



I and many other market commentators have written frequently in recent times about the “Broken” world economic system; about technically bankrupt big nations who have been printing money at such a scale that currencies have become virtually worthless, and about banks that require you to pay them to store your savings.

It is a stage of money madness that I never believed I would live to see. The central banks which we trusted to safeguard our money have done just the opposite.

Doing the bidding of political parties which for the past half century have predominantly become wealth re-distributors, national treasuries have been scooping up so great a portion of their citizens’ earnings that there is little left to keep the wheels of commerce and industry spinning. Critically too, if you consider how the top ten tax-collecting nations spend the money they take every year from their citizenry (noting the fourth column on the right) you will note that in EVERY case even the excessive current rates of taxation are insufficient to meet average government expenditure!

Country Name	Tax Burden (% of GDP)	GDP (Billions, PPP)	Gov’t Expenditure (% of GDP)	Public Debt (% of GDP)
France	46.2	\$2,962.8	56.4	98.6
Denmark	46.0	\$301.3	51.7	34.3
Belgium	44.6	\$550.5	52.5	101.4
Sweden	44.0	\$542.0	49.7	39.0
Finland	43.3	\$256.5	54.4	60.5
Italy	42.4	\$2,397.4	48.8	132.1
Austria	41.8	\$463.2	49.3	74.2
Cuba	40.6	\$155.9	64.8	51.0
Greece	39.4	\$312.7	47.8	183.3
Netherlands	38.8	\$969.2	42.7	54.4

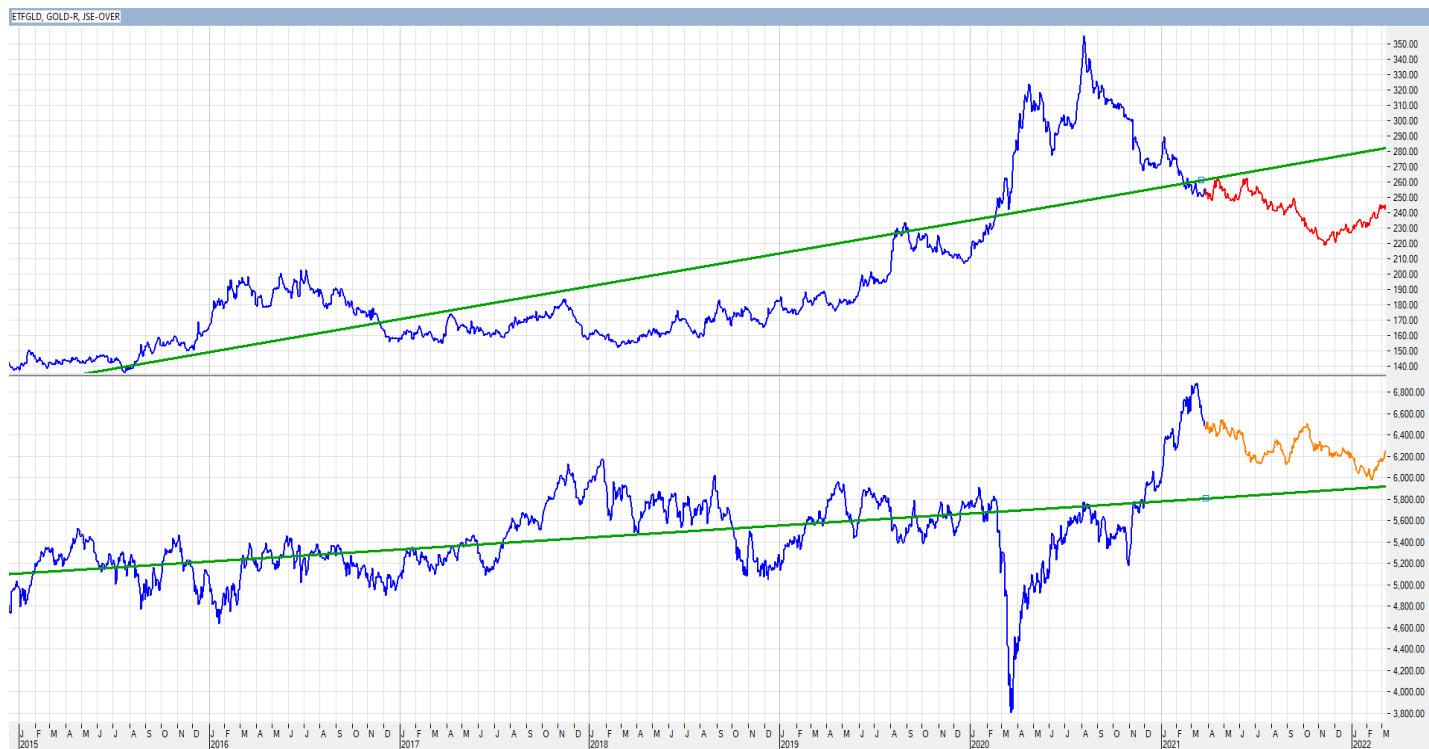
To bridge the gap, governments continue to spend more than they collect with the result that the world is drowning in debt. The fifth column lists how much debt these top tax collectors have accrued as a percentage of their Gross Domestic Product. Traditionally economists have argued that those with debt in excess of 100 percent will NEVER be able to repay it by normal means. They are technically bankrupt. That is ALL the nations on my second list.

