
October 2018

World Economy

US GDP beat expectation in Q3 2018 with growth of 3.5% quarter- on-quarter. The ongoing US-China trade war could be the biggest risk to global financial markets since the global economic crisis, says Jameel Ahmad, global head of currency strategy and market research at foreign exchange broker FXTM. The trade tensions have fueled pessimism about the global economy, with fund investors fleeing so-called risky assets in favour of “safe havens” such as gold. The move, according to Ahmad, is detrimental to emerging-market currencies such as the rand. In its World Economic Outlook report, the IMF cut its forecast for global growth by 0.2 percentage points to 3.7%. German private-sector growth slowed to its lowest level in more than three years as manufacturing and services both lost momentum, a survey showed, in a sign that Europe's largest economy started the fourth quarter on a weaker footing.

SA Economy

Finance Minister Tito Mboweni’s first major policy statement since returning to the cabinet almost halved the Treasury’s growth forecast, while predicting a steady increase in debt and borrowing. The budget policy statement was “being issued at a time of very low economic growth, so by definition that leads to lower revenue outcomes”, Mr. Mboweni said. SA inflation is marginally higher than expected at 4.9% year-on-year in September. The unemployment rate has accelerated to 27.5% in the third quarter from 27.2% in the second quarter of 2018, according to the quarterly labour force survey. SA recorded a trade deficit of R2.95bn in September. This follows August’s revised surplus of R8.77bn from R9.79bn. The Absa manufacturing purchasing managers index (PMI) worsened to 42.4 points in October from September’s figure. Department of trade and industry figures reveal new vehicle sales totaled 51,866, a 1.7% improvement on October 2017 and the best monthly figure since October 2015. However, the market for the year as a whole remains down. Vehicle exports boasted a 21% improvement in October.

Trends and Opportunities

- The Reserve Bank expects interest rates to rise in the next two years.
- The SA unemployment rate is still accelerating.
- The US GDP is growing at 3.5% quarter on quarter.

“An expert is not someone who gives you the answer, it is someone who asks you the right question”- E.M. Goldratt

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