

International Economic Indicators

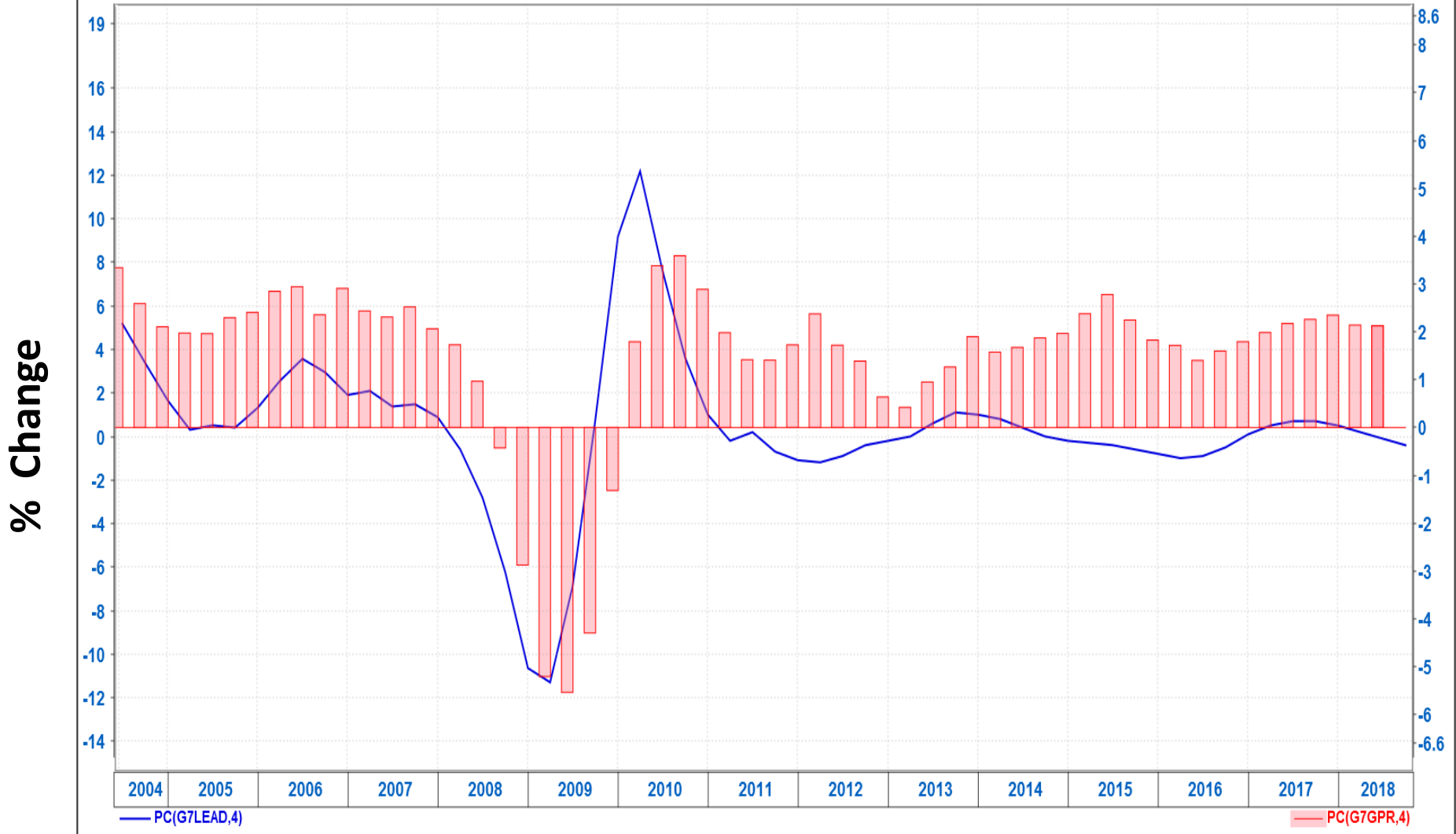
Worldwide: G7

Economic growth stabilized Q3 of 2018 for the G7 countries, mainly driven by the growth in the United States which continues to grow at a steady pace. Unemployment rates are down further to 4.4% in Q4; while inflation has decreased to below the 2% level in the same quarter.

Leading indicators still indicate an overall slowdown in the economic growth in the near future.

G7 – Economic Growth Rate

Percentage Change 4 of G7 : G D P - TOTAL AT CONSTANT PRICES (2015=100), Percentage Change 4 of G7 : COMPOSITE LEADING INDICATOR
Quarterly 2004-06-30 to 2018-09-30



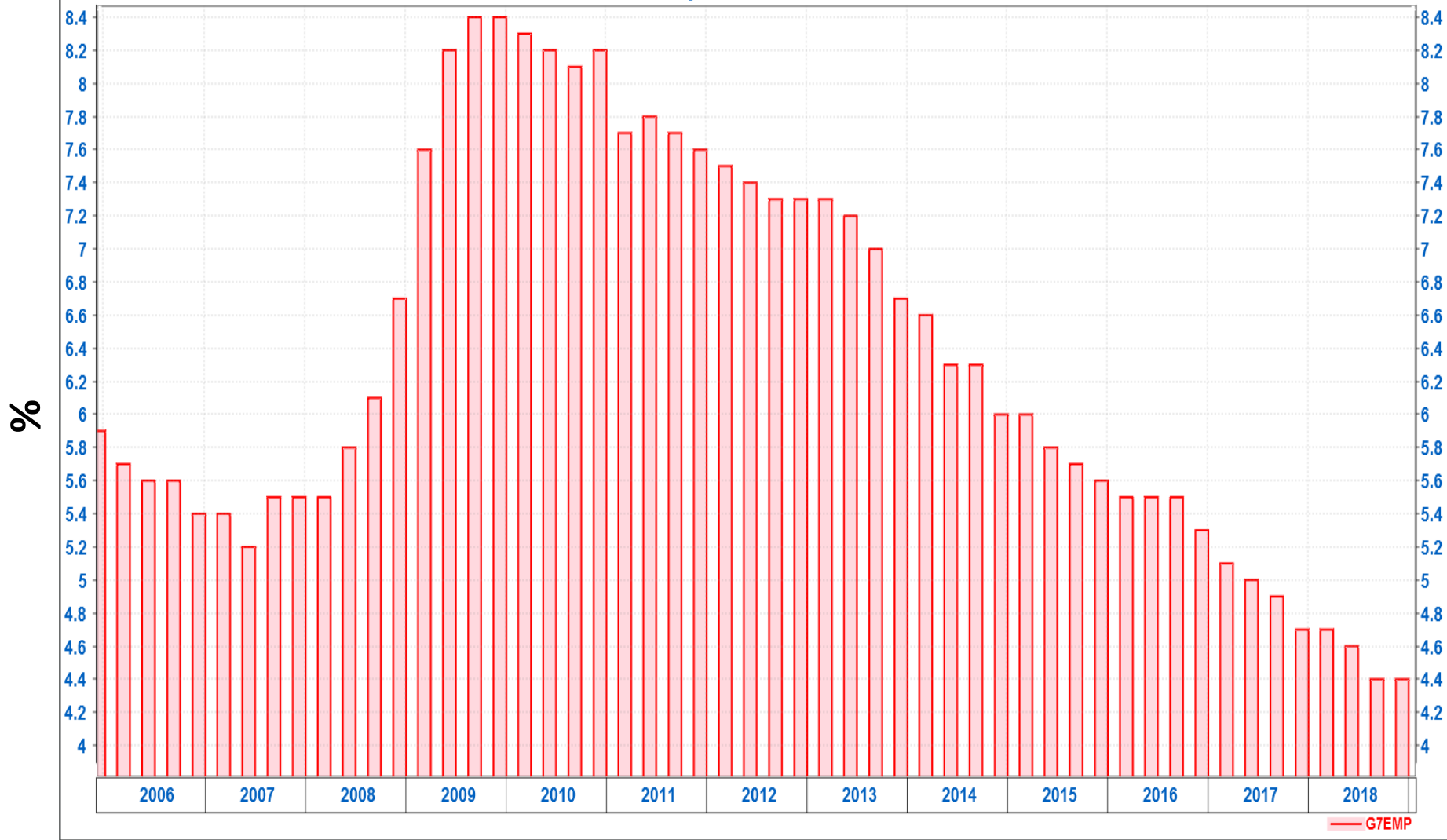
— G7 Leading Indicator

— G7 Growth Rate

Period

G7 – Unemployment

G7 : UNEMPLOYMENT %
Quarterly 2005-12-31 to 2018-12-31

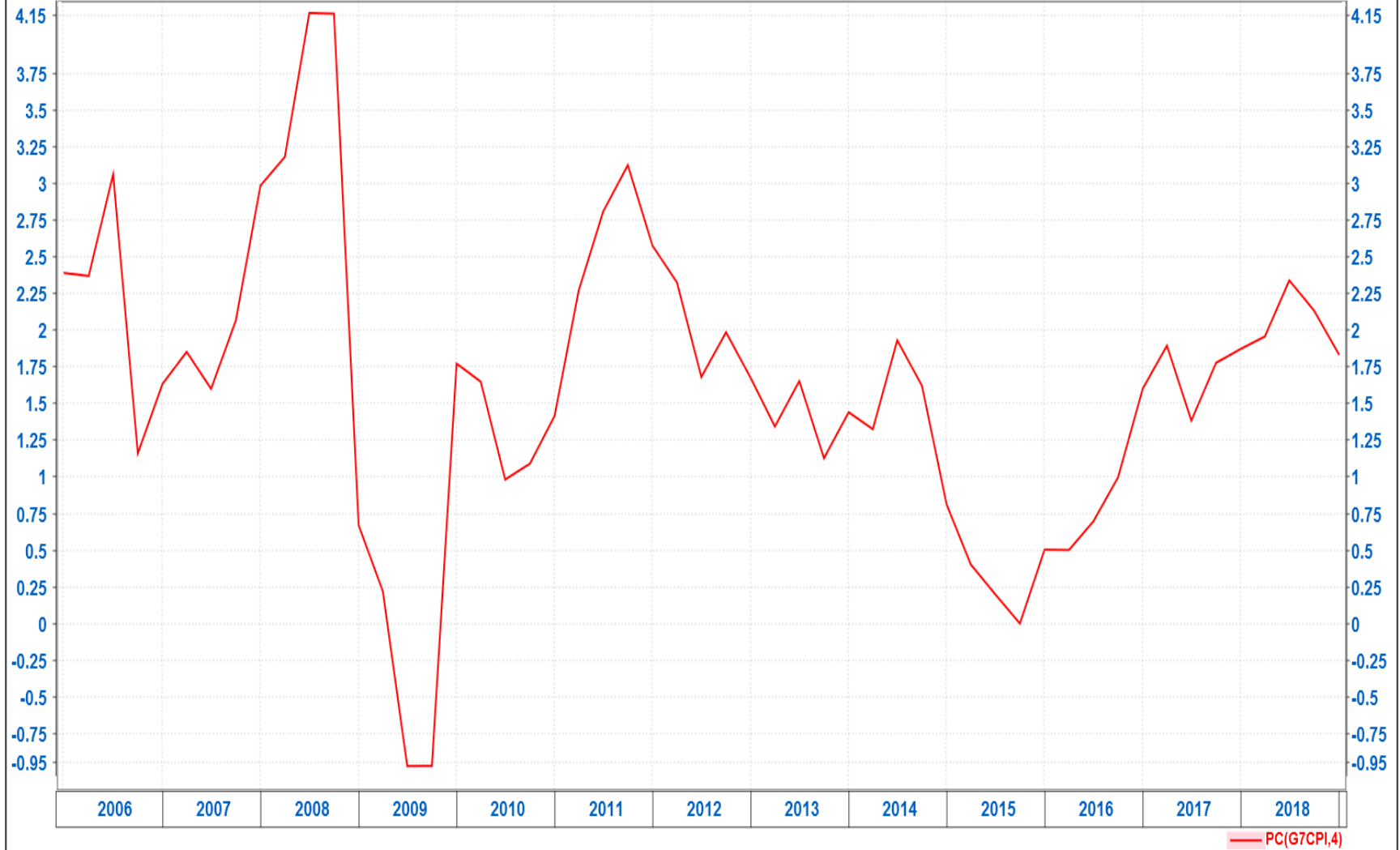


Period

G7 – Inflation

Percentage Change 4 of G7 : CONSUMER PRICE INDEX (2015=100)
Quarterly 2005-12-31 to 2018-12-31

% Change



Period

Unites States:

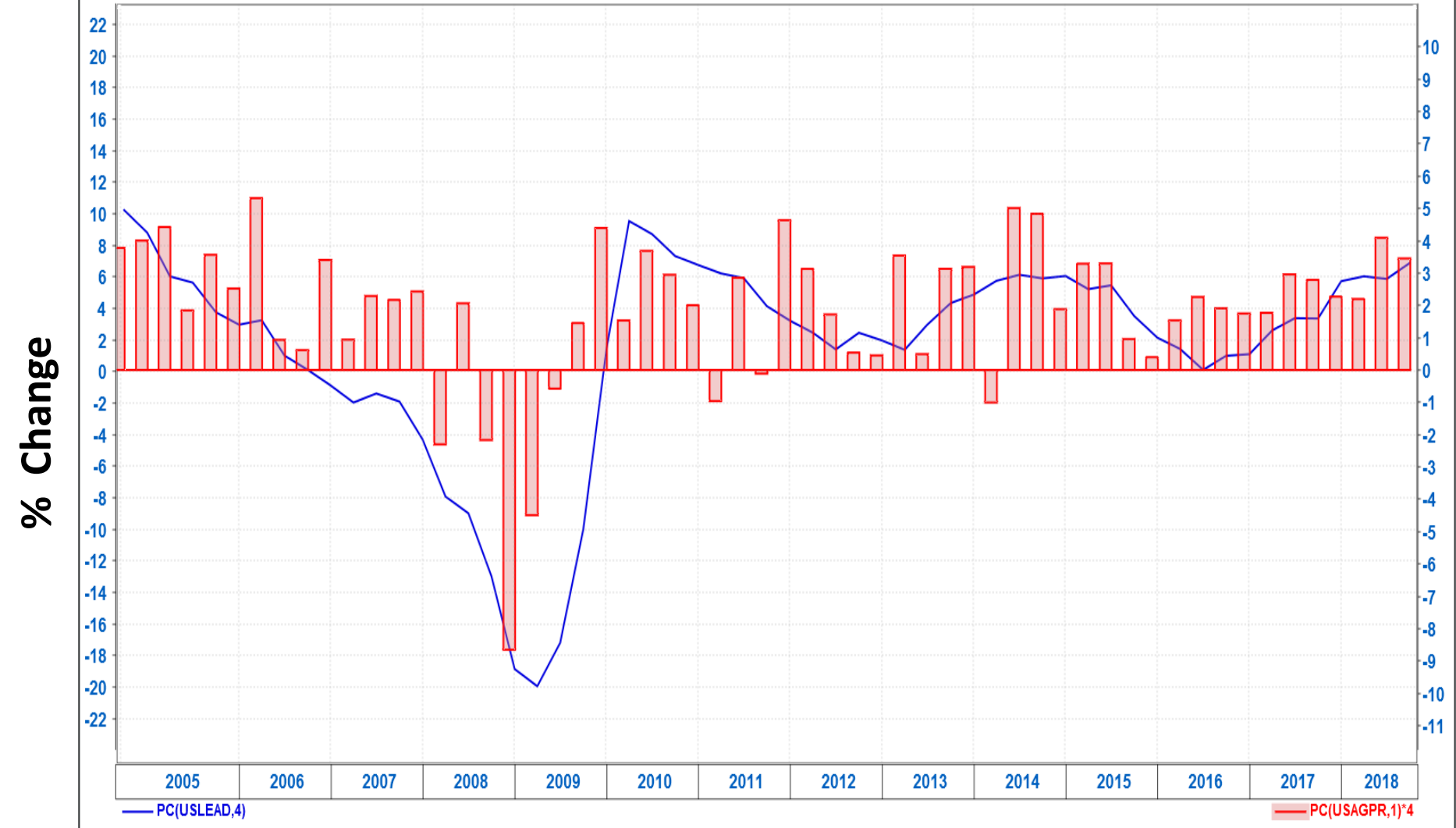
The Federal Reserve raised interest rates in September for the third time this year, placing rates at 2.25%. The US economy is expanding at 4.2% and 3.5% for Q2 & Q3 respectively, with strong indicators that this trend is set to continue for Q4.

Inflation is stable below the 2% level. Unemployment is up slightly to 3.9%.

Earnings growth of companies is expected to be lower in 2019, estimated at 6.2% and 5.3% for Q1 and Q2 of 2019, after yielding 10.6% growth in the final quarter of 2018.

USA – Economic Growth Rate

PC(USAGPR,1)*4 , Percentage Change 4 of USA : COMPOSITE LEADING INDICATOR (2016=100)
Quarterly 2004-09-30 to 2018-09-30



