Sterling Times

December 2021 Edition

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Merchant West

Sterling Private Wealth

Introductory message from our Managing Director

By Graydon Morris, Managing Director, Sterling Private Wealth

Dear valued clients and friends.

We are coming to the end of another Covid disrupted year. It is now a full 20 Months since our lives were turned upside down by this pandemic that has done so much damage, to so many, for so long.
We have unfortunately lost a few dear clients and friends over this time, and hope that all of you reading this, can stay healthy, fit, and strong until we can overcome the worst of the virus.

Particularly over this December period, we hope that you get to spend time enjoying the company of family and friends, and that you all return home safely, if travelling, to start a new year with a spring in your step and hope in your hearts.

Our wealth managers and their teams have worked tirelessly this year to ensure all clients are well positioned and up to date in terms of planning and strategy, whether in retirement, or still in the phase leading up to ultimate retirement. Markets have been reasonably buoyant, and most portfolios are in really good shape.

We continue to advise careful risk management and diversification, as one must always be aware of downside protection and wealth preservation. Many miss the importance of holding some cash and other diversified assets. Equities are not the only game in town.

Our team has also worked hard to continue to refine our Model Portfolios and these performances have been very solid. There has also been a focus, in this environment, on fiduciary and estate planning matters. Many Wills and Trust Deeds have been updated, scrutinised, and revisited.

This is a continued review matter, and we shall again renew this focus in 2022.

Our business is 20 years old next year, wow, where has the time gone! Our growth from a small office of 3 of us in 2002, to a team of 21, with a presence in 3 provinces, and over 600 clients, has been a joy to experience. We thank each of you for being a part of our journey. We are grateful every day.

I thank our entire team for their passion, energy and enthusiasm, and for all that they do for our clients.

Our partnership with the Merchant West Team is going from strength to strength and we thank them too, for being a part of our lives for nearly 3 years, adding much value and tremendous insight.

We have included some interesting pieces in this Sterling Times, for your reading pleasure over the Summer Break.

Our first piece that we have included has been penned by our trusted fiduciary partners, Fidelis Vox. It deals with changes to retirement funds and one's emigration status. We then include a piece on the potential folly of paying too much attention to economic forecasting. This article has kindly been prepared by our long-standing research partners, Fundhouse. We have also presented a short article on the importance of taking "the first step", when one wants to implement a life or business change. This article has been prepared by Carl Richards, world famous author of the "The Behaviour Gap". We conclude with a very interesting note by our much loved and followed team at The Visual Capitalist, recapping predictions made at the beginning of this year relative to the outcomes.

We hope you enjoy the read and we look forward to seeing you all again in 2022.

Festive season wishes to you all.

Graydon Morris

Managing Director

Emigration & Retirement Annuities

By Fidelis Vox

In this article, we deal with the consequences in relation to retirement funds when relocating abroad as well as exchange control considerations.

Exchange control considerations

The concept of emigration as recognised by the South African Reserve Bank ("the Reserve Bank") was phased out with effect from 1 March 2021 and was replaced by a verification process with the assistance of SARS' eFiling. Prior to 1 March 2021, a MP336(b)-form was completed placing worldwide assets on record with the Reserve Bank with further steps to be followed, including obtaining tax clearance status for emigration purposes.

The intention as of 1 March 2021 is for natural person emigrants and natural person residents to be treated identically. Going forward South African exchange control residents (i.e. SA citizens, permanent residents and foreign nationals domiciled in South Africa) need to apply for a Tax Clearance Status ("TCS") for emigration purposes on SARS' eFiling system.

Although this was intended to ease the burden on South African exchange control residents, there are still practical considerations from a tax perspective to consider, including ensuring that the person is in fact registered on eFiling in the first instance and secondly that the person is tax compliant. Once the South African exchange control resident applies for the TCS for emigration purposes, an automatic verification or audit will ensue, hence the caution to first ensure the taxpayer's tax affairs are in fact in order.

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> *There are a million ways to get wealthy, and plenty of books on how to do so. But there's only one way to stay wealthy: some combination of frugality and paranoia.*

What we often see is clients with children studying abroad and subsequently taking up permanent employment outside of South Africa. Prior to commencing with their studies, they were not legally required to register with SARS as a taxpayer. Should they inherit from their parents in future, it is practice prevailing for Authorised Dealers in financial institutions to request a TCR01 from SARS to ensure the necessary documents are on file should they be audited by the Reserve Bank. This may also be applicable when beneficiaries benefit from a domestic trust whether it is capital or income in nature.

For this practical reason it is important for the child to then register on SARS' eFiling. It is important to note that registering on SARS' eFiling does not equate to being tax resident in South Africa. It is to ensure that, practically and specifically for exchange control purposes, the heir can adhere to the administrative requirements to externalise the inheritance (or any other capital for that matter) and place it on record with SARS and the Reserve Bank.

We can advise on these matters on a case-by-case basis.

Retirement funds

As of 1 March 2021, payment of lump sum benefits to individuals who are no longer South African tax residents as defined in the Income Tax Act, shall only be allowed by Authorised Dealers if the member of the South African retirement fund has been non-tax resident for at least three consecutive years.

Taxpayers will therefore only be able to access their retirement benefits if they can prove to the South African retirement funds administrator that they have been non-resident for tax purposes for an uninterrupted period of three years, together with an applicable Tax Directive that was issued to the South African retirement fund administrator by SARS.

In addition, the South African retirement fund administrator may request proof of the taxpayer being a tax resident in another jurisdiction. The taxpayer should provide an Authorised Dealer with the applicable TCS from SARS as well as documentation from the pension fund administrator confirming the final amount paid out to the taxpayer. This documentation will be required prior to effecting transfers from South Africa abroad in this regard.

It is therefore vitally important for emigrants to ensure that they are firstly compliant with their tax returns, including recording when (i.e., on which date) they have ceased tax residency, prior to applying for a TCS PIN to transfer their retirement funds from South Africa abroad. It is also recommended that previous South African tax residents obtain formal advice relating to their tax and exchange control resident status to ensure that the factual matrix in everyone's instance is reflected in tax returns.

