REVISED GLOBAL OUTLOOK

2021

PREPARED BY ZAIN VAWDA & JIMMY MOYAHA

LOTUS ACADEMY (Pty) Ltd

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ABOUT THE COMPANY

Lotus Academy is an online, immersive, learning platform aimed at providing education and skills in the unique area of trading financial instruments. Lotus Academy aims to provide valued research and insights to both retail and professional traders.

Our services are aimed at equipping investors with all the tools necessary to become profitable in the financial markets. These services include, but are not limited to,

* Market Outlooks and Research
* Intra-Day Analysis with detailed trading ideas
* Training and Mentorship (E-Learning courses available)
* Live Market Commentary across reputable platforms

As a digital academy, Lotus Academy operates primarily in the African market, but does also cater its services to clients from all over the world. The products and services offered by us are a combination of our own, as well as those of our trusted partners. While we do not provide any advisory or discretionary services, we may express opinions on these services in our own capacity for our clients.

The academy is a privately-run organization that focuses its quality services on an ongoing basis through various platforms and initiatives around the CFD industry. Our deep rooted expertise and confidence in our content allows us to breakdown and educate in the most efficient manner.

The academy also strives to use its impact to positively contribute towards the education-focused sustainable development goals of the United Nations for 2030.

GLOBAL OVERVIEW

Our new nominal theme – which flags a more muted response in nominal government bond yields to rising inflation than in the past – has played out since last year. Inflation-adjusted yields, or real yields, have fallen further into negative territory as a result. Additional fiscal spending could turbocharge a vaccine-led economic restart later this year – one that we believe may exceed market expectations.

Activity in many service sectors is already compressed with less room to decline further. Businesses have also adapted to an environment of social distancing, allowing operations to continue. Consensus expectations of the size of the shock have been revised down materially, particularly for the EU region. Vaccine rollouts are likely to stoke a sharper-than-anticipated rebound.

The European Central Bank (ECB) balance sheet has since increased to reach a high of €7 trillion (Euros) while lending rates have been kept at 0,0%. The Bank of England (BOE) on the other hand, has introduced a large number of tools aimed at bolstering the economy. The budget speech by Rishi Sunak gave away some key indicators as expected, mainly that the UK will lag behind the US in its recovery with the EU expected to lag even further behind. Unemployment is expected to peak at 6.5% while GDP forecasts were revised down to 4% from the previous figure of 5%. The current Furlough scheme will be extended until the end of September 2021, with the government paying 80% of salaries - though employers will be asked to put in 10% from July and 20% from August. Help for the self-employed will also be extended with changes, meaning 600,000 more people will be eligible for assistance. Incentive payments for hiring new apprentices are being doubled to £3,000 while £126m will be invested to triple the number of new traineeships. A "help to grow" scheme will offer smaller businesses management and digital training to name but a few. A lot of innovative ideas that could very well prove useful to the UK. The main concern for them thus far has been the slow rate of vaccinations in comparison with the US.

It is worth noting that we have changed our asset class views in light of the prospect of additional U.S. fiscal support, climbing inflation expectations and rising U.S. Treasury yields.

SOUTH AFRICA: A MACROECONOMIC VIEW

The South African economy did show enough of a recovery in the 3rd and 4th quarter of 2020 for there to be a bit of optimism moving forward. GDP growth has also rebounded in the 3rd quarter recording a historic growth level of 66,1%.

The economic rebound came after much support from the South African Reserve Bank (SARB) through the easing of the cash rate and purchases of government debt. The cash rate reduction which began in 2020 January provided some relief to both consumers and businesses, both the prime rate and repo rate have been reduced by a total of 300 basis points in 2020 to 7,00% and 3,50% respectively.

The governor, Lesetja Kganyago, has stated in both the September 2020 meeting and the recent meeting in March 2021, that “there wouldn’t be any further rate cuts as that threatened the exchange rate", and that "monetary policy alone would not sustain economic growth, as such the bank will reduce its purchase rate of government debt, and that government would need to have an economic recovery plan to ensure sustainable economic growth”.

