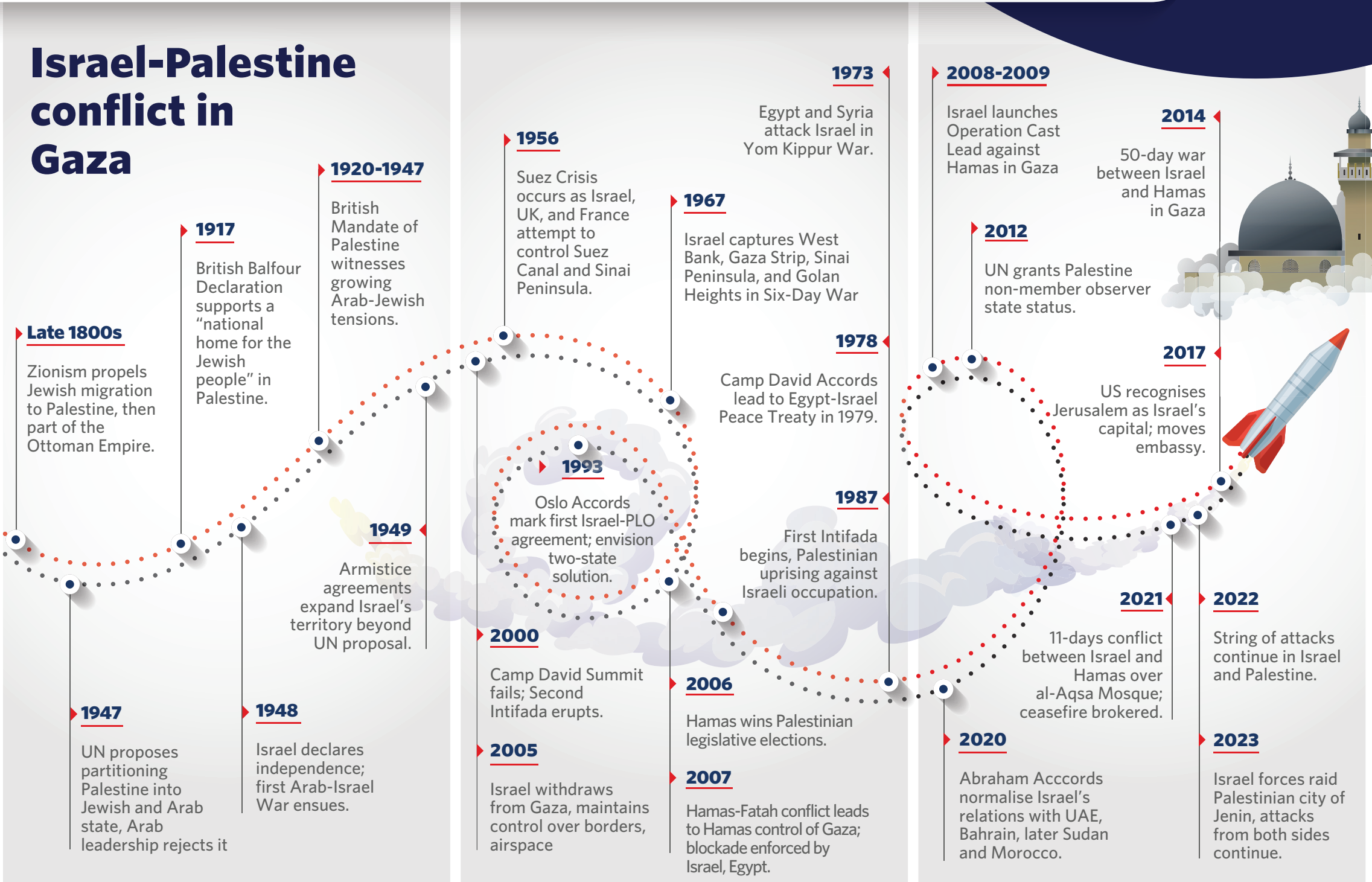
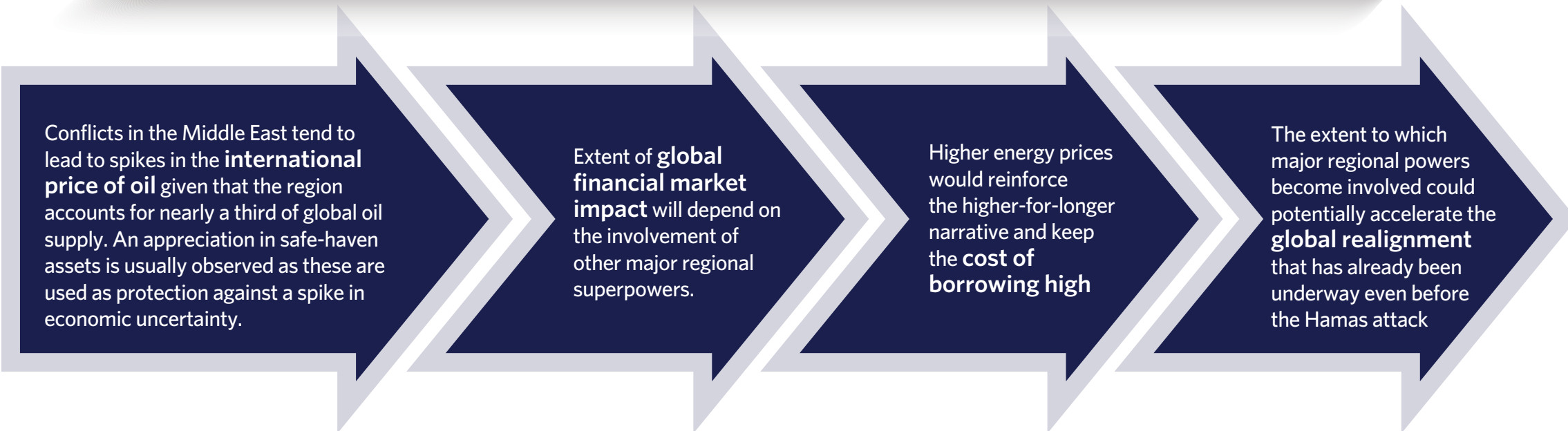


