

# Executive Summary

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## Abundant reasons for caution

By Chris Holdsworth, Chief Investment Strategist, Investec Wealth & Investment and member of the Global Investment Strategy Group

The Global Investment View distils the thinking of the Global Investment Strategy Group (GISG) that brings together the insights of Investec Wealth & Investment's professionals in the UK, South Africa and Switzerland. The Group meets quarterly to map out our outlook over the following 18 months, setting a risk budget and identifying some of the potential icebergs that lie in the global investor's path.

**The GISG maintains its global risk budget score (-0.5 on a scale of +3 to -3), while the SA risk score has also been maintained, at +0.5**

We expect global GDP growth to slow materially over the coming 18 months, with the US likely to enter a recession soon. While this is not too different from the consensus economic forecast, it does imply that earnings will come out well below the current consensus earnings forecast. In addition, the US equity market offers very little margin of safety in our view. Global rates have increased rapidly and we expect they will only drift down – a headwind for both the economy and the market. The GISG global risk score remains at -0.5.

South African equities and fixed income screen as cheap, however. The prospect of reduced loadshedding over the coming year, combined with rate cuts from the SA Reserve Bank (SARB) leads us to retain our overweight 'SA Inc' call. While the election next year increases the risk that National Treasury will be less fiscally prudent than normal, we see sufficient margin of safety in South African bonds to retain an overweight position.

### Chris Holdsworth

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