



CMEFS WEEKLY INVESTMENT NEWS

02-10-2020

Hello and welcome to this week's edition of Investment News.

Before we go into this week's discussion, let's see how the CMEFS Flexible fund has done for the year thus far as compared to the All Share Index (ALSI)

Fund	Last week Thursday	This week Thursday
ALSI	-6.69%	-4.51%
CMEFS Flexible Fund	+0.71%	+0.78%

News just in is that President Donald Trump has been tested positive for Covid-19.

We wish him and family a speedy recovery to full and robust health, and we really do, despite what we may or may not feel about him as a person.

This being said, it will be interesting to see just how the markets will react to this news, as the one thing the market hates with a passion is uncertainty.

And here we have the president of the world's largest economy becoming infected with the virus, and we all know how uncertain the outcome is, once having become infected with it.

We also know that the older one is, the more likely it is that the person affected might suffer a severe infection.

Donald Trump is 74.

We also know that if one suffers from even mild obesity, irrespective of age, this too contributes toward the possibility of suffering a severe infection.

Donald Trump is mildly obese.

Thus with these two factors alone, the degree of uncertainty as to outcome is increased exponentially.

Most will agree that Donald Trump is indeed one of a kind, and much of the present policy in place is premised on his particular style of governance, like it or not, as he himself would probably say.

Then over and above this, the election date for the new US presidency is on the 3rd November this year, making it only 32 days away as of today.

Subtract the minimum quarantine period of 14 days (per CDC guidelines) and we have a sitting president, if he emerges 100% healthy and capable from the Covid-19 experience, with only 18 days to wrap up his re-election campaign.

Donald Trump has also indicated that he is not going to ride off quietly into the sunset if he loses the election, as it is his view that the only way the Democrats can win the election is by way of electoral fraud, mostly by way of the postal ballot being offered during these Covid-19 times.

So we were already heading into a period of great uncertainty for the country tacitly acknowledged to be both the leader and protector of the western world.

This bit of news has now made the degree of uncertainty even more uncertain, so strap yourselves in, and hold on to your seats, as we could be in for a very bumpy ride “market wise” over the next few weeks.

Yes we have Vice-President Mike Pence who will and can “stand in” for Donald Trump whilst he is in quarantine, but Mike Pence is not Donald Trump.

A further complication is that Donald Trump may well have been Covid-19 positive during his debate with the Democratic challenger for the presidency, Joe Biden age 77, who stood a few meters away from Trump for the full 90 minutes of Tuesday night’s televised debate.

Epidemiologists said that if Trump tested positive on Thursday morning he could have been infectious at that time.

So we could have a situation where both the sitting president and the democratic challenger for the presidency are both unable to complete their campaigns in the weeks leading up to the election itself.

In as much as we are living through a complicated and stressful situation already that has no precedent in modern history, this further complication, at such a critical time, is almost the last thing we needed but yet, here it is.

And there may well be a whole lot more twists and turns in this saga because as we well know, Donald Trump was virulently anti “mask wearing”.