Industrial activity has shown signs of recovery. However we would prefer to see the consumer spending numbers as these would, in our opinion, be a better indicator.

SOUTH AFRICA: A MACROECONOMIC VIEW

Key Factors which could affect South Africa

The credit rating downgrades by Fitch and Moody's in November 2019 and March 2020 respectively, following the Medium Term Budget Policy Statement (MTBPS) by the finance minister, have added weight to the pressured economy, which will make borrowing more difficult. This, coupled with the increase in government debt during the year, sees these developments come after the country's credit ratings have been downgraded a number of times since 2017. Additionally, the ratings agency were not all that impressed by Minister Mboweni's budget speech, which they said lacked conviction to cut government spending. They once again issued a warning regarding defaulting on the debt.

Loadshedding is one of the longstanding factors that has threatened the prospects of future economic growth. Eskom has recently re-introduced loadshedding in an attempt to reduce pressure on the national grid using a multi-stage approach. The stages depend on the reduction volume required by the utility company, with the highest stage ever introduced being "Stage 6". There are speculations that "Stage 8" may be introduced in mid-2021, however these speculations have not yet been confirmed by the utility provider. Loadshedding remains one of the key factors to look out for going forward.

Land Expropriation Without Compensation (EWC) has added pressure to the economy, particularly at the foreign investment level. This has led to a flight of foreign capital and investment out of the country and has also discouraged new foreign investment and business due to the fear of having private property seized by government for distribution. The looming talks around EWC remain a risk factor and a deterrent to new foreign investment and business in the country, further adding pressure to the economy through lost growth and development opportunities.

South African Reserve Bank's Quarterly Projection Model indicated two interest rate hikes of 25 basis points in the 2nd and 3rd quarter of 2021, in anticipation of higher consumer prices. Should this development materialize, it will offset any positive impact the current lower cash rate has on the economy. Personally, we do not expect to see this happening as we don't believe the economy will grow at a pace that would warrant the increases.

The exchange rate in the short-term can be expected to appreciate, largely on the back of Dollar weakness driven by the stimulus packages in the U.S. However over the medium to long-term, the exchange rate can be expected to depreciate with the economy showing signs of a slow down from the economic risk factors outlined above. It is possible that we trade in a range for a while, between R14.50-R16.50 on USD/ZAR. However, with the ongoing political risks, we anticipate that we could see R18.00 again before the end of this year.

CHINA AND OTHER EMERGING MARKETS

China recently set a GDP growth target, albeit a relatively low target compared to consensus and forecasts. Worry and concerns emerged almost immediately on the back the announcement. However, when we look at this with other numbers e.g. the fiscal deficit at 3.2% of GDP - the government explains that the main use of this money will be for job stability - which then raises the concern that the low GDP target could signal a possibility that the government includes a scenario for the comeback of COVID.

A summary of figures announced in the government work report of 2021

- GDP growth target: above 6% (no target was set for 2020)
- Fiscal deficit: 3.2 % of GDP (3.6% in 2020) with the objective to ensure job stability, and to issue special local government bonds of CNY3.65 trillion for infrastructure like water management and renewable energies.
- Surveyed jobless rate in urban areas: 5.5%, adding 11 million jobs in urban areas
- CPI: around 3%
- Current account: almost balanced.
- Technology advancement: tax reduction and increase government technological reserach and development (R&D) expenditure by 10.6%, setting milestone targets to be achieved by 2030.
- Reforms: anti-monopoly with special emphasis on fintech; cutting energy consumption per GDP by around 3% through reducing pollution emissions.

Technology is the focus

If fears around the return of COVID in China are wrong, then most of the fiscal money will be used for technological advancement.
Technology R&D is the focus. The government has decided to refocus on the technology innovation 2030 plan, which was initially a roadmap laid out in 2017-18.