By implication, ALL of their currencies must be considered suspect in the long term with inflation and devaluation their only way out.

With South Africa about to join that list, what are investors’ options for holding onto their cash?

Japan	237
Venezuela	233
Greece	177
Lebanon	172
Italy	156
Singapore	131
Bahrain	128
Cape Verde	125
Bhutan	122
Angola	120
Portugal	117
Jamaica	110
Mozambique	109
United States	108
United Kingdom	100

The following graph might surprise many readers. The topmost of the two graphs tracks the 1Invest Gold EFT while the one below it tracks the JSE Overall Index. Normally I would never consider an investment in pure gold for the simple reason that is simply a defensive holding which one would normally only consider if one feared a market melt-down, and particularly bearing in mind that placing one's money in such instruments offers neither interest nor dividends.



That said, it is worth noting that the green 'mean' trend line on the lower of the two graphs indicates that a cross section of JSE shares held over the past six years would have offered investors a compound annual growth rate of 2.1 percent together with an average dividend of 2.5 percent representing a 'Total Return' of 4.6 percent.

Had you instead have bought the gold EFT you would have enjoyed a compound 12.4 percent return; nearly three times greater!

Moreover, as the graph clearly shows the gold price has now fallen below its long-term mean which makes it a good buy at this time when global monetary uncertainty is on the rise and economists everywhere believe that inflation – even explosive inflation – might lie not too far into the future.

For the cautious among you, ShareFinder's usually very reliable artificial intelligence projection system suggests that the gold price could fall significantly further over the next eight months so there is no need to hurry if you decide to give gold a go.

If you would like to know more about this EFT, I have added the fund's fact sheet so that you can make an informed decision.

1invest Gold ETF



Fund information update at 31 January 2021

Exchange Traded Fund Information

1invest ETFs precious metal Exchange Traded Funds ("ETFs") are designed to offer ETF unit holders a secured, simple and cost-efficient way to access the precious metal market. The 1investGold ETF provides a return equivalent to the movements in the rand gold price less the management fee.

The ETF units are continuously quoted and traded during exchange trading hours with the indicative value of the ETF unit being a function of the day's metal entitlement and the precious metal rand spot price, eg Gold = USD 1200 and USD/ZAR exchange rate = 1/12 and metal entitlement = 0.999% then the ETF unit = ZAR 143.86.

1invest Gold ETF

1invest Gold ETFs are backed by physical gold, stored and insured in secured custodian vaults. Each gold ETF will have recourse to good delivery gold bars. The gold is segregated, individually identified and allocated in secured vaults.

1invest ETF is not allowed to introduce any outside risks into the gold ETFs including leasing of the precious metals. Each gold ETF unit has an entitlement to an amount of gold and is referred to as the metal entitlement factor (or asset allocation factor). The metal entitlement factor changes daily to reflect the ETF's management fee.