The Forecaster's Dilemma

By Fundhouse, valued Research Partners of Sterling Private Wealth

In the wake of the Global Financial Crisis, the Queen of England famously asked why economists failed to foresee the impending disaster. Interestingly, the question is still relevant today and probably hasn't received an appropriate answer yet.

Throughout history, forecasters have built a long and distinguished track record of not being able to predict major economic events. From the great depression in the 1920s to the COVID-19 drawdown in March 2020, one of the common themes among these significant economic downturns is that they caught investors by surprise.

However, faced with such a dismal track record, forecasting still holds a lot of weight in the world of investment management. In fact, one only needs to tune into Bloomberg TV on the first Thursday of every month to hear economists fiercely debate what the next Non-farm Payroll[1] number is going to be.

Before assessing why the track record is so dismal, let us first consider what exactly forecasting is and who tends to use forecasts.

Economic forecasting is the process used to make economic predictions. Governments, businesses, and investment professionals use forecasts to help assess policy, budgets, the health of economies and markets and even estimate the value of companies and other assets.

Below, we split users of forecasts into three distinct groups:

- Economists use technical economic models to forecast very specific variables – including inflation and interest rates. Central bankers would fall into this group.
- Portfolio managers and analysts use forecasts to aid them in developing forward-looking views on asset classes like equities and bonds. For instance, an investment analyst might forecast how much revenue a company is set to generate to determine how profitable that company is likely to be.
- Talking heads or the financial press are the third group of users that use forecasts to generate topical conversations related to markets.

Importantly, these groups use forecasts for different reasons. For example, the financial press or talking heads may use forecasts to generate media content while portfolio managers use forecasts to aid in the investment decision-making process.

This tends to change the level of accuracy and care with which forecasts are developed because if the press or talking heads are wrong this may have very few consequences. However, if portfolio managers use bad forecasts, this tends to result in bad investment outcomes.

So, where does our need to forecast future events stem from?

Forecasting – A story as old as time

Investment professionals are geared towards developing a vision of the future to plan for it today. In fact, the ability to anticipate future events is one that has intrigued humans for thousands of years. And this is for good reason, being able to successfully predict future events has, throughout history, often been the difference between life and death.

In addition, the innate ability of humans to foresee future events is one of the primary characteristics that has separated people from other species that may be stronger or faster than us. For example, without the ability to predict future events, or form a vision of the likely course of events at the very least, humans would have been relatively ineffective hunters. Trying to fend off a leopard or outrun an impala are not nearly as effective as being able to predict where both those animals are likely to be – either to prepare for the hunt or ward off a potential attack.

In addition to often being the determinant between life and death, prediction has made our lives a lot more efficient. For example, a forager wouldn't spend an entire day examining every single tree in a forest to determine which ones bore fruit, our knowledge of the seasons helps us determine where to look and when.

However, while effective predictive analysis has helped advance humanity through time, we have often been caught in the trap of becoming too reliant on the methods and tools we use to aid us in developing those predictions.

This suggests there is in inherent balance between using predictive analysis as a useful tool and becoming too reliant on our ability to foresee future events. An interesting exercise is to look at the history of forecasting through this lens, observing how humanity has struggled to find this balance through time.

A history of forecasting – finding the balance

One of the earliest examples of formal forecasting was developed in ancient Rome and was known as augury, which is the practice of predicting omens based on the behaviour of birds. At first glance, this may seem like a futile exercise but in some ways, it is grounded in logic. For instance, seagulls have been known to sense changes in air pressure that occur before a storm and as a result their flying patterns change.

Observing these flying patterns may have helped predict changes in the weather. However, there is evidence that reliance on augury was taken too far. As an example of this, the ancient Romans observed the eating patterns of chickens to determine an army's fortunes during a military excursion, it is difficult to see how this information would be considered useful.

Another example of early forecasting that was developed around the same time as augury, is called sortilege which involves making predictions from items drawn at random from a collection – like sticks or stones.

Probably the most popular form of symbolic forecasting through time is astrology. Though today astrology is largely considered a pseudoscience, during Nicolaus Copernicus' lifetime astrology and astronomy were considered parts of a broader subject that was known as the "science of the stars". In fact, at the time, the terms astrologer, astronomer, and mathematician meant virtually the same thing and they generally referred to someone who studied the heavens using math. Copernicus went on to write On the Revolutions of the Heavenly Spheres which posited that the earth rotated around the sun and not the other way around. By-and-large one of the most significant advances in human history.

These early examples show how forecasting has been ingrained in human thought for millennia. However, the practice became a more formalized tool when Sir Isaac Newton first developed the mathematical discipline of calculus. This was a major step forward that added substantial credence to the practice of forecasting as it provided a framework for modelling systems that change. In a relatively short space of time following the development of calculus, statistical analysis and probability theory were formalized and in the early 20th Century, Sir Ronald Aylmer Fisher built the foundations of modern statistical science.

Today, modern statistical analysis is one of the key disciplines that underpins the practice of economic forecasting which is widely used across the world.

However, in contrast to statistical analysis, economic forecasting has not garnered the same acclaim, largely because of the track record it has developed. With that in mind, let us take a look at some of the great forecasting blunders.

A history of forecasting blunders

Indeed, most people with even a passing interest in financial markets will remember some of the great market downturns in history. From the most recent COVID-19 drawdown to the Global Financial Crisis in 2008 and even the Tech Bubble Burst at the turn of the millennium.

However, one period of economic turmoil that stands out among the pack was the Great Depression in the 1920s. Research performed by Mathy and Stekler (2016) that analysed news and media statements by popular forecasters leading up to the Depression shows that most of them failed to predict the economic downturn. In fact, to this day, economists still disagree about the causes of the crash!

Interestingly, one study produced by the IMF analyses over 150 recessions across the world from 1992 to 2014 and finds that economists failed to predict most of these. But it is not just recessions that have received dismal forecasts. Research by Dovern and Jannsen (2015) shows that economists tend to systemically mis-forecast GDP growth. In addition, it is not just the economists that have received a bad rap for their forecasting ability. In 2019 FactSet reported that over a period of five years, 72% of S&P 500 companies beat earnings forecasts.

But why are we so bad in forecasting?

Economic forecasting is difficult for two reasons. Firstly, as shown above we have been obsessed with trying to predict the future for thousands of years, but it is a virtually impossible task to get right. Secondly, economies are complex. With so many moving parts, it is difficult to know what information is relevant and what is just noise.

