

i3 Summit

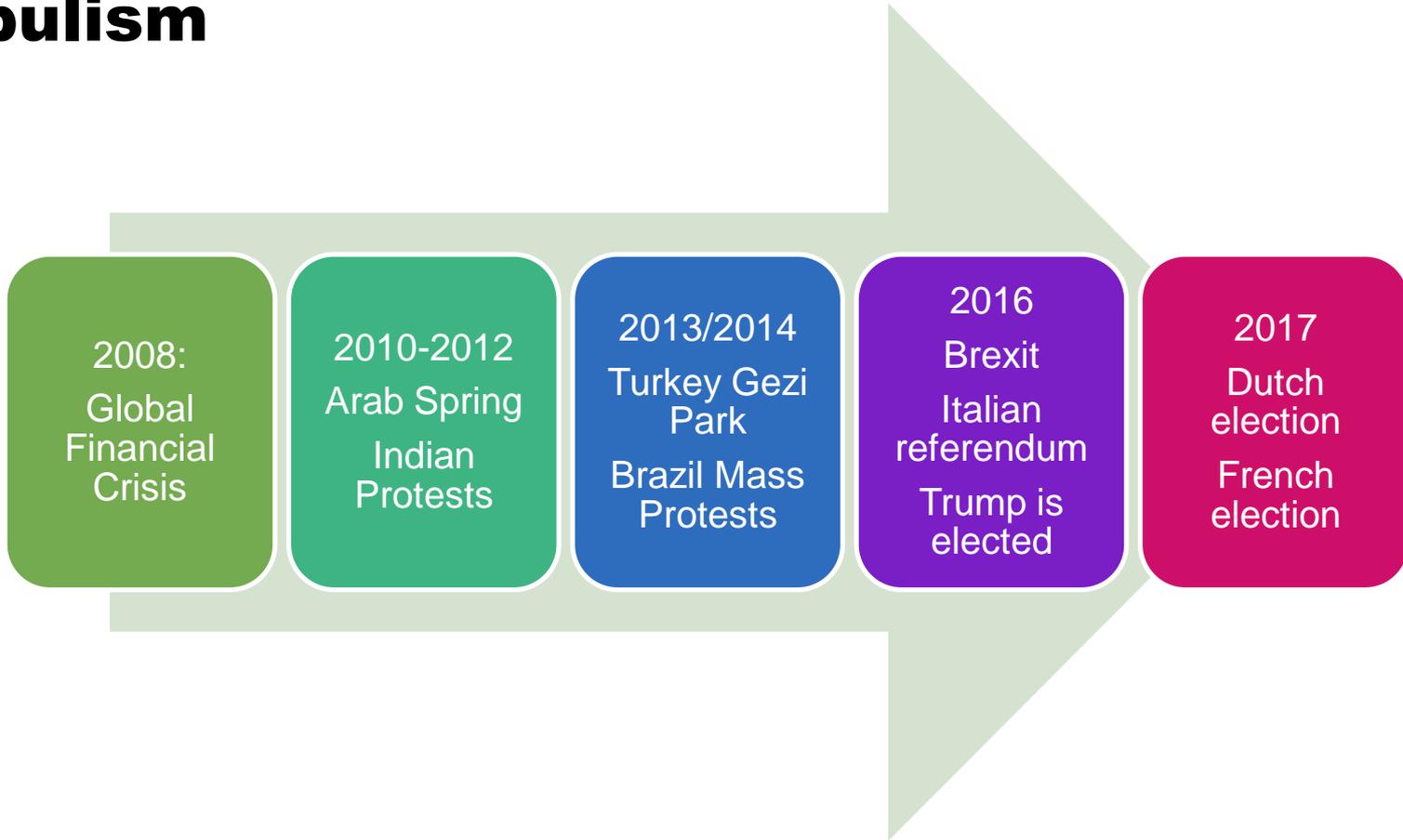
Politics, Economics and Markets

Nazmeera Moola – Co-Head of Fixed Income
Investec Asset Management

1 June 2017



Populism

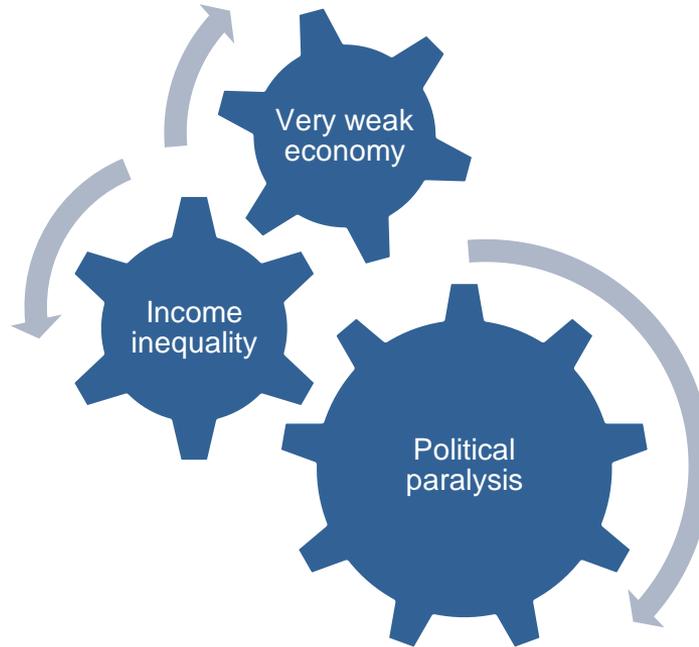


Is this new?