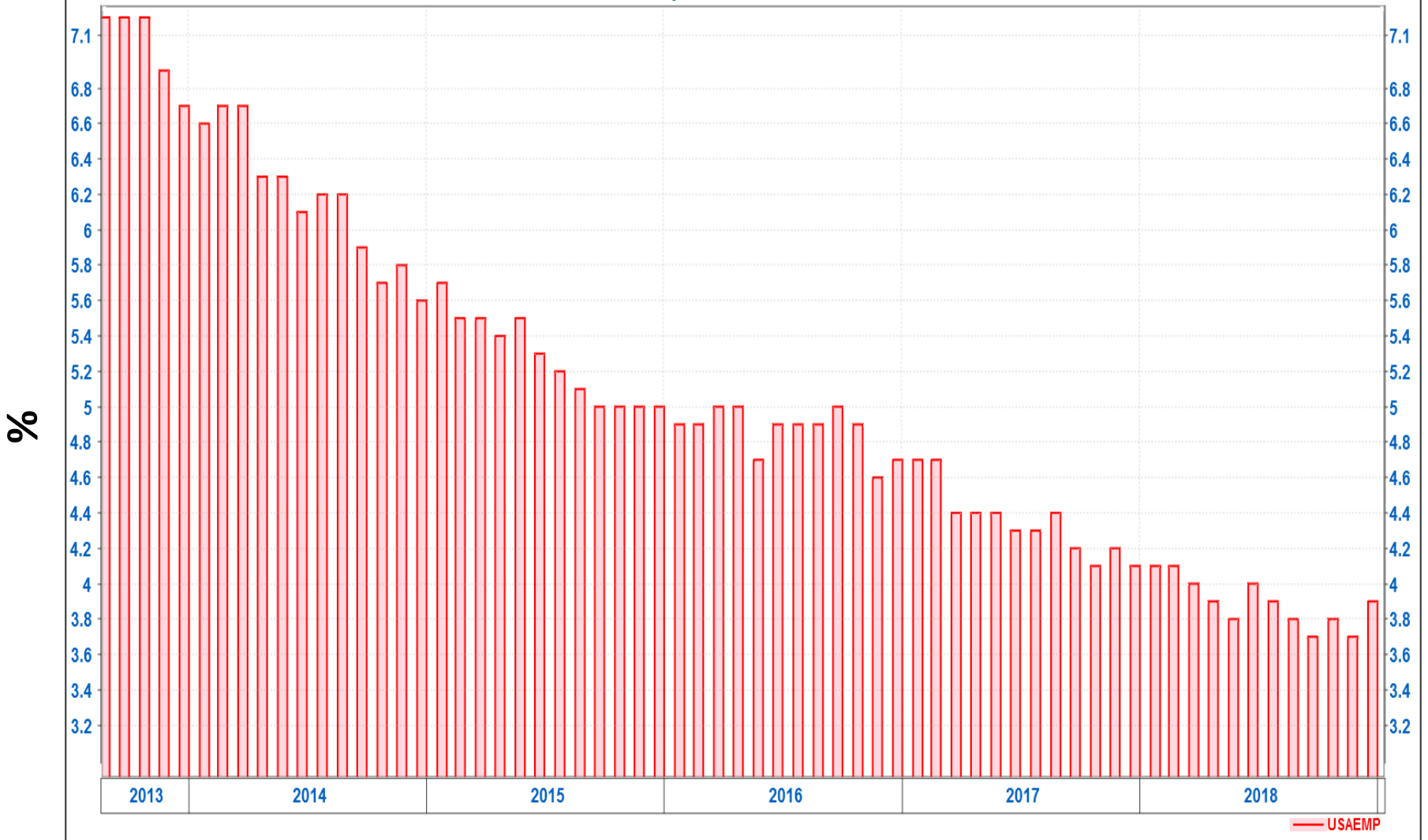
— USA Growth Rate

— USA Leading Indicator

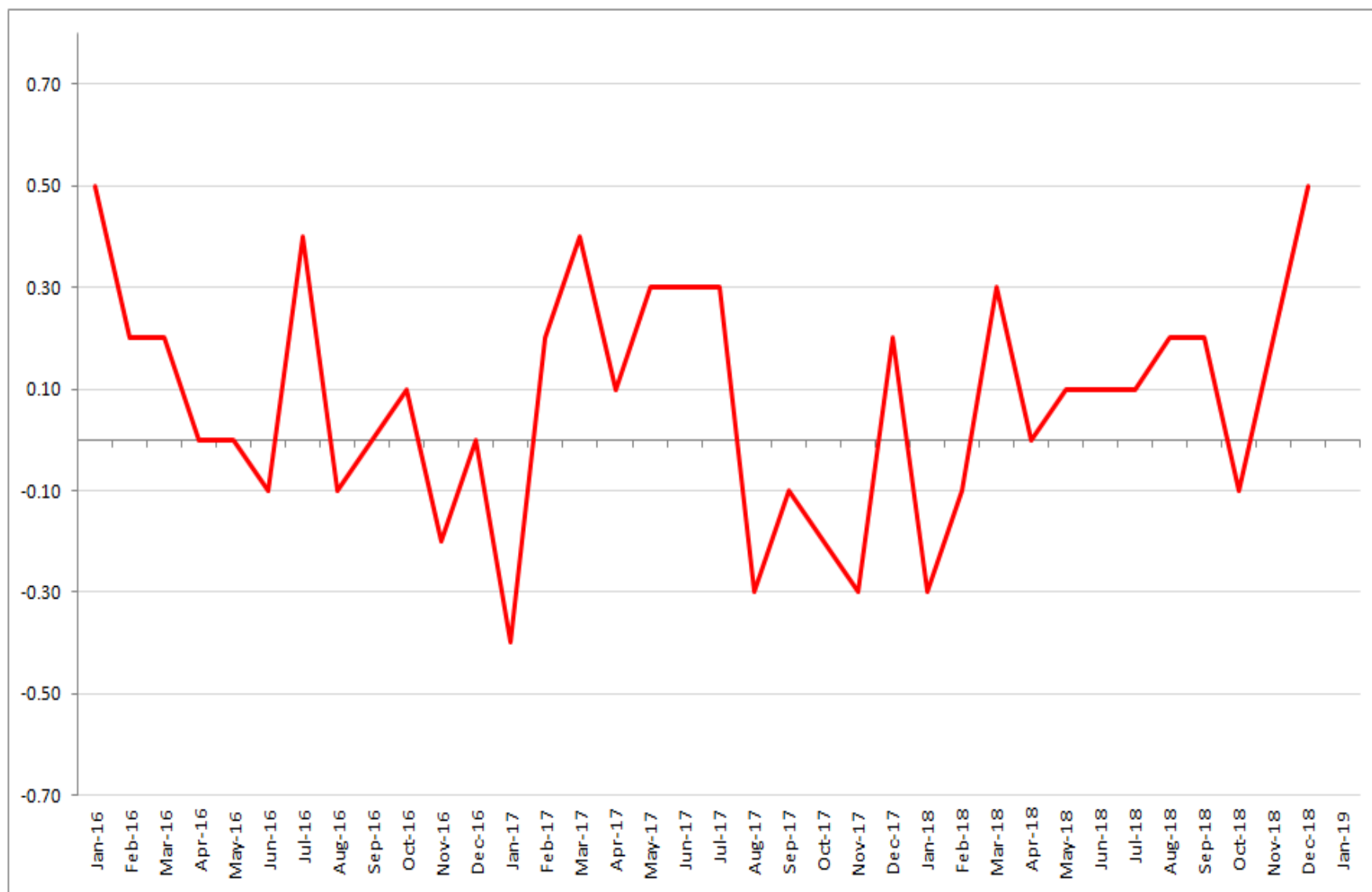
Period

USA – Unemployment

USA : UNEMPLOYMENT % (S/A)
Monthly 2013-08-31 to 2018-12-31

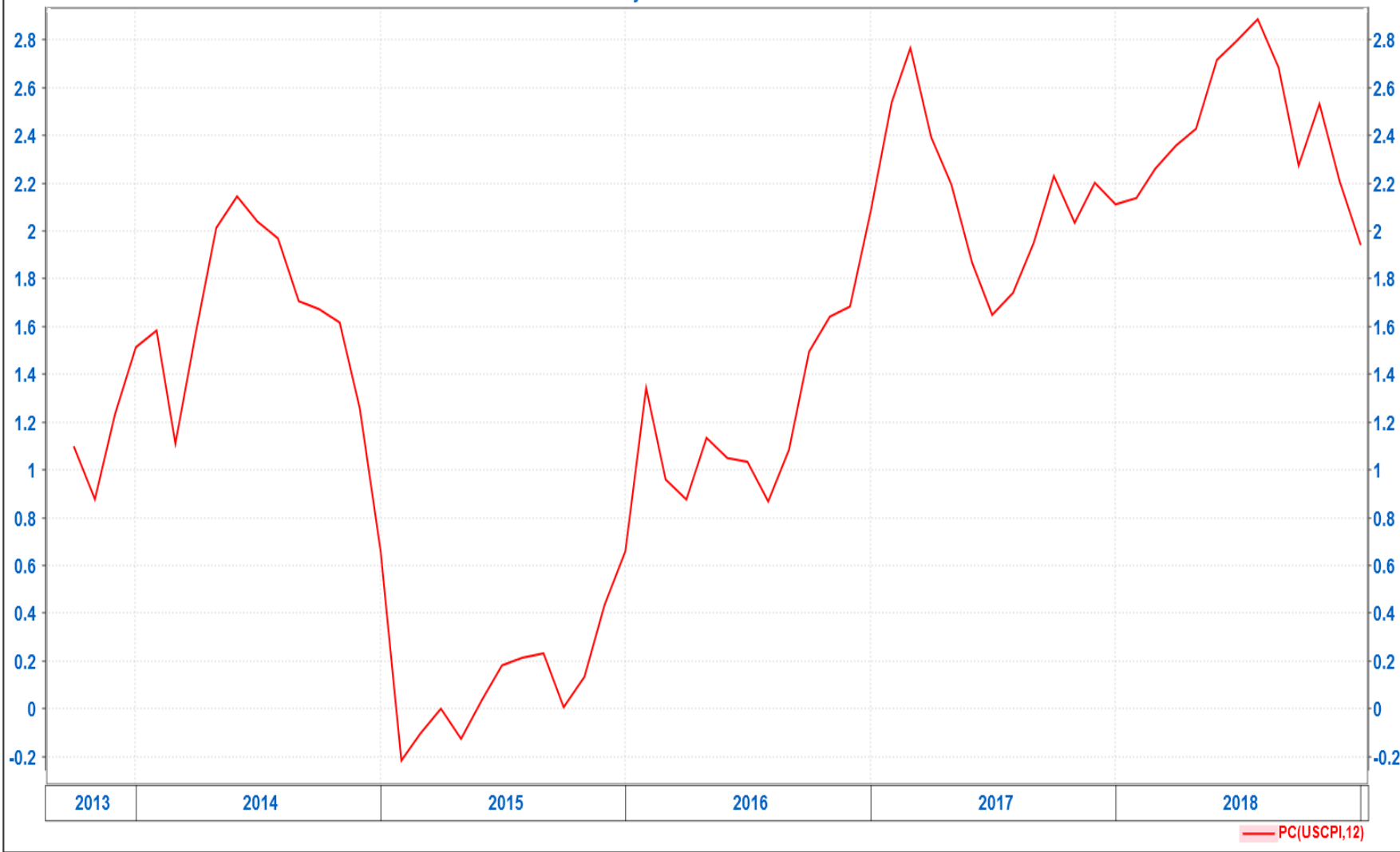


Real US Wages Growth (MoM)



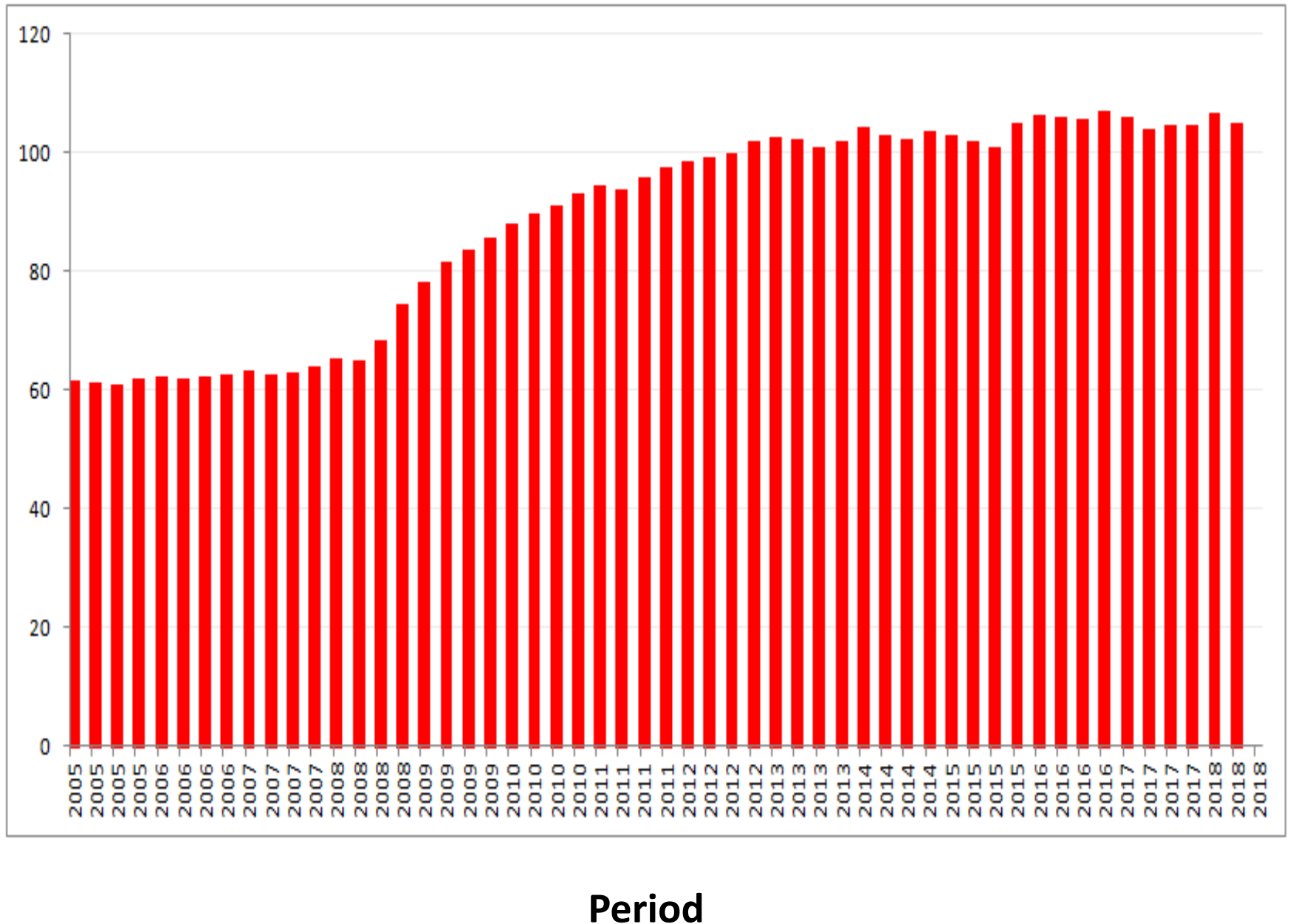
Period

USA – Inflation

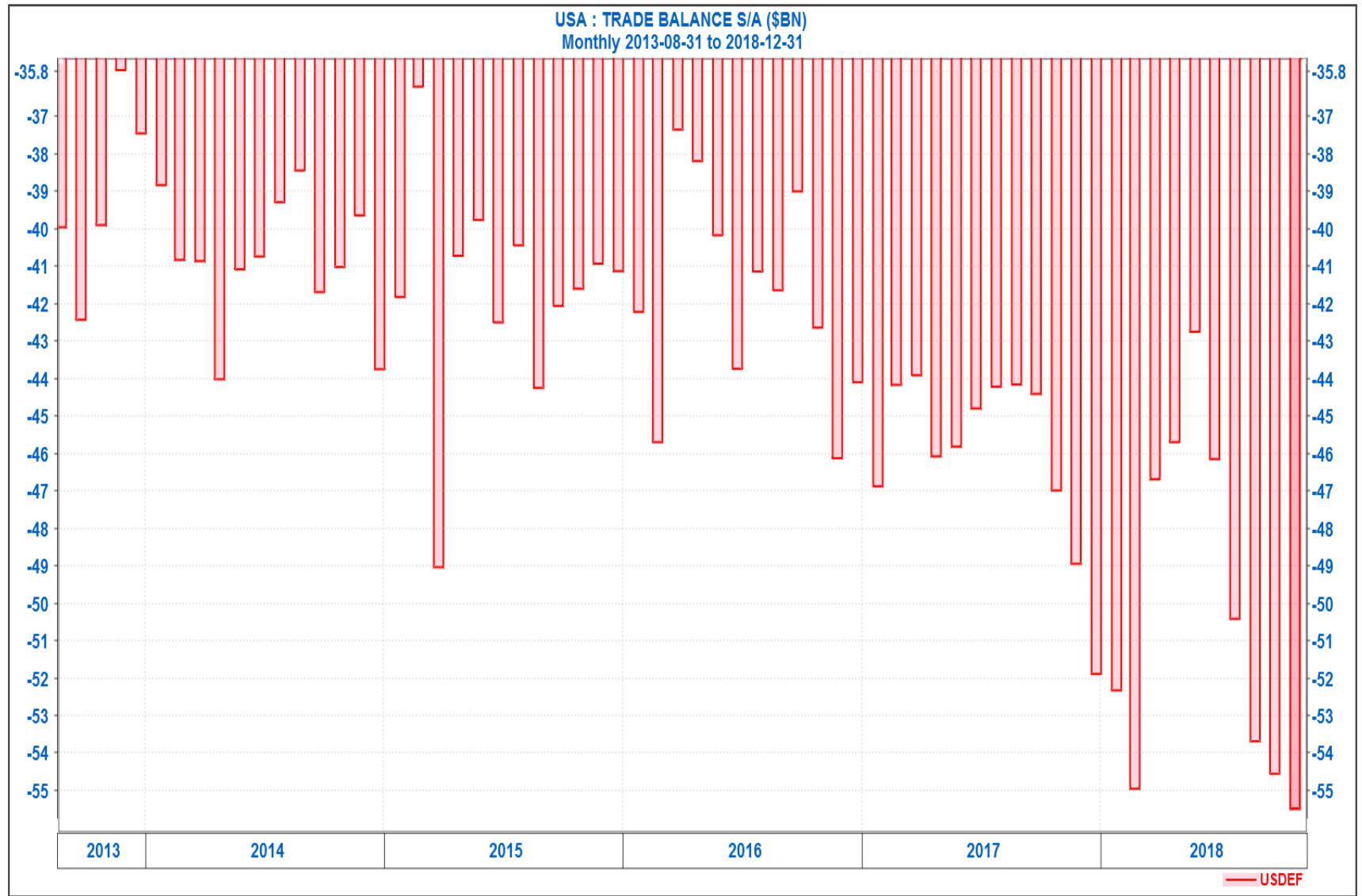


Period

USA – Government Debt %GDP (\$ Million)



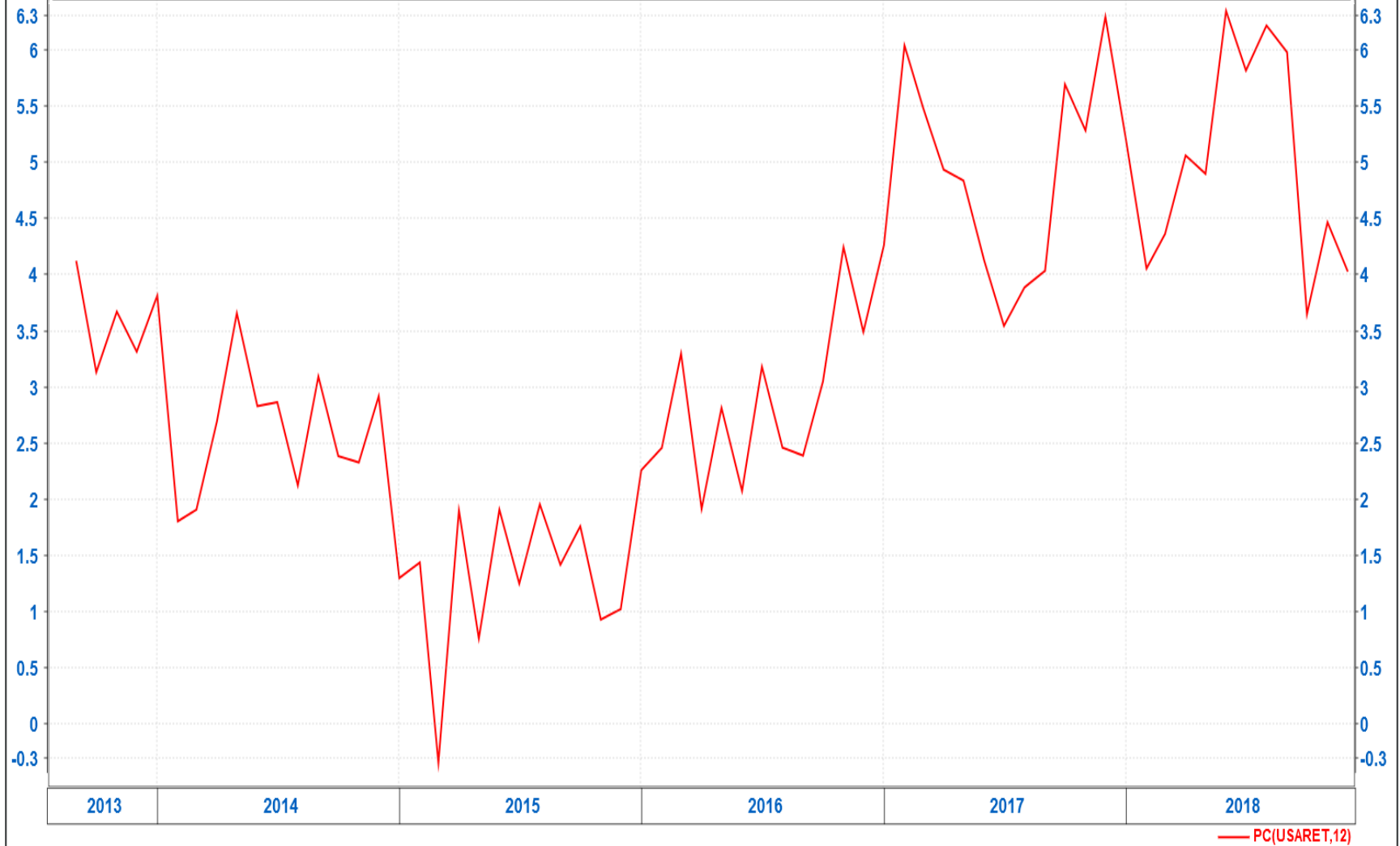
USA - Trade Balance Deficit (\$ Billion)



USA - Retail Sales

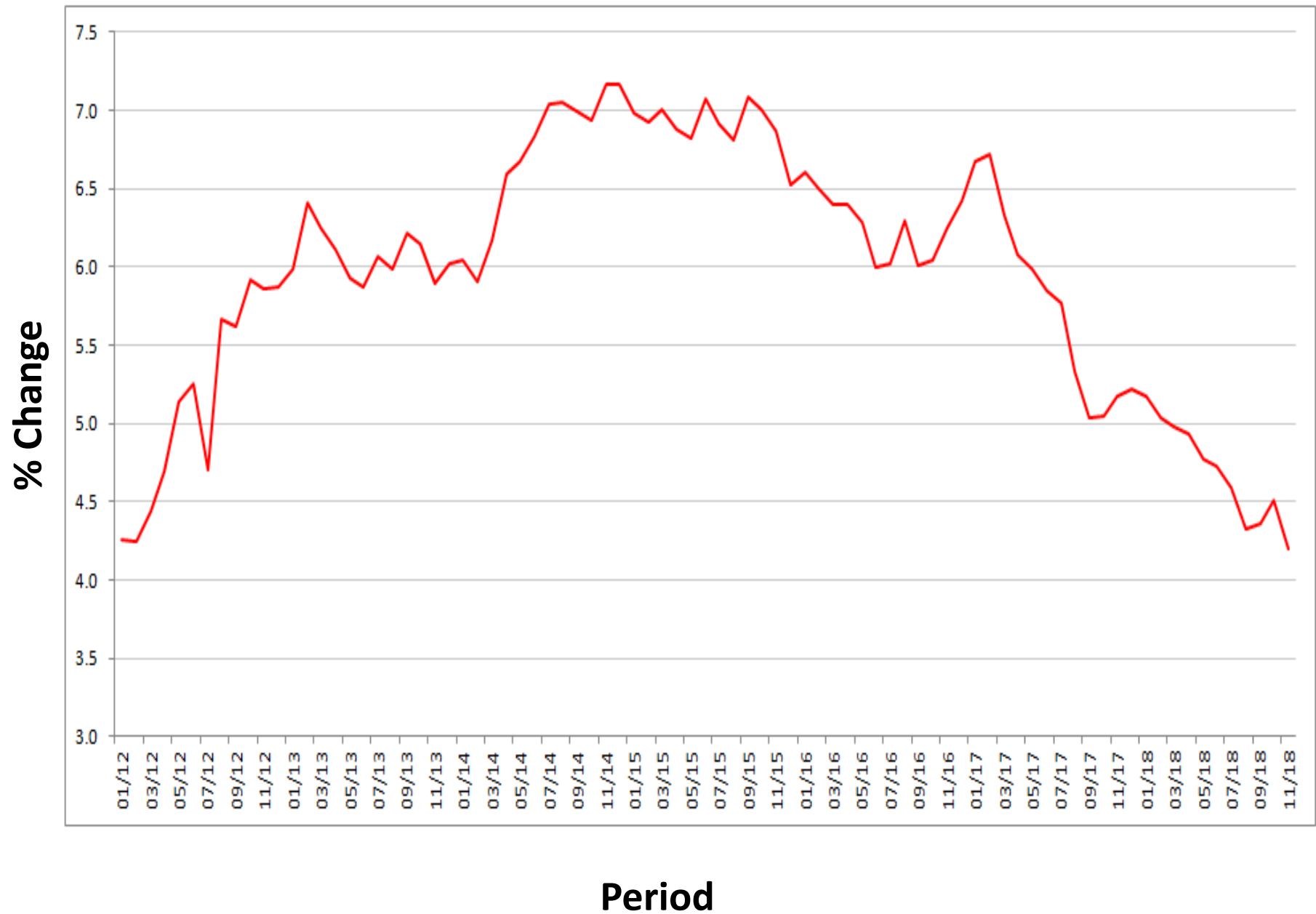
Percentage Change 12 of USA : RETAIL TRADE - VALUE S/A (US\$BN)
Monthly 2013-07-31 to 2018-11-30