Israel-Palestine conflict: A brief timeline of events

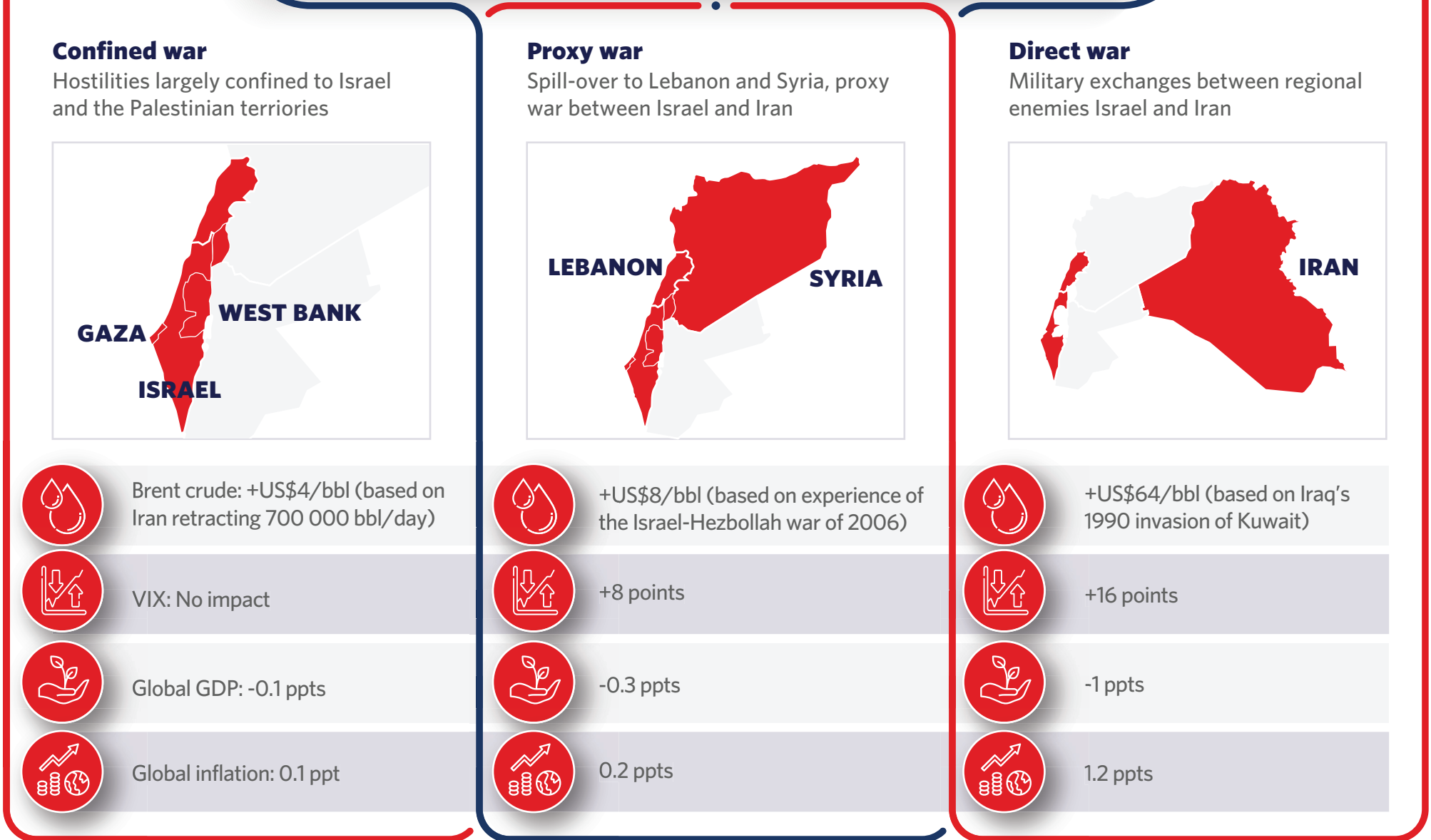
Israel-Palestine conflict in Gaza



Israel-Palestine conflict: Potential impact on the global economy



Three scenarios for how the conflict could evolve



October 2023

**Forecast 2023:**

GDP: 2.2%

Core PCE Inflation: 4.1%

**Forecast 2024:**

GDP: 1%

Core PCE Inflation: 2.5%

**EUROZONE**

Following a meeting of European Union (EU) foreign ministers in Luxembourg, the EU's foreign policy chief, Josep Borrell, noted a 'fundamental consensus' on endorsing a humanitarian ceasefire in the Israel-Palestinian conflict. However, EU member states have yet to reach a unanimous agreement on humanitarian aid. The Israeli-Palestinian conflict underscores the inherent limitations of European influence in international diplomacy. The EU's ability to act on foreign relations independently of its member states remains constrained in the absence of cohesive actions. The current conflict poses a further challenge to European cohesion, which has already been strained by the conflict in Ukraine, support for populism and high living costs. Notably, social tensions are particularly pronounced in Germany and France, which are home to the largest Jewish and Muslim communities within the EU.

**Forecast 2023:**

GDP: 0.4%

Inflation: 7.3%

**Forecast 2024:**

GDP: 0.4%

Inflation: 3%

**JAPAN**

Tokyo established relations with the Middle East in 1973 with the introduction of the Nikaido Statement. This statement recognised the legitimacy of the Palestinian State and called for restraint from Israel. In recent years, Japan has been actively building ties with the Israeli government, increasing investment in the Israeli high-tech market, expanding defence cooperation and witnessing a surge in tourism until the onset of the pandemic. In tandem with Canada, Japan refrained from participating in the joint statement issued by the Group of Seven (G7) that expressed support for Israel in its defence against Hamas. Nevertheless, the actions and statements of the Fumio Kishida administration will be closely scrutinised regarding their response to the conflict, support for the rules-based international order and their contributions to security assistance and humanitarian aid, particularly given that 90% of Japan's oil is sourced from the Middle East.

**UNITED STATES**

The Hamas attack occurred as the United States (US) was working to advance a historic Israeli-Saudi normalisation agreement. These peace efforts were expected to bring about a seismic shift in Middle Eastern politics. The successful realisation of this agreement would benefit Saudi Arabia by strengthening its relationship with the US and could also influence China's role in the Middle East. While this would have been deemed a major foreign policy win for the US, President Joe Biden instead faces the reality of 52% of polled Americans disapproving of his handling of the current conflict. Public opinion on whether or not the US government should publicly support Israel differs significantly across age and racial divides with older white Americans more strongly in favour of a publicly pro-Israeli stance. The Biden administration's diplomatic efficacy is under the spotlight to prevent the war from spilling over and creating bitter public divisions in the West.

