

U.S. Economic Shifts: What They Mean for Global Markets and South Africa in 2024

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/EINPresswire.com/ -- Last year was a watershed moment for financial institutions in the United States, defined by a surge in inflation that had not been seen in over four decades. With interest rates reaching highs unmatched since the 1980s, the critical questions emerge: What are the implications of these economic shifts for U.S. banks and other financial entities? More pertinently, why should these developments matter to South Africans in 2024?

Fred Razak, Chief Trading Strategist at [CMTrading](#), analyses these issues and shares his forecasts for the upcoming months.

The Global Impact of U.S. Economic Policies

Razak explains, "The primary aspect that should be understood is how the inflationary pressures significantly strain the global economic infrastructure. Ideally, we aspire for a seamlessly operating global economy, which currently eludes us due to the volatility of the inflation rate. This instability introduces considerable market uncertainty. The U.S. is globally regarded as a bastion of stability and growth. As the cornerstone of



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Wall street banks

international trade and commerce, heavily anchored by the U.S. dollar, the fiscal dynamics within the U.S. significantly influence the global stage, affecting nations worldwide, including South Africa."

The State of Financial Institutions Amid Inflation and High Interest Rates

Despite these challenging conditions, U.S. banks and financial institutions have adeptly navigated the inflationary landscape with notable success. "Financial institutions have thrived under the prevailing conditions, benefitting from the inflationary environment and elevated interest rates," Razak observes. However, he anticipates a potential shift: "As we approach a period where inflation stabilizes and regulatory bodies like the Federal Reserve consider reducing interest rates, financial institutions' profitability may decline."

Challenges Beyond Economic Cycles

Razak also sheds light on other formidable challenges facing the financial sector. "While the inflationary environment and stringent cash flow restrictions have paradoxically benefitted financial institutions, the looming threat of climate change impacts them only indirectly.

However, heightened regulatory measures imposed on financial entities in the U.S. are likely to impose constraints, limiting their operational scope and profitability. Regulatory pressures inhibit growth as they restrict potential earnings, which is generally unfavourable for business," he says.

In addition, Razak discusses the repercussions of global geopolitical tensions, "Such tensions undeniably cast a shadow over the sector, as they dampen corporate confidence, curbing new investments, risks, and loans, ultimately resulting in diminished business for financial institutions."

The Role of Technology in Shaping the Future

Razak highlights the transformative impact of Artificial Intelligence (AI) on the financial sector: "AI represents a significantly disruptive force, offering both advantages and new risks. By replacing human labour, AI can enhance operational efficiency and reduce costs. However, this shift also presents increased opportunities for sophisticated fraud, necessitating robust digital security measures and stringent data protection protocols, which introduce additional costs."

2024 Investment Outlook

Concluding with investment insights, Razak advises, "Regarding the stance on U.S. banking giants for this year—buy, hold, or sell—I recommend holding. JP Morgan, for instance, has surged to \$199 per share. Whether it has reached its peak remains uncertain. However, it is prudent not to counter the prevailing market trend."

As 2024 progresses, the strategic decisions of U.S. financial authorities will continue to exert a significant influence, shaping not only the American financial landscape but also impacting global economic outcomes, including those in South Africa.

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