% Change

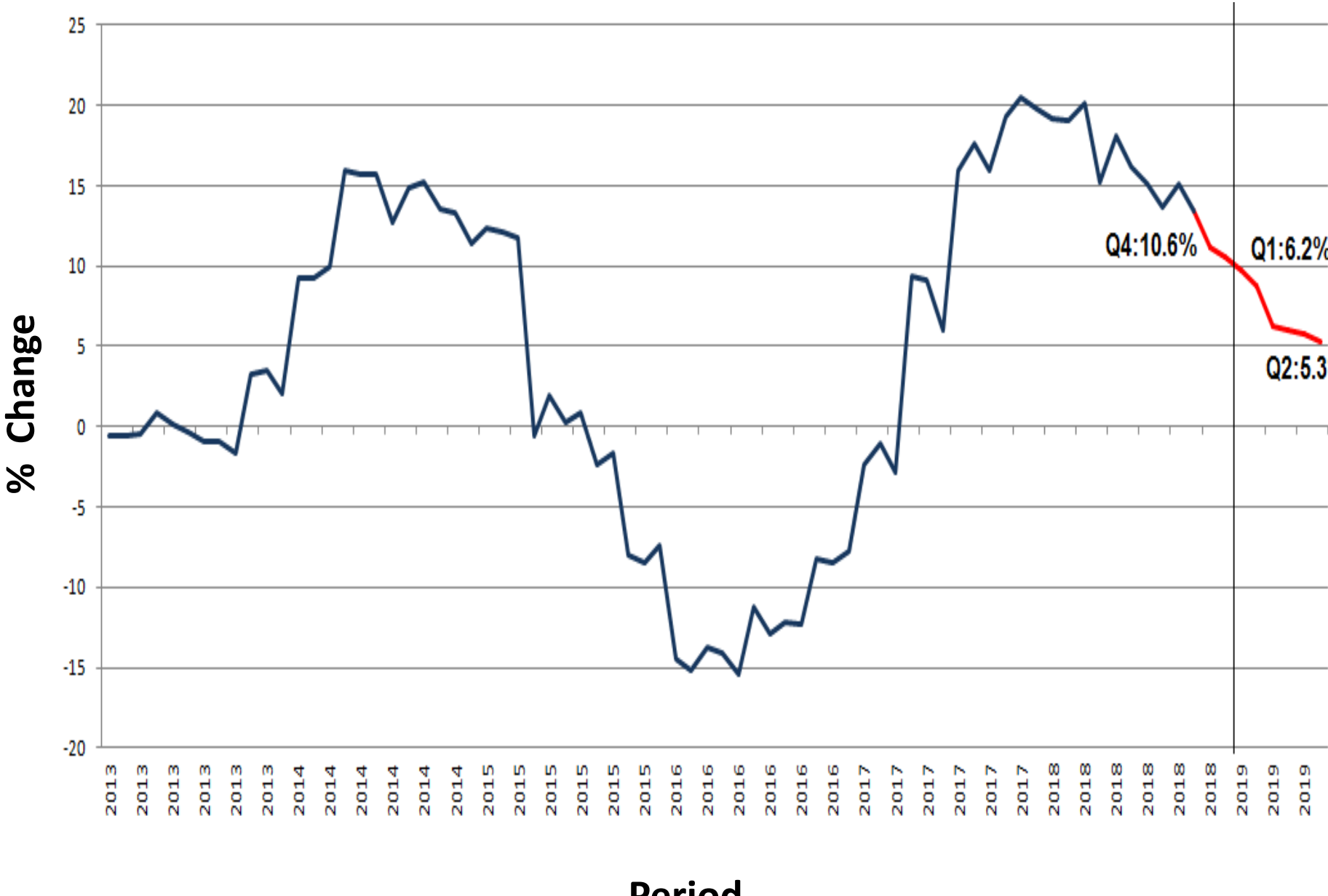


Period

USA – Consumer Credit



USA – S&P 500 Earnings Growth

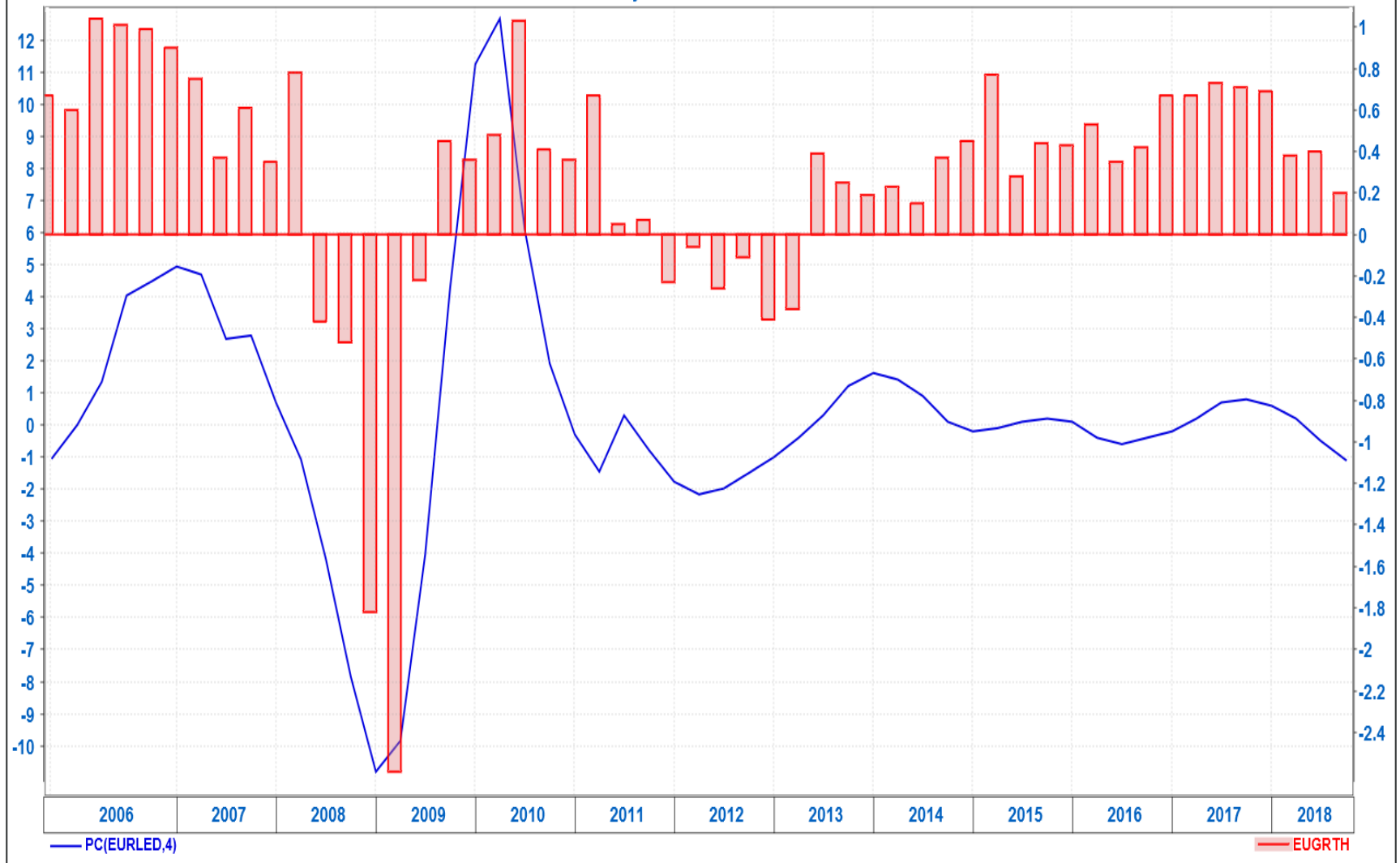


Euro Area:

The ECB is unlikely to implement restrictive monetary policy as GDP growth remains weak, with growth slowing to 0.2% for Q3. Unemployment continues to be on a downward trend at 8.1% for Q3 of 2018. Inflation rate seems to be stabilizing just below the 2% level. The European Economy seems stable for now.

Europe – Economic Growth Rate Quarterly

EURO-ZONE : G D P-TOTAL- CONSTANT PRICES - GROWTH , Percentage Change 4 of EURO-ZONE : COMPOSITE LEADING INDICATOR
Quarterly 2005-09-30 to 2018-09-30



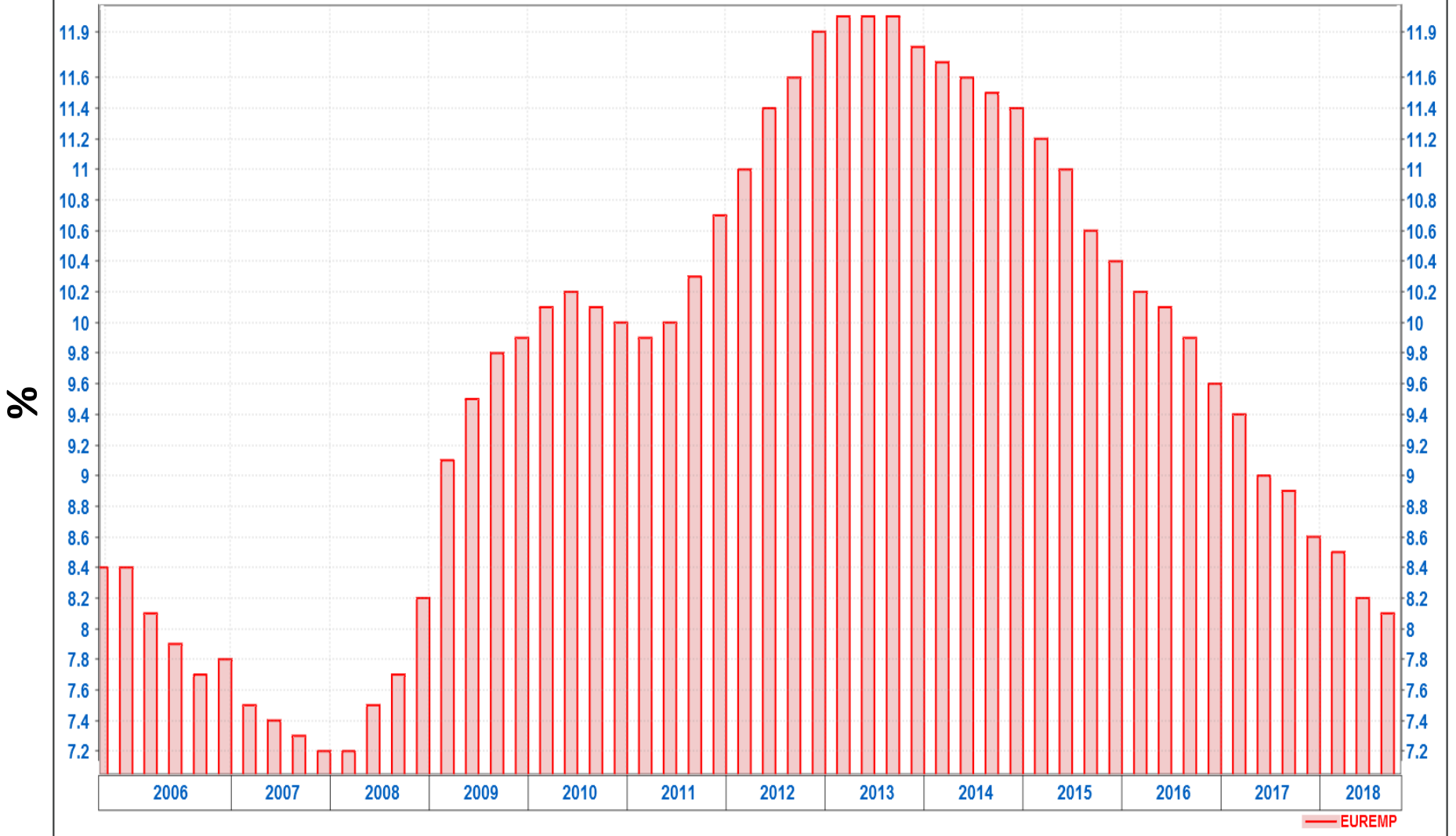
Europe Growth Rate

Europe Leading Indicator

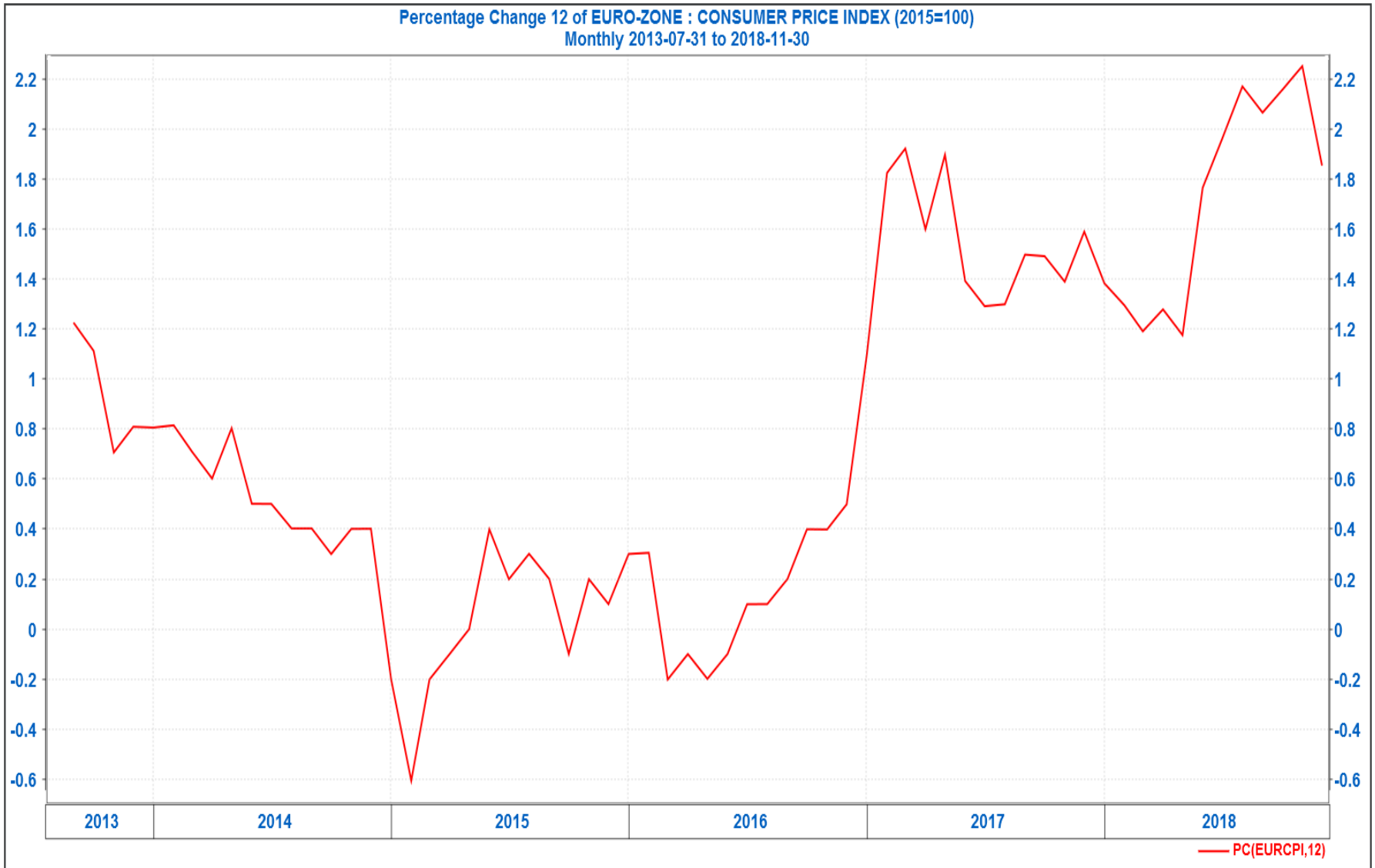
Period

Europe – Unemployment

EURO-ZONE : UNEMPLOYMENT RATE %
Quarterly 2005-09-30 to 2018-09-30



Europe – Inflation



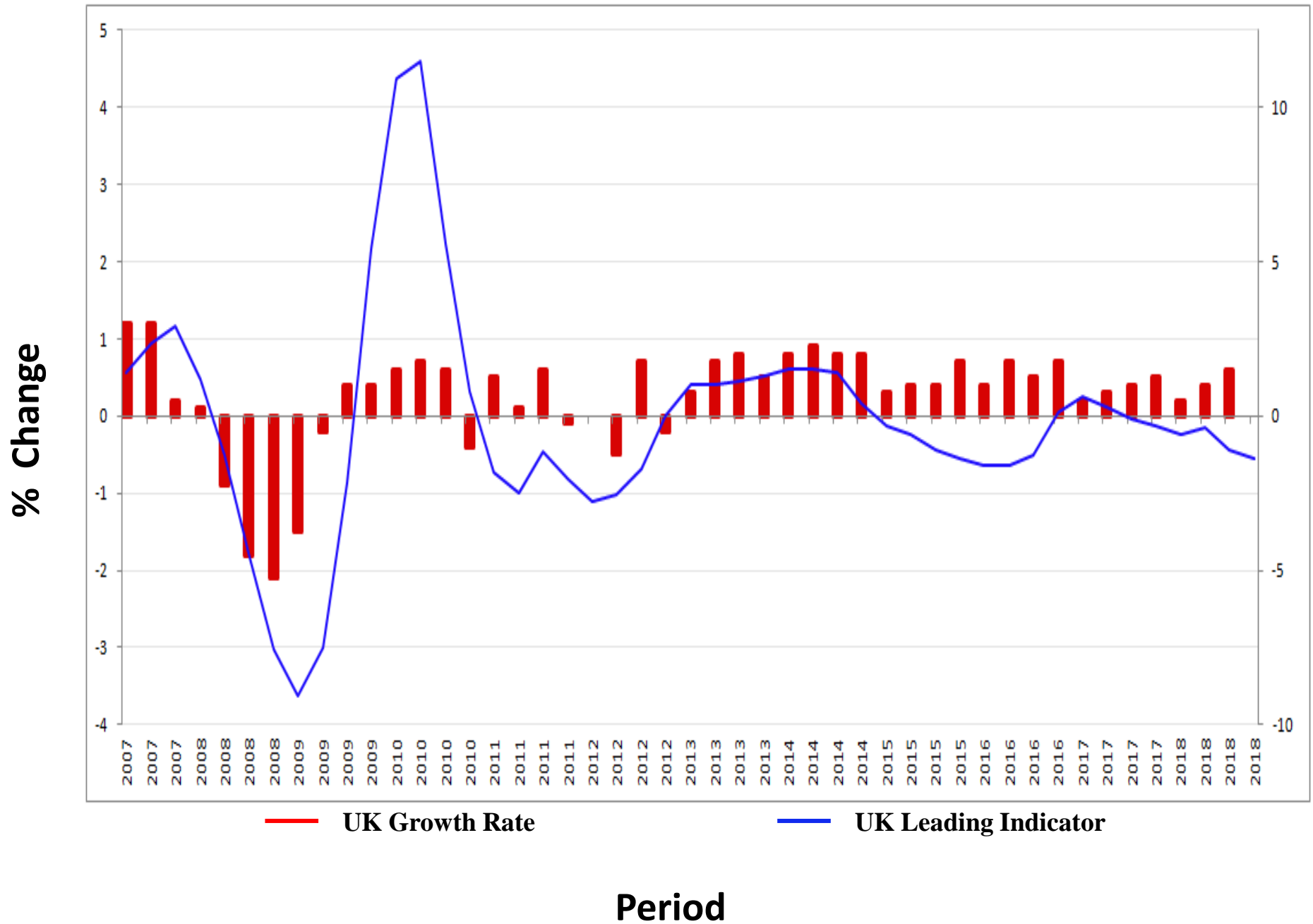
Period

United Kingdom:

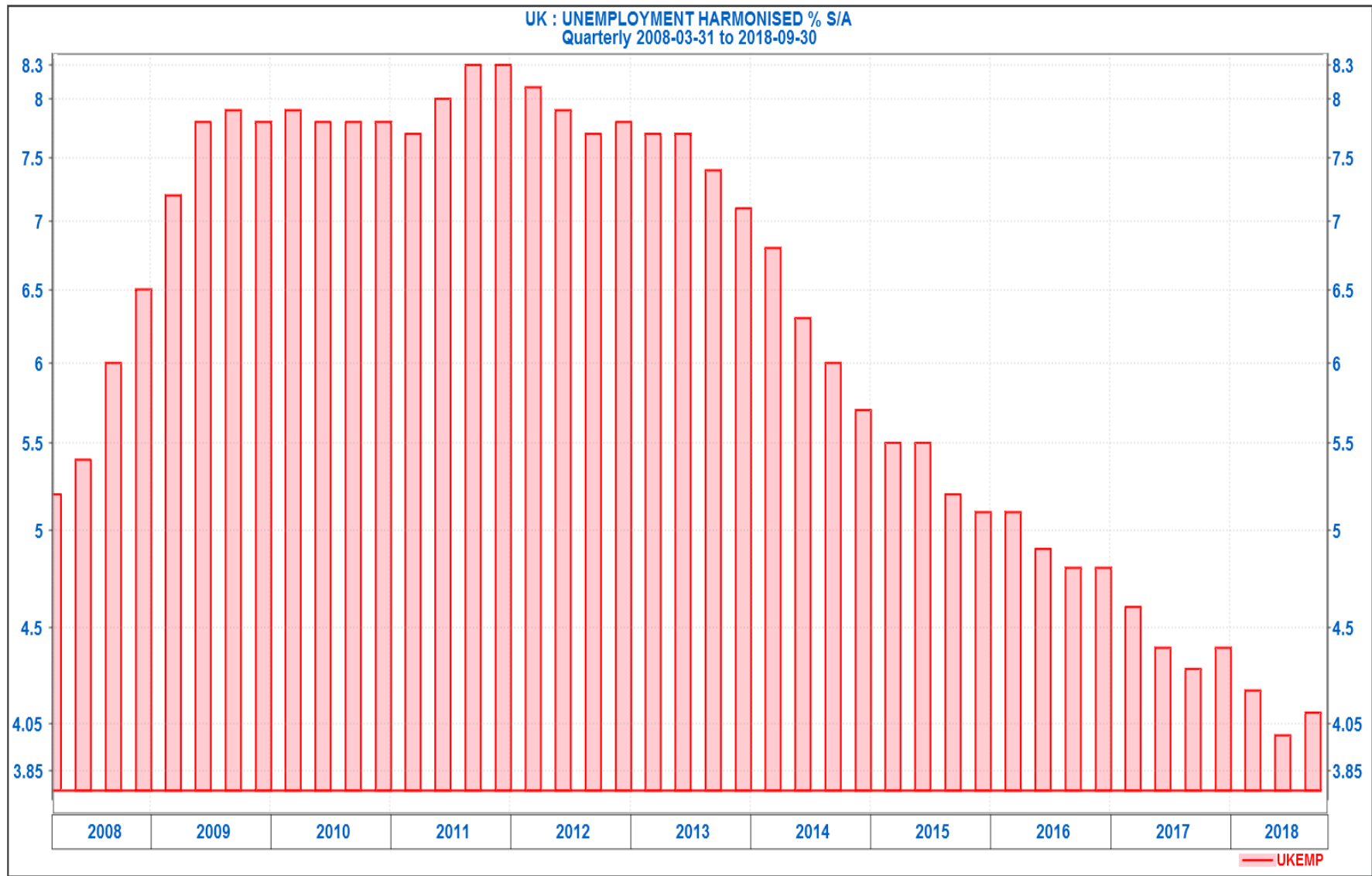
Economic growth improved again within the UK during Q3 of 2018, and inflation remains below the 2.5% level. Unemployment rate increased slightly to 4.1% in Q3. No further interest rate hikes are expected this year by the Bank of England.