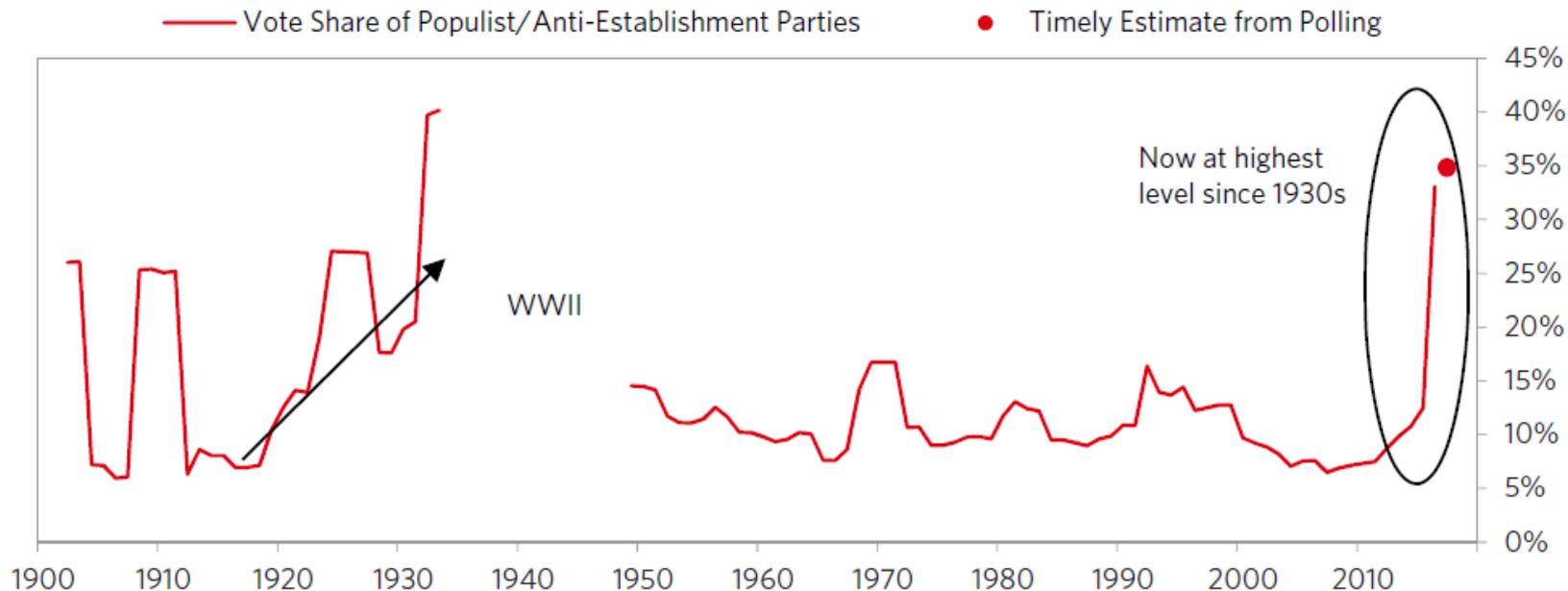
Plenty of historical examples

- Italy – Mussolini
- Germany – Hitler
- Spain – Franco

Common causes



Developed World Populism Index



Source: Bridgewater

Key Features of Populism

1930s vs Current Period

Attack established politicians

- Italy -1920s
- Germany -1920s
- Spain – 1900s
- Hungary
- Greece
- Poland
- Russia - 2000
- Venezuela
- United States
- Britain

Nationalistic/ Anti-Immigrant

- Italy
- Germany
- Spain
- Hungary
- Greece
- Poland
- Russia

- United States