Green is a commitment

The commitment is to cut energy consumption per GDP by around 3%. This would include reducing pollution and emissions. Additionally, 70% of heating in the northern regions will come from clean energy.

CHINA AND OTHER EMERGING MARKETS

Strong imports and exports signal a recovery but chip shortage is a concern

China's recent figures on import and export growth for the YTD in February signal, not only recovery in China, but in some other major export markets around the world as well. However one of the themes to emerge recently which poses a threat to global trade is shortages in semiconductor chips. These chips are used in many products and without them, global trade may well be disrupted.

Strong export growth exceeds expectation.

Exports grew 60.6% year-to-date year-on-year in February, better than the consensus of 40.0%. That is partly due to the low base effect from February 2020, which ended up in partial lockdowns in China. There is little seasonal effect from the Chinese New Year as the data released combined January and February. This tells us that global demand has started to recover.
Exports to the US totaled US$80.53 billion which is an 87.3% increase YTD YoY. The EU on the other hand received US$73.72 billion of exports from China, an increase of 62.6% YTD YoY in February. Combining data from the majority of sectors, the picture becomes significantly clearer. We noted that the recovery in exports was no longer down to just "Work from home" products but rather a wide range of industries. The only exception being exports of travel luggage, which showed a 4,8% contraction in volume.

Imports as strong as exports and still beat estimates

Imports grew 22.2% YTD YoY in February, beating the consensus of 16.0%. China's imports from the US grew the most, at 64.4% YTD YoY in February. China is showing its commitment of fulfilling the Phase One of its trade agreement with the US.
Apart from this observation, we noted that the Association of Southeast Asian Nations (ASEAN) was the number one trade partner of China's imports. This could continue as China is becoming an increasingly more expensive place for factories that produce low value-added goods. This should lead to more imports of low value-added parts from ASEAN to continue the supply chain production in China as well as consumption in China of products produced in ASEAN.
This in fact is a good news for China, as it has more land for higher value-added production.

Semiconductor shortages and the implication on Global Trade

The most pressing concern at the moment in global trade (pandemic excluded) is the current shortages in semiconductor chips. We failed to see a significant change in exports with only an increase of 30.8% YTD YoY, much less than overall exports increase of 60.6%. Increase in production capacity is reliant on operating at full capacity, which at the moment is highly unlikely. Shortages would mean export growth will be limited and thus prices would increase. This could have a knock-on effect on the production of a large number of goods globally.

UNITED STATES: A MACROECONOMIC PERPECTIVE

Global economies have been faced with a tough first half of 2020 due to the stringent COVID-19 pandemic, which has seen many countries go into a recession and resulting in historic expansionary economic policies at both the monetary and fiscal level, with many countries even having to reduce their interest rates to record levels. However, global economies have since improved and have seen some recovery in the 3rd quarter of 2020 with global GDP's reporting record growth levels. Other key economic indicators have since improved and signal continued growth, however, the resurgence in high number of COVID-19 cases reported globally along with re-imposed lockdown restrictions poses a significant risk. Monetary authorities in many countries have mentioned that they stand ready in response to any economic development and risks presented by the pandemic.

Recent statements by the Federal Reserve have indicated that we should not expect any rate hikes anytime soon. The latest Stimulus package, which was larger than expected, coupled with a tremendous vaccination effort thus far in 2021 bode well for the United States.

The recovery in the US seemed to begin in the 3rd quarter of 2020, however many analysts, ourselves included, saw this as a possible false dawn due to the continued effects of Covid-19 and the emergence of new variants of the virus. The U.S economy grew at a historic rate of 33,1% in the 3rd quarter as reported by the GDP after a contraction of -31% in the 2nd quarter of the year. Other key economic indicators have improved since the recession and point to continued growth in 2021.

Taking all of the above into account, the US economy was not out of the woods just yet at the end of 2020. There seemed to be a divergence between income and spending towards the end of the year.

