

We will survive: some thoughts after the election

Harvard House has never ventured into political analysis and forecasts. The press did a good job in keeping us informed, making forecasts and predictions for the 2024 National Election results. Many called this election as important as the 1994 election following indications that the ANC would lose its majority in parliament. The reaction from markets was volatile as the counting started to reflect the ANC receiving less than 45% of the vote. There is little doubt that the political landscape has changed dramatically. We face uncharted territory. Parties will now negotiate to form alliances to lead South Africa over the next 5 years. Expect volatility in markets to continue over the short term as parties jockey for position.



**Willie
Pelsler**

Our readers will know that we never dabble into politics in our newsletters and client presentations. However, ahead of the 2024 elections, almost all political analysts likened this election to the 1994 election - a watershed moment. The question on everybody's minds, after various polling outcomes, suggested that the ruling party could suffer defeat, was probably, "what will happen going forward?" We all are now waiting

with bated breath to see how the 2024 results will pan out in the day-to-day activities in Parliament. By the way, you are right! The first sitting of Parliament will not be in Parliament but in the Cape Town Convention Centre. From a sentimental perspective perhaps a sad day as it would have been nice to see the "new political era" starting off with the historical nostalgia of the Parliament Building.

In the lead-up to election day, SA markets - shares, bonds and the Rand - were comfortable to price in the ANC receiving 45-50% share of the vote as a good outcome. The Rand strengthened, almost breaking below the R18 to the Dollar level. Foreign buyers piled into the local bond market and the JSE steamed ahead, and all of that whilst the power stayed on.

However, as the live results feed at the IEC's Election Centre started to suggest that the ANC's share could come in well below the 45% level, markets got spooked. The main reason for the negative reaction relates to uncertainty. The immediate question centered around how coalition economics would look now that no party has a majority. Would these negotiations in the political fighting ring lead to a more left or more centralist outcome?

SPEED READ

- **The ANC's portion of the vote has shrunk substantially. Who will partner with whom to rule South Africa? By the time you read this, some scenarios would have been discussed already. We are all hoping for a positive outcome.**
- **A short newspaper article from an outside journalist commented that South Africa's democratic heart is still beating, and we will survive. We share the sentiment.**
- **We have entered a new era in South African politics. The landscape is littered with mistakes. we can afford a few more.**
- **We advise clients not to act in panic or fear when it comes to their investments. Make informed decisions before you act otherwise you might derail your long-term objectives.**

As we waited for confirmation of the results over the weekend, I picked up a few newsfeeds asking whether South Africa will survive this new era? An article in the Vrye Weekblad by editor Max du Preez caught my eye. It was published in Afrikaans, but luckily their web edition allows you to choose an English version. Max has a long history in journalism dating back well before the 1994 elections. His newspaper (with the same name) was banned during the apartheid era by the National Party. Whether Max is liked or disliked I think he has "seen it all before."

His article last weekend was titled: "South Africa's democratic heart still beats." Max is cautiously optimistic about what the election results hold for the future. I have

copied the article below. It is part of the Free Option of the online newspaper and doesn't carry any pay-wall restrictions.

“ELECTION 2024 was a good moment for South Africa to look in the mirror.

Hair dishevelled and eyes a bit bloodshot, stress lines around the mouth, but nothing that a hairbrush, a better diet and a good night's rest can't improve.

The big mole on the forehead might even fall off later.

Or maybe a better metaphor is that the nation went to the family doctor for a checkup. Blood pressure a bit high, liver function a slight concern, vision in the left eye not great, but heart and lungs as fit as a horse.

We're going to be okay. Just don't unbuckle your seatbelts yet — and make sure your airbags are in working order.

We can be proud of ourselves: we yanked the governing party that has misused us for the last two decades. We, the people, made history on Wednesday.

Founded: 1912. Election won: 1994, 1999, 2004, 2009, 2014, 2019. Election lost: 2024.

Ah, but we must admit that the ANC wouldn't have ended below 50% if it weren't for Jacob Zuma and his uMkhonto weSizwe (MK) Party.

Thirty years ago, the Zulus and the Boers were our troublesome tribes. Now, it's just the Zulus — and they're quite a significant problem.

Capexit was a weak joke but Zulexit might not be.

END”

Max's note echoed some of my own thoughts. Below I summarize some of our own perspectives on the 2024 Election outcome.