- Britain

Protectionist

- Italy
- Germany
- Spain

- United States
- Britain

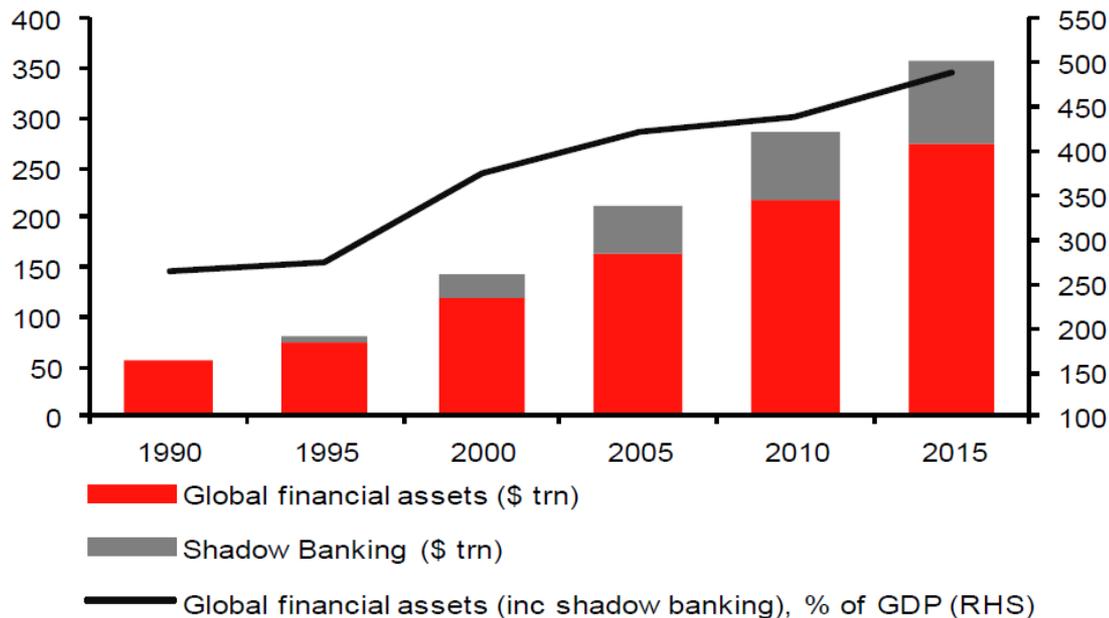
Attacked corporates & banks

- Italy
- Germany
- Spain
- Hungary
- Greece
- Poland
- Russia
- Venezuela

Capital manufacturing capital

Surge in global financial instruments

Estimated value of global financial instruments (US\$ trillion)



**G5 Central Bank
Assets have
surged from
US\$6trn in 2008 to
US\$18trn in 2016**

Source: BIS, Macquarie Research, May 2017

What political impact on the SA market?