Earnings growth forecasts of companies eased slightly, yielding 9.2% in Q2 of 2018, 18% in Q3 and expecting 16% for the fourth quarter of 2018.

UK – Economic Growth Rate Quarterly



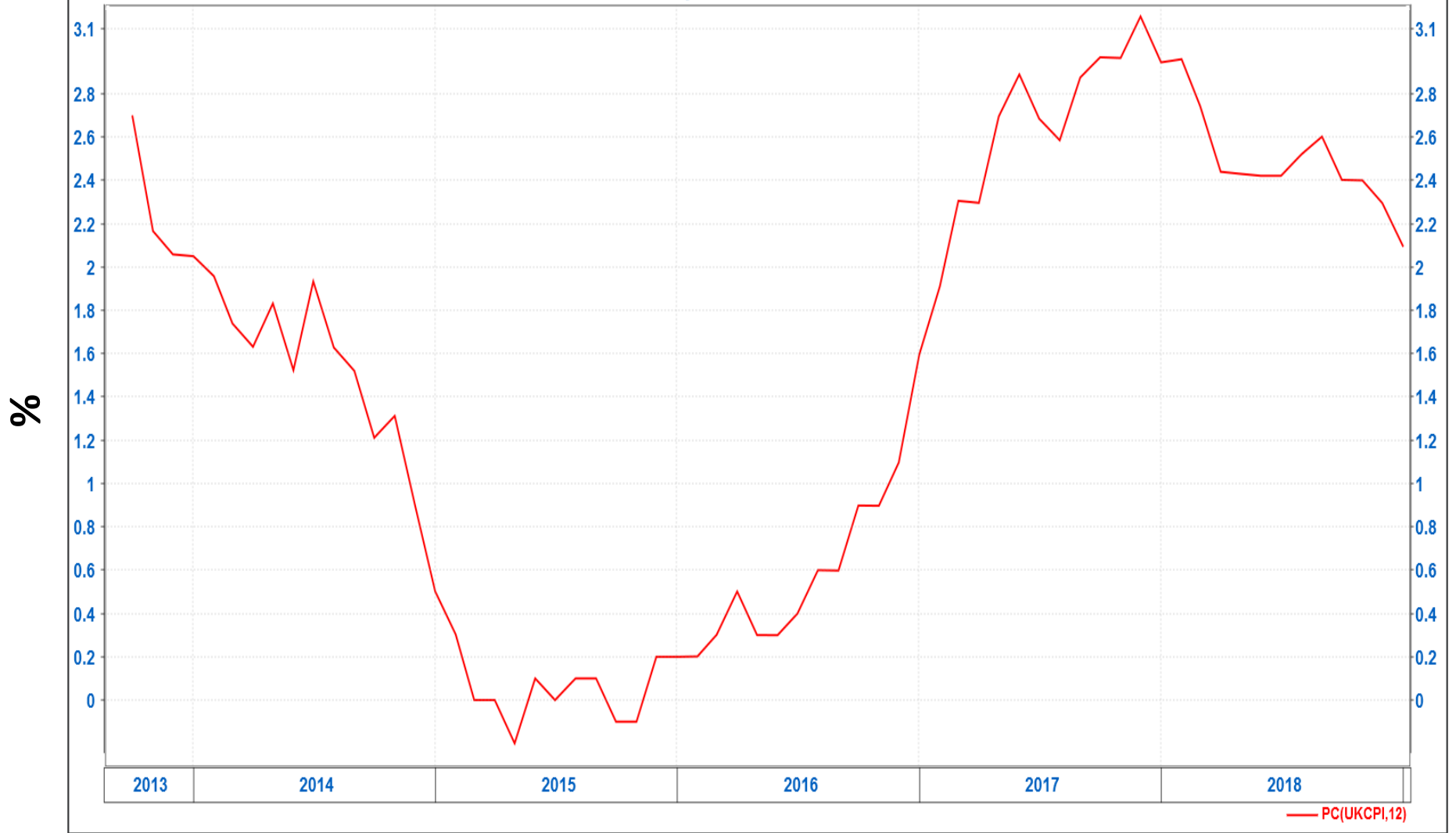
UK – Unemployment



Period

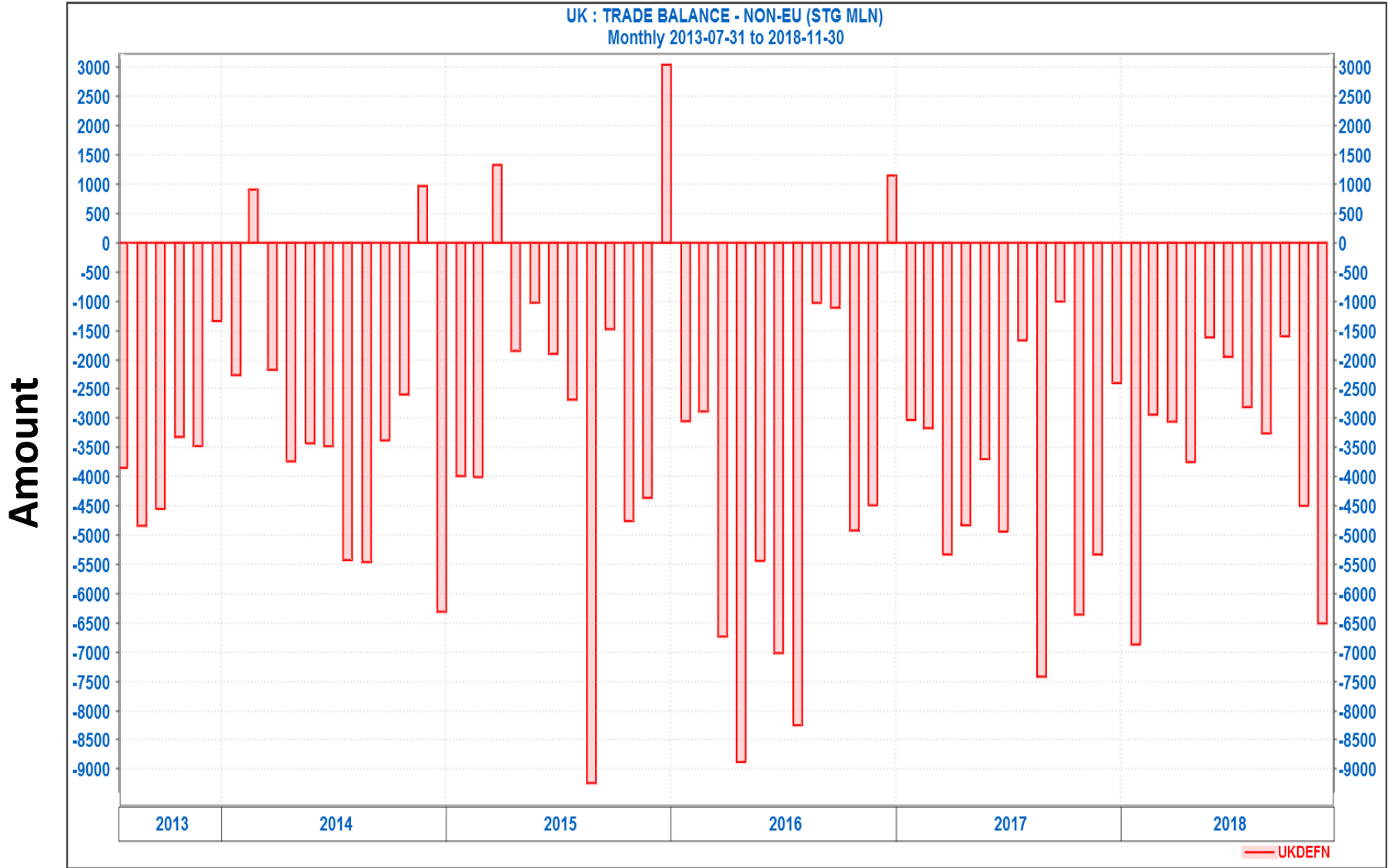
UK – Inflation

Percentage Change 12 of UK : CONSUMER PRICE INDEX-ALL ITEMS (2015=100)
Monthly 2013-08-31 to 2018-12-31

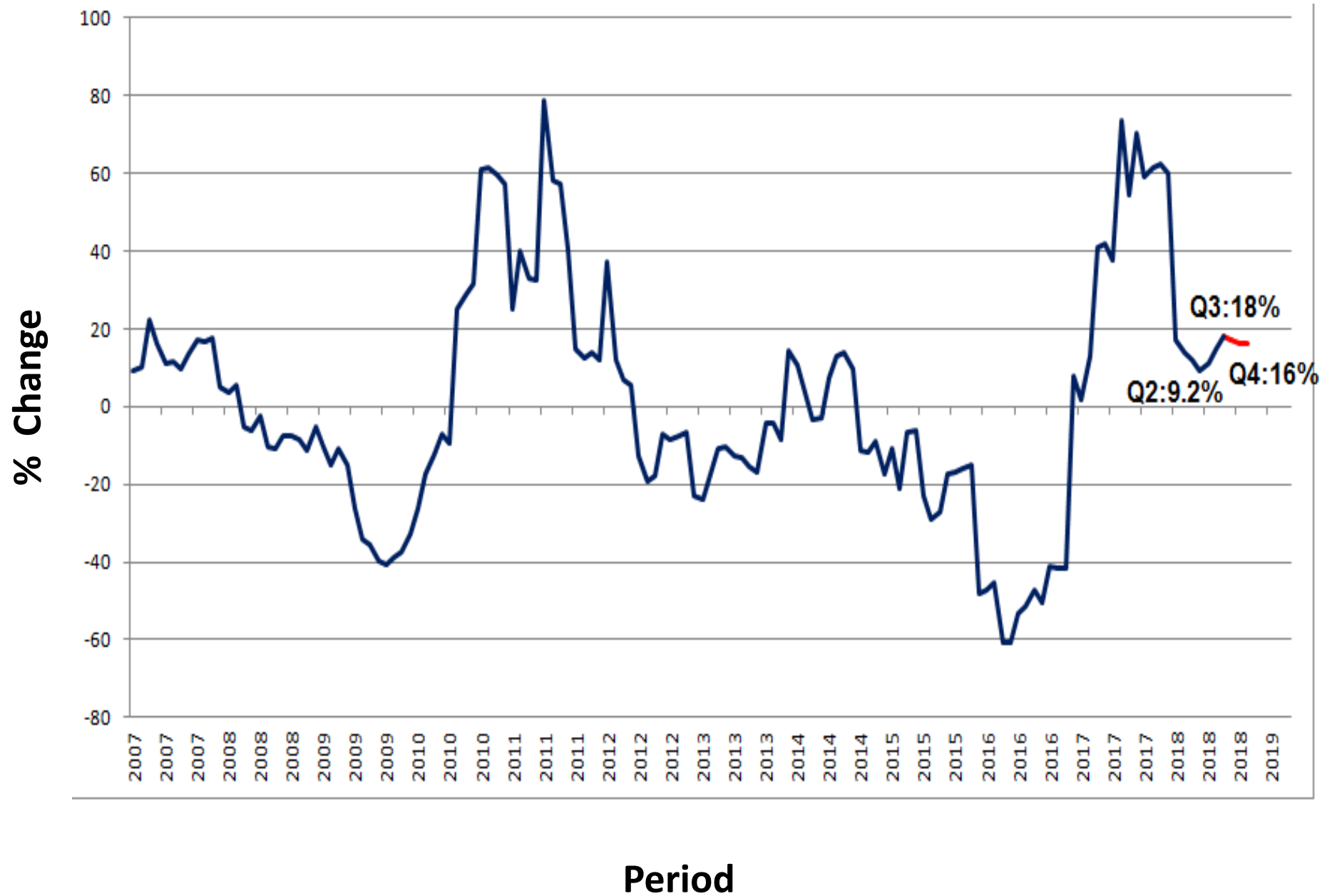


Period

UK – Trade Balance Deficit (£ Millions)



UK – FTSE 100 Earnings Growth



South Africa Economic Indicators

South Africa:

Economic growth recovered to 2.2% in Q3 of 2018, putting an end to the technical recession witnessed in the first half of the year. Unemployment remains stubbornly high, increasing to over 27% in Q3, and expecting to remain that high for Q4 of 2018.

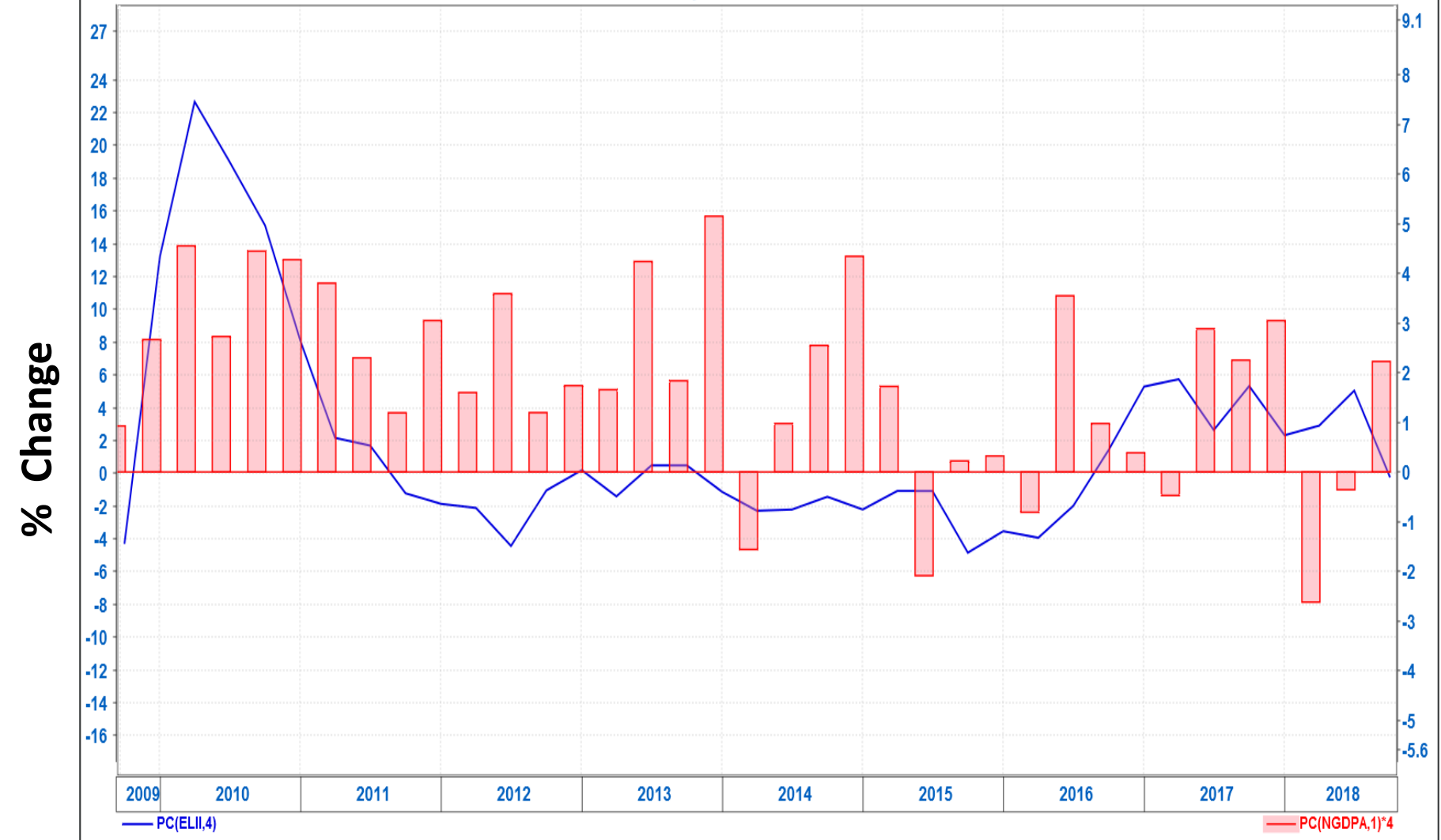
Inflation seems stable remaining just above the 5% level. Retail Sales increased to over 3% whilst consumer credit slowed to just above the 5.5% level.

A reduction in the interest rate in the near future remains unlikely. The overall economic outlook seems to be stable, but very fragile.

Earnings growth of SA companies is expected to pick up to 19.04% for 2018.

