
June 2017

World Economy

The US labor market is still signaling progress even with an increase in filings for unemployment benefits last week, Labor Department figures showed. The US stock market has been hurt lately by the slow progress on policy initiatives. The dollar has been weaker, removing a potential headwind to company revenue growth and providing a support for earnings growth. German business confidence was at a record high in June. Oil should rally over the coming months as global inventories decline, according to BCA Research. China's official government newspaper criticising the popular mobile game "Honour of Kings", owned by gaming group Tencent. The article called for strengthened regulation of online games to prevent addiction. Naspers owns a 34% stake in Tencent.

SA Economy

The First National Bank (FNB)/Bureau for Economic Research's (BER's) Civil Confidence Index fell to 28 in the second quarter, from 40 in the first quarter, indicating that more than 70% of respondents are dissatisfied with prevailing business conditions. The seasonally adjusted Absa Purchasing Managers' Index (PMI) declined to 46.7 index points in June from 51.5 in May. South Africa's producer price inflation quickened to 4.8% year-on-year in May from 4.6% in April, the statistics agency said. South Africa's private sector credit demand growth rose to 6.69% in May from 5.9% in April, central bank data showed. Sales numbers showed that the South African total new-vehicle market inched up 0.9% compared with June last year, to 45 369 units. New-vehicle exports from South Africa also delivered some good news, increasing by a modest 1.4%, to 31 631 units. Kevin Lings, has changed his view on interest rates and now expects a cut in rates by the end of the year. The rand has lately fallen by -4% against the strong euro and by over -5% against the pound. Although the rand is still up +4.3% against the dollar so far in 2017, it is in fact down -1.8% against the pound and -3.2% against the euro. SA trade balance recorded another substantial surplus in May 2017 of R9.5bn. The SA petrol price to fall by 69c per litre in July 2017.

Trends and Opportunities

- An improvement in German economic growth tends to uplift the rest of the region, especially northern Europe.
- SA has recorded a trade surplus in eight of the last twelve months.
- The petrol price decline in July 2017 will reduce the monthly consumer inflation rate by a massive 0.3 percentage points (based on the new CPI weights).

"I am a great believer that if you know how to operate in Africa, there are unbelievable opportunities". — Nicky Oppenheimer

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