UNITED STATES: A MACROECONOMIC PERPECTIVE

Adjusted Outlook for 2021

The outcome of the US election has been bolstered by a stellar first hundred days in office for President Joe Biden, especially on vaccinations and his proposed stimulus bill.

Adjusted GDP figures now indicate a possible 6,5% growth for GDP in 2021, which was backed recently by the Organisation for Economic Co-operation and Development (OECD) revising their outlook as well. We expect this to bleed into 2022 as well, with the three main factors supporting this being:

- **Larger Financial stimulus package**
  The bill will total $1.9 trillion, up from our previous assumption of $1,5 trillion. Not all provisions will hit the economy right away and we expect that between $1.4-$1.7 trillion of money will hit this year, with the rest spilling into next year and beyond. In simple terms, the floodgates are about to open.
- **Vaccination speed**
  Vaccinations are running at a faster-than-expected-rate, which should pull forward the timeline for successful re-opening of the economy. This will help restore demand for leisure and other COVID-sensitive services even earlier than previously anticipated. President Biden had set targets for May 1st 2021 and recently confirmed he expects to exceed those targets.
- **Economic Data**
  Recent data since the start of the year has been encouraging to say the least, and this was before the approval of the recent stimulus package. Consumers quickly put their previous stimulus checks to work in December, with exceptionally robust retail sales data heading into 2021.
  The recent job figures were excellent and with the new stimulus checks expected to reach consumers shortly, we expect the economy to burst into life in the summer.

US Oil and Gas Prices

The U.S. Energy Information Administration (EIA) provided an outlook on oil and gas prices from 2020 to 2050. It predicts crude oil prices will average $43 per barrel in the fourth quarter of 2020, and $49 per barrel in 2021 for Brent globally. U.S. oil prices are also expected to rise in 2021. We could see much higher prices in 2021 with an estimate of $65-$70/barrel by year end.

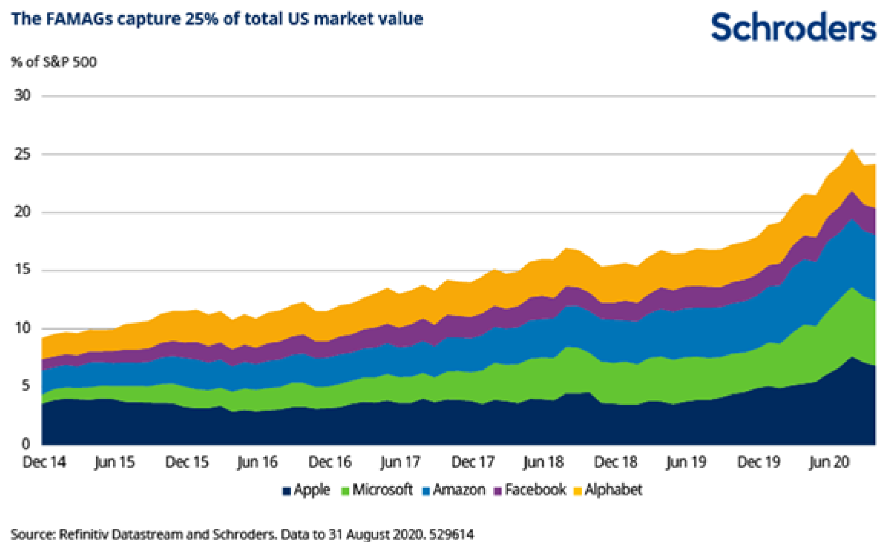
STOCK MARKET REVIEW

The global equities market has seen some astonishing performance over the past year into the new year, after a very sharp decline in early 2020 amid the COVID-19 pandemic. Of particular interest, was the surge in Tech stock prices post the US stimulus announcement. Many analysts point out that the power of the retail investor is growing and that those investors were one of the main driving forces behind the stock market recovery in 2020.

Technology stocks - no sign of a bubble

The market rally in 2020 was led by a fairly narrow range of tech stocks, in particular Amazon, Apple, Microsoft, Facebook and Alphabet.

