

## **Annus horribilis [Cash is King]**

It was the Queen Elizabeth II who gave currency to the Latin phrase Annus horribilis [which is a Latin phrase, meaning "horrible year"]. It is complementary to annus mirabilis, which means "wonderful year"; however, annus mirabilis is a traditional term, while annus horribilis is of relatively recent coinage. The expression was brought to modern prominence by Queen Elizabeth II in a speech to Guildhall on 24 November 1992, marking the 40th anniversary of her accession, in which she described the year as an annus horribilis.

"1992 is not a year on which I shall look back with undiluted pleasure. In the words of one of my more sympathetic correspondents, it has turned out to be an annus horribilis"

The reason this Latin Phrase popped into my mind is for Most Investors 2018 was a terrible year. According to Charlie Bilello In 2018, more than any year in recent history, the overwhelming majority of asset classes are down. In a table of 15 asset classes ranging from stocks to bonds to REITs to Gold and Commodities, only one is higher: \$ Cash. From the crypto currency markets which fell into a Tail-spin first and in January through to the Trump bump which metasized into a Trump Slump [It was blindingly obvious to everyone that Trump was making a fatal political mistake by cloaking himself in the righteousness of the markets and the Dow Jones] , practically every asset you care to name capitulated. The World went from high tide surfing on a golden wave of practically free and limitless dollars to a World where the Tide is now out.

“You only find out who is swimming naked when the tide goes out. “ said Warren Buffett, the Sage from Omaha.

Emerging Markets have been a "Train smash" and Africa has underperformed Emerging Markets. The continent's stocks and bonds have performed worse than those of all other emerging-market regions in 2018 [Paul Wallace Bloomberg]. The selloff has left equities in nations such as South Africa, Egypt, Nigeria and Kenya at or near their cheapest levels in years. And the yields of Eurobonds issued by governments have soared to a point last seen in early 2016,

The best Trade in 2018 was in fact to hold Dollar Cash, which makes perfect sense when you consider that the US FED dialled up interest rates to 2.25%-2.50% and dialled down their balance sheet. Many Folks have been seized with the prospect of replacing the King Dollar from Venezuela's Maduro and his "Petro" crypto currency to many others too various to mention. However, what is clear is that the defining theme in 2018 was the Dollar. Dollar Cash.

Interestingly, You would have been in the top percentile of returns world wide had you bought Kenyan Shillings or Egyptian Pounds at the start of 2018, invested the proceeds in 1 Year Treasury Bills [Egypt or Kenya] and cashed it all in now. The

Kenya Shilling has confounded nearly all predictions and appreciated versus the Dollar and the Egyptian Pound has held steady. Sifting the Signal from the Noise is no easy feat and you will recall the Noise around the Shilling was a screech many times in 2018.

The Questions that Investors need to ask themselves are the following? How much higher will the FED dial up rates? The markets are signalling not much more. Powell [who has incurred Trump's wrath] predicted two more quarter point hikes in 2019. A lot hinges on this outlook. Where do we sit on the Tariff War graph? What happens if China catches a cold? What is the China Africa feedback loop going to look like? Does the 2018 Trend have further to run?