

## WELCOME TO YOUR WEEKLY UPDATE!

This week, we examine the US' debt levels.

### ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG, WITH SPECIALIST INPUT FROM RENIER VAN ZYL

#### "Binge-drinking alcoholics" or astute stewards of capital?

Ray Dalio, a billionaire hedge fund manager, once described politicians who continuously raise the debt ceiling in the United States (US) as "a bunch of alcoholics who write laws to enforce drinking limits". And to no one's surprise, the US has, once again, reached the point where they need to increase the debt ceiling.

In January, the US hit its \$31.4 trillion debt ceiling and, essentially, set itself up for D-Day (Default Day) a few months later. Janet Yellen, Head of the US Treasury, had to inform House Speaker, Kevin McCarthy, that Treasury was taking measures to ensure that government will be able to keep on paying its bills. Over the next three months, McCarthy will have the near-impossible task of uniting two deeply divided parties, especially in terms of who is to blame for the current debt crisis. What is certain is that, with the looming 2024 elections, neither of the parties will let the other off the hook.

But how did the US get to this point? The US' national debt has been growing for decades, owing to wars, economic downturns, and major policy initiatives. Two significant periods of debt growth occurred between 1940 and 1950, and between 1980 and 1990, when the US borrowed heavily to finance its war efforts and to support the economy. However, the most significant increase in US debt occurred after 2000, primarily owing to the Global Financial Crisis and the COVID-19 pandemic. During this period, low interest rates and government's belief that they could pay back the debt later encouraged increased spending, which far exceeded their income. In fact, 2001 was the last time that the US government's revenue exceeded its spending.

It seems an easy solution to continuously raise the debt ceiling without any repercussions but there is a point where it becomes more difficult, owing to higher interest rates. For example, this year the interest payment on US debt is estimated to total \$395.5 billion, which is more than government will spend on primary and secondary education. Once the debt limit is reached, Treasury cannot sell any more bonds or securities to pay off the debt from previous deficits, which will result in a default of some sort. A default would severely damage the US government's credit rating and erode confidence in the US bond market. This, in turn, will cause investors to panic-sell, which can lead to a financial crisis. However, it is important to note that the US has never defaulted on their debt before, and we doubt it will happen soon.

There are steps that the US government can take to avoid defaulting on its debt. Democrats and Republicans can agree to raise the debt ceiling again. Additionally, government can use some of the funds in its Exchange Stabilisation Fund to pay down its debt and it can even reduce some of its wasteful spending. Furthermore, government could consider increasing revenue through tax reforms, such as increasing taxes on high-income earners. Overall, a combination of responsible spending and tax reform can help the US government to avoid a default and to maintain its financial stability.

Even though the US government's debt levels are a symptom of a bigger problem, it will need to take significant actions to address this problem to avert a fallout in the short term that can shake the entire global financial system. What is certain is that the US will almost certainly raise the debt ceiling again in the future, which will simply result in the debt bomb being kicked further down the road.

#### IN CLOSING

Together with our asset management team at Efficient Private Clients, we will continue to track these macro-economic developments, always considering how this could affect your portfolio, and plan accordingly. Attached, please find our latest update on global indices, currencies, and commodities, as provided by Efficient Private Clients.

Kind regards

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## YOUR WEEKLY ECONOMIC UPDATE

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## UPDATE

Global Indices, Currencies and Commodities, 15 March 2023

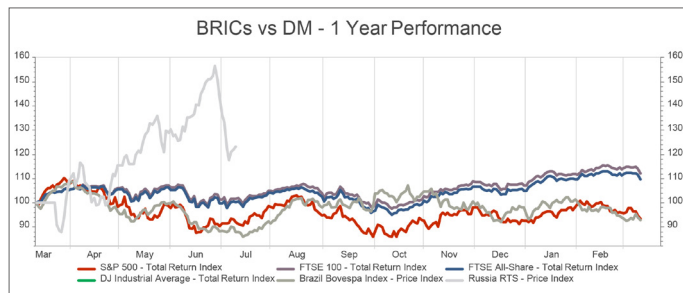
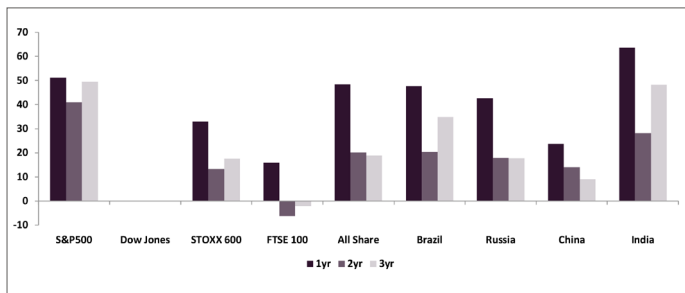
### GLOBAL INDICES

