- All-Share Index end Oct: 66,671
- All-Share YTD return: -7.99%
- Market PE ratio: 9.55
- USD/ZAR currently at R18.15/\$ end Oct,
- South Africa 10Y Government Bond yield: Current 10.860%

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

### NEWS

- Cryptocurrencies remain under pressure after being touted as an alternative/rival to gold as a store of wealth. Bitcoin recently hovered at about \$20,000 after trading close to \$70,000 around a year ago.
- China's president Xi Jinping tightened his hold on China by taking on an unprecedented third term. The news rocked markets, who showed their displeasure with a \$6 trillion total dip in total Chinese market capitalisation.
- Globally, energy shares have provided some great returns of late, while Alphabet (Google), Amazon and Meta (Facebook) all took a beating of close to -20% on the day of releasing disappointing results and forecasts.

### That was quick

In the words of the legendary Ron Burgundy: "Boy, that escalated quickly!" (from the movie Anchorman). While the phrase could be applied to all three points in the news section, we are naturally speaking about the Liz Truss 'saga' that recently played out in the UK.

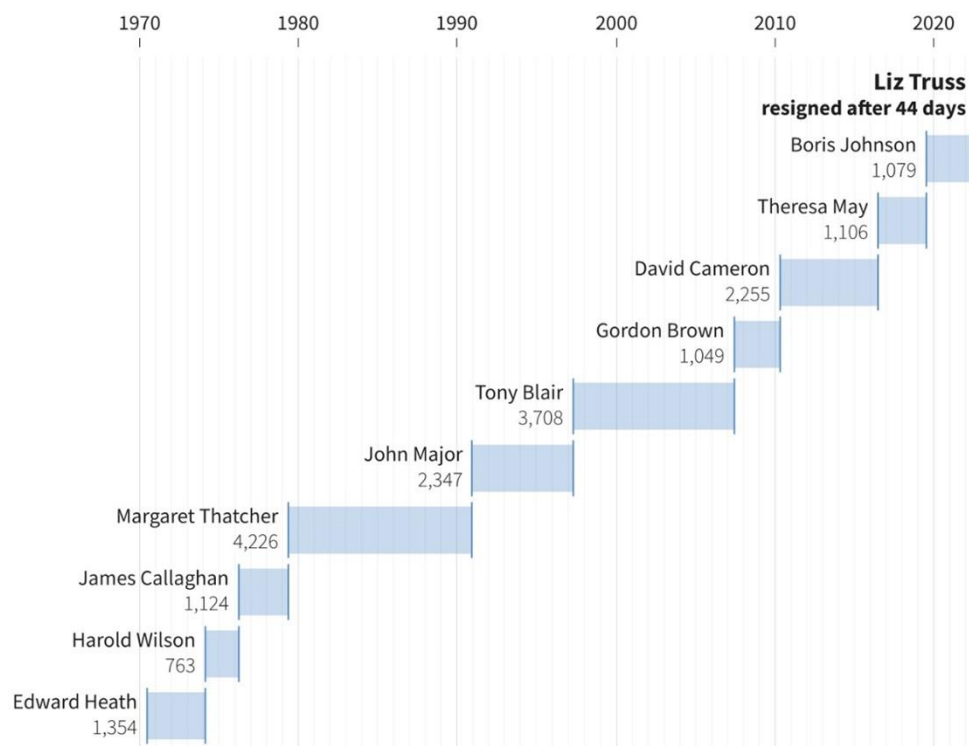
On the back of a raft of unfunded tax cuts and energy relief plans, the British pound took a beating of about 10% and intervention was needed to secure the stability of the British capital markets. Kwasi Kwarteng was subsequently fired as finance minister in a classic blame-shifting move, but the dice had been cast and Liz Truss resigned after only 44 days in office.

The changes were quick and unplanned. Not only did Liz Truss become the shortest serving Prime Minister ever (see this month's graph below), but her mini budget was near-entirely cancelled.

Taking a step back, the emerging global pattern across many capital markets is one of rapid reaction. This quick-fire reaction pattern we are seeing often borders on overreaction, which is typical of the market cycle we are currently in where any hint of bad news can easily cause a mini stampede.

As things stand now, most central banks have reached what they recently referred to as neutral interest rates, and their decisions over the next 4 to 6 months will be key to either fueling a sense of uncertainty or a sense of stability in the markets. We also need all of the role-players, from Xi Jinping and Putin to newly appointed Prime Ministers and finance ministers, to not start any new 'fights' that have the potential to escalate quickly.

### **GRAPH OF THE MONTH: - UK Prime Ministers by days in office**



**Source: Reuters**

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