

Tracking COVID-19 vaccinations:

Cumulative COVID-19 vaccination doses per 100 people have ramped up globally in the past four months, but a stark gap in vaccination programmes persists between richer and poorer countries. Low vaccination rates in poorer nations pose a threat to global health security given the higher risk of more contagious virus mutations in unvaccinated individuals.

Source: Our World in Data (University of Oxford), World Bank

Cumulative COVID-19 vaccination doses per 100 people



The end of a political era:

Outgoing German Chancellor, Angela Merkel, has upheld favourable approval ratings even after four terms in office. According to the Guardian, Merkel has worked with four United States and French presidents, five British prime ministers and eight Italian heads of government.

Source: The Guardian, YouGov

Note: US polling did not ask about Biden, Macron, Modi or Xi

Angela Merkel has maintained positive approval ratings at home and internationally:

	Britain	Italy	Germany	France	Spain	US
Merkel	15%	23	30	49	61	17
Biden	27	24	40	26	27	
Trudeau	20	2	14	10	5	10
Macron	-35	-18	11	-29	20	
Modi	-23	-9	-17	-16	-12	
Johnson	-22	-40	-53	-24	-48	-2
Putin	-73	-17	-49	-36	-62	-52
Xi	-53	-50	-58	-59	-58	

Low approval ratings end Yoshihide's term

After commencing his tenure with the third-highest cabinet rating approval in history, Japanese Prime Minister Yoshihide Suga's popularity lost favour with his approval ratings experiencing the third-largest drop in history between the first and second opinion polls. Despite successes in changing Japan's approach to climate change and employing digital technology in government services, his ineffective communication with the public during the pandemic has seen his approval ratings plummet. His decision to not stand for re-election ends his short term which follows the term of former Prime Minister Shinzō Abe, who boasts a record tenure of 3186 days.

Popularity ratings for Yoshihide Suga



Source: Morning Consult Political Intelligence

September 2021

UNITED STATES

Although persistent supply constraints could keep inflation elevated for longer, tumbling used motor vehicle prices drove down the pace of an increase in consumer prices to the lowest level in six months. A viral resurgence has weighed on demand for high-contact services, dampening inflation associated with a reopening of the economy. Despite little political will to reimpose tight lockdown measures, consumer spending on in-person services will hold back consumption, notwithstanding high levels of savings and a recovery in jobs. The Federal Reserve of New York's Nowcast suggests growth is likely to drop to 3.8% in the third quarter (previously estimated at 5.5%). While the current economic environment may delay any tightening action by the Federal Reserve to early 2023, the tapering of asset purchases is expected to commence before the end of 2021.

Forecast 2021:

GDP: 5.9%

Core PCE Inflation: 2.8%

Forecast 2022:

GDP: 4.3%

Core PCE Inflation: 2.4%

EUROZONE

Although Germany's Social Democratic Party (SPD) did not secure a clear majority, it clinched 25.7% of the vote (up from 20.5%), whereas centre-right Christian Democratic Union (CDU/CSU) won only 24.1% of the vote (its worst national result in history). Smaller parties, namely the Greens and Free Democratic Party (FDP), are in a kingmaker position and expressed a willingness to join a coalition government. Expectations are for a 'traffic light' coalition to form between SPD, FDP and the Greens or a 'Jamaica' coalition (CDU/CSU, Greens and FDP). Talks to form a coalition treaty are likely to drag on, given differing views on raising taxes, support for European integration, new investment and advancing the country's climate neutrality goals. With the next chancellor coming from a party with less than a third of the vote, Germany faces a more complex, heterogenous government and a potential for more internal conflict.

