

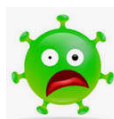


## **CMEFS WEEKLY NEWS AND VIEWS NEWSLETTER – FRIDAY 03/12/2021**

In this edition: Covid-19 – Omicron or Omigone/ Running out of year/The markets

Hello everyone and welcome to this week's edition of our newsletter. Before we go into this week's news, let's see how the CMEFS Flexible fund has done for the year to date as compared to the All-Share Index (ALSI), Money Market Funds, and inflation, bringing all fees to account.

From 1 Jan to	ALSI actual return to date as %	ALSI projected annual return for the full year as %	CMEFS Flexible Fund actual return to date as %	CMEFS Flexible Fund projected annual return for the full year as %	Money Market actual return to date as %	Money Market projected annual return for the full year as %	Cost of Living Increase for the period as %
End Jan	5.04	82.90	0.55	6.95	0.21	2.52	0.34
End Feb	11.33	95.02	1.05	6.78	0.39	2.34	1.02
End Mar	11.83	47.32	1.27	5.47	0.61	2.45	1.71
End Apr	12.00	36.00	1.91	6.15	0.83	2.48	2.39
End May	12.27	29.45	1.99	5.09	1.05	2.53	2.47
End June	10.58	21.16	2.31	4.90	1.26	2.52	2.73
End Jul	14.66	25.12	3.03	5.47	1.47	2.52	3.84
End Aug	11.45	17.17	3.64	5.72	1.68	2.53	4.26
End Sep	6.90	9.20	3.76	5.25	1.91	2.54	4.52
End Oct	12.36	14.83	3.94	4.94	2.14	2.57	4.77
02/12/2021	18.52	20.21	4.37	4.94	2.37	2.59	



### **Covid-19 – Omicron or Omigone?**

[My own comments in brackets]

First, the “bad” news regarding the rate of spread of this new variant.

The Delta version was 1.6 x more contagious than the original Wuhan virus and this latest variant is 5 X more contagious than the more infectious Delta version.

According to my own very simple records that I keep, translated into reality, and based on 7 day moving averages, it took Delta 41 days to move from 1000 to 4000 new infections a day.

Omicron has done this in just 8 days.

Based on the current rate of increase in new cases per day, in approximately 6 days from now we should hit the 15 000 mark. (On a 7-day moving average basis.)

It was around this point that lock down level 4 was put in place to contain the spread of the (then Delta) virus during the 3rd wave.

Therefore, until more is known about whether it is more deadly than its predecessor, extreme caution is advised, especially if you are unvaccinated.

It has been my experience that although the vast majority survive after becoming infected with the (then Delta) virus, if you are unvaccinated and the virus has your name on it, it is game over for you.

So please be extra, extra, careful out there, starting today.

And now to the other news on this variant.

My reading so far on this virus has taken me to a very interesting place in so far as virus mutations are concerned.

It seems that viruses, generally, in their hurry to mutate, although they become more contagious with every mutation and subsequent mutation, also become weaker.

Apparently, according to a Dr BN Naidoo, “every time it [the Covid-19 virus] mutates, its protein shell becomes weaker and weaker, and the more complex the mutation [which seems to be the case with this latest variant] the weaker the virus gets until it undergoes a lethal mutation, thus committing “viral suicide”, which causes its demise within three [or so] years. If this is true, then 1 more year for Covid.”

This kind of answers the question I had in my mind regarding the “Spanish Flu” which suddenly “disappeared” never to be seen again after three or so years, although at a cost of around 50 million lives at the time. [By comparison, Covid-19 so far (two years in) has taken around 5 million lives]

A further article written by a Howard Armistead a few days earlier also makes some interesting observations. Howard is an Aids, Ebola and Covid-19 researcher and has written more than 65 essays on SARS0CoV-2 and Covid since January 2020.

Here are two interesting excerpts from his rather lengthy article.