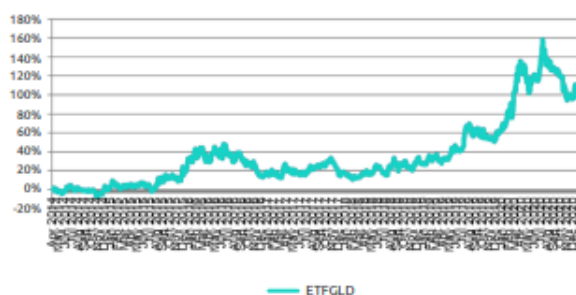
Exchange Traded Fund Details

Performance Information*	Jan-21	1yr Return	Inception to Date
1invest Gold ETF	0.418%	17.861%	99.723%

General fund information

ETF Issuer	1invest ETF Issuer (Ltd) RF
JSE share code	ETFGLD
ISIN	ZAE000182523
Per Annum Management Fee (Ex VAT)	25 bps
Manager	1invest/Standard Bank
Currency	ZAR
Benchmark	Gold Spot
Custodian	JP Morgan
Asset	Allocated metal (LBMA)
Asset weighting	100% Gold
Listing Date	2014/04/07
Net Asset Value	R 273.78
Securities in Issue	10,860,000
Assets under management	R 2,973,250,800.00
Commodity Held (oz)	106374.9239
Initial Metal Factor	1/100th of a troy ounce
Metal Entitlement Factor	0.97951127
REG 28 Eligible	Yes
BN 90 (CIS) Eligible	Yes
Shari'ah Certified	Yes

ETF



*Source - Bloomberg

Do enjoy your weekend

The month ahead:

New York's SP500: I correctly forecast a recovery which I still see lasting until late May and then a decline to early August followed by another recovery until next January.

Nasdaq: I correctly predicted a short-term decline for most of April and I continue to hold that view. Thereafter I see gains from around May 12 until the end of June.

London's Footsie: I predicted volatile gains which I now see lasting until early May and then a steep decline until mid-October.

Germany's Dax: I correctly predicted gains which I still see lasting until the second week of April two ahead of a decline until late-June.

France's Cac 40: I correctly predicted the recovery would continue towards a peak in mid-April ahead of a long decline until late December and I still hold that view.

Hong Kong's Hangsen: I correctly predicted declines until early April when a six-week recovery is likely ahead of a long slide beginning around May 19 down to mid-July.

Japan's Nikkei: I correctly predicted a new up-phase which is probably now over with declines likely until the end of the month.

Australia's All Ordinaries: I correctly predicted a strong up-trend to mid-May and thereafter a fresh bear phase until mid-September. In the interim, however, I see losses until the third week of April.

JSE Top 40 Index: I correctly predicted the start of a long declining phase until July and that phase is starting now.

ShareFinder JSE Blue Chip Index: I failed to predict this week's sharp gain but continue to expect the beginning of a volatile decline starting in the new week and lasting until late September.

Rand/Dollar: I correctly forecast weakness. Now I see gains until late June.

Rand/Euro: I correctly forecast brief weakness followed by gains likely to last until mid-April when another volatile phase of weakness is likely until early May. Overall, however, the trend will be in favour of steady gains until early September.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.11 percent. For the past 12 months it has been 93.04 percent.

Too much of a good thing?

Andrew Ross Sorkin of the New York Times

With the end of the pandemic coming ever closer and the Biden administration [pouring trillions into recovery initiatives](#), economists are debating whether the government risks going too far, stoking runaway inflation. But as our colleague Neil Irwin at the Upshot asks: How will we know if the economy is [running too hot](#)?

Economists acknowledge that some rise in inflation is inevitable, as demand for certain goods and services outstrips supply. (Other events, like strained supply chains, are [also pushing up prices](#).) Where they disagree is over the severity of the inflation that will result:

- The Biden administration and its allies think that prices will recalibrate, unemployment will fall and inflation will stabilise at a manageable level.
- Sceptics worry that people will believe elevated inflation is the new normal, leading to climbing prices, demands for higher wages, a weakening dollar and higher interest rates on government debt. That could prompt policymakers to intervene forcefully — and set off a recession.

Ten economists explained what the warning signs of an overheating economy would look like.

