

Synthesise the noise rationally

I received an email from a client entitled "Panic Attack". The gist of the concern was land expropriation and, more specifically, news flow in respect of land invasions in Randburg, in which several farms were supposedly taken by force.

When I googled Randburg land invasion an old story about some or other illegal occupation in Protea Glen in May popped up. The point I am trying to make is probably best encapsulated by the following saying: "Everything is lies, and anything is possible".

This is the world we now live in, where the leader of the so-called free world, i.e. Donald Trump, can make false statements with impunity, most worryingly believed by his moronic followers.

Bringing it back home we are in election year. Expect lies and more lies from politicians, expect bold scary eye-catching news headlines, expect protests, expect false promises and voter demands, expect volatility in the Rand and stock market, but try to keep a rational mind when synthesising all the daily noise.

My client's concerns were primarily around the risks of a collapse in the currency and resultant hyperinflation. You can understand where and why these fears have manifested considering our northern neighbour's infamous collapse not so long ago, which was triggered by land invasions.

Also hot in the press is Venezuela's 95% devaluation of its currency from a devastating economic meltdown.

Whenever the Rand loses value, SA investors are quick to panic and blame local factor. However, the Rand is more affected by global factors than local.

Recent Rand weakness can be ascribed directly to a risk-off sentiment by global investors linked to issues around Turkey and broader emerging markets, which just happens to include South Africa.

Of course, a rational decision to invest offshore makes a lot of sense if you consider that the SA economy only makes-up 0,4% of the global GDP and that our stock market represents only 1% of global stock market value.

Personally, I am more optimistic about our future now than I have been in years. The current negative sentiment is fully understandable if one considers how close we came to Armageddon under the rogue Zuma state. However, there are new guys in charge and they understand global capital rules and the risk and implication



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of breaking those rules.

I am not making light of the task, which is massive. Government finances are in a mess, we currently spend around R200 billion more annually than we collect in taxes, not to mention the R40+ billion, which state owned enterprises lose every year.

Growth is faltering, employment is rising and the education system crumbling, but as long we maintain sound policies, respect our institutions and work together against corruption, we can turn this ship around.

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