Forecast 2021:

GDP: 6.8%

Inflation: 2.1%

Forecast 2022:

GDP: 5.2%

Inflation: 2.5%

UNITED KINGDOM

Despite an increasing number of COVID-19 cases, Prime Minister Boris Johnson scrapped the idea of introducing vaccine passports as pressure arose from officials in his governing Conservative Party. A survey by YouGov suggests only 40% of people think the UK government is handling the pandemic "very" or "somewhat" well. This is down from 62% in early May. While further potential viral outbreaks risk tighter lockdown restrictions, our base case is for remaining restrictions (outside of international travel) to be lifted in the coming months. As such, output is likely to recover to its pre-pandemic levels by early 2022. Nevertheless, the National Institute of Economic and Social Research predicts the forecasted level of gross domestic product to remain around 3% weaker in the medium term (relative to the post-Global Financial Crisis trend) due to Brexit and COVID-19.

Forecast 2021:

GDP: 2.3%

Inflation: 0%

Forecast 2022:

GDP: 2.5%

Inflation: 0.4%

JAPAN

Japanese Prime Minister Yoshihide Suga announced he will be stepping down after just a year in office. This announcement followed a steep drop in his approval ratings to below 30% on high profile corruption scandals and government's perceived mishandling of the COVID-19 crisis. Suga's successor faces the tough task of managing the pandemic and alleviating the disease burden on hospitals. While Japan had one of the lowest vaccination rates in the Organisation for Economic Cooperation and Development (OECD) countries not too long ago, progress has ramped up with more than 53.3% (14.6% at the end of June 2021) of the population currently fully vaccinated versus 53.9% (46.3% at the end of June) for the United States and 61% (34% at the end of June) for the European Union.

CHINA

Forecast 2021:

GDP: 8.3%

Inflation: 1.2%

Forecast 2022:

GDP: 5.6%

Inflation: 2.2%

The fortunes of many of China's wealthiest entrepreneurs have come under pressure from the Chinese government in its latest efforts to address gross inequalities and concentrations of wealth. The elevation of the 'common prosperity' political campaign is a long-term task to eradicate poverty and address social cohesion through extending healthcare coverage, advancing rural economic development and providing education for less advantaged students. The emphasis on this campaign is likely to secure President Xi Jinping's political future at the 20th Party Congress in 2022 if he is able to show considerable progress on this revived objective to "regulate excessively high incomes and encourage high-income groups and enterprises to return more to society". In achieving this level of redistribution, we expect a rise in property and inheritance taxes to follow.

Forecast 2021:

GDP: 6.6%

Inflation: 3.5%

Forecast 2022:

GDP: 5.2%

Inflation: 3.7%

EMERGING MARKETS

Strong external demand and elevated commodity prices have supported growth in emerging markets (EMs). However, delayed vaccine rollouts, weaker healthcare systems, slower government responses and reduced capacity to provide fiscal support have held back economic activity. Cumulative COVID-19 vaccinations per 100 people have progressed in lower-middle income countries from 14.5 at the end of June 2021 to 41.4 more recently, while penetration rates remain dismally low for low-income countries at 3.4. Unlike the 'taper tantrum' that rattled global markets in 2013 and resulted in capital flight from vulnerable EMs, this time around, key differences are notable, including narrower current account deficits, more reasonably valued real exchange rates, healthier foreign reserve levels and the commencement of interest rate hiking cycles in a number of countries.

Forecast 2021:

GDP: 4.9%

Inflation: 4.4%

Forecast 2022:

GDP: 2%

Inflation: 4.3%

SOUTH AFRICA

Growth in the economy surprised to the upside at 7.5% in the first half of the year relative to the same period in 2020. However, electricity shortages, softening commodity prices, the July riots in key economic hubs and a pending fourth wave of COVID-19 point to growth momentum slowing in the second half of the year. Although the commodity price windfall will benefit government revenues this fiscal year, with little prospect of a major recovery in jobs, the debate over a more permanent extension of grants raises medium-term risks to fiscal consolidation. Moreover, the lack of a multi-year public sector wage agreement and the introduction of a cash allowance pose further fiscal risks in the medium term. In our view, well behaved inflation, unlike in many other EMs, should delay the start of the next interest rate hiking cycle to the first quarter of 2022 and should temper the pace of interest rate hikes. Subdued services inflation, which constitutes half of South Africa's consumer inflation basket, has provided an anchor for headline inflation, while administered prices, global oil prices and wage inflation remain key upside risks to the trajectory.

