

THE NEXT RECESSION

As financial market participants reflect on the 10th anniversary of Lehman Brothers' collapse, the consensus is there will be no repeat, largely because authorities simply will not allow it. The once-in-a-generation financial meltdown and economic catastrophe was so grave that, to borrow from ECB chief Mario Draghi, they will do whatever it takes to make sure it does not happen again. Painful lessons have been learned. But the idea that a financial crisis on the scale of a decade ago could not happen again is far-fetched, and a little naive. In fact, many of the roots of the blow-up 10 years ago are still alive and well today. One day, the forces that turned the palest, thinnest green shoots after the financial crisis into the second longest American economic expansion on record will change direction, igniting a new recession, for which the world is woefully unprepared. When that might happen is hard to say.

All we can say with some degree of certainty is that the next crash will probably germinate in a different corner of the financial ecosystem before spreading. Familiar warning signs may flash, but what triggers one crisis may not trigger another. Though there is no settled view on what constitutes a global recession, worldwide slumps are usually marked out by a sharp slowdown in global and a decline in real GDP per person. Roughly speaking, there have been four global recessions since 1980: in the early 1980's, the early 1990's, in 2001, and in the crisis of 2007-08. Each was marked by a slowdown in GDP growth, a sharp decline in trade growth, and retrenchment in the financial sector.

With the bull market heading toward its 10-year anniversary in March 2019, is the current volatility a standard correction or are we headed into a long bear market? Perhaps only time will tell.

TENCENT'S \$214BN TUMBLE

The \$214bn rout in shares of Tencent has entered uncharted territory, breaking all kinds of records.

Not only has the Chinese Internet giant lost more market value than any other company worldwide this year, its 38% drop from a closing high in January is poised to become the deepest since Tencent's 2004 listing in Hong Kong. The stock has been mired in a downtrend for a record 259 calendar days and is on course to match its longest-ever streak of consecutive losses after falling for an eighth day on Tuesday (9 October 2018). It has never fared worse relative to global technology shares. It's a dramatic reversal for a stock that returned more than 67 000% from its initial public offering through January, by far the best performance among large-cap companies globally during that period.

DISCOVERY DANGLES 'VITALITY OPEN'

Discovery's decision to open its Vitality Active Rewards to non-members could see it increase its already large customer base and perhaps result in the programme becoming a stand-alone product for South Africans. Discovery announced that for 10 weeks South Africans who are not Discovery clients will have access to Vitality Open. Vitality is a separate company wholly owned by Discovery. During this time, people have the opportunity to earn points through the Vitality app by exercising and driving well. Although it is too early to measure the impact of Vitality Open, there has been positive interest in it so far.



**GET HEALTHY
GET REWARDED**

GLASS TOWER TO HONOUR MADIBA



Port Elizabeth may get a 27-storey glass tower to honour the life of former president Nelson Mandela.

A consortium comprising the Cape Town advertising agency M&C Saatchi Abel along with Makeka Design Lab and Scott + Partners has just won the bid for the design of the landmark, which will form part of a new tourist attraction.

THIS AND THAT

- **Capitec** added 109 000 active clients a month, during the half year period up until August. Those are customers who pay their salaries into their accounts.
- R 2 trillion, the value of the **Public Investment Corporation's** assets under management.
- The **Boeing 747** was launched 50 years ago, with the first Boeing being rolled out in Seattle on 30 September 1968.
- **Famous Brands**, which owns Steers, Wimpy and Debonairs, warned that it may write off R 874 million after its UK chain Gourmet Burger Kitchen suffered massive losses.
- As expected, the **US Federal Reserve** increased interest rates by 0.25% towards the end of September, with one more rate hike expected for 2018.
- The **USA, Canada and Mexico** have reached a new trade deal to replace the North American Free Trade Agreement (NAFTA).
- **Amazon** has announced plans to increase its minimum hourly labour rate from US\$11 to US\$15/hour for full-time, part-time, temporary and seasonal workers.
- **Facebook** is on course to double the size of the Facebook Artificial Intelligence Research (FAIR) division in the next two years.
- **South Africans** consume in the region of 27 litres of pure alcohol per capita per year. This makes it the 19th biggest drinking nation in the world.
- **Tesla** posted a surge in deliveries of electric cars that could prove pivotal to earning an elusive profit and overcoming a series of distracting missteps by CEO Elon Musk.
- **Hilton Worldwide Holdings** plans to more than double the number of its hotels in Africa in the next five years.
- **Steinhoff's** US subsidiary, **Mattress Firm**, filed for bankruptcy. Steinhoff wildly overpaid for the company in a \$2.4 billion deal two years ago. It bought the embattled company for twice its share price at the time.
- **Huawei Technologies** is building two distribution warehouses and a research & development lab in SA as part of the company's ambition to be the biggest seller of high end smartphones in SA.

Articles from: Financial Mail, Business Day, Sunday Times, STANLIB, Allan Gray, Old Mutual, Sanlam, Coronation, Ashburton, PSG, News 24 and Investec were used in developing the article presented in this newsletter.

FIND US ON



BIRTH OF BITCOIN

31 October 2008 marked the birth of bitcoin. Ten years on, the world's first cryptocurrency is at the forefront of a complex financial system viewed warily by markets and investors.

From its first evocation amid a global financial crisis, in a white paper written by Satoshi Nakamoto, an unknown pseudonym, bitcoin conveyed a political vision.

The 'abstract' set out in the paper for bitcoin, currently worth about \$6 400 per unit from a starting point of virtually zero, was for "a purely peer-to-peer version of electronic cash that would allow online payments to be sent directly from one party to another without going through a financial institution."

A Volatile Ride

How Bitcoin prices have moved in the last 10 years



WEALTH DESTRUCTION

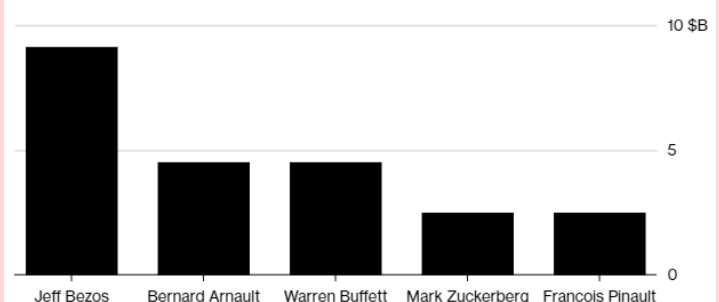
Plunging global markets lopped \$99 billion from the fortunes of the world's 500 wealthiest people on the 10th of October, the year's second-steepest one-day drop for the Bloomberg Billionaires Index.

Amazon.com Inc. founder Jeff Bezos lost \$9.1 billion, the most of anyone on the index, as shares of the online retailer fell the most in more than two years. The plunge lowered Bezos's net worth to \$145.2 billion, its lowest since July.

Wealth Destruction

The world's 500 richest people lost \$99 billion on Wednesday

■ Net worth losses



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