However, there tend to be three factors that generally result in poor forecasts which we detail below.

Historical data

Economic models describe how an economy fits together through a series of equations and these equations depend on historical data.

For example, to form a forecast of the unemployment rate in a year's time, you need to know what the unemployment rate is today and probably what the unemployment rate has been over a number of years. However, if the economy has changed substantially, those historical estimates may not be relevant. This makes it difficult to forecast from the past.

Psychology

Like all people, forecasters have inherent psychological biases. Some of these biases, including the tendency to look for evidence that confirms what is thought to be correct, anchoring to certain beliefs too strongly and if the current situation in the world will not change. As a result, psychological biases make for bad forecasts, because these biases are not grounded in logic.

Complexity

As previously mentioned, the business of developing economic forecasts is tricky not only because it involves making judgements about the future but because markets and economies are incredibly complex. To account for this, economic models are often as complex and easy to misunderstand.

A combination of these three factors makes the business of forecasting incredibly difficult, but, we are still reliant on economic forecasts to form investment views. In fact, to this day economic forecasts form an integral part of the portfolio management process.

Forecasts - use responsibly

The first thing to accept is that global markets are fraught with uncertainty. And, this is difficult, virtually impossible, to escape. Rather than using forecasts to foresee future events we need to accept that as investors we will never be rid of uncertainty.

This leads to an interesting conclusion – there is a difference between forecasting and developing a view of the future. By accepting this axiom there are certain precautions we can take when using forecasts that help us avoid anchoring to certain views or narrowly positioning a portfolio for a predetermined outcome.

Firstly, it is important to exercise humility when using forecasts to develop market expectations. It is impossible to know everything and the chances of being wrong are substantial. This can, at times, be the reason that many funds we look at rate negatively, simply because managers overestimate their ability to forecast accurately.

Secondly, not everything needs to be a forecast. That is, it is often not necessary to develop explicit forecasts either because they will have an invariable effect on the value of a portfolio or because they are just irrelevant. Knowing which markets, asset classes or industries you need to develop a future view on helps in determining which kinds of forecasts to pay attention to.

Thirdly, it is important to understand and accept where your area of expertise lies. For example, when constructing a multi-fund portfolio, a large portion of the forecasting task is essentially delegated to the underlying managers. And this makes sense, the managers are closer to specifics related to the securities they invest in.

Lastly, the primary mitigator of forecasting errors is diversification. It pays to be exposed to a broad range of views and not bound to a narrow set of forecasts. Allocating to managers that see the world differently helps mitigate against the uncertainty of the future.

Ultimately, humanity has been forecasting for a while and getting it wrong more than we get it right. However, we are still reliant on forecasts because they help us sort through and rationalise a complex trove of information.

It is understandable that the uncertainty associated with markets is often difficult to stomach. In addition, it is even more difficult to commit capital to a wide range of assets and not be in control of that capital. However, there are processes that can be put in place to alleviate this uncertainty.

These include picking financial advisors that don't overreact to short term news and diversify across a range of different asset classes and finding portfolio managers that are keenly aware of their forecasting inability. A combination of these two factors aids in fostering more certainty in an uncertain world.

Reliance on forecasts

Given the track record of economic forecasting blunders through time it is easy to assume that the entire process of making economic forecasts is futile. However, this tends to be a crude assessment. For example, central bankers use a variety of different economic models that forecast the future path of inflation in an economy so that they can set monetary policy accordingly. Without those models, they would still need to make a call on the future level of inflation in an economy so they can set interest rates accordingly. Using the models here helps make those decisions.

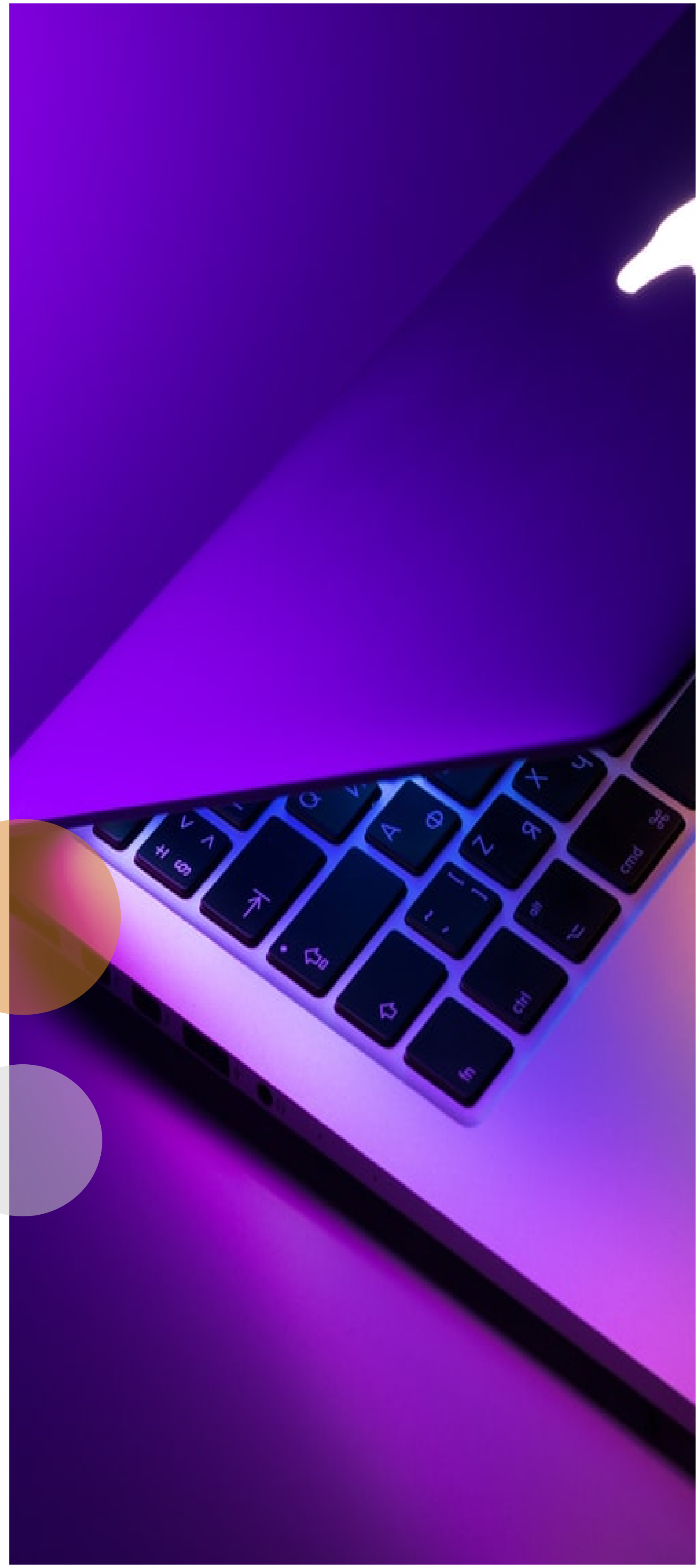
Similarly, forecasts are used extensively by investment analysts and portfolio managers for two reasons. Firstly, they help analysts form expectations about sectors, industries and markets which ultimately lend themselves to the portfolio construction process. Secondly, they are used to estimate valuations of specific securities including equities, fixed income, and alternative assets. For example, a fundamental equity portfolio manager may develop a model that forecasts the profitability of a certain company over time. Without making use of forecasting, equity portfolio managers would be hard-pressed to determine which stocks to buy and sell in their portfolios because they don't have an estimate of how profitable those companies are likely to be.

