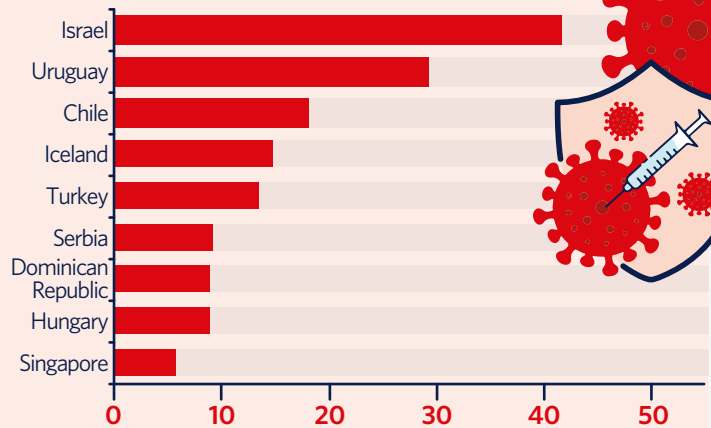


Growing list of countries administering COVID-19 booster-shot programmes

- Booster doses are doses administered beyond those prescribed by the **original vaccination protocol**.
- Concerns over waning immunity and **COVID-19 variants** have convinced some countries to deploy extra vaccine doses.
- Countries that have relied heavily on inactivated virus vaccines have been among the **first to deploy boosters**.
- Despite a lack of evidence favouring booster shots, policymakers may **err on the side of caution** given their relatively low risk and potentially high benefit for high-risk groups.
- The **World Health Organisation (WHO)** has nonetheless warned against hoarding booster doses before other countries have been able to vaccinate their health workers and the most vulnerable.

Source: Our World in Data, WHO, * 15 other countries listed

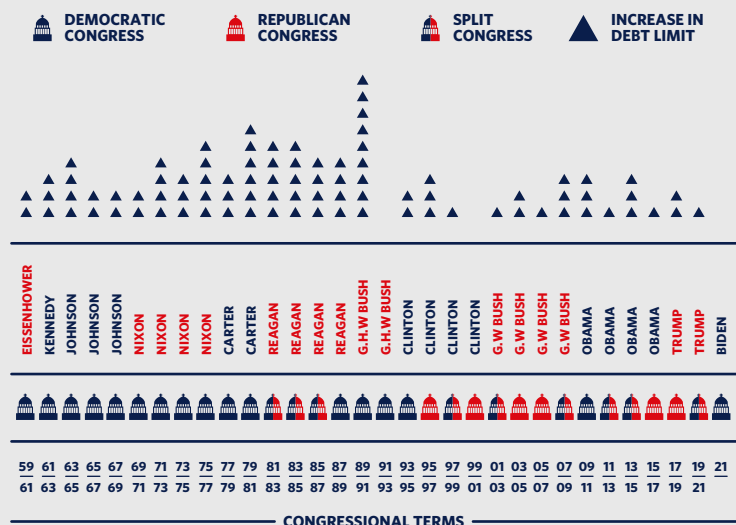
COVID-19 vaccine booster doses administered per 100 people (top 10*)



US debt rises irrespective of who is in the White House

Number of times the debt ceiling was raised

- A national debt ceiling was created under the **Second Liberty Bond Act of 1917**.
- The **ceiling is imposed by Congress** and limits how much debt the federal government can have at once.
- When the ceiling is reached, the US treasury cannot issue any more bills, bonds or notes and can only **pay bills as it receives tax revenues**.
- This raises the **risk of closing federal services**, furloughing government employees and failing to meet social security contributions.
- Congress has acted **78 times** to permanently raise, temporarily extend or revise the debt limit since 1960.
- Raising the ceiling **avoids a debt default** but places the country in further debt.



Source: Peterson Foundation, The Balance

China troubled by unequal development

The share of national income earned by the **top 10% of the population** has increased from 27% in 1978 to 41% in 2015, while the share earned by the **bottom 50% has dropped** from 27% to 15%.



According to China's National Bureau of Statistics, the **nation's Gini coefficient is 0.47** (less favourable than Asia's average of 0.35).

Source: Brookings, Financial Times, Wall Street Journal

Social welfare-related public expenditure in China was equivalent to **11% of GDP in 2016** compared with an average of **21%** across the Organisation for Economic Co-operation and Development (OECD) countries.



With **inequality** posing a risk to social stability, more redistributive policies are likely in the coming years.



October 2021

UNITED STATES

Congress voted on a short-term fix to extend the debt ceiling limit by US\$480 billion to allow for bills to be paid through to 3 December. With Democrats insisting they will not use reconciliation to enact a longer lasting increase in the debt limit, this crisis is likely to re-emerge under the spotlight in six weeks. Capital Economics has batted away possible unilateral actions such as minting a large-denomination platinum coin or citing the 14th Amendment of the Constitution and suggest a longer-lasting deal will eventually be reached via more established methods, given that neither side of the aisle want to be viewed as responsible for a government default. A September poll from Politico/Morning Consult suggested that in the event of a default, 39% of registered voters would blame both parties equally, 31% would mostly blame Democrats and 20% would blame Republicans (the remainder had no opinion).

