
March 2019

World Economy

Federal Reserve officials scaled back their projected interest-rate increases this year to zero and said they would end the drawdown of the central bank's bond holdings in September after holding policy steady. The S&P500 index closed the quarter 13% better than it started and within just 5% of all-time highs set ahead of the September meltdown. Investors are banking on a slowing in US interest rate and a mature solution to the threatened trade war between the US and China. The Chinese PMI index rose to a six-month high of 50.5 in March, ahead of economist forecasts. Its recovery will ease fears that China's economy was losing steam after the country posted a 6.4% growth number for the final three months of 2018 – it's slowest expansion in a decade. Prime Minister Theresa May said she would ask the EU for a further delay to Brexit beyond April 12 to give her time to sit down with the opposition Labour Party in a bid to break the impasse over Britain's departure.

SA Economy

The South African Reserve Bank left the repurchase rate unchanged at 6.75% as the Monetary Policy Committee indicated that there was little evidence of demand side pressures to the economy. The JSE's All Share Index ended up 7% for the quarter. Moody's released a credit opinion on SA in which it said SA's economic and fiscal performance was in line with other countries that had a Baa3 ratings: the last investment-grade ranking. Petrol will increase by R1.34 cents per liter from April. Also kicking in is the General Fuel Levy going up 5c/l and the Road Accident Fund Levy by 15c/l. South Africans will also pay 9.41% more for electricity at the end of April, as announced by NERSA. The seasonally adjusted Absa Purchasing Managers' Index fell for a third consecutive month in March, a survey showed. SA trade balance improved in February to +R4 billion, after a very substantial deficit of -R13 billion in January 2019. During March exports of vehicles surged R8.5 billion while machinery imports declined by R4.2 billion. In the first quarter of 2019 the new-car market was down 8.7% compared to 2018. In March, SA new-vehicle exports leapt 23.7% from the corresponding 2018 month.

Trends and Opportunities

- The consensus US GDP growth estimate for 2019 is currently 2.4%.
- SA Headline inflation is expected to average 4.8% in 2019, before increasing to 5.3% in 2020 and moderating to 4.7% in 2021.
- SARB revised down its growth forecast for 2019 to 1.3% from 1.7%.

"The intelligent investor is a realist who sells to optimists and buys from pessimists." ... - Benjamin Graham, Author of The Intelligent Investor.

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