Forecasts are used to develop future market and asset-specific expectations. As a result, trying to do either of these things without making use of predictions becomes an extremely difficult task.

This leaves us in a somewhat awkward position. On the one hand we are saying that forecasting is a futile exercise because they tend to be wrong. And on the other hand, we are saying that forecasting forms an integral part of the portfolio management process.

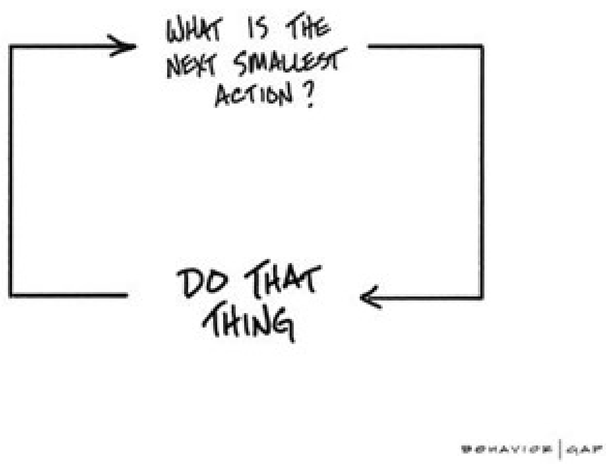
So, where's the sweet spot? Or more specifically, how do managers use forecasts responsibly to construct portfolios?
As a preamble, it is important to note that there is a difference between trying to forecast the future and accepting markets as they are today. For instance, portfolio managers that use valuations are trying to understand several factors. These include the robustness of a company's balance sheet; how much market share the business can gain going forward and how consistent dividend payments will be.

Developing robust forecasts help portfolio managers gauge these very important factors that aid in differentiating good investments from bad ones.



A Story of a Big Dream and a Single, Small Step

Carl Richards, The Behavior Gap



Let me tell you a little story.

It's the story of a consultant who had a scary idea. She wanted to publish a cookbook. She had no background in writing, publishing, cooking, blogging, or anything related to that goal.

In this tall tale, the consultant left her job to follow her dreams, as the cliché goes. And the next thing you know, the story unfolds just as you would have hoped. The universe conspires — magically! — to give her a helping hand. She finds an agent and snags a contract with a top publisher. She even gets the television personality Anthony Bourdain, a famous chef, to do the blurb on the book cover.

Cool story, right? But we all know stories like this one don't really happen. You need a degree from the literary star-makers at the University of Iowa Writers' Workshop, a successful stint on "Iron Chef," or at least 10,000 Instagram followers before you can even dream of doing something like that.
But wait! This story is actually true. The woman who made it happen is Reem Kassis, and her cookbook is "The Palestinian Table." I know the story because she wrote me to share it after she read a column I wrote about overcoming whatever fears that get in your way when chasing big ideas.

So why share the story? Not because it is so crazy, but because it is so sane. The way Ms. Kassis pursued her scary thing is practical and repeatable. She did things that anyone can do, as long as you have the nerve to try to do something hard and scary in the first place.

Ms. Kassis grew up in Jerusalem but came to the United States to pursue an undergraduate degree at the University of Pennsylvania. She eventually worked as a consultant for McKinsey & Company before leaving to have her first child.

It was around then that she decided to give this far-fetched cookbook idea a shot. She was not dabbling in writing at the time. She didn't have a side hustle making food at a restaurant. She didn't have a blog or an Instagram account. All she had was a stake in the ground and a direction she wanted to go.

Oh, and she had those roadblocks. Enough roadblocks that most people would have labeled such an idea unrealistic and given up.

But one pattern I've noticed in people who do scary things is that once they see the roadblocks in their way, they take a specific kind of action to begin to break them down — a micro-action. Having figured out the big goal, they focus on the next, smallest action that will get them a bit closer to it.

Because Ms. Kassis wanted to publish this book in a traditional way, the most obvious roadblock was her lack of a publisher. To get one to take you seriously, you generally need an agent. To get an agent, you need to send what's known as a query letter. (See how we're moving from big, insurmountable roadblocks to smaller actions?)

But first, you need to figure out which agents to approach. So here's what Ms. Kassis did first: She went to the bookstore, picked up a cookbook and read the acknowledgments section. She noticed that the author thanked an agent in the acknowledgments, and she wrote down the name of the agent.

There is more to this story, but please note how micro this action was: a trip to the bookstore. Having noted the name of one agent in one cookbook, the next smallest step was to pick up another one. She repeated these steps with every cookbook she could find until she had a list of agents.

The next smallest step was to go home and research those agents, one at a time. That allowed her to write each of them very targeted emails. Because she was so thorough in her research, she got an almost unheard-of response rate. Eventually, she landed an agent, and now there's a published cookbook with her name on it.

