



Quarter 1 - Asset Price Inflation

I am spending a few weeks in the United States with my family and always find it intriguing to compare prices across basic grocery items such as eggs, milk, yogurt, beef and fuel. Except for the fuel price, which has far lower taxes than in Europe, the prices of most grocery items not only appear more expensive but have also escalated substantially compared to five years ago when I was last here.

Seemingly in lockstep with consumer goods and services inflation, **most asset prices around the world also gained (inflated) substantially** over the first quarter of 2024.

- 1) The broad US market was up 10% - a figure normally reserved for a full 12 months.
- 2) Across the globe of listed shares, the MSCI World index gained 9%.
- 3) Japan continued to power ahead, with the Nikkei 225 index up an incredible 21%, while China's CSI 300 index gained just 3%.
- 4) The price of gold has steadily moved up to new highs above the \$2250/oz level - up 8% for the first quarter.
- 5) Bitcoin gained ground from the additional demand from the newly launched ETFs (exchange traded funds) - up 64% for the quarter.

In this "new normal" world, marked with trillion-dollar debts, budget deficits and interest bills, inflation remains a prevalent issue across both **consumer products and real assets**. It's worth highlighting that while everyone **pays the cost** of higher consumer inflation, it's only **asset owners** who **benefit** from asset price inflation.

The resulting widening wealth gap is underscored by statistics that show the top 1% of Americans now hold a record \$44.6 trillion in wealth, constituting around 30% of all US wealth - a substantial increase from \$30 trillion in 2020.

While the **exceptional quarterly returns** across global assets may not continue at the same pace for the remainder of the year, they serve as a reminder to us all to maintain an **appropriate level of real assets** in our portfolios as the best means to counteract inflation.



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