

---

## May 2017

### World Economy

U.S. consumer spending recorded its biggest increase in four months in April and monthly inflation rebounded, pointing to firming domestic demand that could allow the Federal Reserve to raise interest rates next month according to Reuters. The USA Bureau of Economic Analysis reported an upward revision to the first quarter GDP growth (from 0.7% to 1.2%). UK polls point to a narrowing gap between Labour and Conservatives. This trend has been making some market participants uneasy, sending the pound lower. It is estimated that the cost of the British Airways IT fiasco at the end of May might be around €100m. Far worse is the reputational damage to the brand. Mario Draghi, the European Central Bank Chief, declared that the ECB was "firmly convinced" it must maintain its interventions in the eurozone economy to avoid undermining recovery. The ECB has set interest rates at historic lows, offered cheap loans to banks, and buys tens of billions of euros in bonds each month in a bid to pump cash through the financial system and into the real economy. China's purchasing managers index (PMI) for May was higher than expected. World Markets was shocked by Moody's downgrade of China's credit ratings for the first time in nearly 30 years, saying it expects the financial strength of the economy will erode in coming years as growth slows and debt continues to rise.

### SA Economy

SA consumer inflation is much lower than expected in April 2017 at a mere 5.3%, down from 6.1%. Inflation should remain inside the target for a considerable period. SA Reserve Bank decided to leave rates unchanged, as expected. The chance of a rate cut before end 2017 has increased, especially if inflation surprises further to the downside. "Political tensions and the recent sovereign downgrade have presented risks to growth and as such have led the SA Reserve Bank (SARB) to revise down growth forecasts", SARB deputy governor Lesetja Kganyago said. South Africa posted a R5.1 billion trade surplus in April following a revised R11.3 billion surplus in March, data from the revenue agency showed. Exports fell by 9.2% to R91.78 billion on a month-on-month basis in April, while imports also decreased, by 3.4% to R86.7 billion. South Africa's unemployment in the first quarter of 2017 increased by 1.2 of a percentage point to 27.7%.

### Trends and Opportunities

- The US Federal Reserve is expected to raise interest rates in June 2017
- The US GDP growth rate increased more than expected.
- SA unemployment increased by 1.2 of a percentage point to 27.7%.
- SA consumer inflation should remain inside SARB target of 3%- 6%.

*"Intensity is the price of excellence." — Warren Buffett*

**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](http://www.noblepp.co.za)

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

Noble Private Portfolios (Pty) Ltd. is an authorised FSP in terms of the FAIS Act, 2002 (568)

Noble Private Portfolios (Pty) Ltd. is a member of StoneHouse Capital

**STONEHOUSE**  
CAPITAL

Partnering the Exceptional