
August 2018

World Economy

An increasing divergence in growth expectations between the United States and Euro-area implies a more challenging environment for SA's economic revival. US shares usually continue to rise during Fed interest rate hikes and usually peak after the last rate hike, or close to when the yield curve inverts (short rates rising above long rates). Earnings are key for this bull market and actual earnings continue to beat estimates for 80% of companies. US consumer confidence increased sharply again in August, suggesting strong economic growth for the remainder of 2018. The S&P 500 Index is +8.6% so far in 2018. Turkey's consumer inflation has accelerated more than expected last month as a tanking currency boosted prices. The Indian rupee has weakened to a new low as a selloff in emerging-market currencies sharpened investor focus on countries with wide current-account deficits.

SA Economy

The rand fell on the back of Stats SA's announcement that the country's real gross domestic product had contracted by 0.7% in the second quarter of the year. SA recorded a sharp deficit in trade to R4.55bn in July 2018 compared to a surplus of R11.89bn in June 2018 with imports rising faster than exports. The rand is down -19.4% so far in 2018 versus the dollar. The seasonally adjusted Absa Purchasing Managers' Index (PMI) has declined from a solid 51.5 points recorded in July to 43.4 in August – its lowest recorded level in 18 months. The South African new-vehicle market declined by 2.5% in August, compared with the same month last year. Following a disappointing run in recent months, vehicle export sales gained 7.7% in August. The number of unemployed people has increased from 6-million to 9.6-million between 2001 and 2018. This is a 60% increase in the broader rate of unemployment, which has had a devastating effect on inequality and poverty in the country, economist Mike Schussler said during a presentation of Uasa's 17th South African Employment Report (SAER).

Trends and Opportunities

- Actual earnings continue to beat estimates for 80% of US companies.
- The growing US economy is expected to last till atleast the end of 2018
- The SA economy is currently in a recession.

"Strength lies in differences, not similarities"- Stephen Covey

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