**Forecast 2023:**

GDP: 0.5%

HICP Inflation: 5.5%

**Forecast 2024:**

GDP: 0.7%

HICP Inflation: 2.5%

**UNITED KINGDOM**

In March, UK and Israel solidified their relations with a long-term agreement that bolstered cooperation in defence, security, and technology. Building upon this agreement, Britain has leveraged its diplomatic influence to promote de-escalation in the ongoing conflict. Furthermore, the major political parties in the country have presented a united front in their stance on the war, denouncing Hamas, expressing solidarity with Israel and simultaneously urging Israel to adhere to international law in its actions. Nevertheless, Britain has experienced a concerning surge in anti-Semitic and Islamophobic incidents lately. A YouGov poll similarly reveals a lack of consensus on the conflict, with 21% of surveyed adults sympathising more with the Israeli side, 17% with the Palestinian side, 29% expressing equal sympathy for both sides and the remainder uncertain, underscoring risks for a domestic culture war in Britain's diverse, multi-faith democracy.

**Forecast 2023:**

GDP: 1.8%

Inflation: 3.1%

**Forecast 2024:**

GDP: 0.8%

Inflation: 2.2%

## CHINA

**Forecast 2023:**

GDP: 4.9%

Inflation: 0.5%

**Forecast 2024:**

GDP: 4.5%

Inflation: 1.6%

Similar to its approach to the conflict in Ukraine, China has adopted a non-interventionist stance regarding the Hamas war. While this allows China to project an image of peace and neutrality, it also limits its ability to actively influence events. Chatham House has observed speculations that China benefits from the US directing its attention to non-East Asian affairs. This allows China to assert its strategic domination in the Indo-Pacific region. For years, China kept its distance from the entrenched conflicts in the Middle East, but recent years have seen a shift. China has established significant economic ties with the region, serving as the primary trading partner for most countries in the Middle East and North Africa region, with nearly half of its imported oil originating from the Gulf. As such, the current surge in violence presents China with an opportunity to enhance its influence in the region in comparison to the US.

**Forecast 2023:**

GDP: 3.8%

Inflation: 6.1%

**Forecast 2024:**

GDP: 4%

Inflation: 6%

## EMERGING MARKETS

The *Financial Times* warns that some American diplomats are concerned that the Biden administration's response has failed to acknowledge how its broad support of Israel can alienate much of the Global South. The Biden administration has largely called on the world to stand by its ally Israel, while many in the Global South have criticised the Jewish state for occupying Palestinian territory. Despite its growing economic prominence, the Global South constituency remains far from united. While there is a broad consensus on a condemnation of Hamas' attacks, individual country statements reveal different leanings on Israel and varied views over who is to blame and how to resolve the conflict. *Responsible Statecraft* notes that India currently seems the closest to the Israeli and American position, while Bangladesh, Indonesia, Malaysia and South Africa (SA) are far less aligned. Nonetheless, an escalation in violence in the Middle East will likely have a disproportionate effect on the overall emerging market composite through the negative impact on trade and a flight to safety to the US dollar.

**Forecast 2023:**

GDP: 0.7%

Inflation: 5.8%

**Forecast 2024:**

GDP: 1%

Inflation: 4.7%

## SOUTH AFRICA

SA's response to the conflict between Israel and Hamas has raised concerns about potential economic ramifications and the country's entanglement in a geopolitical flurry, reminiscent of the situation earlier this year concerning the Russia-Ukraine conflict. Political divisions within the country have emerged, with the ruling ANC attributing the crisis to Israeli policies, while the EFF endorsed Hamas' use of force. Conversely, the main opposition, the DA, firmly condemned what they perceived as an 'unprovoked attack' by Hamas. SBG Securities notes that President Cyril Ramaphosa's consistently measured statements on the conflict have nevertheless played a role in mitigating foreign policy-related risks. They do however highlight the significance of SA's relations with Iran, particularly in light of Minister of International Relations and Cooperation, Naledi Pandor's recent visit to the country and the invitation extended to Iran to join the BRICS grouping at this year's summit. SBG Securities warns this could become a more prominent concern in SA's relationship with the US should the Middle East conflict escalate, especially in the event of increased hostilities. Similar to the approach taken with the Ukraine conflict, SA politicians have framed the recent escalation between Hamas and Israel within the broader context of their perspectives on global dynamics. It is becoming increasingly apparent that SA's approach to foreign affairs will play an even larger role in determining investment and growth outcomes for the country.