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 September 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)	-3.14%	-0.84%	23.19%	8.58%	7.24%	7.83%	7.62%	7.21%	11.50%
FTSE/JSE Shareholder Weighted Index (Swix)	-1.44%	0.51%	22.85%	6.38%	4.97%	5.37%	5.98%	5.99%	10.92%
FTSE/JSE Capped Swix All Share index	-1.41%	3.19%	30.34%	6.49%	4.93%	5.01%	5.48%	5.56%	10.61%
FTSE/JSE All Share Top 40 Index	-3.56%	-1.60%	20.25%	8.96%	7.51%	8.37%	7.63%	7.23%	11.57%
FTSE/JSE Mid Cap Index	0.52%	7.16%	41.12%	8.05%	5.47%	3.76%	6.67%	6.17%	10.22%
FTSE/JSE Small Cap Index	5.58%	11.72%	78.32%	9.03%	5.48%	4.35%	6.02%	6.19%	11.60%
FTSE/JSE Resources Index	-9.30%	-3.57%	17.84%	17.40%	19.71%	17.93%	16.53%	6.71%	6.43%
FTSE/JSE Financials Index	2.08%	13.23%	51.14%	0.02%	1.98%	2.96%	2.31%	4.55%	10.86%
FTSE/JSE Industrials Index	-0.77%	-4.30%	16.97%	7.50%	3.48%	5.04%	4.95%	6.43%	13.35%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	-0.27%	7.49%	40.75%	9.23%	9.00%	9.57%	10.09%	7.75%	11.31%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	-0.43%	7.14%	41.56%	8.98%	8.77%	9.22%	9.72%	7.50%	11.05%
FTSE/JSE SA Listed Property Index (Sapy)	-0.78%	5.94%	54.43%	-6.77%	-9.08%	-5.64%	-4.13%	-0.34%	5.46%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	-2.12%	0.37%	12.46%	9.08%	8.59%	8.51%	8.37%	8.18%	8.27%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.05%	1.52%	4.04%	8.65%	8.22%	8.37%	8.31%	8.15%	7.56%
FTSE/JSE Inflation-linked Index (Ili)	0.31%	2.00%	15.92%	5.47%	4.27%	3.52%	4.29%	4.38%	6.32%
Short-term Fixed Interest Composite Index (Stefi)	0.31%	0.95%	3.80%	5.77%	6.15%	6.43%	6.55%	6.53%	6.21%
Commodities									
NewGold Exchange-Traded Fund	0.64%	4.81%	-16.80%	15.79%	10.70%	7.35%	8.95%	9.41%	7.20%
Gold price (in rands)	-0.37%	4.50%	-17.06%	16.14%	11.08%	7.51%	9.29%	9.76%	7.28%
Platinum Exchange-Traded Fund	-0.69%	-4.13%	-3.91%	7.29%	3.68%	0.01%	2.05%	-0.58%	
Platinum price (in rands)	-2.06%	-6.04%	-1.34%	7.74%	3.87%	0.42%	2.32%	-0.29%	-1.13%
Currency movements									
Rand/euro movements	2.08%	3.01%	-10.86%	1.99%	2.23%	2.43%	2.06%	2.90%	4.92%
Rand/dollar movements	4.00%	5.42%	-9.82%	2.09%	2.75%	1.85%	1.42%	4.19%	6.50%
Inflation index									
Consumer Price Index (CPI)			4.89%	4.10%	4.31%	4.39%	4.65%	4.64%	5.03%

Important notes

- Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
- Returns for periods exceeding one year are annualised.
- 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).
- The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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