Once you've identified the scary thing you want to do, don't obsess over all the reasons you can't do it. Get quiet and ask yourself one simple question: What is to be done next? Then look for the next smallest action you can take. Do that thing. Ask again. Repeat.

I can't guarantee that if you follow the Next Smallest Action Formula that you will succeed. But I can guarantee that if you don't take any steps at all, nothing much will come of your idea.

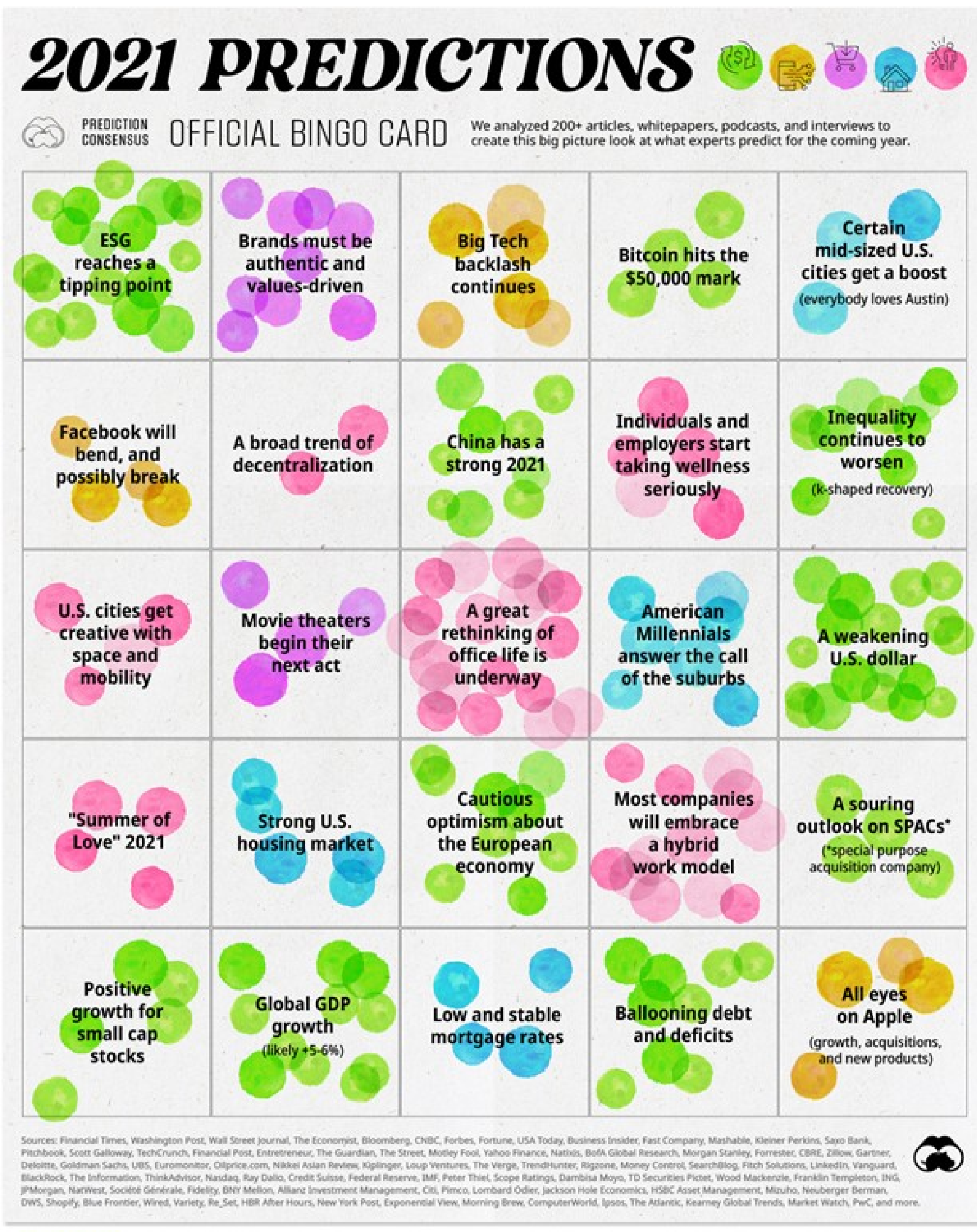
Who Got It Right? A Look Back at Expert Predictions For 2021

By Nick Routley of Visual Capitalist

Last year, the editorial team at Visual Capitalist scoured through 200+ reports, articles, podcasts, and more, to create our 2021 Prediction Consensus—a big picture and aggregated look at the key trends that experts predict for the year ahead.

If 2021 taught us anything, it's that things can change at the drop of the hat. Amidst all this uncertainty, how many of the highlighted predictions came to fruition, and which ones didn't pan out exactly as expected?

Before we start, it's worth revisiting the prediction bingo board for 2021:



Below, we've evaluated a handful of the predictions for 2021 to determine whether they materialized.

The Easy-to-Quantify Predictions for 2021

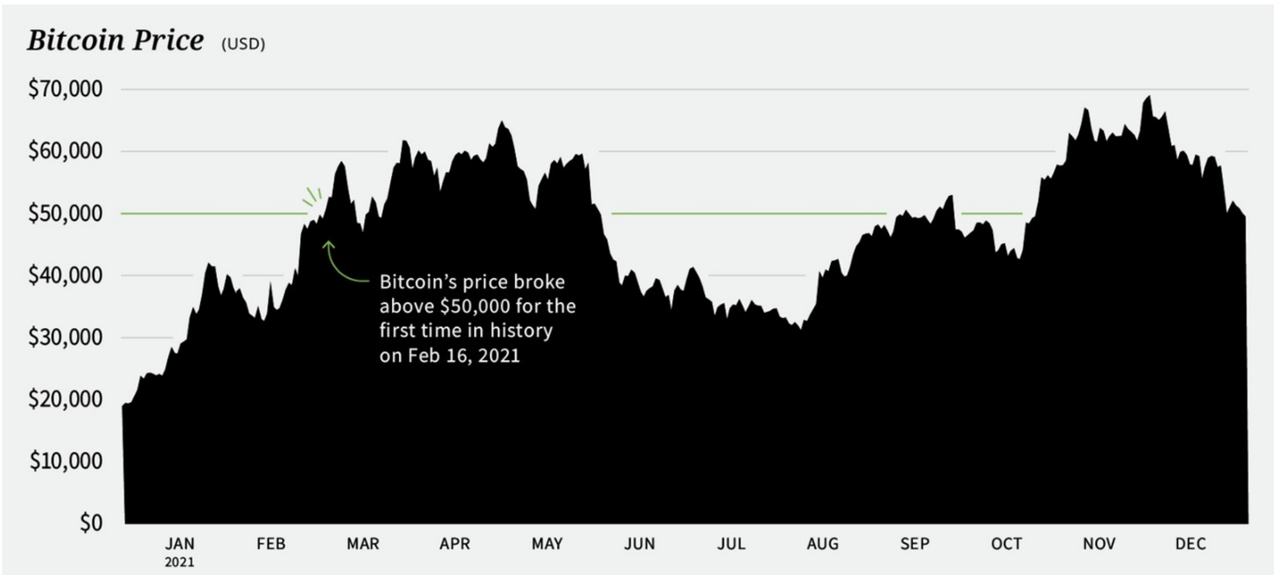
Some of the predictions were easy to quantify—like the price of Bitcoin, or GDP targets.

