

Leadership uncertainties

As investors we are taught not to let macro factors overly influence our investment decisions. There is empirical evidence suggesting that even if you can correctly call an event like Brexit a macro it is still impossible to know how the event may influence markets and, therefore, how to exploit the opportunity and/or avoid the threat.

Both Brexit and the Trump presidency attested to this, in that after markets initially fell they quickly recovered and continued growing, notwithstanding what you may have thought would be value destroying events. Had you bet on this you would have lost money.

Which brings me to the theme for today's article, which is the political risk SA is facing.

Please read with the aforementioned macro forecasting risk in mind.

The political jostling is reaching a crescendo and is likely to accelerate as we approach the end of the year.

The big question now is whether the ANC will hold a conference at year-end as required by their constitution.

Political commentators have attached a 50% probability of the conference proceeding, which means there is also a 50% chance of no conference being held.

If Zuma thinks he is going to lose the election or, should I say, that of his preferred candidate, which is still Zuma winning, he will try his utmost to disrupt or delay the conference using the courts. If he succeeds, Zuma remains in power.

If the conference proceeds, then we're looking at three serious contenders. Firstly, ex-wife Nkosazana Dlamini-Zuma, cut from the same cloth and sprouting the same "white monopoly capital and radical economic



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transformation" rhetoric. Quite simply a disaster for SA Inc.

The second serious contender is current deputy, Cyril Ramaphosa. If ANC history is anything to go by, the deputy president is supposed to be a shoo-in. However, not this time.

Ramaphosa represents the great hope for SA Inc, likely to implement the National Development Plan and deal firmly with the maladministration and corruption rot, which is now endemic to SA Inc. A huge task ahead.

The third candidate to enter the race is Zweli Mkhize, seen to be a unifying candidate between the two ANC factions. Sympathetic to Zuma, it has even been whispered that he is really Zuma's preferred candidate and his ex-wife is simply a decoy. Mkhize is a serious contender in his own right, given his economic background and moderate approach.

Unfortunately, his key supporters are the crooked premier league, so one wonders what promises have been made, which would surely compromise his presidency.

SA Inc faces three roads; the low road (Dlamini-Zuma), the high but bumpy road (Ramaphosa) and the uncharted middle road (Mkhize).

Given the impossible and fruitless benefit, and trying to predict the outcome, I simply recommend we buckle-up in expectation of plenty of "potholes".

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