Forecast 2021:

GDP: 5.7%

HICP Inflation: 3.0%

Forecast 2022:

GDP: 4.2%

HICP Inflation: 2.5%

EUROZONE

Minutes of the European Central Bank (ECB) meeting for September revealed that some policymakers were concerned about underestimating future inflation and they have argued for a larger cut in asset purchases. Supply bottlenecks and soaring energy prices have led inflation to its highest level in a decade. Nevertheless, the ECB projects that headline inflation will fall from an average of 2.2% in 2021 to 1.7% in 2022 and 1.5% in 2023. Moreover, the ECB noted underlying inflation remained at subdued levels. The ECB added that the rise in compensation per employee reflected a normalisation in work patterns rather than an increase in wages and as such, expect subdued second round effects from recent wage developments. While longer-dated inflation expectations have increased (the five-year forward inflation-linked swap rate five years ahead topped 1.7%), they remain below the ECB's new inflation target.

Forecast 2021:

GDP: 7.0%

Inflation: 2.3%

Forecast 2022:

GDP: 5.2%

Inflation: 3.2%

UNITED KINGDOM

The monthly uptick in September's inflation rate was the sharpest increase since 1997. This has prompted hawkish comments from select members of the Bank of England's (BoE) Monetary Policy Council. Financial markets have translated BoE Governor Andrew Bailey's comments as an indication that the next interest rate tightening cycle will commence before the end of the year despite little evidence that demand is driving inflation. Markets anticipate an interest rate hike in both November and December's meeting and a further 75 basis points worth of hikes are priced into 2022. Longer dated interest rate expectations nevertheless signal an unwinding of tighter policy indicating the market sees a threat of the BoE making a policy error. The Deutsche Bank monthly survey suggests that 45% of respondents believe the BoE risks being too hawkish (against 20% too dovish and 16% unsure).

Forecast 2021:

GDP: 2.3%

Inflation: 0%

Forecast 2022:

GDP: 2.6%

Inflation: 0.4%

JAPAN

Political disarray in the opposition ranks should see Japan's Liberal Democratic Party (LDP) stroll to victory in the snap elections with Fumio Kishida at the helm. While Abenomics was viewed as favouring the wealthy, Kishida is trying to punt the LDP as a party which promotes growth and redistribution. The new prime minister has proposed tax incentives for firms to encourage the redistribution of wealth to workers. However, this was previously attempted with little success under former Prime Minister Shinzo Abe. Policy think tank RIETI (Research Institute of Economy, Trade and Industry) noted Japan's productivity gap with the US has flatlined since 1990 and exceeds 30%. Prioritising redistribution can occur against a backdrop of higher economic growth if Kishida is successful at reducing bureaucracy, cutting inefficiencies and increasing female and senior participation in the labour market to boost productivity.

CHINA

Forecast 2021:

GDP: 8.2%

Inflation: 1.1%

Forecast 2022:

GDP: 5.5%

Inflation: 2.2%

Growth in China stumbled to 4.9% in the third quarter from a much faster 7.9% rise in the second quarter, amid an energy crunch, shipping delays and strain on the property sector. China's growth contribution from exports is the highest in a decade and this has driven up the economy's energy intensity to above government's target. Surging coal prices and an eagerness to decarbonise in the run up to the G20 Summit and the United Nations Climate Change Conference has seen energy intensive industrial sectors (namely steel and cement) being the hardest hit. As such, coal mines have recently been encouraged to ramp up production. While electricity shortages should alleviate in the final months of 2021, a cooling property market could remain a headwind in 2022. Policymakers are likely to shift to a more supportive stance if short-term growth becomes a graver concern.

Forecast 2021:

GDP: 6.5%

Inflation: 3.5%

Forecast 2022:

GDP: 5.2%

Inflation: 3.8%

EMERGING MARKETS

Commodity-related exports and face-to-face services sectors outperformed in the second quarter of the year, with activity measures recovering further in the third quarter as authorities' appetite for renewed restrictions on economic activity waned. According to the Google COVID-19 Community Mobility reports, mobility has recovered to pre-pandemic levels in EEMEA (Eastern Europe, Middle East and Africa) and Latin America, but continues to lag in Emerging Asia on renewed lockdown restrictions. Standard and Poor's rating agency forecasts economic activity in this region to be 11% below pre-pandemic levels by the end of 2022, while key economies in Latin America and EEMEA are expected to recover to pre-pandemic levels by the beginning of 2022. Despite this predicted recovery, supply chain disruptions, weaker fiscal positions and normalisation in interest rate policy remain key threats to the fragile recovery in growth.

