



Predictions

Mark Twain's quote, "Prediction is difficult- particularly when it involves the future" resonates as many financial commentators attempt the daunting task of forecasting markets at the start of a new year. Despite their allure, these forecasts often prove futile and consume valuable time. In contrast, I believe that it's more prudent to focus on certainties, and I've outlined 5 below:

1 - The Second Law of Thermodynamics

This fundamental principle asserts the inevitable tendency of all things towards disorder. It's known as entropy and explains why things and systems break down without active maintenance. Simultaneously, human ingenuity acts as a counterforce to entropy, driving progress and constantly pushing towards a better tomorrow. This is a compelling reason why long-term investing reaps rewards.

2 - Asset price appreciation

Over any reasonable timeframe, asset prices are likely to appreciate in nominal currency terms. Overindebted governments, driven by the incentive to debase the currency's purchasing power, play a significant role in this trend. Real assets offer protection against this devaluation, although their prices will not necessarily follow a linear upward trajectory.

3 - Persisting wars in 2024

Unfortunately, large-scale, and localised wars are likely to persist in 2024, reflecting an enduring aspect of human nature. While large-scale conflicts in Ukraine and Gaza will continue to make headline news, Wikipedia lists 46 ongoing armed conflicts around the world today.

4 - Bitcoin will become scarcer

Bitcoin, often in the spotlight for its volatile price, is fundamentally a distributed public software ledger, maintaining an impressive 99.99% uptime since its inception 15 years ago. The bitcoin units are becoming increasingly scarce with the issuance set to half again in 2024.

5 - Inevitable costs of investing

Investing in 2024 will continue to incur costs, ranging from explicit transaction costs to the more challenging cost of uncertainty and volatility. Avoiding these costs is impractical, as it prompts the need to consider the concept of opportunity costs – meaning that every decision inherently involves an alternative cost element.

Let's embrace these certainties as we navigate the more unpredictable future.



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