PREDICTION 1:

Bitcoin hits the $50,000 mark

Did it happen? Yes

As many of the experts forecasted, Bitcoin, and the crypto space in general, had another explosive year in 2021.



Bitcoin's price rose 72%—from $29,000 at the start of 2021 to roughly $50,000 today (after reaching an all-time high of $69,000 in November).

The price increase wasn't without its fair share of volatility, with Bitcoin suffering three different pullbacks of at least 30%, the greatest being a 50% correction in May.

Bitcoin's ascent is impressive considering the amount of attention and capital that poured into other cryptocurrencies and sectors in the space. Layer one blockchains like Ethereum (+483% in 2021) and Solana (+12,500% in 2021) greatly outpaced bitcoin's price growth, and NFTs emerged as one of the hottest markets this year.

PREDICTION 2:

Global GDP grows 5-6%

Did it happen? Yes

By the end of 2021, Euromonitor International expects global real GDP to increase by 5.7%, which aligns perfectly with expert predictions from last year.

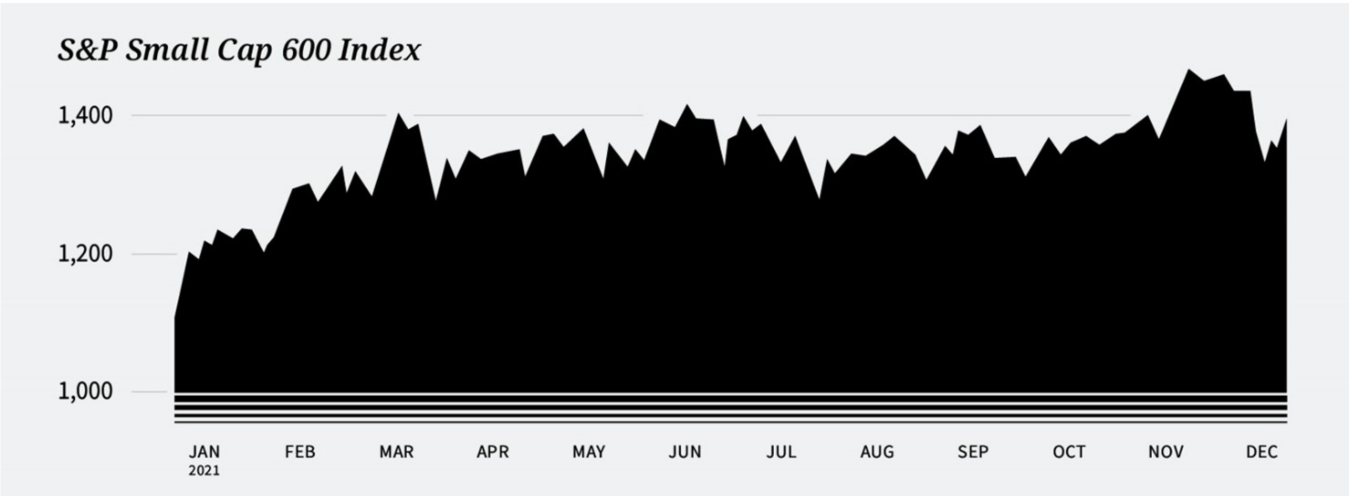
However, despite the global economy's overall growth, this year hasn't come without its challenges.
Supply chain issues have triggered a rise in global commodity prices. And since supply constraints are likely to continue into 2022 or beyond, global inflation is expected to keep rising, which could create a drag on real GDP growth.

PREDICTION 3:

Positive growth for small cap stocks

Did it happen? Yes

The S&P Small Cap 600 Index generated a return of 24.6% from December 31, 2020, to December 7, 2021. This mimics the performance of the S&P 500 Index, which grew by 24.8% over the same time period.



Many analysts expect U.S. small caps to continue their momentum into 2022. Historically, the asset class enjoys significant gains during times of robust economic growth.
For context, the International Monetary Fund (IMF) expects U.S. GDP to grow by 5.2% in 2022, outpacing many other developed economies.

The Harder-to-Quantify Predictions
Many of the predictions were more subjective than GDP or stock-market growth, and therefore, were harder to measure. So, for these predictions, we polled nine members of our editorial team to gauge whether or not they panned out as expected.

We also sifted through hundreds of individual predictions from last year to see which experts got it right, and we'll be highlighting some of them below.

