



SEPTEMBER: THE TURN AND TOIL OF BIASES

In a world riddled with noise and confusion, one can easily get lost. We reckon at this stage that you have heard more than a few stories about how poorly South Africa's economy is doing and how we will never return to our former rainbow-nation glory. (But the truth is that we compare well against most developing countries.) Or that Eskom will crash and burn. (Yet, as far as we know, they have never gone to the market and not raised all the capital they wanted to. Both local and global investors cannot get enough of their bond premiums.) Or that the JSE will continue to destroy wealth and that investors should sell everything and invest offshore.

Yet, if these same prophets of doom had some more context, they would know that the last six years have been an anomaly if one considers the 132 years trading on the JSE has been active. Just like the same period saw something of an anomaly in the United States markets as well. It is easy to forget that although the United States markets showed a stellar performance over the last couple of years, not too long ago, around the 2000 to 2007 mark, you would have lost money (after costs and taxes) if you were invested in United States markets and made a fortune being invested in the JSE. If that was not enough, the world got hit by what some would argue is another bubonic plague, a black swan event that questioned everything we thought we knew about normality. However, it seems that instead of renewing, many allowed COVID to confirm their biases regarding the issues we have just mentioned.

All of this brings us to September 2020. Technology stocks that seem to best-suited to equity markets and lockdowns continued to blow off some steam after another stellar year, especially for the likes of Apple, Tesla, and Amazon, to name but a few. Emerging market currencies, most notably the rand faced extreme volatility as global growth came in question, again. In the latest round of reliable information, it seems the first mass-production vaccine is further away than initially hoped. All the while many countries, especially those in Europe, seem to be experiencing a second wave of infections, just as winter slowly starts to creep up on the northern hemisphere. The UK, Spain, and Israel are among the countries who have reinstated lockdowns in numerous towns. Another global growth concern revolves around the race to the White House.

Currently, Democrats are trying to make it as difficult as possible for Trump and his ruling Republican Party. Demanding a second round of COVID relief that any literate person knows is too expensive. Also, I've long since explained the value of having Trump in office. As strange and vulgar as his practices might be, none of his predecessors has been able to stand up against United States corporate legislature and decrease company taxes, or to China for that matter; a China in check is much better for everyone. We also find it interesting that for a man ridiculed for not being diplomatic was the first American president who set foot in North Korea and recently stewarded the Abraham Accord. This accord set in motion diplomatic relations between Israel and the UAE and publicly welcomed by Bahrain, Egypt, Jordan, and Oman. But a Trump victory is far from sure. If the polls are to be trusted, and depending on which ones you follow, Joe is still in the lead. We are afraid that if he should win, that the noose will be tightened around corporate America (legislature, taxes, etc.) and that United States policy will turn internally, away from China, towards social assistance which will slowly allow the United States to slip into a zombie-zone.

Many emerging countries and their markets, who are internally plagued by poor performing politics and policies, continue to bet on a favourable external environment, i.e. global growth and a shift in sentiment, from the developed world to riskier assets. But as doubts about global growth push the recovery further out, the shift in sentiment drags its feet, causing markets to turn red and currencies to toil.