	24-Mar-17	31-May-17
ZAR/US\$	13.01	13.15
ZAR/GBP	16.65	16.95
R186 yield	8.60	8.58
SA CDS	194	190

US\$64bn inflow into
Emerging Market Equity & Debt in 2017

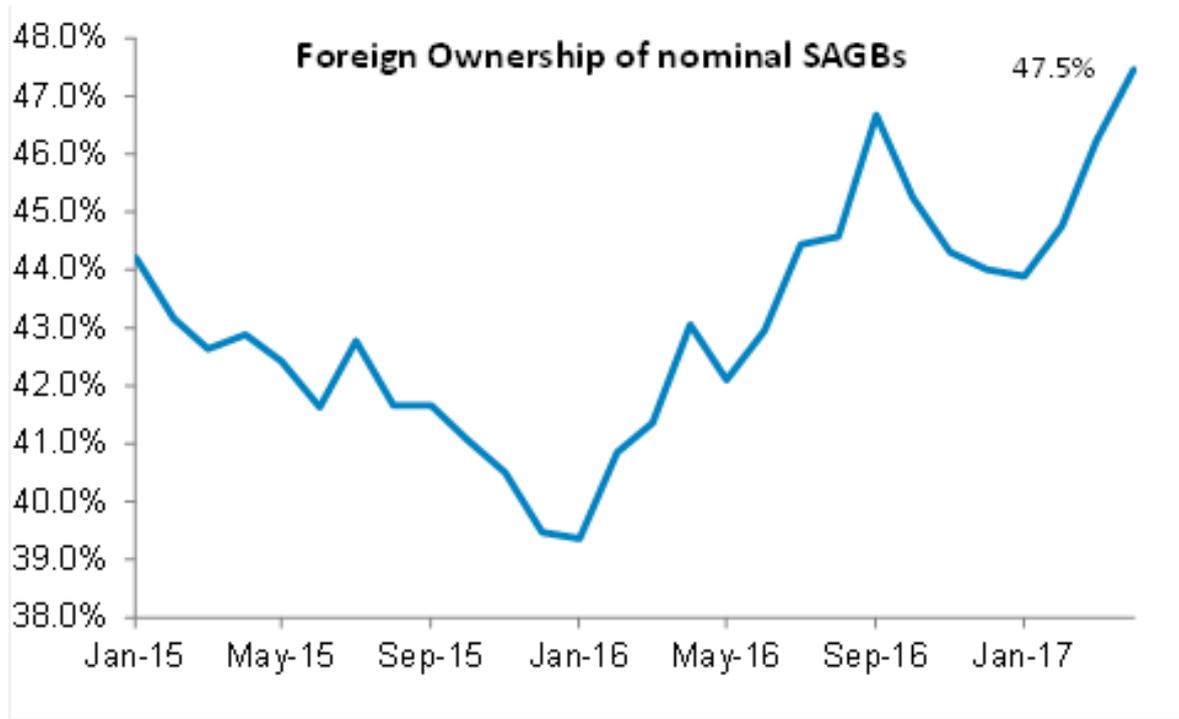
US\$30bn into equity funds

US\$33bn into debt funds

Inflows of **US\$12bn** since 1st April 2017

In contrast, there were outflows of
US\$500mn from debt funds in 4Q15

Surge in foreign ownership of SA govt bonds



Source: Morgan Stanley, 31 May 2017

What am I worrying about?

- **Weaker growth:** 0.9% vs 1.7% previous forecast due to negative impact on confidence
- **Weaker government revenues**
- **Higher borrowing costs**

Canary in the Coal Mine

State Companies Cannot Issue



Since the cabinet reshuffle:

- Transnet has had three failed auctions
- SANRAL had to withdraw an auction
- Eskom is not running auctions

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