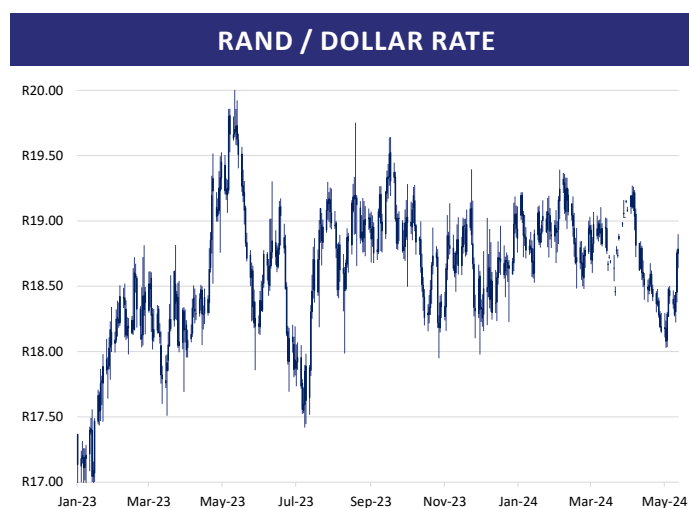
1. We have not been here before. In the period pre 1994 and post 1994 we always had majority election outcomes. The next few weeks will be spent negotiating various forms of workaround strategies.
2. SA politics has always been a bumpy ride (keep the safety-belt on). For example, think about the change of leadership positions in all political parties, even during the Apartheid era, and events like Nenegate. Think about the political rhetoric you have heard over



The ANC finds itself in uncharted territory needing to find coalition partners to govern SA for the first time.

the last 30 years that has not turned into policy or into implementation. This time is going to be no different. Once the “new form” of government is in place we will be better able to judge the political will to set South Africa on a faster growth path.

3. Markets do not like uncertainty. The political landscape has changed. The next few weeks, perhaps months, will include periods of uncertainty. As Max ended his article, some proposed political pacts might be seen as jokes, some might become reality. New acronyms will be formed. Will a GNU* rule us, or will it be a MRP*? We will have to wait and see. Therefore, expect volatility until clarity comes through. Plotted below is the Rand against the US dollar, including intra-day movements that show the peaks and troughs more clearly. Even during uneventful times, the Rand can swing wildly in reaction to global and local events. Be wary of attributing volatility in the currency solely to local developments. *(GNU = Government of National Unity / MRP = Minority Rule with an alliance Pact).



The chart highlights just how volatile the Rand can be, even during seemingly uneventful periods. Global events often have a far greater impact on the currency than local ones.

4. Companies will continue to do business and the consumer will continue to spend. We have made the comment before that “companies are not countries.” It remains as valid as ever. Despite ever changing conditions, companies strive to grow and succeed. The team at Harvard House will continue to monitor economic trends and adjust portfolios when and where we believe trends are beneficial or detrimental to the individual shares in portfolios.

Our advice to clients at this juncture is to stay focused and to apply a few basic rules when thinking about your investment portfolio and the gyration within financial markets:

1. Never make investment decisions out of fear.
2. Revisit your investment objectives, regardless of

“Revisit your investment objectives, regardless of whether they have a short- or long-term focus, if you think the landscape has changed dramatically.”

whether they have a short- or long-term focus, if you think the landscape has changed dramatically.

3. Bounce your ideas against valuable and informed opinion and sources. Remember to tread carefully - the misinformation engine is alive and well under AI.

The team is currently “locked behind doors” analysing and strategizing. We are formalizing our imminent mid-year Insight presentation and will communicate our thinking by way of the Insight presentation series and a follow-up Intuition article in due course. Please join one of the presentations as indicated below.

Finally, thank you for voting in 2024 and enjoy the cartoon below. Laughter is still the best medicine and keeps South Africa going.



The South African sense of humour remains intact.



By the time of our next Insight seminar, our election will be out of the way. We will take the opportunity to review market performance for the first five months of the year, and look ahead to what the second half might hold.

Please note that we will be hosting both a morning and evening presentation in Cape Town. The venues will be communicated once finalised.



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Topic: **Taking Stock: Mid Year Update**

Natal Midlands

Date: 20 June, 2024
Venue: Christ Church Howick, 23 Mare Street, Howick
Morning Time: 10am for 10.30am
Evening Time: 5.30pm for 6pm

Johannesburg

Date: 11 June, 2024
Venue: Rosebank Union Church, Cnr William Nichol and St Andrews Road, Hurlingham
Time: 7am for 7.30am

Cape Town

Date: 13 June, 2024
Venue: SSISA Conference Centre, Boundary Road, Newlands, Classroom 1, 3rd Floor
Time: 7.30am
Venue: ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time: 5.30pm for 6pm



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