This was primarily due to the justifiable perception that these companies are dominant in their respective fields, have high rates of long-term revenue and earnings growth, and have been beneficiaries of forced changes to work, social and shopping practices during lockdown. In effect these companies were seen as the “lockdown leaders” (see chart below).



Source: Refinitiv Datastream and Schroders. Data to 31 August 2020. 529614

Inevitably this degree of concentration has drawn comparisons with the 1999 “internet bubble”. However, we believe this view is misplaced. Firstly, the tech bubble in 1999 was driven by investor exuberance around anything tech-related, regardless of profits or even revenue. Whereas, the technology sector in 2020, and particularly the largest platforms, have delivered exceptional revenue and earnings growth which we will believe will likely continue into 2021 and beyond.

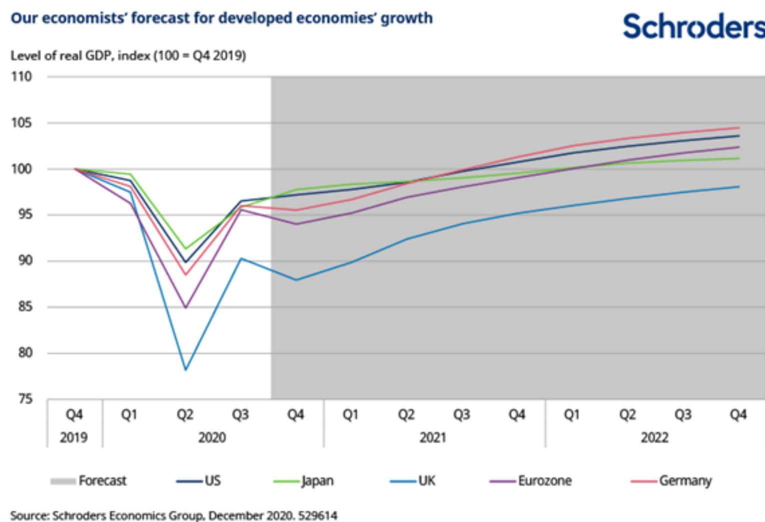
Secondly, looking back in history, the current degree of concentration in the equity market is not unusual. In the 1960s and 1970s, the S&P500 was dominated by a similarly small number of very large companies such as AT&T, Exxon, GE and GM.

In short, the “technological transformation” already underway well before the pandemic has simply been accelerated by COVID-19. Technology will continue to provide a fertile hunting ground for investors in the coming years. The biggest risk to the sector is likely to come from regulation (see below), rather than any rapid diminishment in the underlying growth rate.

STOCK MARKET REVIEW

Valuations of global equities remain (relatively) attractive, especially outside the US
Global equities are, in aggregate, reasonably valued and in line with their long-term averages on a forward basis. The global dividend yield also remains materially above the bond yield, supporting the relative case for equities over Treasuries.

As an asset class, we believe they will continue to do well in 2021 as the recovery broadens out. It is worth noting though that, after a period of massive outperformance by the US versus the rest of the world (around 8% annualised over the last 10 years), the US is now trading at a premium to its long-term normalised earnings valuation. Meanwhile, the rest of the world is now trading at a substantial discount.



European and Japanese profits are expected to rebound the most in 2021 and possibly into 2022 as well. The Chinese economy is already recovering, driving a powerful recovery dynamic across Asia as a whole. The US will remain a highly quality-defensive equity market with by far the greatest depth and liquidity of any global market. However, while the flight to safety has created a flow toward the US, as the recovery takes hold we believe this may partly reverse, and capital will begin to flow elsewhere.

Thematic/Trend or Socially Conscious investing will be even more relevant post-COVID
Taking a step back from the pain of COVID-19, the noise of politics, and the uncertainties around the trajectory of economic recovery, we have noted that there are a small number of undeniable and substantial trends that have the potential to materially affect the way we live, work, socialise and interact in the future. Some of these trends (often referred to as "mega-trends") are not new: climate change, healthcare innovation, urbanisation, automation and digitalisation have been relevant themes for many years now. Others, such as sustainability, food & water provision and changing lifestyles are emerging as important and urgent areas of change, driven by population growth and rising consumerism in emerging markets.

