
February 2019

World Economy

US GDP grew by a better than expected 2.6% q/q in the final quarter of 2018 helped by consumer spending and fixed investment in technology. US consumer confidence rebounded sharply in February, well above expectations helped by the ending of the US government shutdown. US housing activity indicators have weakened further in recent months, and the growth in house prices has moderated further. The official Chinese Purchasing Managers' Index (PMI) for February showed a somewhat depressing drop to 49.2 from January's 49.5, sitting for a second month below the 50-level that separates growth from contraction. Supply from Opec fell to a four-year low in February, a Reuters survey found, as top exporter Saudi Arabia and its allies over-delivered on the group's supply pact while Venezuelan output registered a further involuntary decline. In the US there are signs that the oil production boom of the past years, which has seen crude output rise by more than 2-million barrels a day since early 2018 to more than 12-million barrels a day, may slow down.

SA Economy

Statistics SA report the consumer price index (CPI) slowed more than expected to 4% in January from 4.5% in December. The producer price index (PPI), decelerated to 4.1% in January from December's 5.2%. This is the lowest price since March 2018. SA recorded a trade deficit of R13.08bn in January, according to data from SARS, which was better than expected. Domestic new-vehicle sales faced a second consecutive month of decline this year, dropping by 6.5% in February, compared with the same month last year. New-vehicle exports surged ahead in February, growing by 22.5%. A liter of unleaded 95 will cost 74c more and a liter of diesel 91c-93c more, due to rising oil prices during February. The seasonally adjusted Absa purchasing managers' index (PMI), eased to 46.2 points in February from January's 49.9. SA's GDP growth for 2018 was 0.8% — which is slightly higher than expected.

Trends and Opportunities

- US GDP growth is expected to slow into 2019/2020.
- On a trend basis, US consumer confidence levels are expected to slow in the months ahead.
- SA's trade balance is expected to weaken during 2019 as exports struggle, while imports increase.

"An option hides where we don't want it to hide." **Nassim N. Taleb**, Author of Antifragile

RvD de Kock

PJ de Jongh

NOBLE PRIVATE PORTFOLIOS (PTY) LTD

Reg No: 1996/006915/07

Suite 2 | 77 Park Drive | Northcliff | 2195

Tel: +27 (0) 11 476 8548 | Fax: +27 (0) 11 476 8375 | Website: www.noblepp.co.za

Directors: P J de Jongh, P A van Zyl, H W du Preez

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