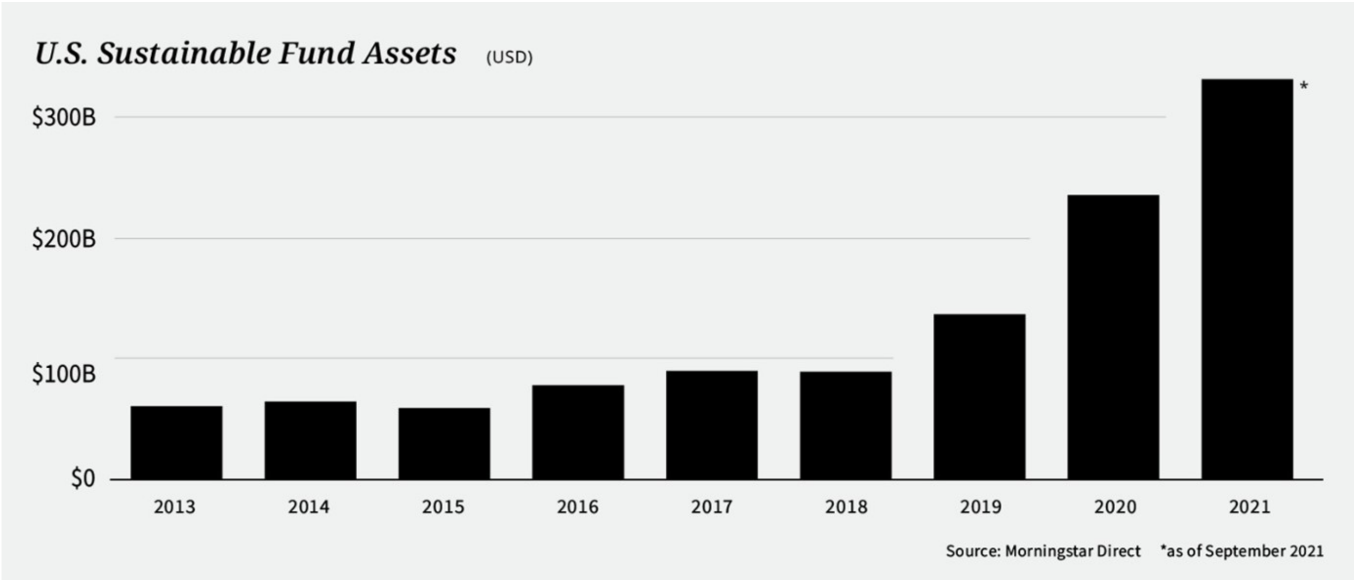
Let's dive in.

PREDICTION 4:

ESG reaches a tipping point in 2021

ESG continued its upward trajectory in 2021.

In Q3 2021 alone, the number of sustainable funds jumped 51% to roughly 7,500 worldwide, and assets under management hit a record $3.9 trillion. In the U.S., sustainable fund assets surpassed the $300B mark.



As sustainable investing continues to become a top priority among investors, companies are starting to be held accountable for their sustainability efforts. And those that don't get on board could see it negatively affect their bottom line.

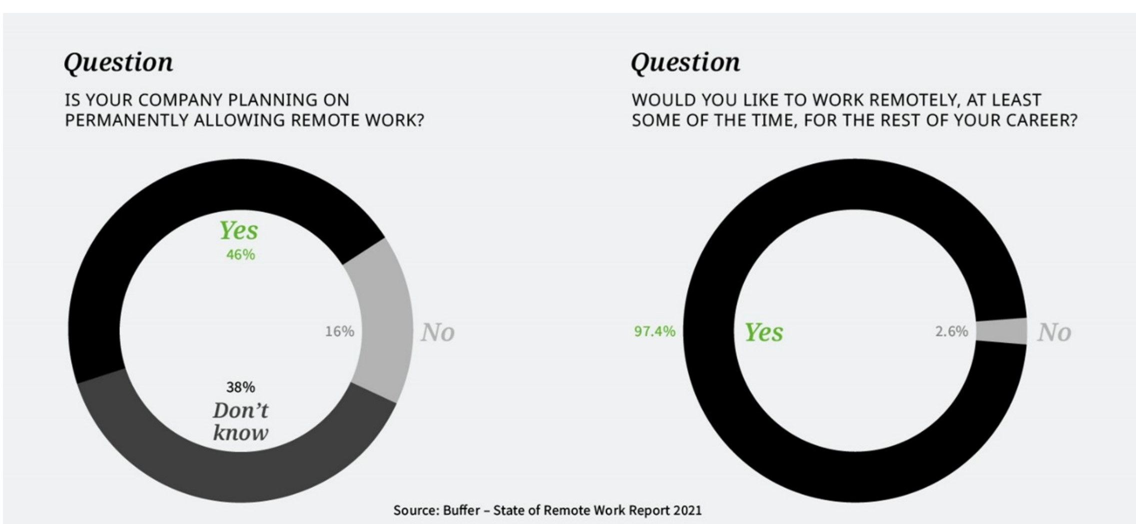
Who saw this coming? DWS Asset Management Group said, "ESG will continue to play an increasingly important role in investing." Fidelity Investments, American financial services company also got it right, claiming "ESG and climate funds have outperformed conventional funds throughout 2020 and are likely to continue to do so in 2021."

PREDICTION 5:

Work from home is here to stay

Even as lockdown restrictions eased, and the world took small steps towards normalcy, workers across the globe continued to work from home.

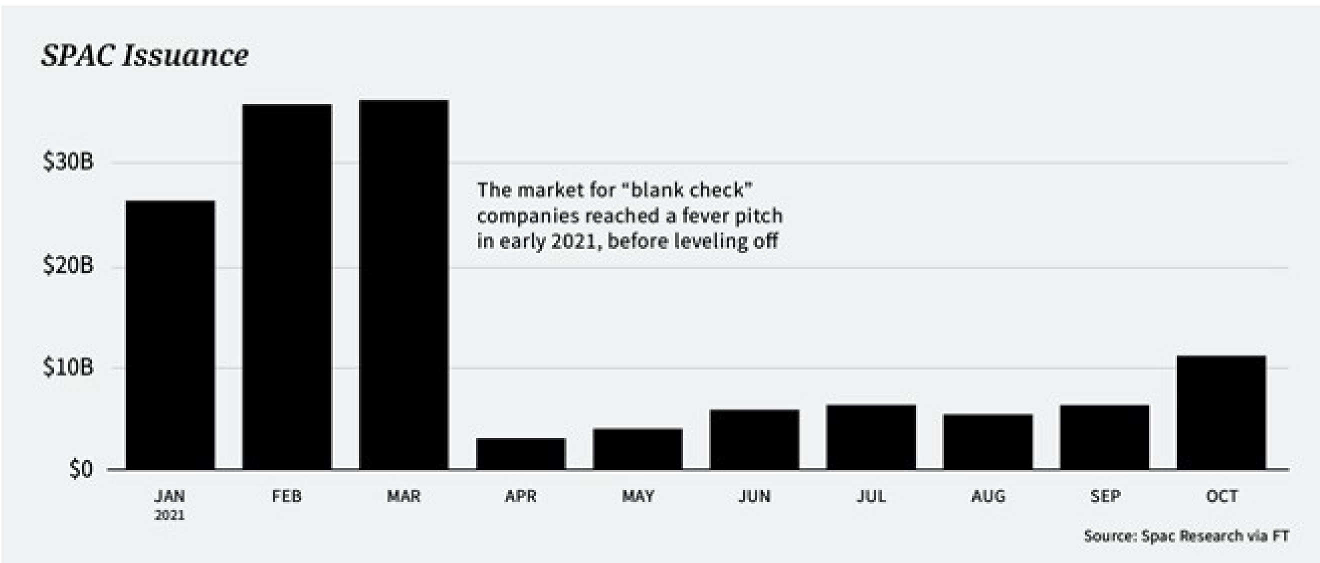
By the end of the year, Gartner predicts that 51% of knowledge workers worldwide will be working remotely, up from 27% in 2019.