“What is different about B.1.1.529, the Omicron variant? Although more than a dozen SARS-2 variants have arisen over the past two years, **none has had anywhere close to the 50 mutations detected in Omicron**. The Delta variant differed by only two mutations. Thus, some have called Omicron a whole new lineage of Covid, practically a different coronavirus.”

“How dangerous is the new Omicron variant? We should know the answer to that question within a month. At this stage it is impossible to provide an accurate answer.

Most cases of omicron have been in people that were unvaccinated. Many showed no symptoms. This suggests Omicron is no more dangerous or deadly than Delta. It might be less so.

Virologists know that when a virus mutates to become more contagious, it often becomes less virulent at the same time. There is a trade-off.

***If Omicron is less deadly, it would be beneficial for it to spread widely and outcompete delta to become the most prevalent variant worldwide. That could lessen the impact of this pandemic.*** [I wonder if this will be allowed to happen if it is found to be less deadly?]

On the other hand, some of the 50 mutations of Omicron appear similar to those in the Beta variant that allowed it to evade aspects of both natural and vaccine induced immune responses. That could make Omicron more dangerous. But much is unknown. Scientists will soon answer these questions.”

Here's a link to the full article.

<https://mg.co.za/opinion/2021-12-01-omicron-variant-of-covid-the-dominant-strain-in-south-africa/>

**Running out of year...**



Just a reminder that our last working day will be the 15<sup>th</sup> December, which is a Wednesday, and our first day back at work will be the 3<sup>rd</sup> January, which is a Monday.

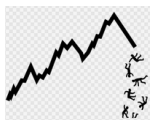
However, such is the nature of our work that we will be available for emergencies during this ‘shut-down’ period.

We will also be posting to our website a guide to things you might need to know during this time.

This will include such things as what to do if you get that nasty letter from SARS on the day before Christmas; when you can expect to receive your pension payment if you are invested with us; who to contact if you get back to where you parked your car, and it is no longer there, and so on.

So, before calling anyone, as people do need “recharge” time and it has been another tough year for all, please check this help notice before calling anyone. Many thanks.

PS” The notice is not there yet as it is a work in progress, but it will be posted before the 15<sup>th</sup> of December.



The Markets:

And now for our next gravity defying trick.

Below is a **valuation** review snip taken from a recent newsletter published by John Hussman, showing where the markets are right now in terms of valuations. A picture is indeed worth a thousand words.

If you are in the markets, you are here.

Covid-19 score.....

Just prior to the crash of 2008

Just prior to the crash of 2000

**Valuation review**

The chart below shows the valuation measure we find best correlated with actual subsequent market returns in market cycles across history – the ratio of U.S. nonfinancial equity market capitalization to corporate gross value added, including our estimates of foreign revenue (MarketCap/GVA). This measure is now 50% above levels that were never seen in history prior to *last year*



Not a good thing to look at if you suffer from vertigo!

And note that these are VALUATION levels and not the levels the price of stock has reached in the US.

As you will see from the above, between 1947 and 1996 **valuations** hovered between 0.45 (under-valued) and 1.35 (over-valued) They're now sitting at close to 3.6.

Then something strange, happened post 1996, and what happened was that US 10 year treasury bond yields started to drop, from around 6.7% in 1996 down to 1.5% at present, as is shown in the snip below.

Now, when interest rates get down to these levels (-4.5% in real terms if one factors in US inflation at 6%pa) the only way for them after that is up, and the Fed seems to be doing everything it can to **prevent** this from happening because as and when they do, the markets are going to react **very** negatively, something both the US Fed and Government absolutely do not want to happen.

How long they can hold out, only time will tell, but they will not be able to hold out forever.

More on this in next week's edition – We look at why, exactly have rates been dropping for such a long period of time.

For this reason, I remain very conservatively invested.



I trust you enjoyed the read.

Until next time then, do take good care of yourselves. Seriously. Please be careful with this 4<sup>th</sup> wave and new variant!



Kind regards. Nine, Charles and the rest of the team at CMEFS.