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analytics

THE WORLD GOES TO THE BALLOT BOX

2024 will prove to be an unprecedented year for National elections, with an estimated 49% of the world's population, from across over 65 countries, heading to the voting poles over the course of the next twelve months.

The first major election took place in Taiwan on January 13th under intense global scrutiny due to the ongoing tensions between Taiwan and China. The new incumbent, Lai Ching-te, strongly advocates for Taiwan's independence from China, an ongoing source of tension between the two countries. The Taiwan Strait, a 180km expanse of water dividing the island from China, is a globally recognized hotspot due to the heightened hostilities between the two nations. Beijing asserts its territorial claim over Taiwan and issues threats of military action should Taipei resist reunification indefinitely

2024: Nearly Half the Global Population Prepares for Elections

Source: Time Magazine

Perhaps of greater import to local investors, South Africa and the United States of America will also hold their national elections this year; with the South African elections expected to take place between May and August, while the US elections have been secured for a vote on November 5th.

2024: Nearly Half the Global Population Prepares for Elections CONTINUED

Barring a very unexpectedly successful campaign by an alternative candidate, it is highly likely that the US elections will once again see Joe Biden up against former president Donald Trump. As with previous US elections, the votes of the swing states (Arizona, Georgia, Michigan, amongst others) will play a critical role in the outcome. At this stage, it is too early to reliably predict an outcome and formulate any form of investment strategy around the US elections, however a Republican win can be expected to bring about significant changes in economic policy.

Locally, South Africa will celebrate its 30th year as a democracy. It is widely accepted that the ruling ANC will secure another win and remain in power until 2029, however early polling suggests that the likelihood of a majority win is uncertain, compelling the ANC to form a coalition government. Currently, we anticipate minimal changes in policy priorities or implementation following the election, based on current assessment. However, the extent of any shifts will be influenced by voter participation, election outcomes, and the alliances formed afterward. Nevertheless, the election is expected to introduce further uncertainty into the already complex South African economic landscape.

GEOPOLITICAL RISKS REMAIN ELEVATED

January saw the 54th Annual meeting of the World Economic Forum (WEF) take place in Davos, Switzerland. A forum survey of 30 top chief economists placed “Geopolitical risks” as a key contributor to economic weakening over the coming year ahead of the Davos meeting. More than two-thirds of this group anticipate increased geoeconomic fragmentation in the year 2024.

The latest Geopolitical conflict involved the attacking of Red Sea ships by militant Houthi forces, an Iran-backed rebel group. Since their initial attack in November 2023, the Houthis have attacked more than two-dozen commercial ships with drones, missiles, and speed boats. In response to the attacks, prominent shipping companies have ceased utilizing the Red Sea, a route through which nearly 15% of the world's seaborne trade typically flows. Instead, they have opted for a significantly longer route around the southern tip of Africa, causing an exponential spike in the price of global shipping container freight rates.

The broader macroeconomic consequences of the increase in piracy incidents in the Red Sea have been relatively contained thus far. However, these occurrences might serve as an early indication of heightened tensions between Western countries and Iran. While this risk was acknowledged last year, the market has so-far struggled to accurately assess and factor it in. As a result, it is likely to be overlooked until any potential escalation or conflict arises from these tensions. Nevertheless, geopolitical and political risks are expected to play a significant role in generating market-related volatility throughout the current year.

As the conflict persists in Ukraine, the likelihood of an eventual stalemate between Russia and Ukraine has increased. Ukraine's offensive has halted, and Russia has amassed missiles to potentially disrupt Ukraine's energy grid during winter. A stalemate would likely favour Russia, given its foreign support (primarily through Asia) and the shift of its economy to a war footing. Congress's reluctance to release funds for Ukraine adds to the challenges. This conflict is expected to contribute to ongoing volatility in grain, food, and fertilizer prices, while the quest for energy security may drive increased investment in renewables.

Across the Black Sea, the risks posed by the Israel-Hamas remain heightened, with both groups refusing to de-escalate the conflict. While financial markets are largely absent from these geographies, a pro-longed Israel-Hamas conflict could see reduced Arab oil exports and higher energy prices. This could have a knock-on effect on global inflation levels.

A common outcome stemming from each respective conflict will be a reinforcing of the theme of deglobalisation, as firms seek to reduce their reliance on offshore partners. This can be expected to contribute to overall market volatility, underscoring the need to maintain a well-diversified approach to investment portfolios.