NB!! Given that many of the themes encompass different sectors and industries, there is also a high probability that allocating funds to them can enhance the overall risk/return profile of a portfolio over time.

Summary and Personal Views
On a personal note, given the recent decline in tech stocks which we view as a slight correction, we expect to see a continuation of upside on these tech stocks, as well as the NASDAQ as a whole.
Taking into account that the new stimulus checks are on their way to consumers, and what we saw last year, the belief is that we could see a bit of an explosion on tech stocks in the short term once more. We have declined on the NASDAQ from all time highs down to around the 12 000 level but have not been able to really push lower than that. Could this be the level before we explode? We certainly hope it is.

COMMODITIES REVIEW

World commodity markets have seen varying performance, which was largely driven by demand and supply factors. Industrial commodities, second to agricultural commodities like grains in particular, have seen quite a performance through 2020 after a sharp decline in the early part of the year as a result of global economic lockdowns. Agricultural commodities however, have seen a spike in demand amid these lockdowns as food consumption increased drastically through directed spending and "panic buying".

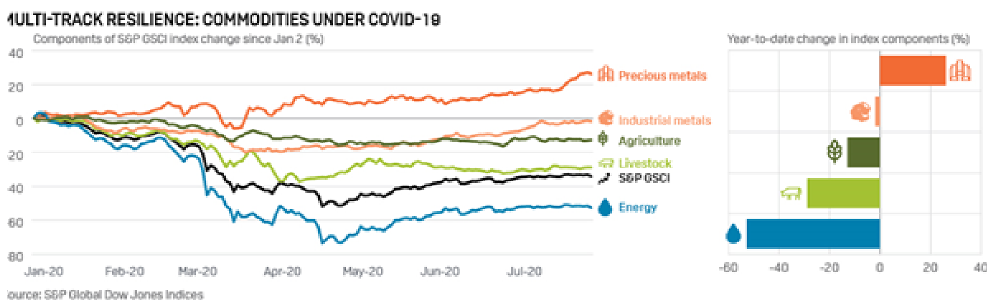
Rare Commodities

Minerals and metals such as lithium, cobalt and rare earth metals are essential materials for fuel cells, semi-conductors, and other hardware. As the number of battery powered motors and smart/connected devices increases, demand for these minerals and metals will continue to increase. These are all somewhat scarce, or very scarce, and companies with access to deposits will continue to benefit.

Precious metals have had a very good run for the most of part 2020, with PGM seeing the highest performance as Gold prices increased.

Crude Oil is up 8,8% YTD, this comes after it declined drastically in 2020 amid the global economic lockdown which suppressed demand for oil, and increased supply sharply. However, prices have recovered since then, and currently trade above the all important $50 per barrel level. The oil price is forecasted to trade higher in the first two quarters of 2021, with global economies recovering from the containment of the virus, which could also see global air travel resume but remain below pre-pandemic levels. The forecast also takes into account the oil production cuts pledged by Declaration of Cooperation (DoC)-participating countries and Saudi Arabia's supply-cut pledge in February 2021 of 1mb/d which they have since followed through with.

A recent attack of Saudi Aramco facilities, coupled with a increasing optimism over global GDP growth in 2021, has seen Oil reach a high of $70 in Q1. Personally, we expect oil prices to hold above the key $50 per barrel, with the potential of higher prices later in 2021-22 where we could see $75 per barrel being reached. The chart below provides an excellent view of the growth in commodities during 2020.



Great Performance during 2020 as supply declined in many sectors while Gold served as a safe haven once more and even reaching new all-time highs. Much of gold's gains in 2020 have already been returned as the global outlook has improved. The question that remains is will gold manage to hold its current price or will we see a gradual decline as we saw post the 2008 financial crisis??