## The macro research desk

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Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.



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# Indices summary for October 2023

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
<b>Equity indices</b>									
FTSE/JSE All-Share Index (Alsi)	-3.44%	-10.39%	8.34%	15.01%	9.42%	9.83%	6.56%	8.40%	7.88%
FTSE/JSE Shareholder Weighted Index (Swix)	-2.96%	-10.49%	3.66%	11.00%	6.21%	6.86%	3.64%	5.48%	6.35%
FTSE/JSE Capped Swix All Share index	-2.93%	-10.32%	3.10%	14.34%	7.02%	6.81%	4.05%	5.34%	6.15%
FTSE/JSE All Share Top 40 Index	-3.67%	-11.84%	10.04%	14.80%	10.15%	10.59%	6.94%	9.09%	8.06%
FTSE/JSE Mid Cap Index	-3.19%	-7.63%	-3.57%	14.05%	3.34%	4.99%	3.24%	3.06%	5.48%
FTSE/JSE Small Cap Index	-2.30%	-2.57%	1.00%	27.76%	14.02%	9.44%	5.92%	5.65%	7.26%
FTSE/JSE Resources Index	-3.17%	-10.21%	-7.20%	13.08%	11.23%	13.03%	13.16%	14.53%	6.12%
FTSE/JSE Financials Index	-2.15%	-7.05%	4.56%	22.55%	3.71%	3.47%	3.25%	4.26%	6.03%
FTSE/JSE Industrials Index	-4.51%	-12.72%	19.62%	11.06%	9.35%	9.69%	3.83%	6.44%	7.49%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	-4.32%	-11.22%	4.11%	21.95%	10.26%	9.98%	8.08%	9.63%	8.23%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	-4.11%	-10.22%	2.76%	21.03%	9.57%	9.31%	7.51%	8.94%	7.71%
FTSE/JSE SA Listed Property Index (Sapy)	-2.98%	-6.08%	-1.27%	19.06%	-4.92%	-3.80%	-6.46%	-4.13%	0.88%
FTSE/JSE All Property Index (ALPI)	-3.33%	-6.19%	-1.19%	19.00%	-5.51%	-5.34%	-7.22%	-4.97%	-0.17%
<b>Interest-bearing indices</b>									
FTSE/JSE All Bond Index (Albi)	1.71%	-0.90%	7.91%	7.25%	6.65%	7.88%	7.87%	7.46%	7.29%
FTSE/JSE All Bond Index 1-3 years (Albi)	1.07%	1.62%	8.55%	5.36%	7.09%	7.55%	7.71%	7.78%	7.45%
FTSE/JSE Inflation-linked Index (Ili)	-1.01%	-1.73%	3.28%	7.84%	5.62%	4.97%	4.49%	3.74%	5.00%
Short-term Fixed Interest Composite Index (Stefi)	0.72%	2.08%	7.73%	5.42%	5.55%	5.90%	6.12%	6.33%	6.37%
<b>Commodities</b>									
NewGold Exchange-Traded Fund	6.53%	7.08%	23.89%	6.61%	12.72%	15.36%	12.60%	11.34%	10.50%
Gold price (in rands)	6.15%	7.58%	25.44%	6.90%	13.32%	16.00%	13.14%	11.68%	11.00%
Platinum Exchange-Traded Fund	1.62%	3.48%	1.67%	8.07%	5.38%	6.83%	4.81%	3.75%	2.14%
Platinum price (in rands)	1.75%	2.47%	1.53%	7.00%	4.79%	6.54%	4.47%	3.56%	2.10%
<b>Currency movements</b>									
Rand/euro movements	-0.79%	0.96%	9.01%	1.27%	4.12%	3.42%	3.10%	4.26%	3.81%
Rand/dollar movements	-0.93%	4.98%	1.65%	4.59%	5.42%	4.80%	4.74%	4.76%	6.43%
<b>Inflation index</b>									
Consumer Price Index (CPI)			5.37%	5.95%	5.18%	4.97%	4.96%	4.98%	5.15%

## Important notes

- Sources: Momentum Investments, IRESS, [www.msci.com](http://www.msci.com), [www.yieldbook.com](http://www.yieldbook.com), [www.ft.com](http://www.ft.com).
- Returns for periods exceeding one year are annualised.
- The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
- The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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