Why Investors Should See Opportunity in Chaos

Global markets are no strangers to turmoil. Today's landscape - marked by global trade tensions as new tariffs are imposed by the US administration - feels particularly daunting. For many investors, the instinct is to retreat and wait out the storm. But history suggests a different approach.

In times of crisis, opportunities often emerge for those bold enough to act. Rather than fear these dips, savvy investors should prepare to increase their allocation to assets at discounted prices and position themselves for the inevitable rebound.

Since the dotcom bust of 2000, a pattern has become clear: at each major market disruption – central banks have intervened. From near-zero interest rates to quantitative easing, policymakers have consistently expanded the money supply to counter the deflationary forces of economic weakness. Like water flowing downhill, this liquidity tends to push up consumer and asset prices - lifting the price of stocks, real estate, gold, and even cryptocurrencies.

Data backs this up. Even with prices sharply off their recent peaks, both the JSE All Share index (in USD terms) and the S&P500 have returned approximately 15.5% per annum over the past five years – largely due to the sharp price decline in March 2020 and the monetary expansion that followed.

Why does this matter now?

Today's market turmoil, while unsettling, has a high likelihood of following a familiar pattern. The US has escalated trade tensions with exceptionally high tariffs, particularly targeting China. If these persist and lead to a significant slowdown in global trade, the risk of a recession rises. In such a scenario, central banks are likely to respond - as they have in the past - by injecting liquidity into the system. While this doesn't guarantee an immediate recovery, it does shift the long-term odds in favor of asset price appreciation.

Conclusion

Market prices are naturally volatile around shorter term economic activity and where economic uncertainty is heightened, so is price volatility. This week should hopefully provide more clarity on where the Trump administration lands with their country and product category tariffs.

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If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

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