
October 2017

World Economy

US third quarter earnings season is going well, with over 70% of companies reporting higher than expected earnings. Technology companies have the highest average revenue growth of +8.9% and earnings growth of +18.4%. October proved a good month for equities, with the S&P 500 adding 2%, the JSE over 6% (1.9% in US dollars), the Nikkei over 8%, emerging markets 3.5% (in US dollars) and the world 1.8% (also in US dollars). News reports suggested that new US tax cut proposals before legislators would only be implemented slowly. Appointment of Jerome Powell as the new Fed chief (from February), is due to be announced. Powell is seen as a dove (or at least less of a hawk), so is hence unlikely to aggressively hike rates as the economy continues to lift. Oil prices continue to advance as hopes build of decisive action by OPEC to curb supply growth.

SA Economy

SA Minister of Finance presented a shock deterioration of government's fiscal parameters in the Medium-Term Budget Policy Statement (MTBPS). The chance of further ratings downgrades in November has increased significantly. This deterioration reflects the combined impact of three key factors namely a decline in tax buoyancy, a slowdown in SA economic growth and an increase in the demand for government to provide additional funding to the State-Owned Enterprises. The Minister of Finance has revised down SA economic growth forecast for 2017 from 1.3% to 0.7%. South Africa's unemployment rate was steady at 27.7% in the third quarter, the statistics office said. South Africa's trade surplus eased to 4 billion rand (\$283 million) in September from a revised 5.98-billion-rand surplus in August as exports fell, data from the revenue agency showed. New-vehicle sales in October increased for the fifth month in a row, improving by 4.6% on sales in the same month last year. South Africa's seasonally adjusted Absa Purchasing Managers' Index (PMI) rose to its best level in five months helped by an increase in new sales orders, a survey showed.

Trends and Opportunities

- the growth rates for 2018 and 2019 have also been lowered substantially from over 2% previously to a little over 1%.
- Government is now projecting a total revenue shortfall of R50.8 billion in 2017/18, R69.3 billion in 2018/19 and R89.4 billion in 2019/20.
- SA's projected budget deficit for the next 3-years has been revised higher and is not projected to fall below 3.9% of GDP over the next three years.

"In the absence of any other proof, the thumb alone would convince me of God's Existence" – Isaac Newton

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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