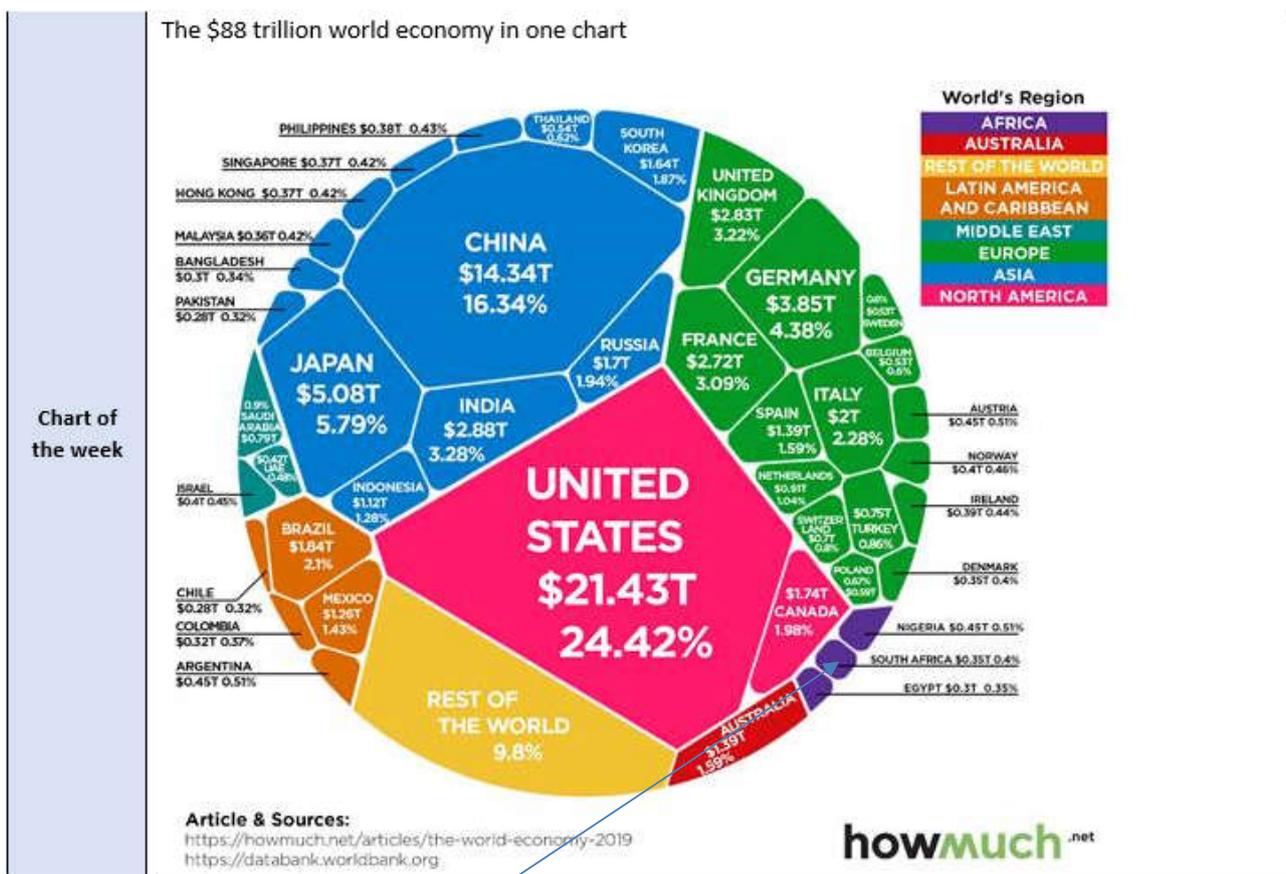
Now we have a situation where none of the people holding significant political office accompanying and surrounding Donald Trump during his campaign efforts, and there are and were many of them, were permitted to wear masks when in close consultation and proximity to him, with these meetings very often being held in confined spaces with little or no ventilation.

From a Covid-19 spread point of view, that is a recipe for disaster, even if the infected person is softly spoken, which of course does not apply in the case of Donald Trump.

So again, we could be in for a very bumpy ride coming at the worst possible time.

Murphy, it seems, is alive and well.

And to illustrate just how important the US is in the grand scheme of things, here is a map showing each country’s share of the world economy, courtesy of howmuch.net.



Just by the way, we are here on the map.

This is why the saying persists. “If America sneezes, the rest of the world catches a cold!”

It is as true today as it was when the phrase was first coined. In so far as China “catching up” to America is concerned, it may be that in the near future China’s economy will indeed exceed that of the US, but those assumptions come out of pre-covid-19 days.

Covid-19 has, amongst other things, made it an absolute priority for every country in the world to look inward in so far as new job creation is concerned, basically an “every man for himself” approach as we go forward from here, wherever “here” is right now, Covid-19 wise.

By way of an example, a decision has been taken at the upper-most levels in SA by both Government and Unions to source all of their needs from a South African source going forward.

And if we don’t yet manufacture what is needed, then funding will be provided to enable us to do so.

Further, should we have another pandemic similar in nature to Covid-19, no country wants to put itself in the position again where they are reliant on China (or any external country for that matter) for life-saving medicine and/or equipment.

One only has to imagine what might have happened had they been at war with China (God forbid) and this vital life-saving medication/equipment was needed.

For this reason, many countries have had a major re-think on what supplies they consider to be strategic and have taken a decision to manufacture them at home, notwithstanding that it might be more costly for them to do so.

Efficiency of scale is all well and good, but not at the expense of the retention of one’s own continuing sovereignty.

There is also going to be some political fall-out, once all of the proverbial smoke has cleared, around China’s handling of Covid-19 when it was still only a “Chinese” problem and largely confined to the city of Wuhan.

So for all of those reasons, and possibly some that I have not yet thought of, I do not think that China’s future growth trajectory will be exactly as it was prior to the Covid-19 pandemic.

That’s all for now. I hope you enjoyed the read. Until next time then, be safe and take good care of yourself and your family. Kind regards, Nine, Charles, and all of us at CMEFS.

PS: There may not be a publication next week as we are workshopping our current “modes operandi” all of next week, which may include Friday, in so far as fund selection going forward is concerned. We will have to wait and see how we do in this regard.