INVESTMENT TRENDS

As mentioned earlier, 2020 gave us the first glimpse at the "new generation" retail investor. Firstly, these investors love doing things for themselves and secondly, they have shown a preference for socially-conscious companies and companies with revolutionary ideas for the future. A prime example of this would be Tesla who, based purely on company performance numbers, is something we currently consider overvalued. However, the idea of Tesla as a revolutionary brand, as well as their recent investment in Bitcoin, has see the company's share price surge to make CEO Elon Musk the world's richest man for a brief time.

Looking back at the last decade, which seems a long way away, we can clearly see that an increase in investments in Mobile technology, cloud computing as well as subscription-based business models across all sectors have been among the most notable trends. This also lines up with new "GEN-Z" investors and their focus on Tech and companies seen as futuristic/visionary. Many of these trends in cloud computing and tech have been cemented and sped up by the emergence of the COVID-19 pandemic. Another great example of a company that experienced tremendous growth due to the pandemic, is Zoom.

Among the trends we expect to take us forward into this decade are the following:

- Climate change and resource scarcity
- Demographic trends
- Technology innovation and speed of adaptation
- Automation and Artificial intelligence (2020-2030)
- Space exploration (2020-2030)

Many of the winning companies of the next few decades will ride the megatrends described above, and many of them will have the potential to be great companies.

Environmental, Social, and Corporate Governance (ESG)-investing has also gathered momentum. There are several reasons to expect this momentum to continue. The effects of climate change are already being felt throughout the world and an increasing numbers of consumers and investors are becoming conscious about the impact their decisions can make. Add to this the effects of resource scarcity currently being felt all around the world. Sustainability doesn't just concern the environment any longer, business models need to be sustainable too.

The social impact a company has, can also affect its brand. Investors, suppliers, and customers are also beginning to avoid companies with questionable governance practices. Investors and consumers are both beginning to reward companies with products that solve sustainability problems. Examples of these include Beyond Meat, which produces an alternative to meat made from vegetable protein, and Patagonia, a clothing company on a mission to produce goods in a sustainable and ethical way.

TRADE IDEAS

South African Markets and the JSE
We firmly believe that there is definitely value to be found on the JSE as the economy gradually opens up. We see interesting opportunities across a variety of sectors as many companies are trading at a discount, while others offer huge value and are forming part of the future of commerce.

European EV Sector
Over the last couple of weeks, many car manufacturers and technology companies have announced exciting plans to increase existing production and investment into the manufacturing of electronic vehicles. Given the recent enthusiasm and commitment shown by manufacturers, especially the existing players in the space, we have a bullish, long-term view towards EV manufacturers. The initial targets would be the more stable bets such as BMW and VW, however, we would be keen to get back in on Tesla should the opportunity present itself through a significant pullback in the share price.

PayPal Holdings Inc
Given the rise of tech stocks in 2020, and the growing global trend around the recent adoption of cryptocurrency payments, we remain considerably bullish over the medium-term. PayPal remains one of the most prominent online payment methods around. As shoppers opt for speed and convenience, the online shopping industry has never been in a better position and Paypal remains at the front of the line to reap the rewards. Paypal reported strong financial performance in Q4 of 2020 and closed the year with record numbers for FY2020

- Total Payment Volume (TPV) growth increased by 31% to $936 billion
- Revenue was up 21% to $21,45 billion
- GAAP EPS was up 71% to $3,54 per share, and
- The company added 72,7 million net new accounts during the year.

The company's growth momentum is expected to continue during 2021 with TPV growth expected to top 20% and revenue expected to grow by up to 19%. We will definitely look at opportunities to buy any significant dips in the share price.