PREDICTION 6:

SPACs will fall out of favour

Special Purpose Acquisition Companies (SPACs) waned in 2021—despite a strong start to the year. The market for "blank check" companies peaked in March of 2021, when a record 109 SPACs were issued.



The SEC cracked down on accounting practices, and Rep. Maxine Waters, chair of the House Financial Services Committee remarked she had "deep concerns about the lack of transparency and accountability that is a hallmark of the SPAC process".

However, blank check firms haven't disappeared completely. Singaporean startup, Grab launched on the Nasdaq in late 2021, reaching a roughly $40 billion valuation—a record according to data from Dealogic. As well, issuance is creeping back upward, a sign that the SPAC market could be staging a comeback.
Who saw this coming? John Battelle, co-founder of Wired Magazine, wrote "In 2021, SPACs will lose their luster."

PREDICTION 7:

China will have a strong 2021

China had an impressive first half of the year, but growth slowed down by Q3.
Interestingly, it wasn't so much COVID-19 that ended up hurting the Chinese economy. Rather, the country struggled with supply chain issues, along with a drastic regulation crackdown by the CCP that ended up hamstringing domestic industries.

Investors were so spooked by the Chinese government's crackdown, that from Oct 2020 to Oct 2021, investors sold more than $1 trillion in Chinese equities.
Who got this right? James McGregor, China chair of public affairs firm APCO Worldwide, said that "China is going to be ahead of everyone economically, however, its global reputation is not going to improve."

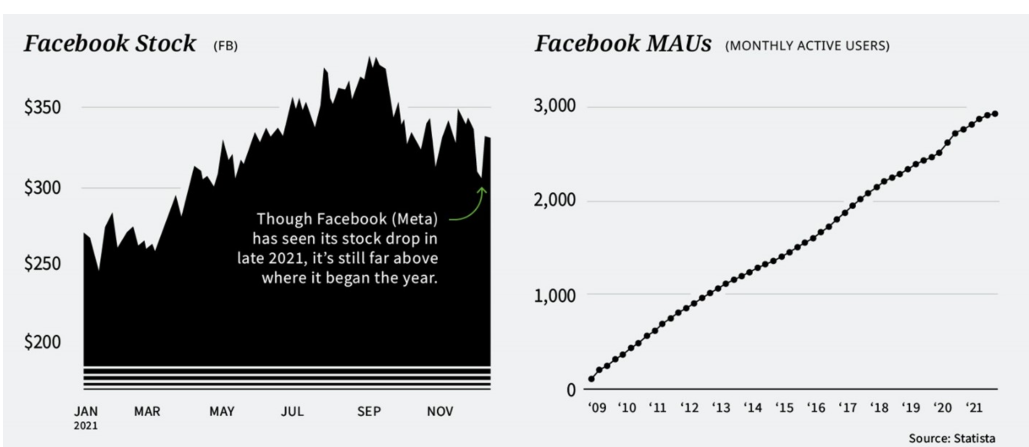
PREDICTION 8:

Big Tech backlash will continue

From congressional hearings to massive fines, the tech backlash continued into 2021.
Big Tech CEOs were hauled before the U.S. government numerous times, including the misinformation hearings of May 2021 and the antitrust hearing in July. Tech companies also faced a rough ride in Europe as regulators didn't hesitate to hand out hefty fines. In just two examples, WhatsApp was hit with a €225 million fine and forced to make changes to its privacy policy, and Amazon was fined over €1.1 billion by Italy's antitrust watchdog for abusing its dominant market position.

While Big Tech in general faced plenty of criticism, it was Facebook (now Meta) that bore the brunt of the scorn. This was especially the case after former Facebook employee Frances Haugen leaked thousands of internal documents to the Wall Street Journal, which Haugen claimed shows that the company prioritizes profits over the wellbeing of its users. The pressure is on for U.S. lawmakers to enact new regulations that hold social media companies more accountable, but decisions on what these new regulations would look like haven't been made.

In contrast, European regulators have managed to get a plan in motion. The EU plans on enacting the Digital Services Act by 2022, which would require tech companies to immediately remove hate speech and other illegal content from their platforms, or pay significant fines.



Two powerful counterpoints to the bluster directed at tech companies are that stock prices are largely up, and users still continue to use these services. Even Facebook, which is arguably the most heavily criticized brand has never seen a drop in users, quarter-on-quarter.

Who predicted this? John Battelle saw this one coming, too: "Nothing will get done on tech regulation in the US."

PREDICTION 9:

Millennials answer the call of the suburbs

Millennials did move away from the city, but not so much to the suburbs. Rather, small towns and rural areas saw the most growth as people streamed away from large, expensive cities.

As people migrated from cities, businesses followed suit. According to data from the National Association of Realtors, urban centers in America experienced a net migration loss (meaning more businesses left the area than moved in) while small towns and rural areas in the U.S. experienced a net migration gain.

Who saw this coming? Joe Tyrrell, president, ICE Mortgage Technology "People are shifting away from metropolitan areas to more rural ones. We expect this migration trend to continue as people redefine what home means for them."