South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	76454,36	-3,2%	3%	6%	5%
Top 40	70692,59	-3,2%	5%	6%	6%
Mid Cap	78591,05	-0,5%	0%	5%	0%
Small Cap	68270,8	-3,7%	5%	14%	2%
Resource 20	64988,62	-10,4%	-23%	-4%	13%
Industrial 25	102565,12	-1,0%	27%	8%	5%
Financial 15	16227,98	0,8%	4%	12%	-3%

Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	7748,35	-1,7%	9%	7%	1%
DAX 30	15427,97	0,8%	15%	3%	5%
CAC 40	7220,67	1,3%	16%	10%	6%
STOXX 600	453,76	-0,9%	6%	4%	4%
Russia RTS		0,0%	2%	-20%	-6%

Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	28143,97	1,7%	10%	-2%	6%
Hang Seng	19319,92	-8,8%	-8%	-18%	-9%
Shanghai	3230,0767	-0,9%	-2%	-2%	0%
India SENSEX	59135,13	-2,6%	7%	7%	12%

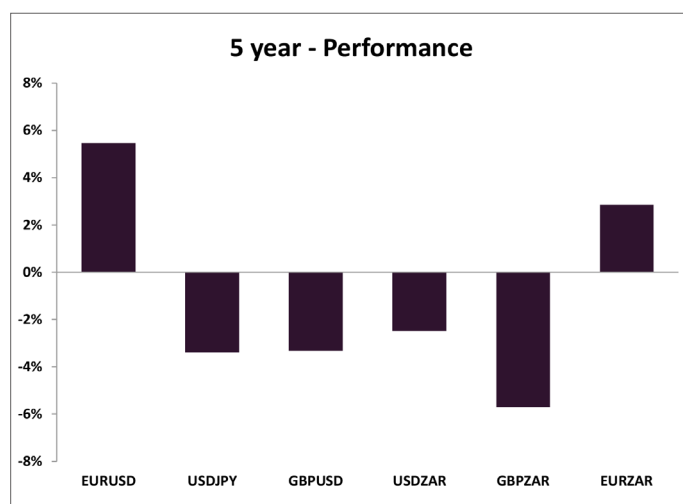
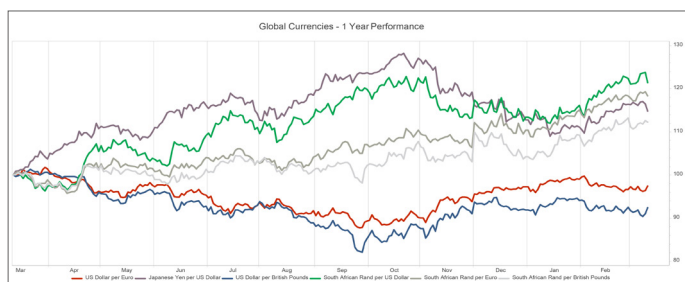
Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	31909,64	-5,8%	-4%	-1%	5%
S&P 500	3861,59	-5,6%	-9%	0%	7%
Nasdaq	11138,888	-4,9%	-15%	-8%	8%
Russel 1000	31909,64	-5,8%	-4%	-1%	5%
Brazil Bovespa	103618,2	-4,1%	-9%	-4%	4%