Sasol
Sasol certainly hit record lows in 2020, primarily due to the crash in oil prices and the fact that its own balance sheet was not in a particularly strong position at the time. However, as most things South African, Sasol displayed its resilience with an aggressive response by cutting costs and selling off assets, including some of the family jewels at its Lake Charles project. With the rights issue now confirmed to be behind them, shares have been trading higher. Given the improved financial position, the company's diversification into chemicals, and the improved oil prices, there is increased optimism of a recovery for Sasol. The stock has survived some trying times and for the moment it looks as though the share must surely go up from here.
Should Oil prices continue moving up towards the expected $75/barrel target, Sasol could certainly be a great stock to hold.

Naspers
You would expect one of the few industries to thrive in 2020 would have been the media industry, however South Africa's media houses suffered considerably, with some companies like associated magazines collapsing entirely. Naspers has a diversified range of investments and this presents room for growth. Its investments in tech, as well as the large e-commerce holdings it has in South Africa, have positioned the company at the forefront of the digital age for local companies. There are of course short term risks associated with the stock, in particular around Tencent, as the US may ban Americans from investing in Tencent in the near future. However, Tencent's film and video game ambitions could prove quite lucrative. Backing up this sentiment is the fact that Naspers shares continue to trade at a 49% discount to its assets. Analysts agree that COVID-19 has certainly accelerated structural shifts in consumer behaviour towards online providers, which should greatly benefit operations like Naspers and Prosus.

CRYPTOCURRENCIES

Given the tremendous growth displayed by the sector throughout 2020, we would be a little skeptical to commit to any long-term positions right now. However, from a short-term perspective, there might be opportunities for those with a higher risk appetite. Given the continued adoption of crypto globally and the current mainstream attention, we might never see a return to the low prices we saw in early 2020. This could, in part, be attributed to many companies taking large positions and investing in cryptos, particularly Bitcoin.

Bitcoin

Considering that Bitcoin is trading at all time highs, one might be skeptical to get in on the action at this and we would certainly agree. However, as mentioned above, many companies seem to be taking longer-term speculative positions on the crypto with their unallocated cash reserves. The high return seems to be rather attractive and it is this reason which reinforces the belief that we could see some pullback. Since the bullish breakout in 2020, Bitcoin has traded, briefly, at a low point of around US$44 500. The lack of sustained trading below the key psychological level of US$50 000 suggests that the buyers are still in control at this stage. Prices move erratically in the crypto space which is why giving a long term view is the preferred option. With that in mind, there seems to be consensus in the crypto space that Bitcoin could reach US$70 000 - US$100 000 before year end.

From our perspective, and depending on the capital you have available, a more prudent choice might be the various AltCoins available as some of them present a far greater risk-to-reward.

Coinbase IPO

Keeping with the theme of alternative investments, the Coinbase IPO is something we would consider as a hybrid. It presents the opportunity to invest in a listed company whose sole business is cryptocurrency. Coinbase is expected be the first crypto exchange to go public. This was largely spurred on by the recent Bitcoin rally, which gave Coinbase a US$90bn valuation. Comparing this to 2018, where the valuation was only around US$8bn, this is nothing short of impressive.

As interest in crypto assets continues to rise, Coinbase is expected to leverage its massive head start to become an even bigger player in the space. It will go public at an opportune time, with a market valuation bigger than the New York Stock Exchange's owner, Intercontinental Exchange (NYSE:ICE); and the London Stock Exchange. But Coinbase is treading an unexplored path in an emerging industry. Changes in technology, competitive threats, and regulatory risks, could all derail its long-term growth plans. So unless they have a crystal ball, Coinbase's investors may find themselves on a roller-coaster ride in the coming months.

The IPO opportunity could be huge for investors and this is an IPO which will remain of particular interest as time goes on.

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Sources used for research include

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- *ING*
- *BlackRock*
- *Ark Investments*
- *Moodys Global*

Contact Us

Jimmy Moyaha
Founder: Lotus Academy

Zain Vawda
Global Markets: Lotus Academy

Email: info@lotusacademy.africa
Tel: +27(0)10 300 6178
Website: www.lotusacademy.africa