A summary of common themes:

- Several, like Greg Mankiw and Jason Furman of Harvard, said they would start to worry about several years of inflation above 3 percent.
- Others, like Austan Goolsbee of the University of Chicago and Claudia Sahm of the Jain Family Institute, are looking out for a significant acceleration in inflation, as happened in the 1970s.
- Wendy Edelberg of the Brookings Institution is watching for signs that people believe an economic overheating is permanent, like a housing and construction boom and high readings in the [five-year, five-year forward](#) inflation expectation rate.
- Larry Summers, who recently [kicked the debate into higher gear](#), thinks there are roughly equal odds that everything will turn out fine, that ever-rising inflation will set in and that the Fed will crash the economy to stop that from happening.

Behind the scenes, markets are pumping

Despite media reports of job losses and slumps, there is furious activity that some indices are revealing accurately

While there are standard indices such as the Nasdaq, the Dow Jones and the Nikkei, which are popularly traded on, there is also a lesser-known index called the Russell 2000.

I find this interesting because it is made up of smaller to mid-level-sized companies that are fuelling the market. These companies are more entrepreneurial. It's quite novel. These are smaller companies that are on the edge of technology, such as NVidia and KLAC. They are taking advantage of incentives the central banks are providing right now and flying high.

The truth is, the unemployment numbers we're seeing around the world may be a bit fictitious. The reason for this is that there are so many people who hold jobs that are kind of transitory, such as waitering or other hospitality jobs. And this is part of what is fuelling the market at the moment.

I don't think it's quite as bad as the media might have us believe. By and large, people are still paying their bills. And the markets are really trading in unison internationally. If you look at most of the indices around the world, they're close to all-time highs. The Nasdaq is trading within about 600-700 points of its all-time highs. And the Dow Jones is within about 200 points of its highs.

The question is, why? It's quite simple, really. There are a lot of things being tinkered with behind the scenes. We are in the midst of a pandemic and companies are operating on a lower flame. The Fed is allowing companies to borrow money from central government at lower rates. And while this is artificial, it is stabilising the markets. Governments are sustaining the indices so that jobs aren't lost and economies don't fall apart.

In the US, we had a transition from Donald Trump to Joe Biden. And these administrations could not be more different. Due to Biden's policies, shares in car companies committed to electrical transformation, which are looking at doing away with fossil fuels, have seen incredible growth. Overall, the energy sector has been given a huge boost. And China is investing heavily in hydrogen-powered vehicles. We are making the transition to sustainable energy in a very aggressive way. It's not just Tesla that is doing well.

Another noteworthy point is that gold has been in a very conservative position for the type of environment we are in. And while gold is close to its all-time highs, it's not where I would expect it to be. This is probably because central governments have been really good at keeping monetary momentum going in the global economy. And it's a very delicate situation, because if the stimulus packages are stopped, it may negatively affect the markets.

Gold is always a good benchmark to measure where markets are at any given time. It is seen as a “safe bet” in tough economic times and many traders turn to it when the world economy looks to be in trouble. That said, overall, markets will probably see a lot of movement in 2021. In many respects, 2020 was an unusual year, as we all know too well. And as the world begins to pick up the pieces this year, there are many factors that will affect the trading landscape. We’re likely to discover the true effects of unemployment on the global economy in the months to come. In the US, big business will probably be under more financial pressure as Biden’s policies come into effect. And while I don’t like to use clichés, we should be prepared to expect the unexpected.

As travel and work restrictions are lifted with vaccines rolling out, oil should begin to recover. And health-care manufacturing will perform robustly on the stock exchanges. Last year saw an immense boom in the stocks of large digital players such as Google and Facebook. But I think the US government’s proposed antitrust legislation lawsuits are something to watch in this regard.

Sometimes we forget that, primarily, the economy is fuelled by consumers. The Consumer Confidence Index is an oft neglected value, but it is a very important number. Consumer sentiment is a vital factor to consider that can’t be overlooked. And if you look at the Consumer Confidence Index, there is still a relatively healthy balance. Even though there are parts of the market that are underperforming, others are doing exceptionally well — particularly real estate. Real estate acquisitions, stocks and exchanges are high globally, relative to the environment we are in. Interest rates are low, so there is robust market activity.

The markets are hurtling through the stratosphere in the pandemic. And we are certainly seeing a lot of activity that might be considered unexpected. The trading environment is more interesting than ever. But there is ongoing momentum in several sectors. I think the next six months to a year will be very telling in terms of where exactly we will end up in space and time.

- *Razak is chief trading strategist at CMTrading.*