Forecast 2021:

GDP: 4.9%

Inflation: 4.5%

Forecast 2022:

GDP: 2%

Inflation: 4.5%

SOUTH AFRICA

The recovery has been supported by stronger global growth (due to expansionary policies and widespread vaccination rollouts) and low interest rates, fiscal support measures and fewer COVID-19 lockdown restrictions, locally. On a sectoral basis, the recovery has been strongest for agriculture and mining and weakest for construction, transport and trade. Growth in net wealth, low borrowing costs, a rapid recovery in wages and increased social grants have supported and will continue to support consumption, but weak employment growth will see the robust recovery in household spending lose its lustre in 2022. While higher commodity exports may entice further investment in the mining sector and associated industries, constrained electricity supply and dented investor confidence will prevent a sharper rebound in fixed investment, which has lagged overall growth even prior to the pandemic. Previous strength in commodity prices allowed government to upwardly revise the public sector wage agreement and provide COVID-19 related social transfers, but the recent softening in platinum group metal and iron ore prices argue against permanent expenditure commitments. In our view, a marked improvement in near term fiscal projections could stave off negative rating actions this year. Supply side shocks are likely to drive near term inflation higher, but modest medium-term projections should allow the Reserve Bank to defer interest rate hikes to early next year.

The macro research desk

Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.



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Indices summary for October 2021

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (Alsi)	5.15%	0.08%	35.96%	12.62%	6.96%	9.47%	7.21%	7.83%	11.06%
FTSE/JSE Shareholder Weighted Index (Swix)	2.82%	1.72%	29.39%	9.65%	4.05%	6.57%	5.23%	5.99%	10.41%
FTSE/JSE Capped Swix All Share index	2.69%	3.29%	39.78%	9.14%	4.38%	6.13%	4.78%	5.54%	10.09%
FTSE/JSE All Share Top 40 Index	5.27%	-0.91%	33.44%	13.42%	7.17%	10.15%	7.19%	7.91%	11.04%
FTSE/JSE Mid Cap Index	1.16%	5.46%	47.34%	8.20%	4.71%	4.16%	5.80%	6.02%	9.83%
FTSE/JSE Small Cap Index	3.12%	16.52%	83.74%	11.43%	5.62%	5.30%	5.67%	6.11%	11.74%
FTSE/JSE Resources Index	8.39%	-6.40%	43.16%	22.23%	20.08%	20.68%	16.98%	9.57%	6.17%
FTSE/JSE Financials Index	-3.16%	10.99%	55.31%	0.03%	0.55%	2.47%	0.63%	3.11%	9.88%
FTSE/JSE Industrials Index	6.69%	1.16%	24.33%	12.94%	3.26%	7.03%	4.71%	6.86%	13.06%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	1.07%	4.17%	54.90%	11.18%	8.01%	10.20%	9.13%	8.01%	10.46%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	1.54%	4.52%	55.63%	11.05%	7.89%	9.84%	8.87%	7.78%	10.20%
FTSE/JSE SA Listed Property Index (Sapy)	-1.69%	4.81%	65.93%	-6.77%	-9.92%	-6.05%	-4.73%	-1.51%	5.01%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	-0.48%	-0.93%	10.93%	9.53%	9.09%	8.27%	8.04%	7.58%	7.92%
FTSE/JSE All Bond Index 1-3 years (Albi)	-0.11%	0.46%	2.81%	8.15%	8.24%	8.24%	8.11%	7.87%	7.41%
FTSE/JSE Inflation-linked Index (Ili)	0.63%	2.17%	15.32%	5.43%	4.60%	3.52%	4.03%	4.27%	6.39%
Short-term Fixed Interest Composite Index (Stefi)	0.32%	0.96%	3.78%	5.67%	6.07%	6.37%	6.51%	6.50%	6.20%
Commodities									
NewGold Exchange-Traded Fund	2.37%	1.20%	-11.96%	14.09%	10.32%	9.04%	8.93%	10.75%	6.76%
Gold price (in rands)	1.98%	0.57%	-12.55%	14.56%	10.69%	9.18%	9.26%	11.25%	7.13%
Platinum Exchange-Traded Fund	6.16%	0.91%	11.62%	7.15%	4.05%	2.73%	1.70%	1.55%	
Platinum price (in rands)	8.50%	0.21%	13.16%	8.24%	4.68%	3.37%	2.32%	2.22%	-0.06%
Currency movements									
Rand/euro movements	0.90%	1.42%	-7.66%	1.69%	1.65%	3.54%	2.41%	3.49%	4.80%
Rand/dollar movements	1.04%	3.93%	-6.80%	0.98%	1.83%	2.43%	1.63%	4.67%	6.77%
Inflation index									
Consumer Price Index (CPI)			4.97%	4.03%	4.25%	4.41%	4.69%	4.68%	5.01%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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