
November 2018

World Economy

Sentiment around the world is very depressed on equities. That's a good sign too, hinting that most if not all the selling by weak holders has already happened. Most US economic data in the 4th quarter have been healthy, but some recent stats show a slowdown. The US economy continues to grow as indicated by the US leading economic indicators, which are up +5.9% year-on-year, signaling solid growth into next year. Trump and Chinese President Xi Jinping agreed to hold off on new tariffs during talks in Argentina, declaring a truce following months of escalating tensions on trade and other issues. The FED chair Jerome Powell said that US interest rates were "just below" neutral, less than two months after saying rates were probably "a long way" from that point. Optimism is growing that the UK is unlikely to exit the European Union without a deal.

SA Economy

SA consumer inflation is slightly lower than expected in October at 5.1%/y. SA Reserve Bank decided to increase rates by 25bps. Rand Merchant Bank and Stellenbosch University's Bureau for Economic Research business confidence index falls in the fourth quarter to 31 points from 34 points. S&P Global said it would keep SA's foreign-currency and local-currency credit ratings unchanged at sub-investment grade due to muted growth in 2018, among other things. Eskom's debt service costs have doubled in just a single year to R45bn. The largest state-owned company, which has been cited as the single biggest risk to the SA economy due to its R350bn in state guarantees, is financially and operationally in the worst state that it has ever been, analysts said. South Africa's trade deficit widened to R5.55-billion in October from a revised R3.83-billion deficit in September, official data showed. Figures released by the department of trade & industry show that aggregate sales of new vehicles in November fell 4.6% from the corresponding 2017 month. The Absa purchasing managers index (PMI), which gauges activity in the manufacturing sector, rose to 49.5 from 42.4 in October. South Africa's economy expanded 2.2% in the third quarter from the second, snapping out of recession after a revised 0.4% contraction in the previous quarter, data from Statistics South Africa showed.

Trends and Opportunities

- The US economy seems to be on track for 2.5% growth in the 4th quarter.
- South Africa's economy expanded 2.2% in the third quarter.

"Intelligence consists in ignoring things that are irrelevant"- Nassim N. Taleb (Black Swan)

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