### CURRENCIES

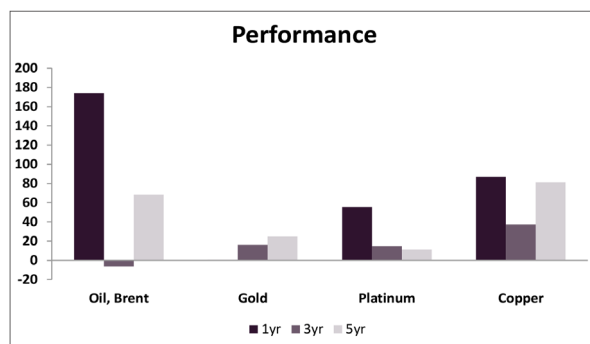
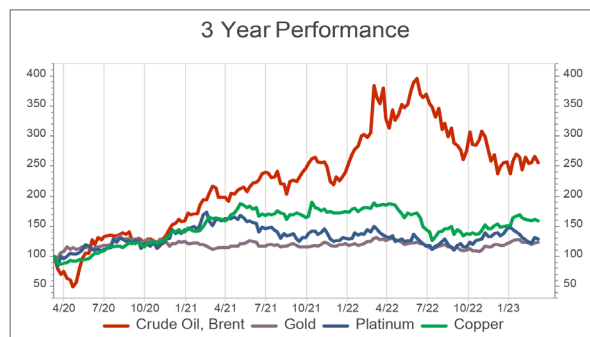
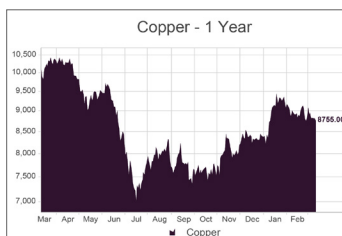
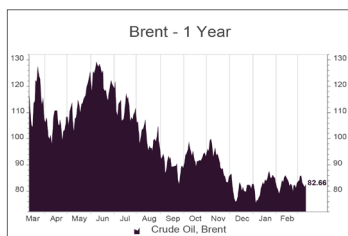
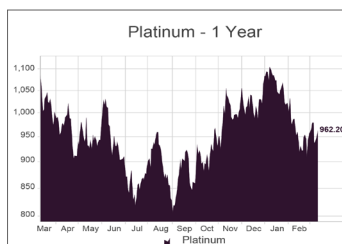
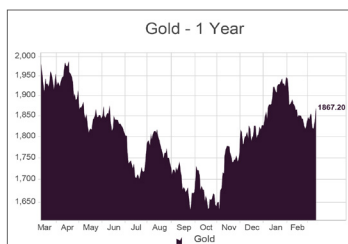


Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	18,21	2,1%	21%	10%	9%
GBP/ZAR	22,04	1,8%	12%	3%	6%
EUR/ZAR	19,47	1,8%	18%	4%	6%
AUD/ZAR	12,08	-2,8%	10%	2%	5%
EUR/USD	1,07	-0,3%	-3%	-5%	-3%
USD/JPY	134,34	1,2%	15%	11%	5%



