
August 2017

World Economy

Warren Buffett said the rally in markets over the last several years has made it harder to find bargains, but that stocks remain attractive. "US 2nd quarter GDP number prints better than the initial 2.6%, with the revised number coming in at 3%," Treasury One said. The dollar is down -13.4% versus the euro in 2017 which is a 2.5-year low. President Donald Trump's top economic adviser Gary Cohn said he expects tax reform to pass through Congress this year. The MSCI Emerging Markets Index is at another 2017 high, +25.9% in dollars in 2017 (excluding dividends), helped by both emerging market currency strength against the weak dollar and by mining share rises, after big improvements in declared profits and dividends. The MSCI China Index is up +38.7% so far in 2017

SA Economy

The JSE ALSI had broken out to a record high in early August, then pulled back for a few weeks, before powering up to a new high. The rand is up +4.7% versus the dollar in 2017, but down -7.7% versus the euro and -0.7% versus the virtually static pound. The ALSI was at the end of August +13% total return in 2017 (+19.5% in dollars, way higher than the US market). The trade surplus of R9.0bn in July exceeded market expectations of R7.1bn. The magnitude of the surplus moderated from the R10.6bn surplus in June but far exceed the R0.4bn surplus in July 2016. The manufacturing PMI lifted to 44.0 index points in August from 42.9 in July. Levels near 42.9 were last registered during the recessionary conditions in 2008/09. New-vehicle sales in August increased by 6.7% compared with the same month last year, to 49 222 units. State-owned PetroSA has signed an agreement with Russian geological exploration company Rosgeo which will result in the investment of about \$400-million in oil and gas development off the coast of South Africa. Domestic tourism within South Africa has declined over the past two years due to economic hardships, the Domestic Tourism Survey 2016 (DTS 2016) released by Statistics South Africa shows.

Trends and Opportunities

- Naamsa says it anticipates the overall new-vehicle market for 2017 to be at levels like those recorded in 2016.
- The petrol price will be increased in September.
- The SA Reserve Bank is still expected to cut rates this year.

"When in doubt, do the courageous thing." - Jan Smuts

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