

## ECONOMIC COMMENTARY

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### CORPORATE MANOEUVRES AND MACRO-ECONOMIC INDICATORS

In this week's economic commentary, we dissect an intriguing interplay between corporate manoeuvres and macro-economic indicators that could shape the financial strategies of investors and policymakers in the near future.

#### **Berkshire Hathaway's strategic shift**

Starting with the corporate sphere, Berkshire Hathaway has been making headlines with its strategic shift in the equity market. Notably, the company was a net seller of equities this past quarter, including offloading Apple shares, a move that swelled its cash reserves to record highs. Despite Warren Buffett's historic indifference to cash yields, the lucrative 5.4% returns on short-term treasuries are too compelling to ignore, influencing Berkshire's investment strategy. Buffett's philosophy of "we only swing at pitches we like" underscores a methodical investment approach, aimed at value rather than at yield. This manoeuvre suggests a broader caution in the market, reflecting potential concerns about overvaluation or impending economic slowdowns.

#### **Labour market cooling off**

On the economic front, recent labour market data in the United States (US) has provided a critical insight into the broader economic landscape. The latest jobs report showed a surprising dip in job creation, with only 175 000 jobs added as opposed to an expected 241 000. This development is significant, indicating that the labour market, a robust indicator of economic health, might be cooling. While the six-month average still reflects a relatively healthy job market, this sudden slowdown could signal the beginning of a broader economic deceleration, possibly influencing future monetary policy decisions.

#### **Wage trends and inflation**

Encouragingly, wage data in the US continues to show a cooling trend, suggesting that inflation might be inching closer to normal. Given the direct link between wage growth, consumer spending, and inflation, this trend is a positive sign that inflationary pressures could be moderating without the need for further aggressive rate hikes by the Federal Reserve (Fed).

#### **The Fed's deliberate approach**

The Fed's recent stance has been one of cautious observation. Endorsements from notable economists who commend the Fed's decision to halt further rate increases reflect a consensus that maintaining the current policy could prevent unnecessary harm to an economy undergoing significant structural shifts. This perspective is increasingly relevant as the Fed navigates complex economic signals, balancing the need to control inflation with avoiding undue damage to economic growth.

#### **Strategic implications for investors**

For investors, these developments suggest a landscape filled with both challenges and opportunities. The strategic sell-off by Berkshire Hathaway may hint at a broader strategy to hedge against potential market downturns or to capitalise on high-yield opportunities presented by treasuries, which is true especially for South African investors. Meanwhile, the cooling labour market and moderating wage growth offer a mixed bag: While they may predict a slowing US economy, they may also lessen the urgency for further rate hikes, potentially stabilising market conditions.

#### **Looking ahead**

As we look to the future, investors would do well to consider diversifying their portfolios to mitigate risks associated with market volatility and economic uncertainty. Furthermore, keeping a close eye on the Fed's actions in the coming months will be crucial, as any shifts in monetary policy could have significant ripple effects on market dynamics and investment strategies.

In conclusion, while the horizon is laden with potential economic headwinds, informed and strategic actions can help you to navigate through uncertainties. Our commitment remains to provide you with insightful analysis and actionable advice, helping you to turn challenges into opportunities during these complex times.

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