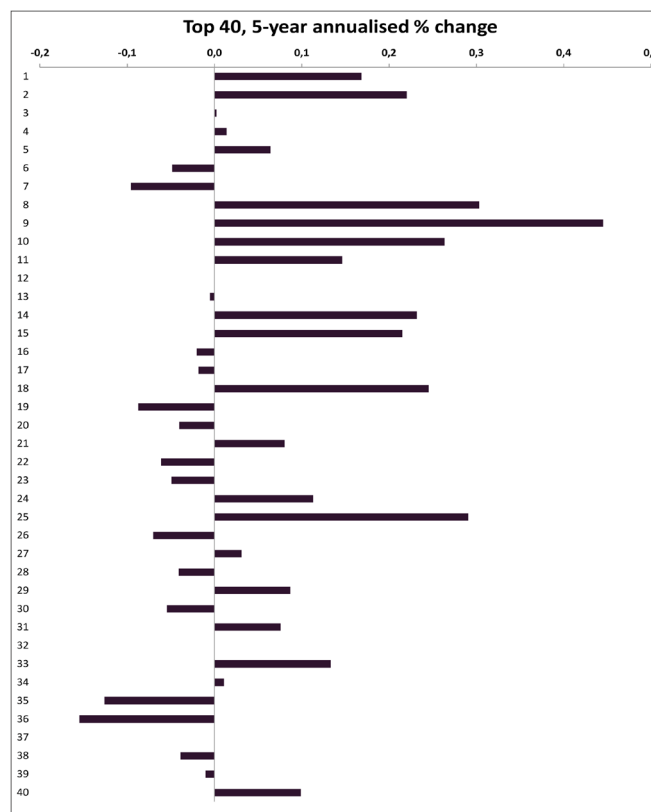
### COMMODITIES

Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	1867,20	-0,4%	-10%	2%	4%
Platinum	962,20	1,1%	-12%	-11%	1%
Silver	20,51	-7,7%	-24%	-13%	5%
Brent Crude	82,66	-3,3%	-28%	11%	5%
Copper	8755,00	-1,7%	-14%	-1%	4%



### TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ANGLO AMERICAN	619,60	-11,4%	-18%	1%	17%
2	COMPAGNIE FINANCIERE	282,45	4,5%	56%	39%	22%
3	FIRSTRAND	67,18	4,5%	0%	10%	0%
4	MTN GROUP	141,34	-1,0%	-29%	38%	1%
5	NASPERS -N	3049,70	-11,2%	70%	-7%	6%
6	STANBANK	175,68	-1,0%	10%	11%	-5%
7	SASOL	253,69	-15,1%	-28%	5%	-10%
8	GOLDFIELDS LTD	175,20	-7,2%	-31%	12%	30%
9	IMPLATS	172,96	-9,4%	-32%	-23%	45%
10	Sibanye Stillwater Ltd	37,82	-12,5%	-45%	-28%	26%
11	CAPEITEC	1688,73	-3,1%	-17%	11%	15%
12	PROSUS NV	1256,91	-11,7%	44%	-16%	
13	BRITISH AMERICAN TOBACCO PLC	686,10	3,8%	11%	12%	0%
14	ANGLO GOLD ASHANTI	326,29	-7,5%	-16%	-2%	23%
15	BHP Group Limited	555,95	-5,4%	19%	17%	22%
16	MONDI PLC	294,34	-7,2%	5%	-12%	-2%
17	ABSA GROUP LTD	187,62	-1,1%	13%	19%	-2%
18	ANGLOPLAT	999,89	-18,3%	-54%	-30%	25%
19	SANLAM	59,27	4,1%	-6%	-3%	-9%
20	SHOPRITE	217,50	-5,7%	-7%	25%	-4%
21	BID CORP LTD	404,50	6,4%	37%	13%	8%
22	NEDBANK	225,70	-1,1%	4%	25%	-6%
23	VODACOM GROUP (PTY) LTD	127,02	3,7%	-19%	0%	-5%
24	GLENORE PLC	103,25	-7,1%	6%	31%	11%
25	Northam Platinum Holdings	150,85	-6,0%	-40%	-23%	29%
26	ASPEN	186,94	26,9%	7%	12%	-7%
27	BIDVEST GROUP LIMITED	265,08	10,9%	24%	20%	3%
28	REMGRO	137,85	0,4%	-2%	13%	-4%
29	CLICKS GROUP	266,20	0,4%	-11%	4%	9%
30	DISCOVERY	143,62	1,4%	-9%	0%	-5%
31	INVESTEC	110,58	-2,4%	40%	57%	8%
32	OLD MUTUAL LTD	12,05	3,3%	-5%	1%	
33	EXXARO RESOURCES LTD	186,93	-8,5%	-11%	2%	13%
34	WOOLIES	68,65	-9,3%	25%	16%	1%
35	MR PRICE GROUP LTD	145,34	-9,2%	-27%	-10%	-13%
36	GROWTHPOINT	13,19	-5,0%	4%	-3%	-15%
37	MULTICHOICE GROUP LTD	141,44	9,9%	11%	4%	
38	ANHEUSER-BUSCH INBEV	1117,05	7,5%	31%	8%	-4%
39	NEPI ROCKCASTLE PLC	112,26	2,6%	24%	7%	-1%
40	REINET INVESTMENTS SCA	371,58	11,7%	27%	13%	10%



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