South Africa – Economic Growth Rate Quarterly

PC(NGDPA,1)*4 , Percentage Change 4 of LEADING INDICATOR (2015=100)
Quarterly 2009-09-30 to 2018-09-30



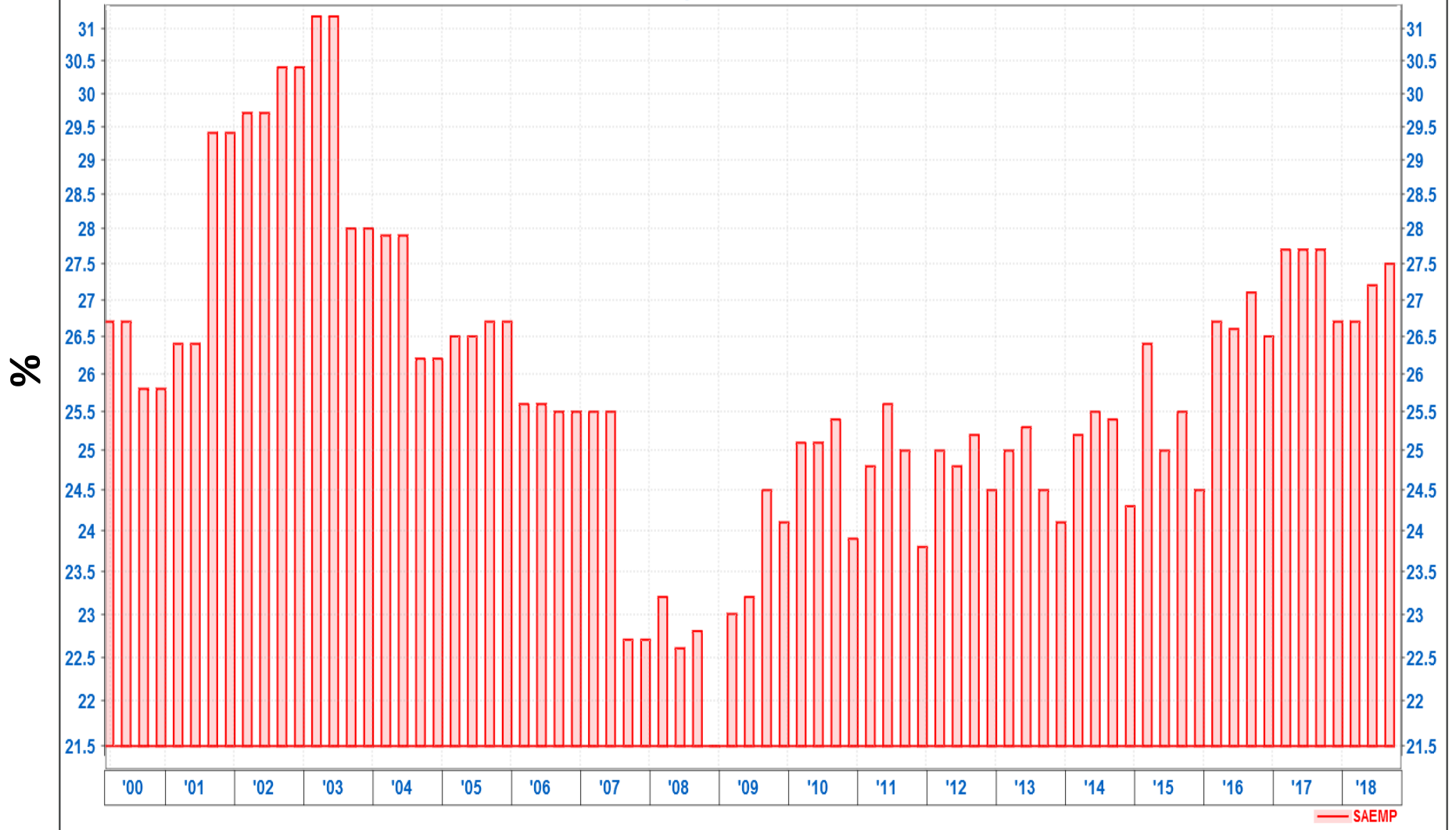
— South Africa Growth Rate

— South Africa Leading Indicator

Period

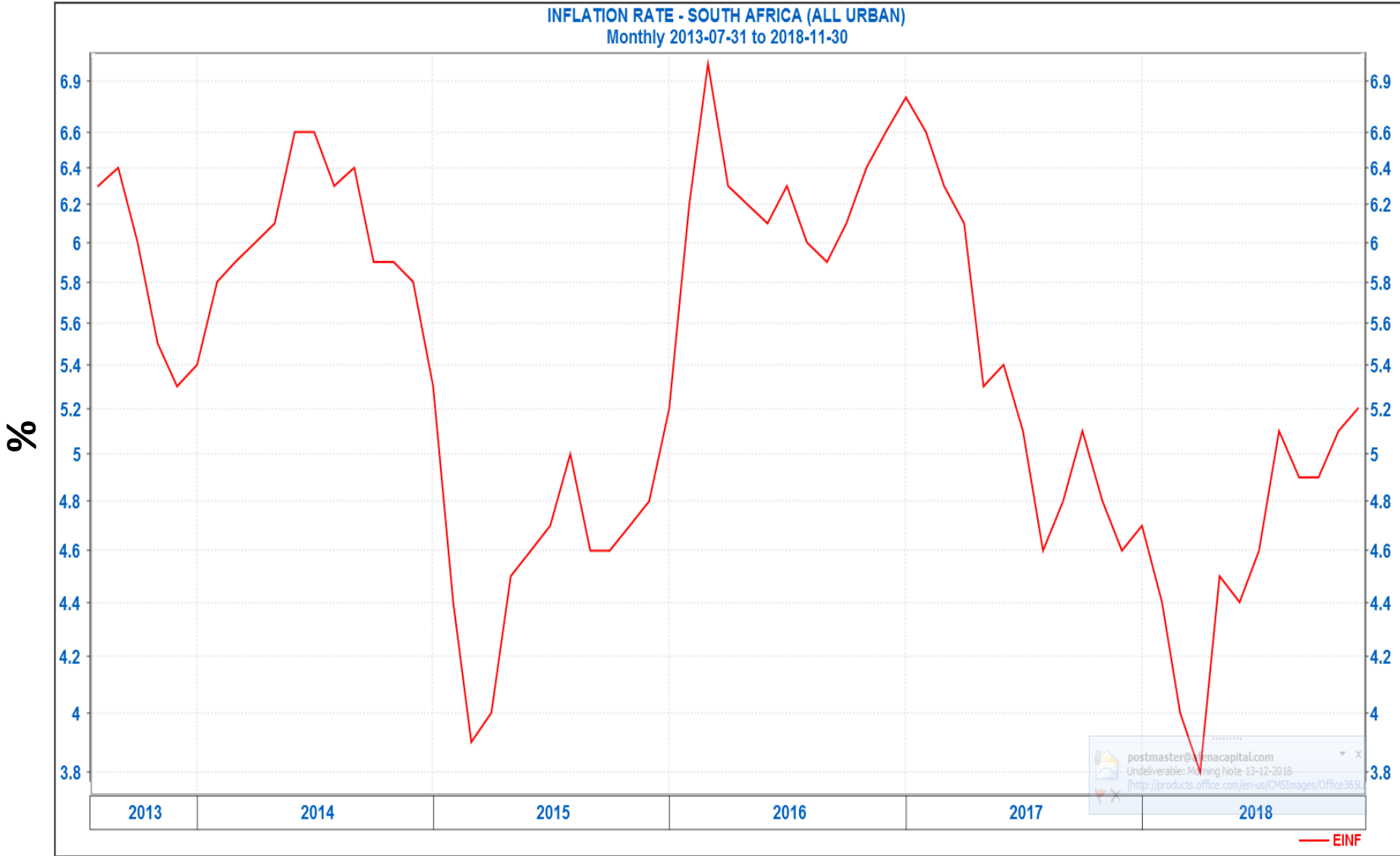
South Africa – Unemployment

EMPLOYMENT : OFFICIAL UNEMPLOYMENT RATE (ILO)
Quarterly 2000-03-31 to 2018-09-30

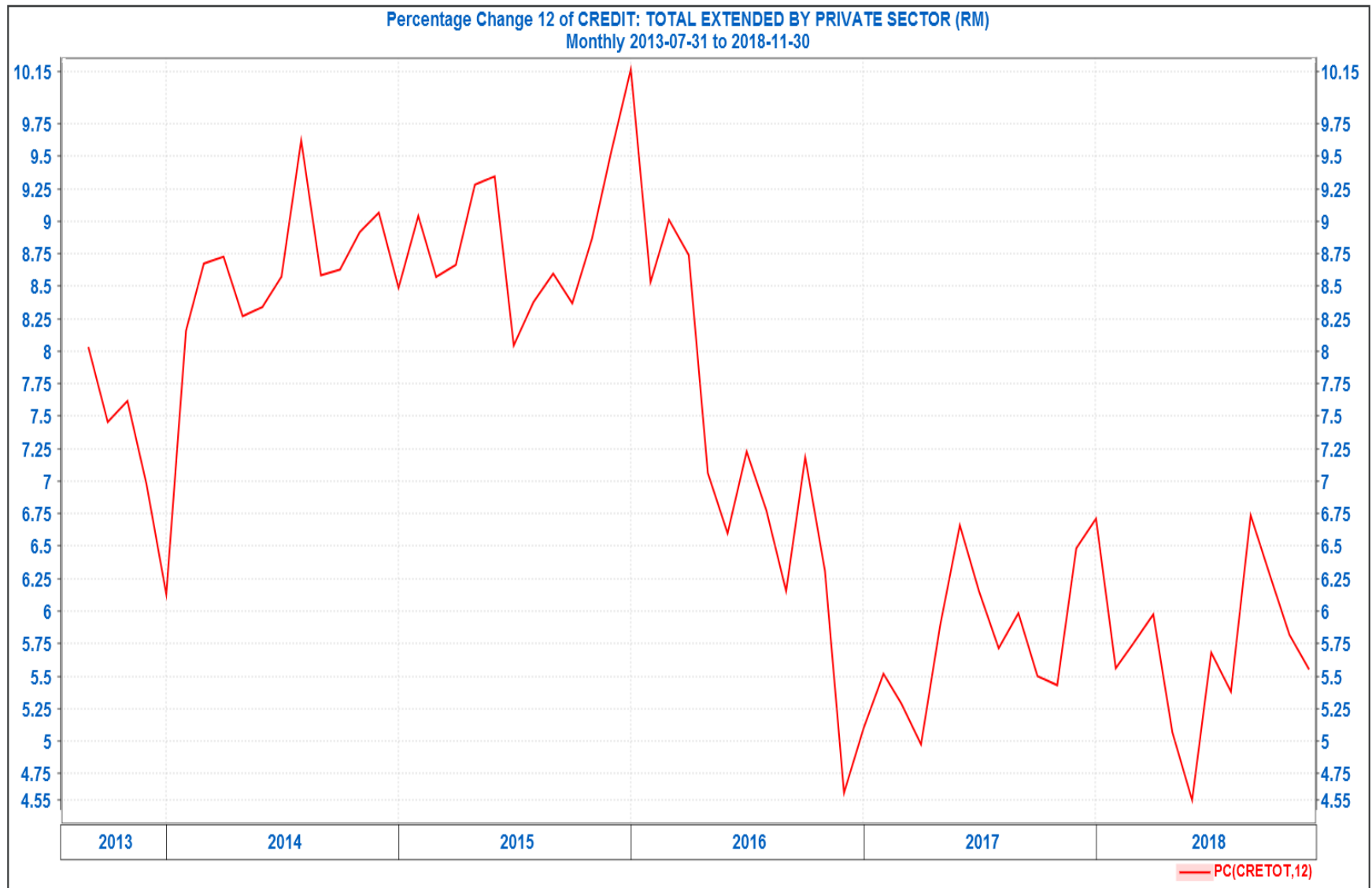


Period

South Africa – Inflation Rate



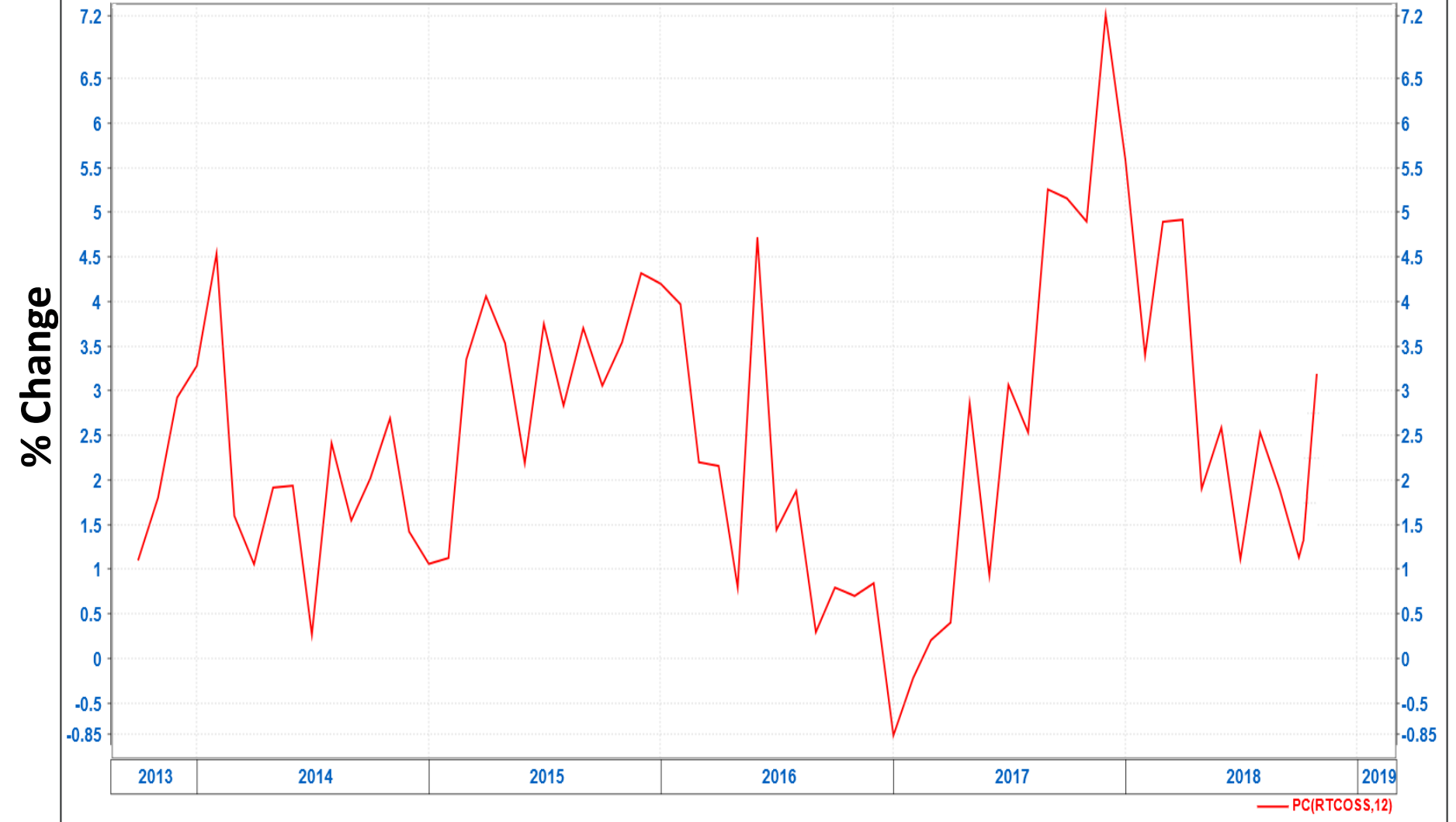
South Africa – Consumer Credit



Period

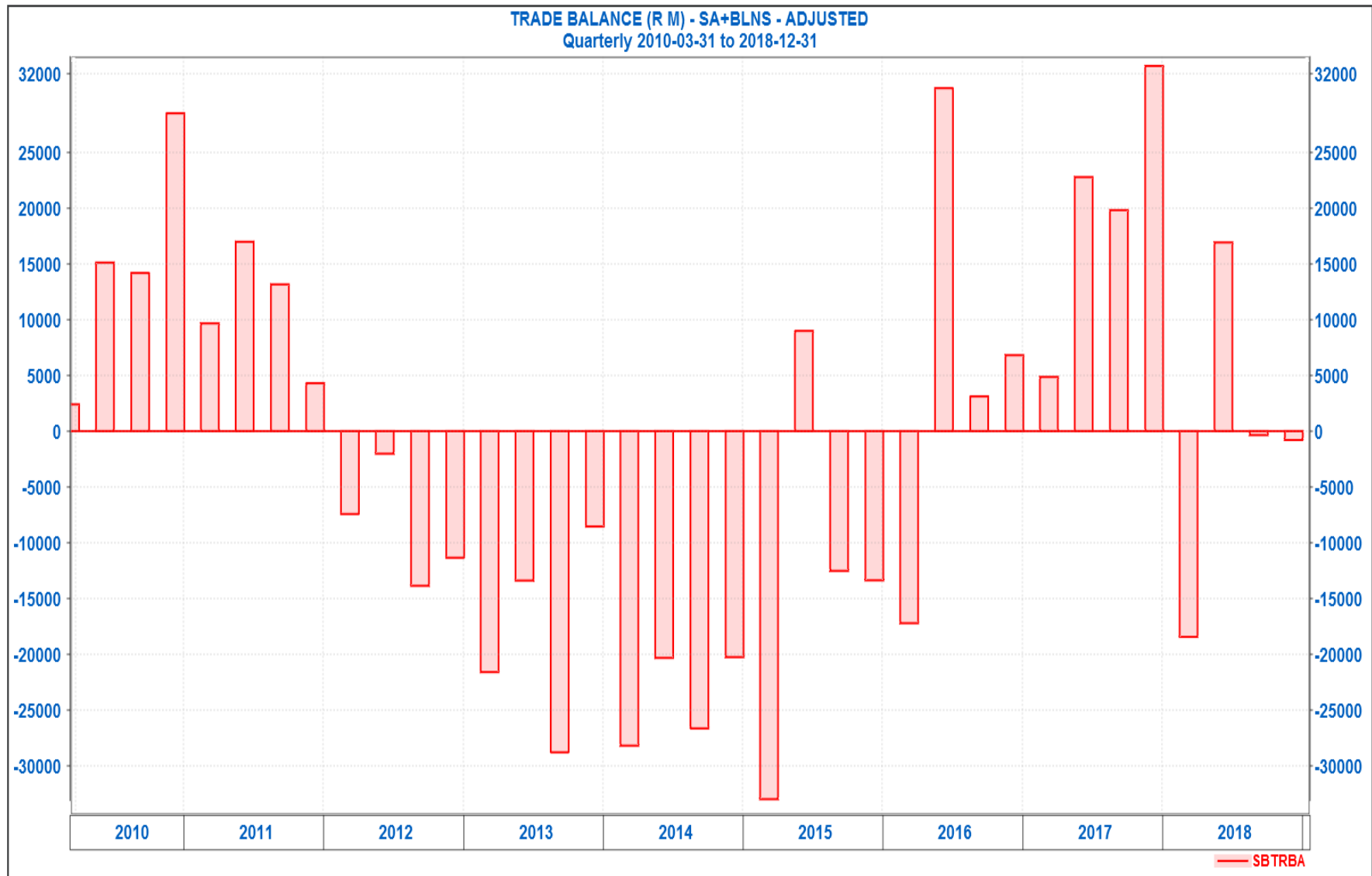
South Africa – Retail Sales

Percentage Change 12 of RETAIL TRADE - TOTAL - CONSTANT S/A- RM 2015 PRICE
Monthly 2013-08-31 to 2018-11-30

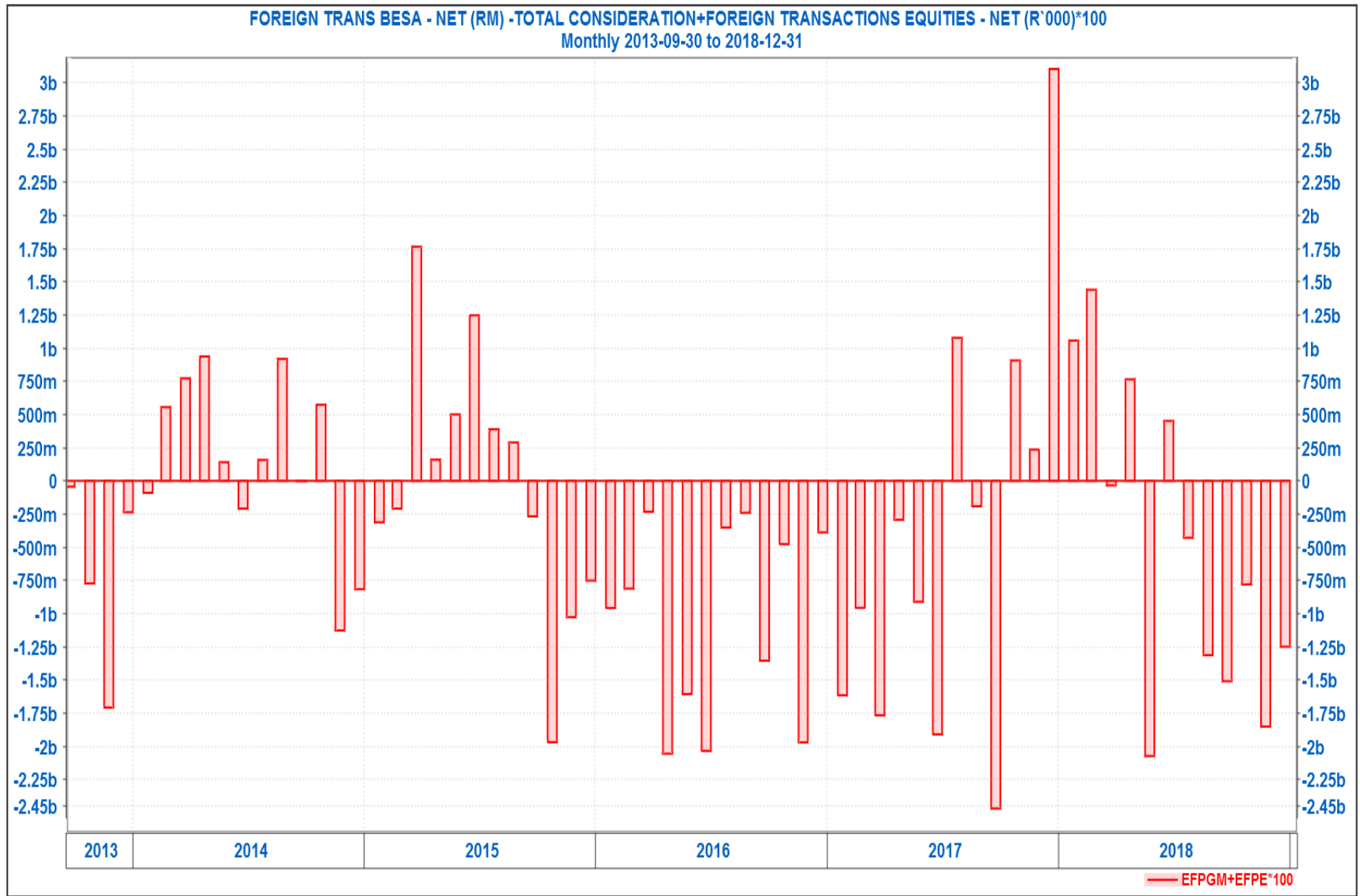


Period

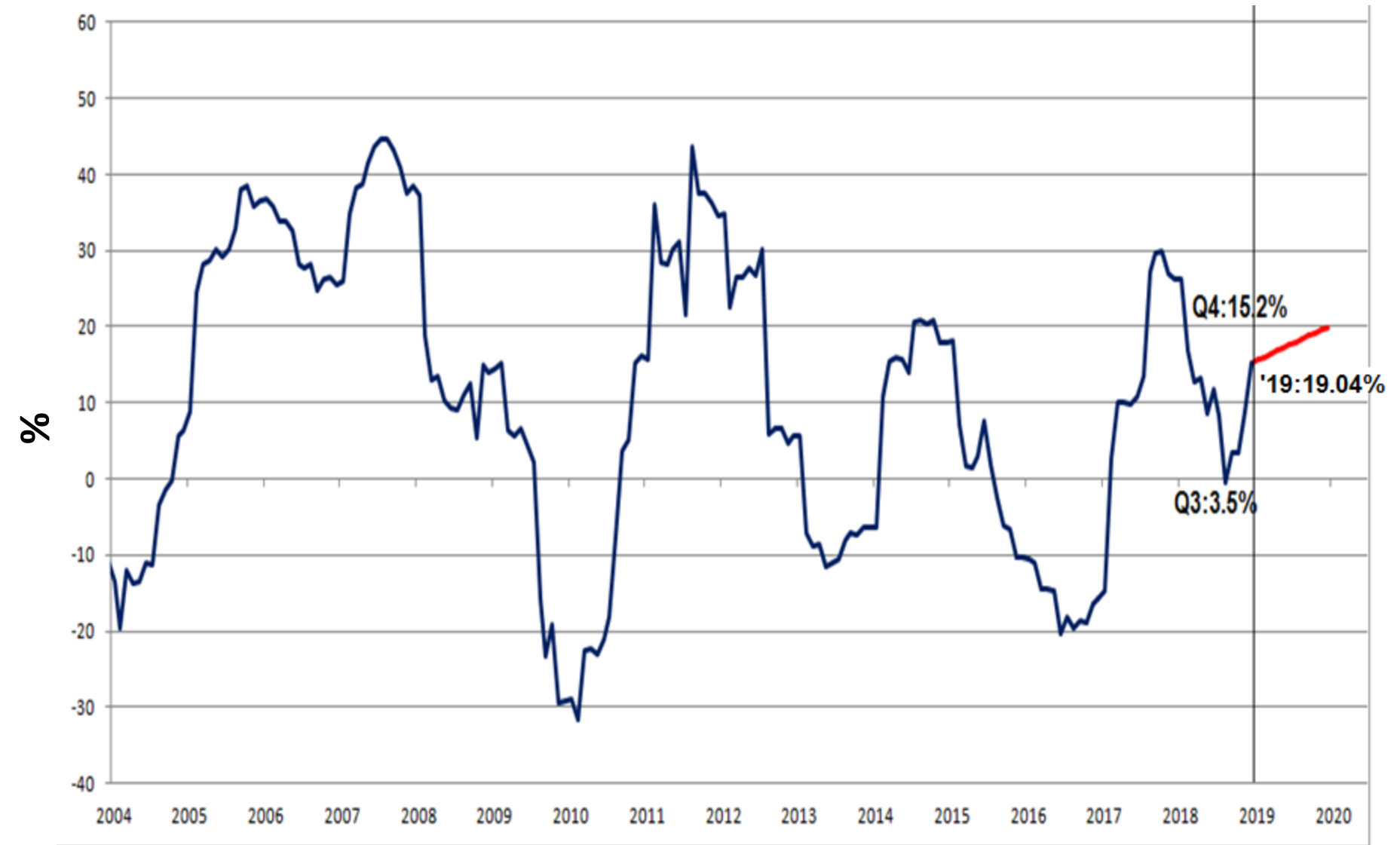
South Africa – Trade Balance (ZAR Million)



