

## May 2018

### World Economy

The US 10-year Government Bonds yield reached a high of 3.13% and dropped then to 2.93%, some 20 basis points lower, positive for now for the economy and for equities. The oil price, which ended 2017 at \$66.50, hit \$80 and drifted back to \$75 on the news that both Russia and OPEC are close to a decision to increase production by about one million barrels a day. The MSCI World Index is +0.3% in dollars so far in 2018. Approximately 48% of the index outside of the US has been hurt lately by the fall in almost all the currencies relative to the dollar. First quarter operating earnings for the S&P 500 Index were up +26% year-on-year, with tax cuts contributing about 40% of this gain. The latest US unemployment rate of 3.8% is the lowest in 49 years, since December 1969. A stronger dollar has been undermining emerging markets, which are already under pressure from slower Chinese growth and the looming prospect of trade wars.

### SA Economy

SA consumer inflation jumped to 4.5%/y/y in April 2018. SA Reserve Bank decided to leave interest rates unchanged in-line with expectations. S&P decided to leave South Africa's credit rating unchanged, in-line with market expectations. Ratings outlook is stable. S&P warned SA's rating could be lowered if property rights were to weaken. The South African new-vehicle market grew by 2.4% in May, to 42 984 units, compared with the same month last year. South Africa's seasonally adjusted Absa Purchasing Managers' Index (PMI) dipped in May, sliding back into negative terrain. Both grades of petrol, 93 and 95 (ULP & LRP), will increase by 82c a liter, the Department of Energy (DoE) announced. The dollar oil price is +15.2% so far in 2018 at its highest level in 3.5 years, while the rand oil price is +17.3%. SA trade account recorded a surplus of only R1.14 billion in April 2018, below market expectations.

### Trends and Opportunities

- Three more rate hikes are still expected this year in the US.
- SA interest rates are expected to remain unchanged into late 2019.
- Inflation is expected to continue drifting higher in SA.

*"Nothing is more difficult, and therefore more precious, than to be able to decide." –  
Napoleon Bonaparte*

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