Charles Merrington
Executive Financial Services (Pty) Ltd

Authorised Financial Services
Provider Licence Number 12833

CMEFS WEEKLY NEWS AND VIEWS NEWSLETTER – FRIDAY 21/01/2022

In this edition: More on Covid-19-The Silver Bullet, Time to light up? / The Markets-US Inflation at 7%pa

Happy new year everyone and welcome to the first newsletter of the year.

As January has not as yet run its course, the table below is historic. (Note that a distribution was paid out of the CMEFS Flexible fund end December and that the return shown does not include the distribution. If one includes the distribution, the return for the year was just over 7% with almost zero risk of loss of capital)

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
31/12/2021	22.76	22.76	5.68	5.68	2.58	2.58	4.50

P O Box 137, Winklespruit, 4145
Tel: (031) 916 4450
Fax: (031) 916 3334
charlesm@cmefs.co.za

Company Registration Number: 1992/002924/07
VAT Registration Number: 4790148201
www.cmefs.co.za
Directors: Charles Merrington CFP® & Nina Merrington

195 Andrew Zondo
(Kingsway) Road
Warner Beach
4126

<u>Covid-19 Some interesting snippets-in case you missed it.</u>

The Sunday times dated January 2nd had some interesting things to say about Covid-19 in general and the Omicron variant in particular.

The first article headed “Virus’s Silver Bullet” read as follows:

Scientists have identified anti-bodies that neutralize Omicron and other SARS-Cov-2 variants by targeting the areas of the virus spike protein that remain unchanged during mutations. This means that it may be possible to design vaccines and anti-body treatments that will be universally effective, said David Veesler of the University of Washington. “This finding tells us that by focusing on anti-bodies that target these highly conserved sites on the spike protein there is a way to overcome the virus’s continual evolution, “he said. End of article.

The other bit I read which I found to be quite interesting was that up to date of publication, looking back on this 4th wave, more people had passed from the common flu than from Covid-19.

This augers well for the future and is a clear indicator that we are finally getting a “handle” on this thing. I am guessing that it is almost time to ease up on the mandatory restrictions, totally.

I see the authorities are at least talking about it.

And finally, US researchers have found that cannabis compounds have the ability to prevent the virus that causes Covid-19 from entering human cells. A team from Oregon State University identified hemp, known scientifically as cannabis sativa, compounds via a chemical screening technique. The team found that a pair of cannabinoid acids bind to the SARS-Cov-2 spike protein, blocking a critical step in the process the virus uses to infect people. The findings were published in the Journal of Natural Products. The compounds are cannabigerolic acid, or CBGA, and Cannabidiolic acid, or CBDA.

Time to light up?

<u>The markets</u>

Inflation is now sitting at 7% in the US, the highest since 1982. (40 years)

Inflation is now also an increasing problem in all of the developed economies, this as a direct result of unconstrained money printing on the part of the central banking fraternity.

At some point, the proverbial piper needs to be paid, and it seems that this time is drawing ever nearer.

Up until now, the central banks could continue printing money with no pressure to stop, but this pressure is now building as many consumers in all of the countries affected are not insulated against these rising prices and as such, are starting to feel the pressure on their household disposable incomes.

When this pressure becomes too much to bear, pressure is going to be put on the central bankers, via the politicians, bless their hearts, to bring these rates down in a hurry.

In order to bring these inflation rates down, it will become necessary for the central bankers to turn off the “free money taps” and start raising interest rates.

When this happens, it will dawn on traders who are relying on the “Fed Put” that one CAN suffer trading losses in the market.

The “Fed Put” is the belief held by a great many traders, many of whom are young (some younger than 14), inexperienced and have never experienced a market crash, that markets ONLY GO UP, and that should the markets go down by more than 20% “the Fed” will charge to the rescue on a white horse and flood the markets with money again so as to once again drive prices up.”

Yes. They seriously believe that. As it its written. I follow a lot of the chatter on twitter and am gob smacked anew virtually every day when I read some of the content of the chatter. They SERIOUSLY believe that markets only go up and heap scorn and derision on anyone who councils even a gram of caution.

Cautious they are most certainly not.

They are “all-in”. No questions. No restrictions. And most importantly no fear. (Yet)

They have NEVER experienced a “rising interest rate” environment, nor have they experienced, EVER, a market where every time it has dipped, the Fed has not come to the rescue.

Of course, their knowledge of things financial is virtually zero (at 14 what do you know about the value of money anyway) and thus far everything they believe to be true, has, in fact, played out exactly that way, so how can they possibly imagine a “different” world?

Anyway, the central banks are now faced with the following conundrum.

Let inflation continue to run out of control or stop printing money AND start raising interest rates.

Neither one of the two options has great outcomes in the short-term for the consumer, but in the longer run, inflation simply MUST be reigned in.

It is simply not an option to let it continue to run out of control because if left to do so, the US$, The Euro, the £, etc will all eventually look like the Zim Dollar did over the fullness of time.

Of course, right now it suits the central banks to have inflation running at 7% as 7% of their debt is “paid off” every year without them having to repay even US$1 for this to happen.

With the US Debt sitting at somewhere around US$ 27 trillion right now, 7% of this amount is a significant sum of money. US$1,89 Trillion to be exact.

Nice to pay off US$1.89 Trillion of debt without it costing you a cent!

This is why they will probably wait until the very last moment before they actually do anything about it, despite platitudes to the contrary.

Bottom line is that the world is paying for the US debt as most of the US debt is owned by foreigners.

Yes, they will (hopefully) receive the US$ they hope to receive in both interest and capital payments, but as these US$ will buy less and less, the recipients will actually have given up this US$1.8 Trillion spoken of above.

As I have often said in past newsletters.

There are only three options when it comes to debt.

1. Pay it back.

2. Inflate it away.

3. Default on it.

As the US simply cannot afford to pay all the debt back right now and would not want to be seen as a defaulter, they are currently busy inflating it away.

As the 61st US treasury secretary, John Connally, so rightly said all that time back, “The dollar is our currency, but it is your problem.”

Interesting times indeed.

How DO you paint your way out of a corner?

I remain conservatively invested.

Nine, Charles and the rest of the team.