Foreign In- and outflows in Investment Market (ZAR Million)



S.A. All Share Earnings Forecast



Period

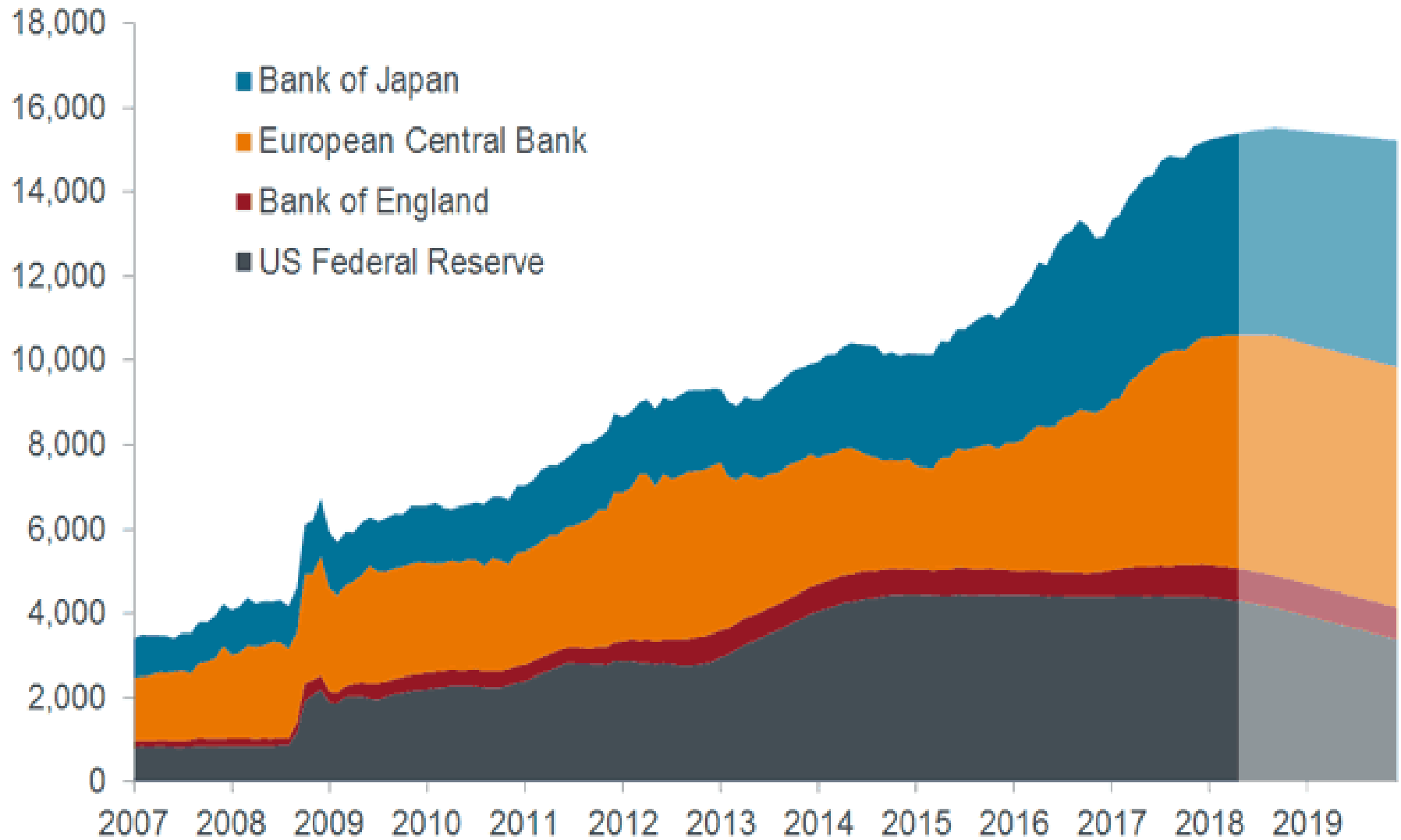
Central Bank Policies

Central Bank Policies:

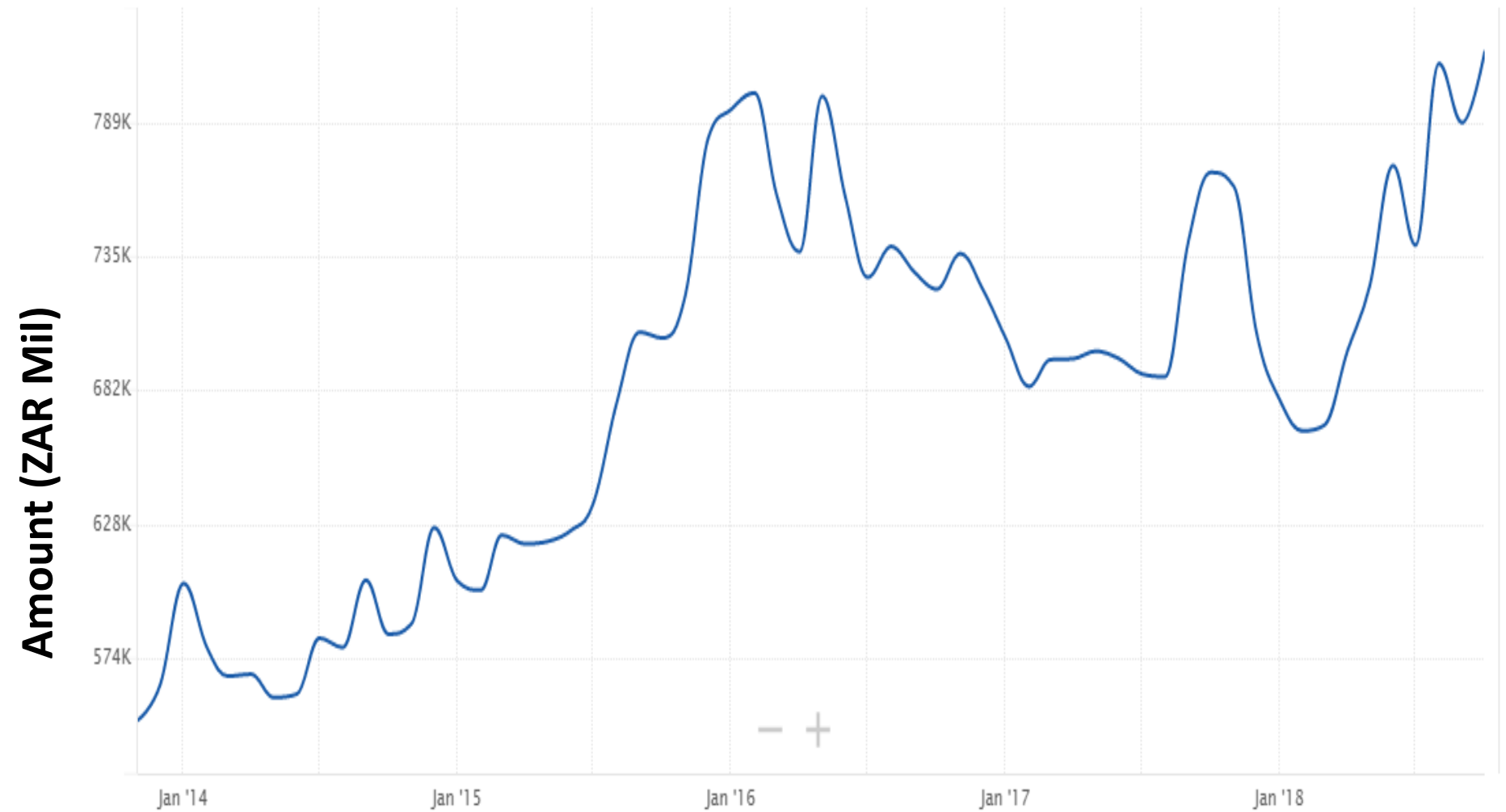
Central Banks have begun cutting back their expansionary policies, with the Federal Reserve and the Bank of England already starting to implement restrictive Policies, followed closely by the emerging markets Russia, Turkey, India and now South Africa.

This can lead to higher interest rates and a slowdown in the increase of share prices.

Major Central Bank Balance Sheets



South Africa Central Bank Balance Sheet

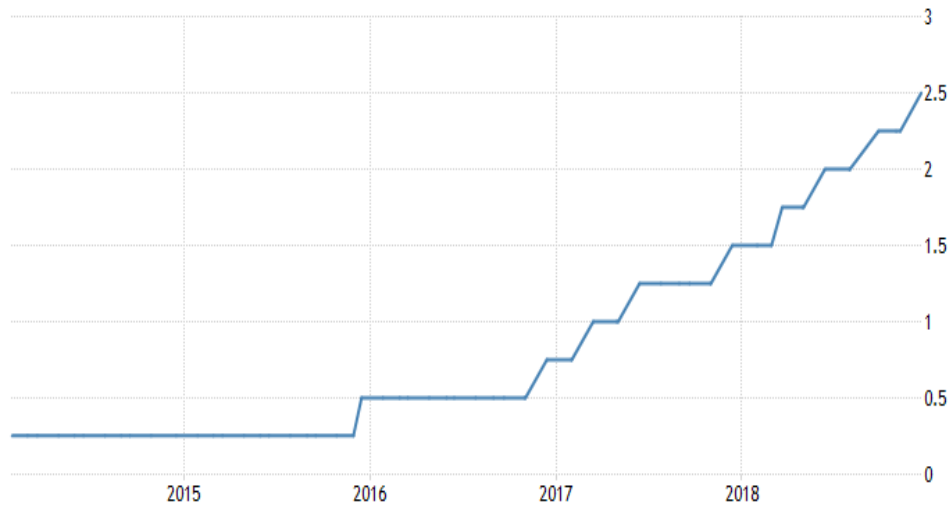


■ ZA Central Bank Balance Sheet 817542 ZAR Million

Period

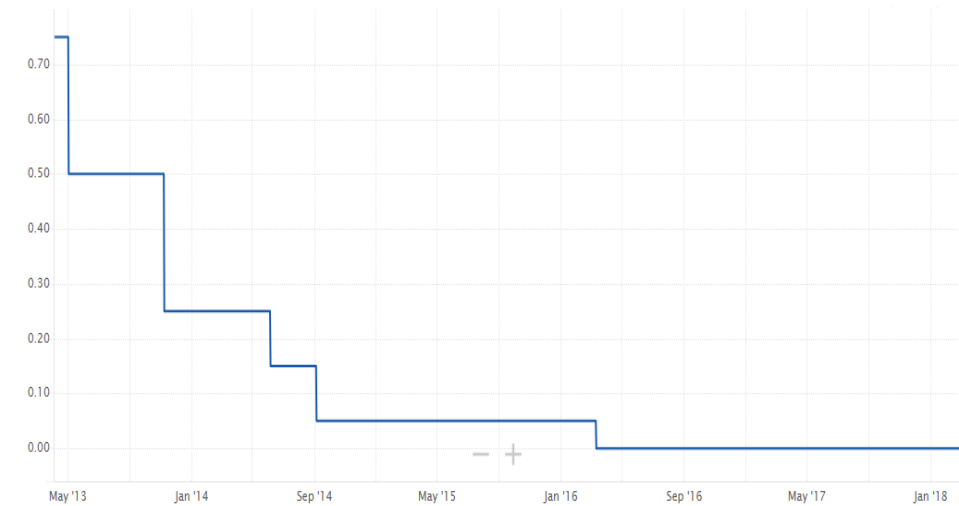
Central Bank Interest Rate

Federal Reserve Interest Rate



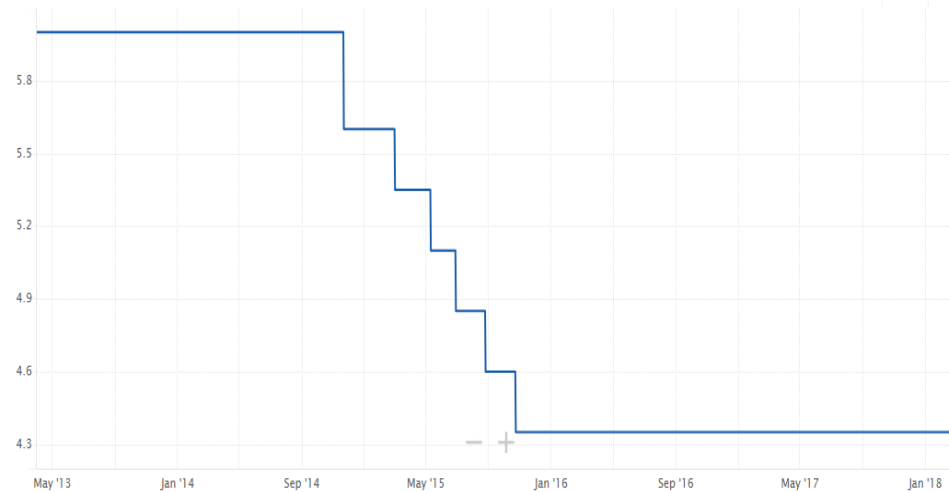
SOURCE: TRADINGECONOMICS.COM | FEDERAL RESERVE

European Central Bank Interest Rate



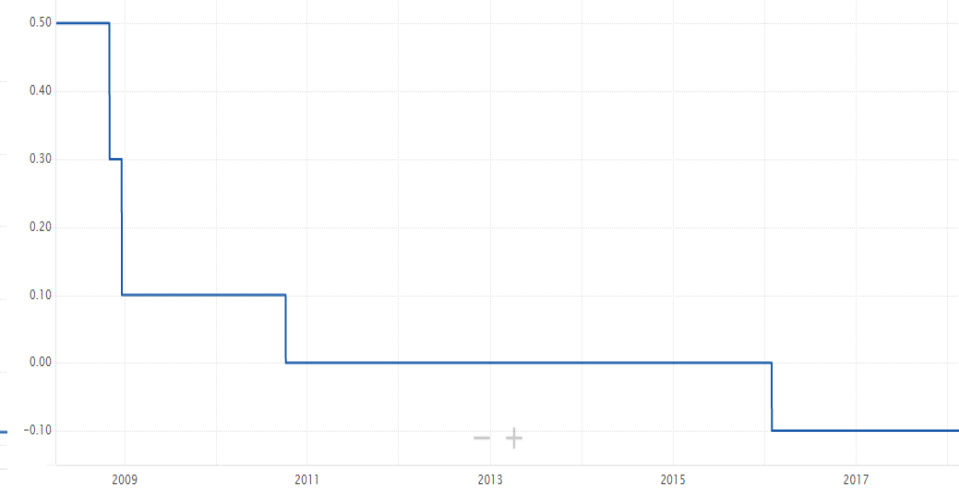
EA Interest Rate percent

China Central Bank Interest Rate



CN Interest Rate 4.35 percent

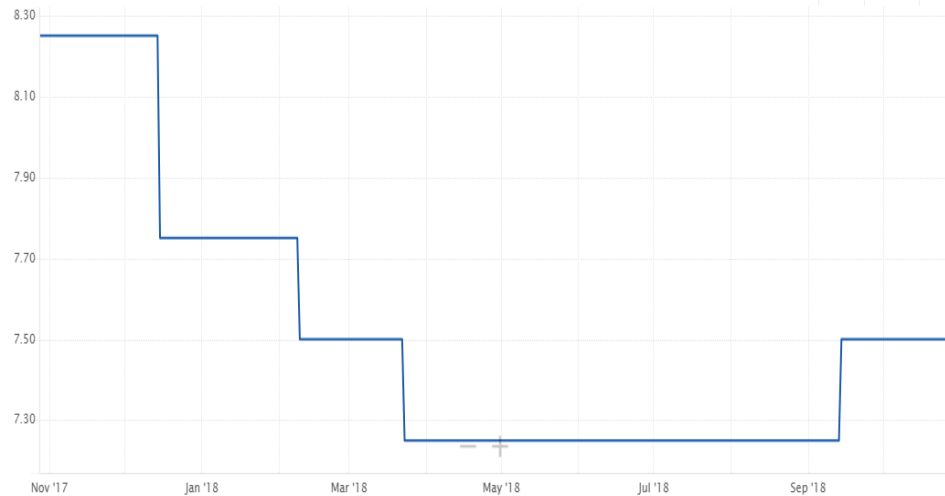
Japan Central Bank Interest Rate



JP Interest Rate -0.1 percent

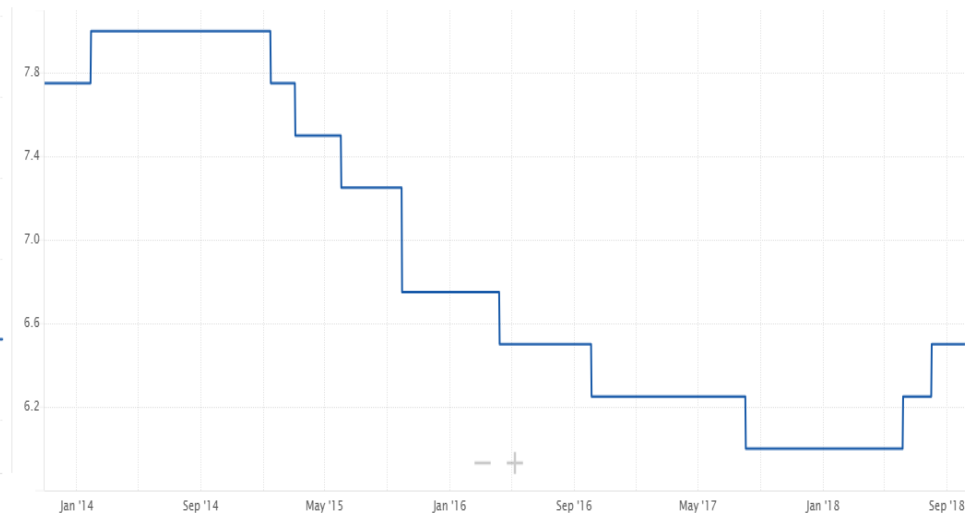
Central Bank Interest Rate

Russia Interest Rate



RU Interest Rate 7.5 percent

Indian Central Bank Interest Rate



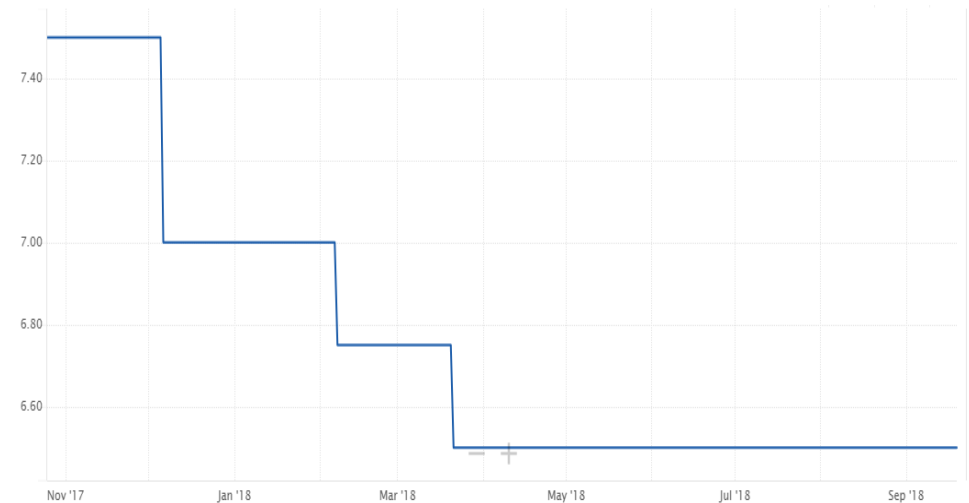
IN Interest Rate 6.5 percent

Turkey Central Bank Interest Rate



TR Interest Rate 24 percent

Brazil Central Bank Interest Rate



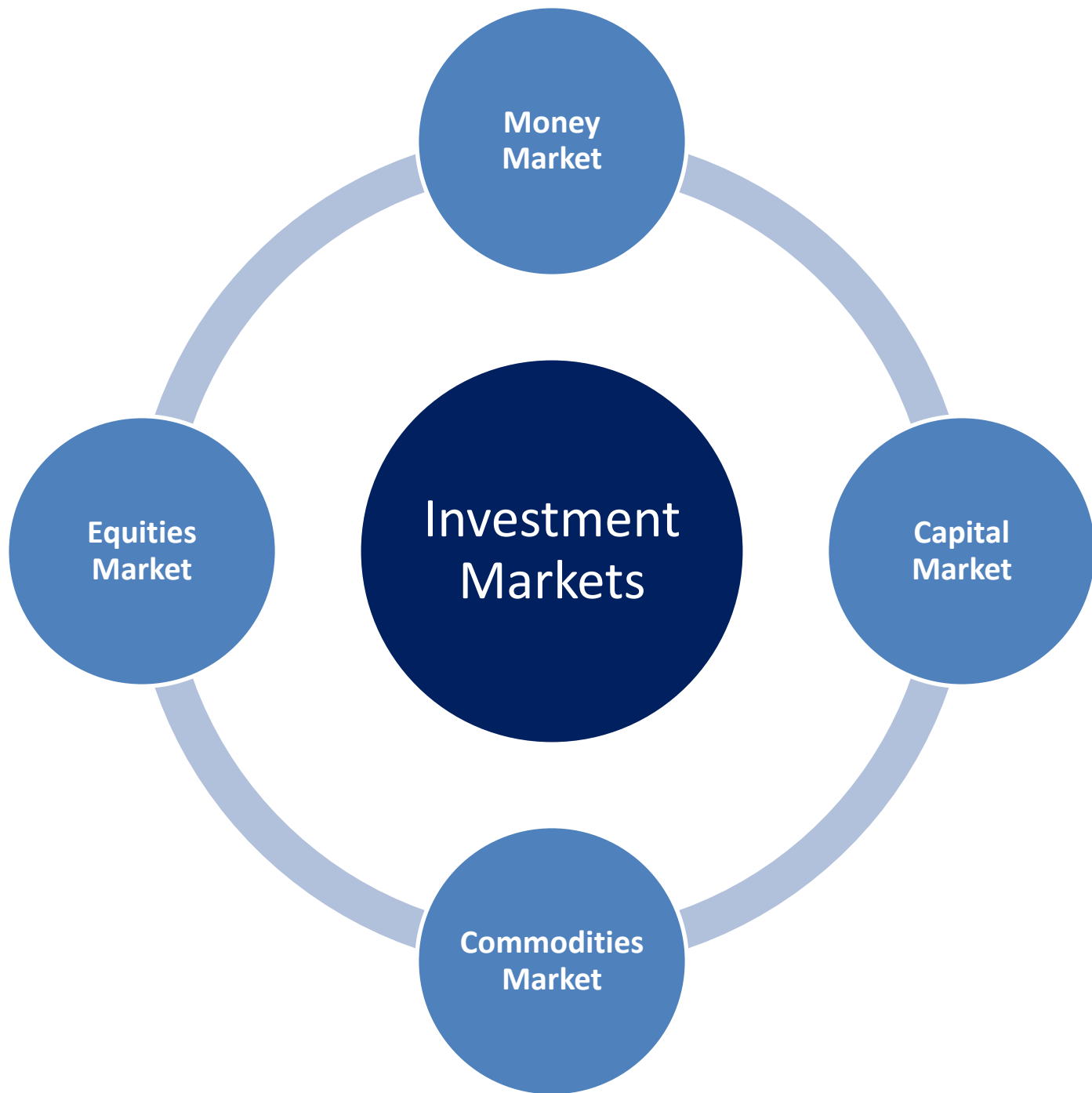
BR Interest Rate 6.5 percent

SARB Interest Rate



SOURCE: [TRADINGECONOMICS.COM](https://tradingeconomics.com) | SOUTH AFRICAN RESERVE BANK

Period



Money Market

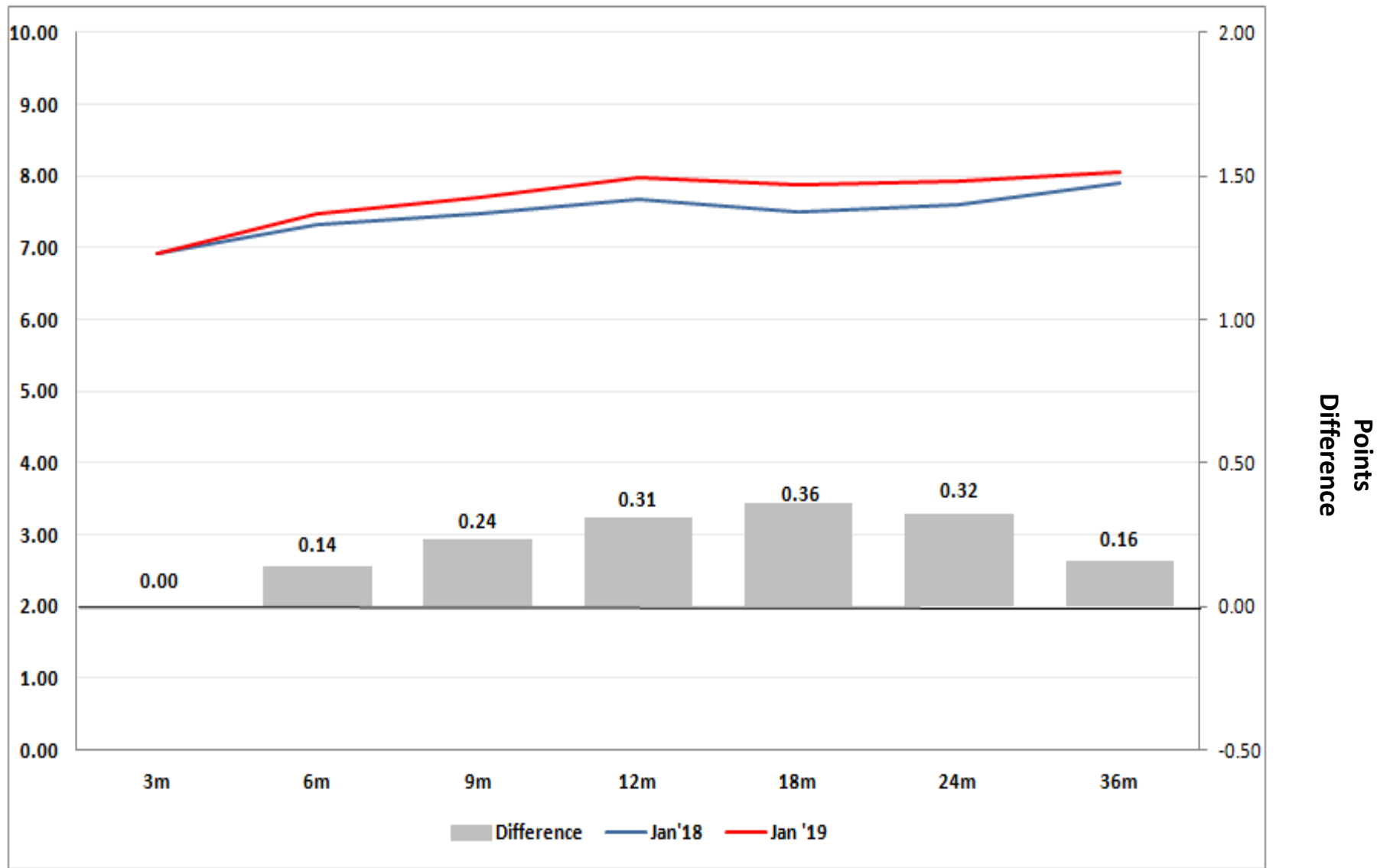
Money Market:

Money Market rates were slightly higher year on year. Rates are likely to move sideways in the next 6 months.

Exchange rate volatility and higher inflation expectations may place further upward pressure on rates in the longer term.

Our current recommendation is not to invest longer than 6 month's term.

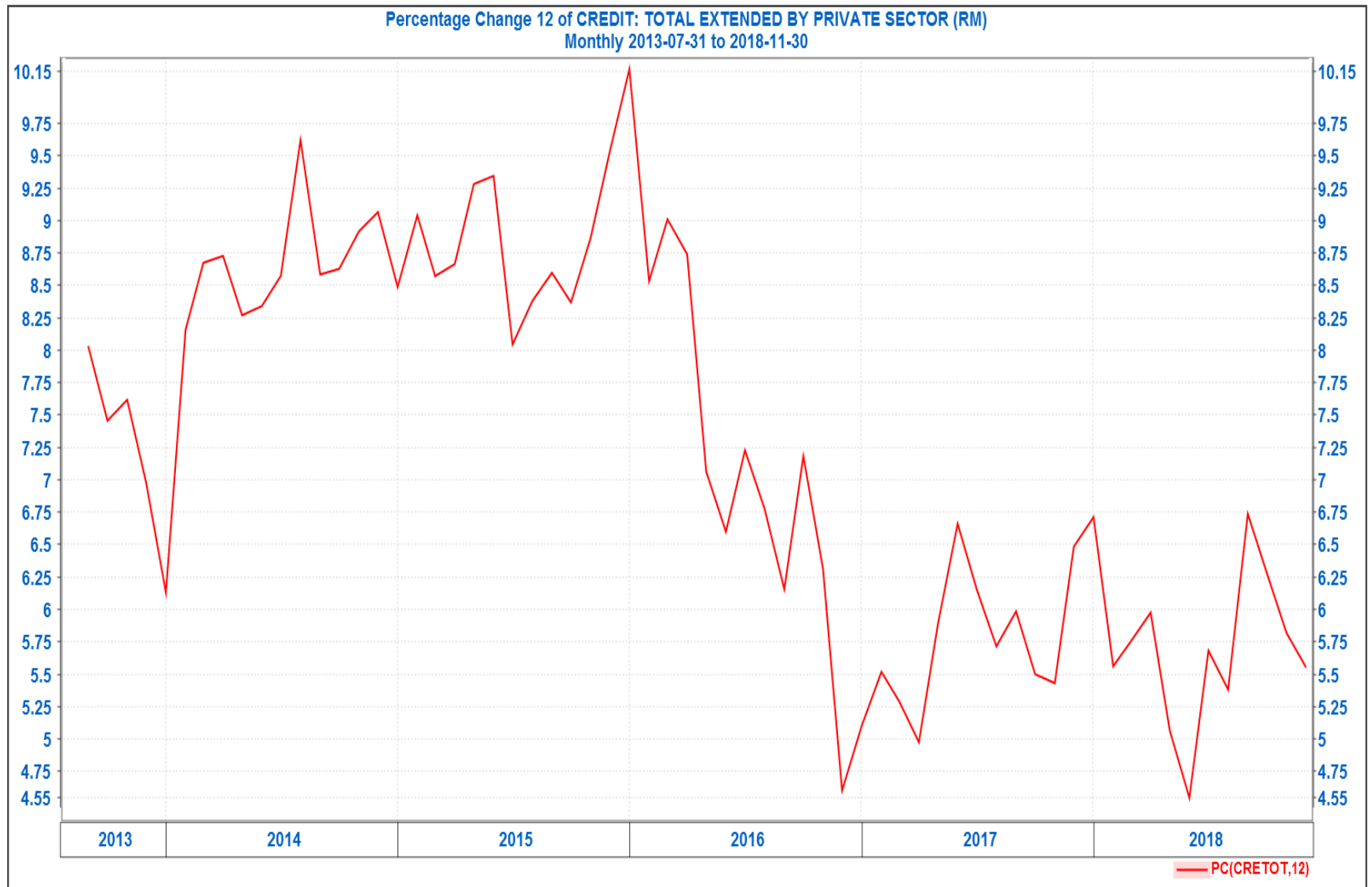
South Africa – Money Market Rates



— Difference — Jan 2018 — Jan 2019

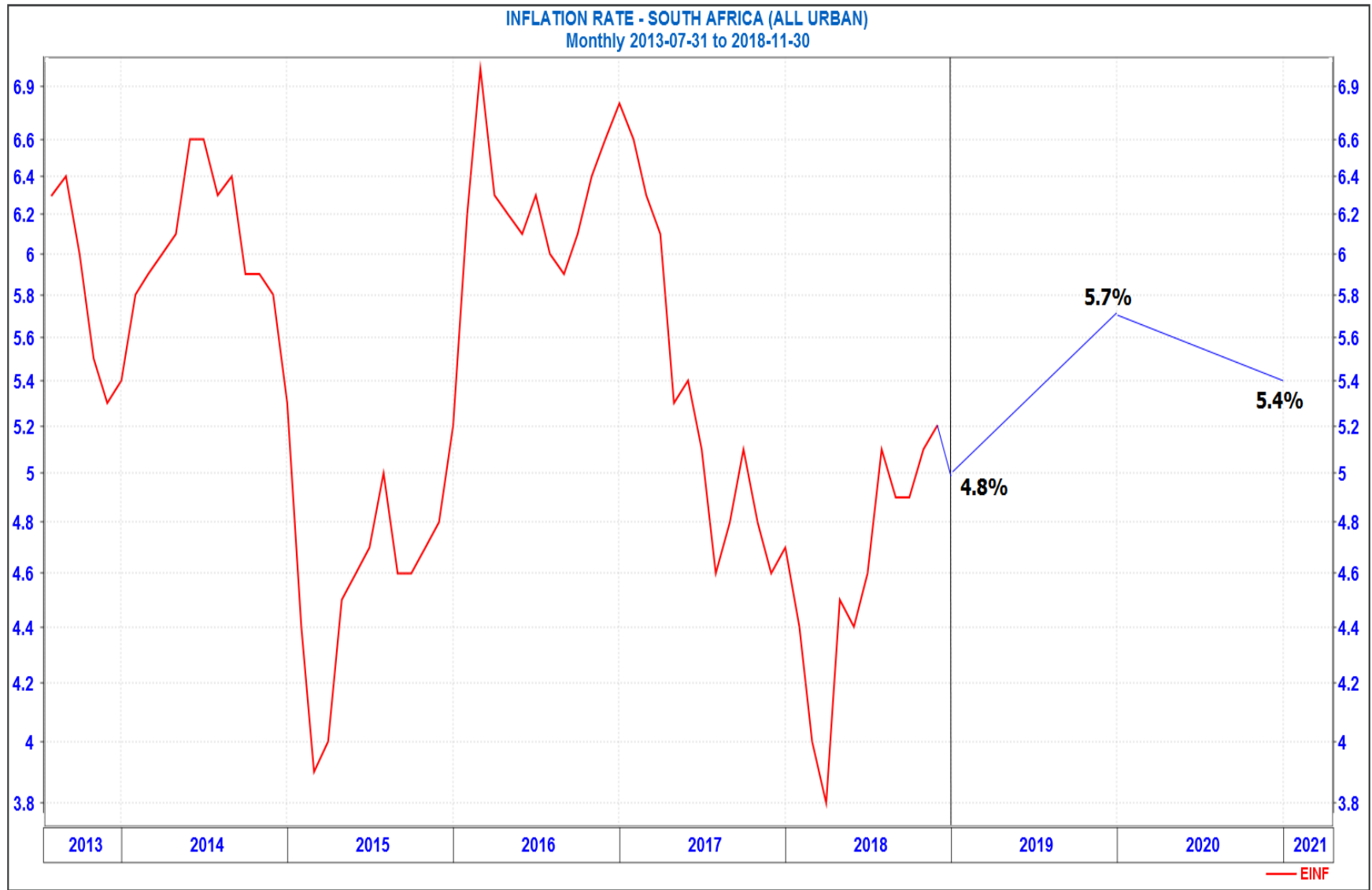
Period

South Africa – Consumer Credit



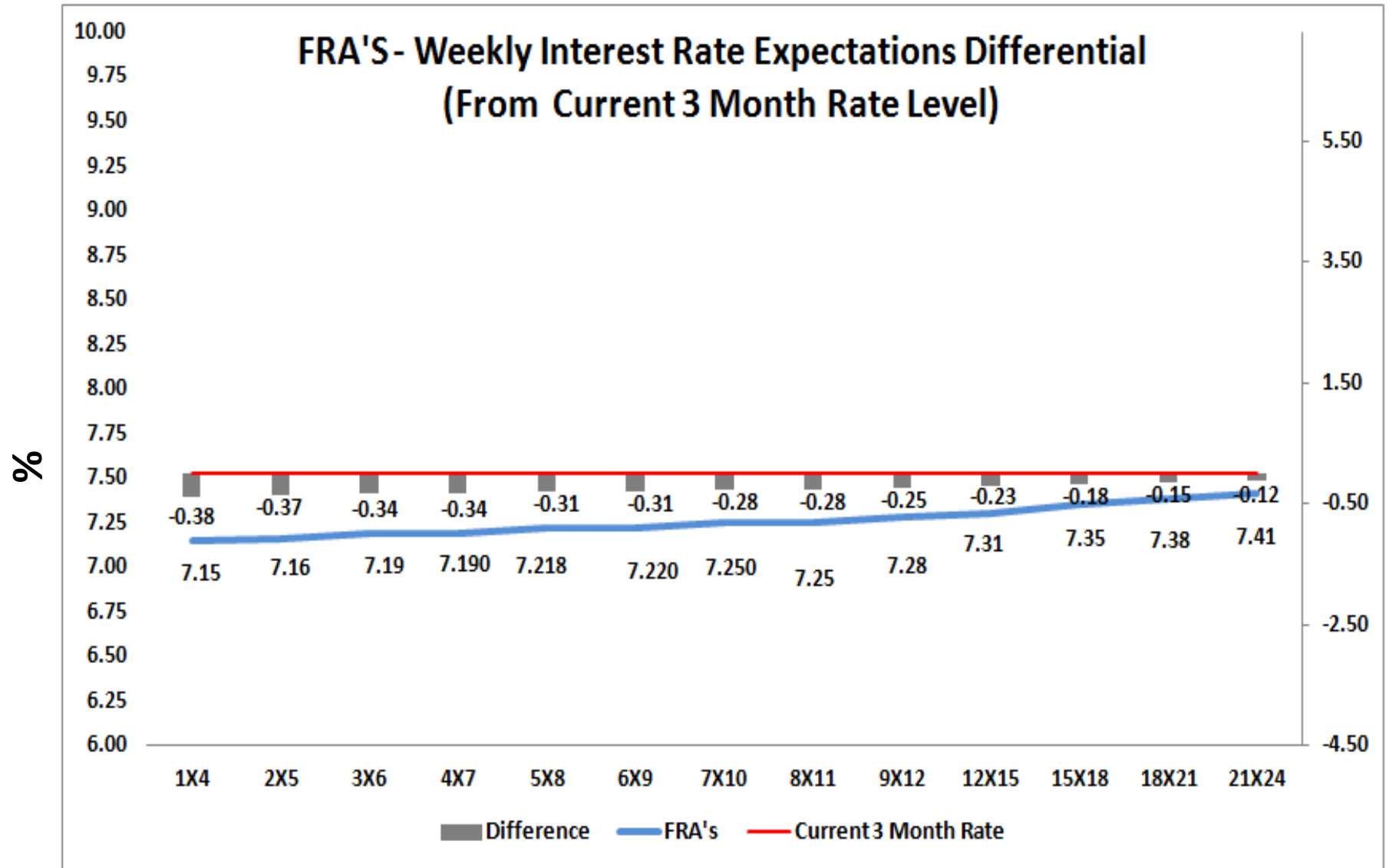
Period

SARB Inflation Expectation



Period

Interest Rate Expectations



— Difference — FRA's — Current 3 Month Rate

Period

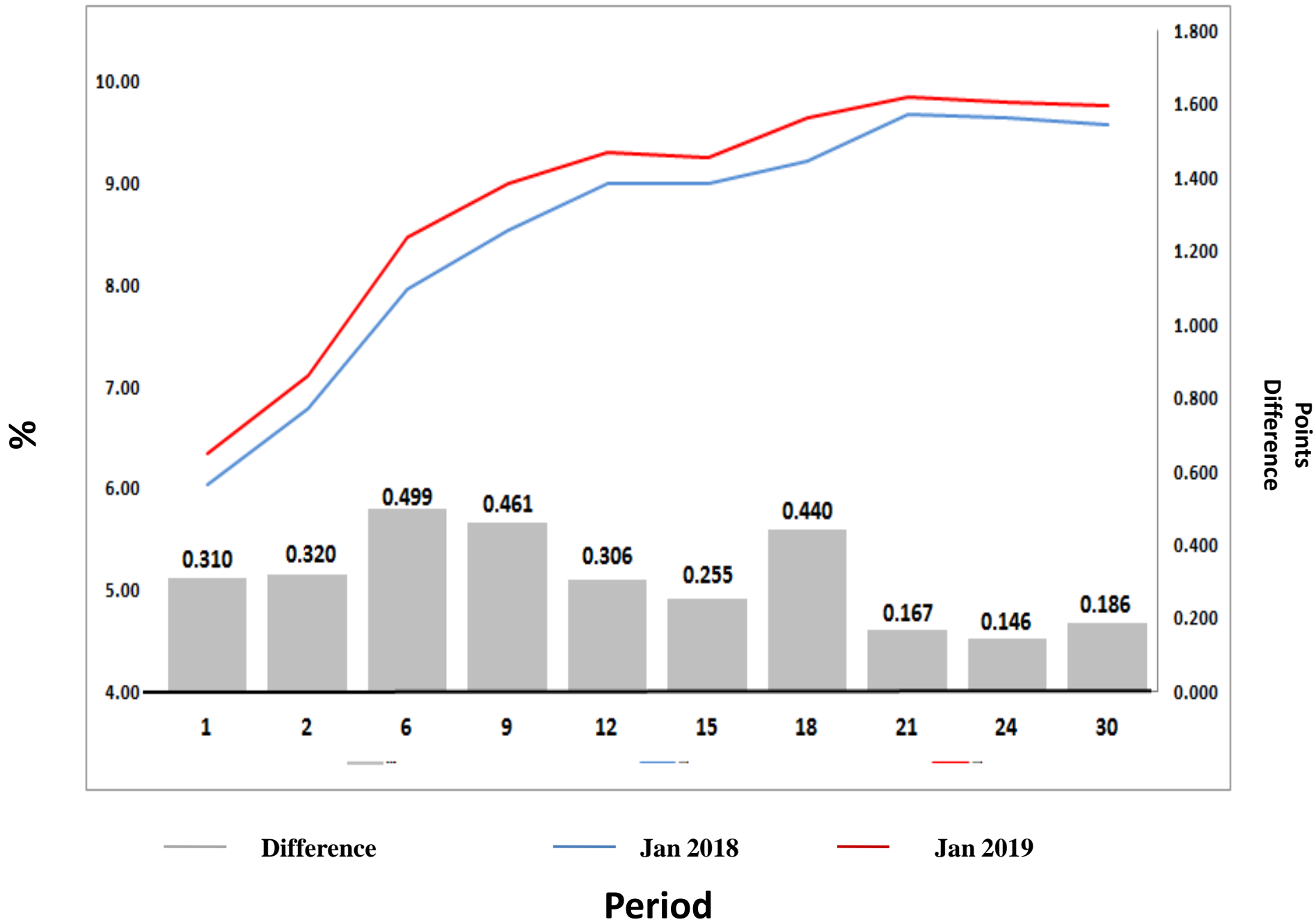
Capital Market:

Capital Market Rates are showing value and is fairly priced relative to the Equity market. Real rates remain high; flow of capital seems to be easing as foreigners were sellers during December.

Increased pressure on Government finances and a weakening Rand will continue to place upward pressure on rates.

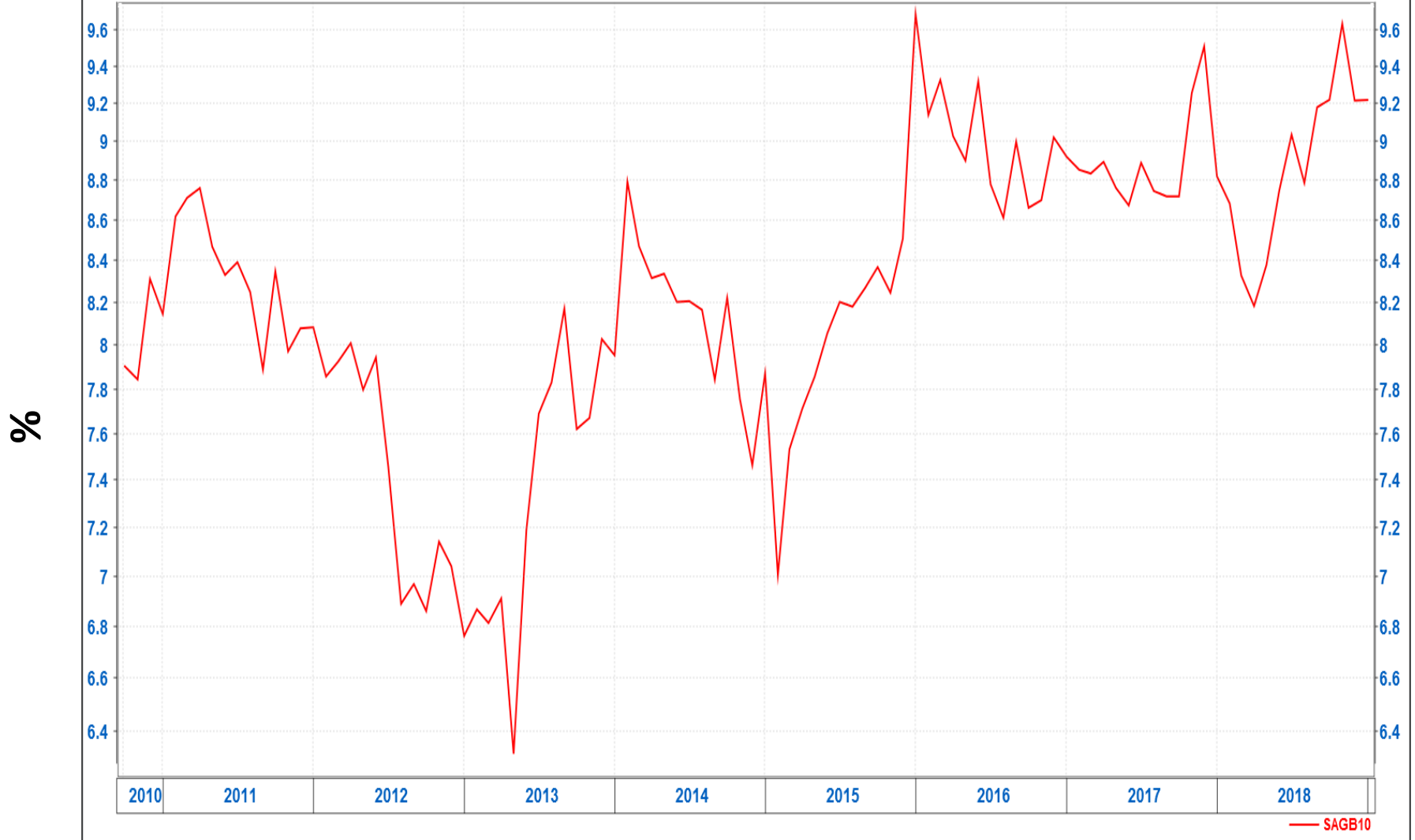
We maintain a hold recommendation.

South Africa –Yield Curve



SA 10Year Bond Rate

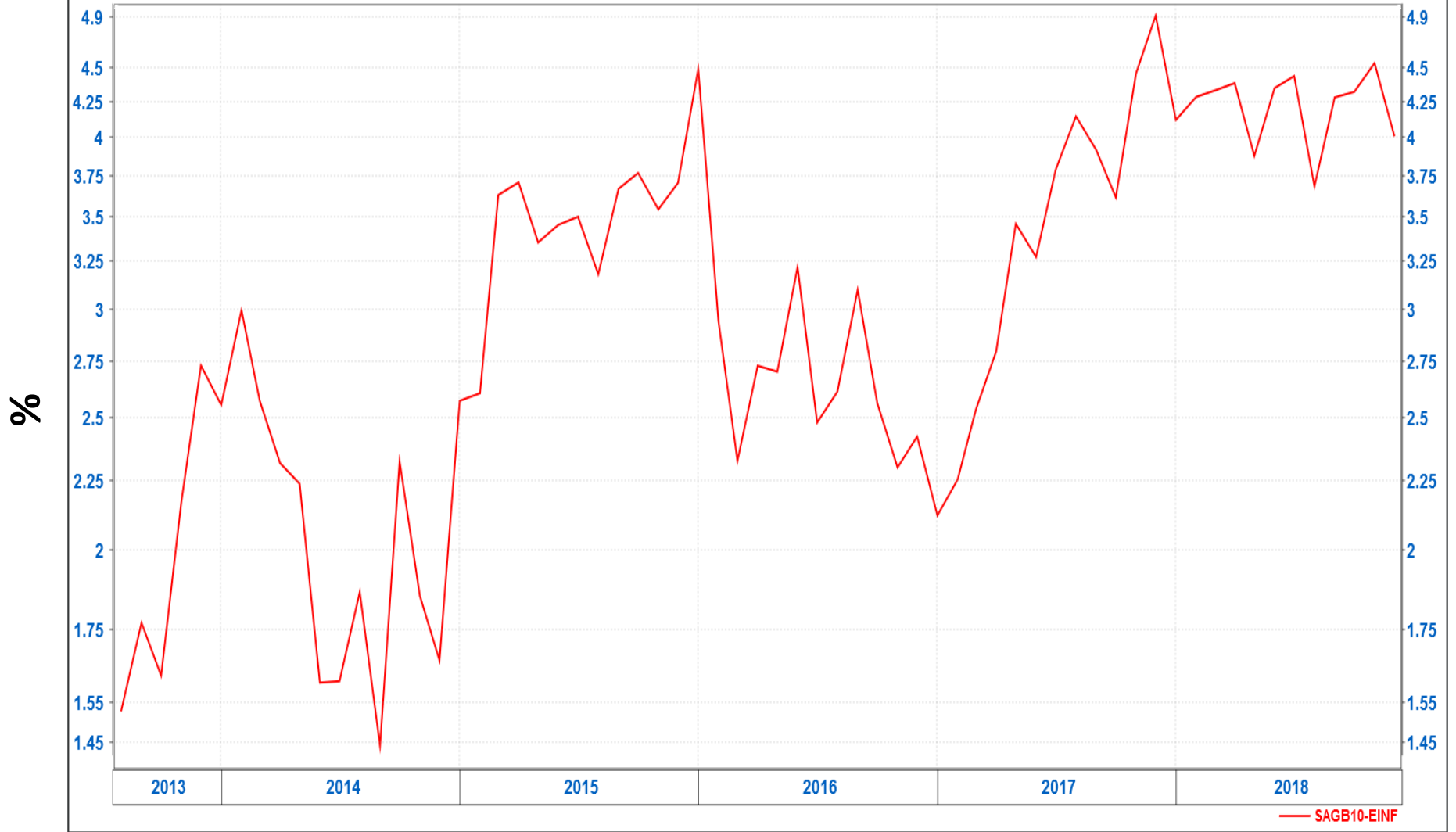
SA : GOVT 10 YEAR BOND
Monthly 2010-09-30 to 2018-12-31



Period

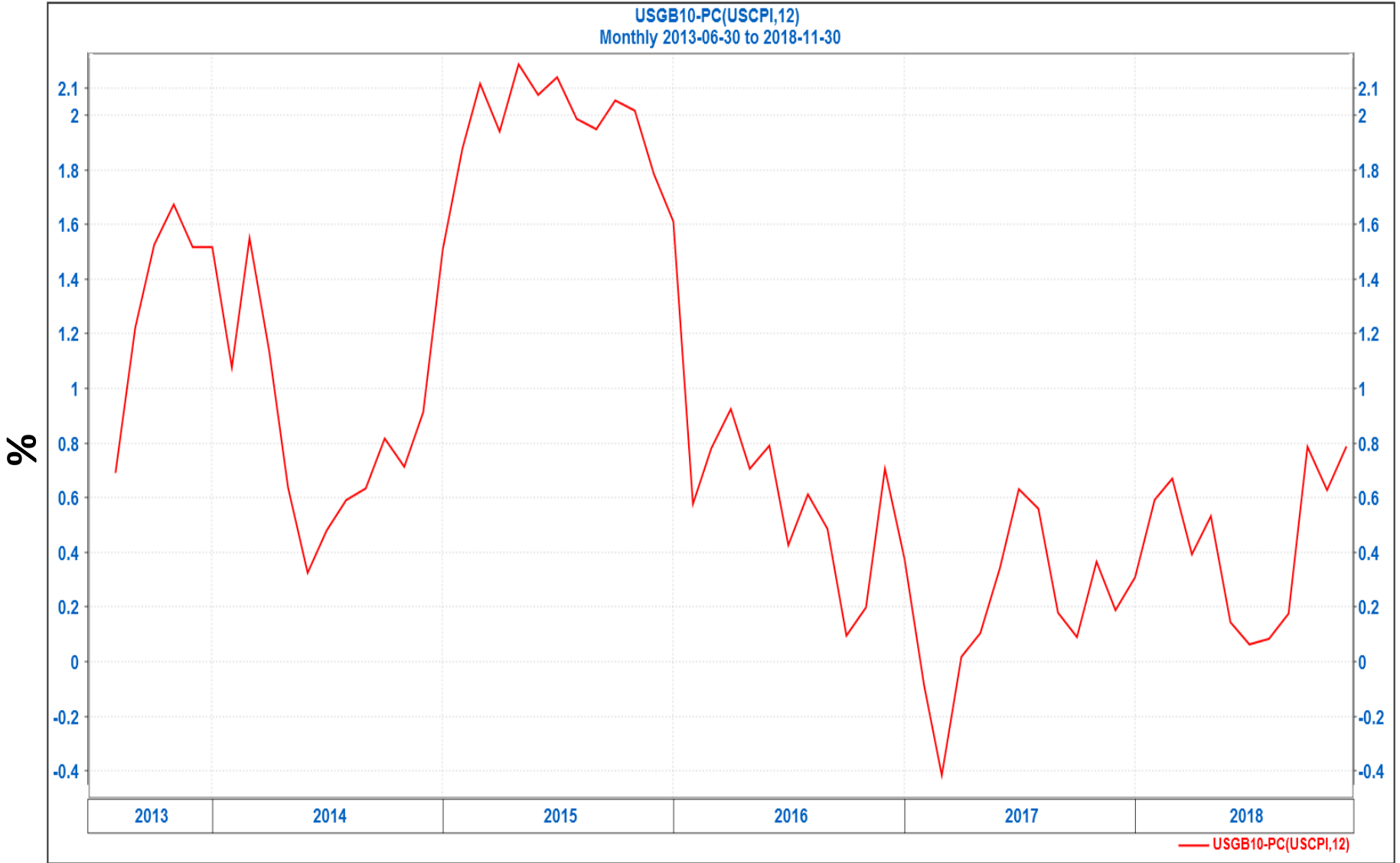
SA Real Interest Rate

SA : GOVT 10 YEAR BOND-INFLATION RATE - SOUTH AFRICA (ALL URBAN)
Monthly 2013-07-31 to 2018-11-30



Period

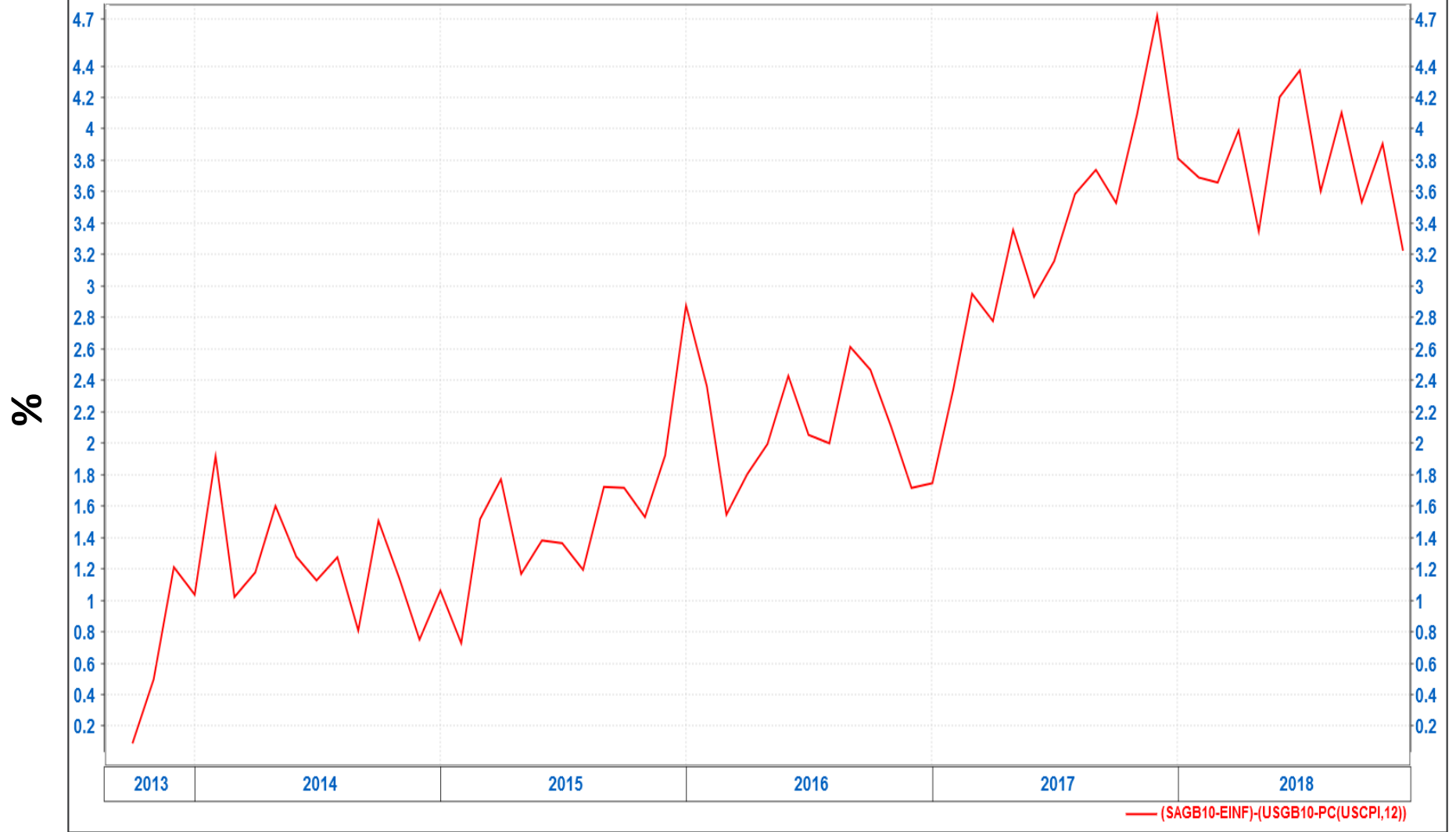
USA Real Interest Rate



Period

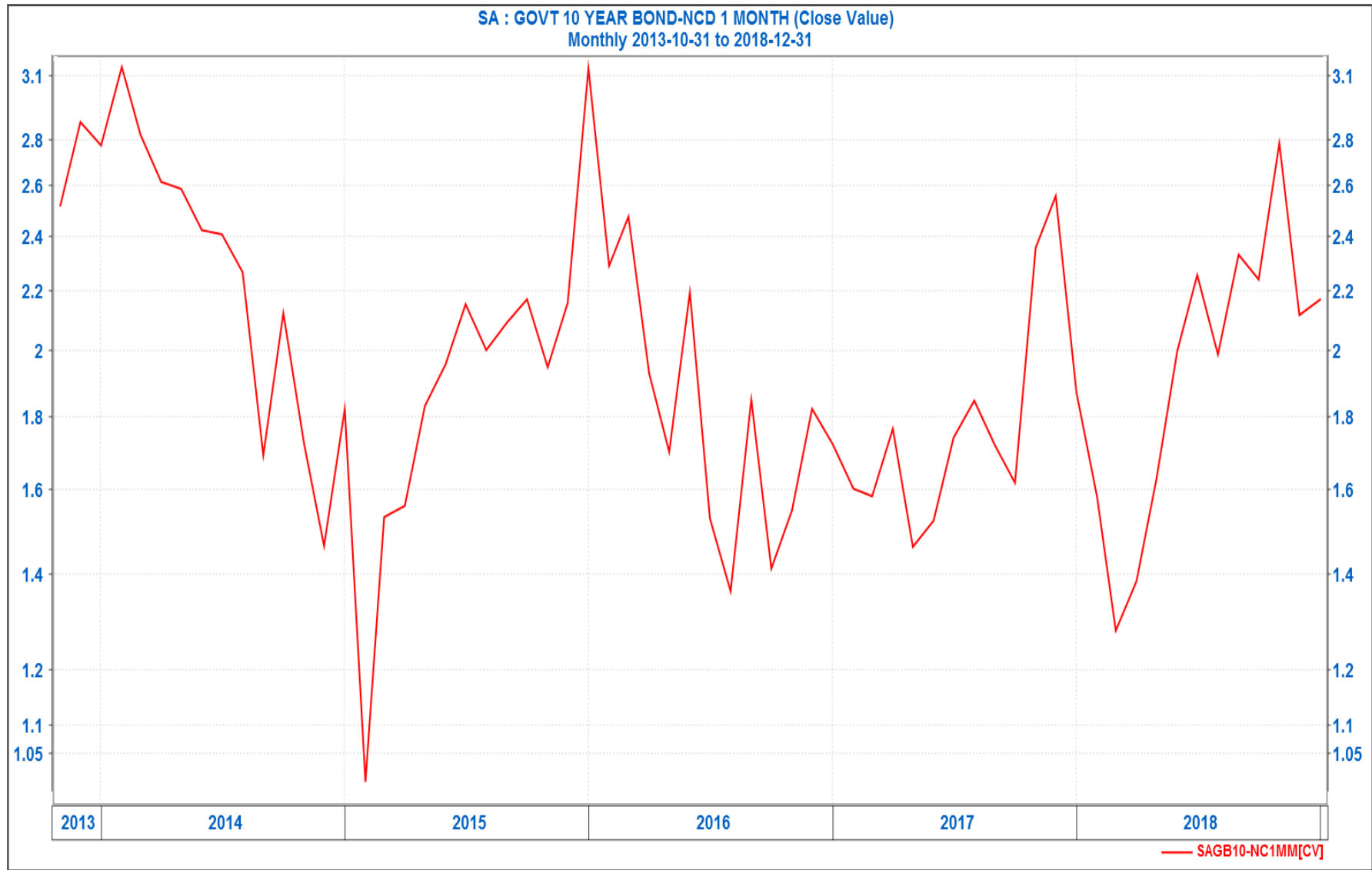
Real Interest Rate - SA vs. USA

Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), SA : GOVT 10 YEAR BOND, USA : CONSUMER PRICE INDEX - ALL URBAN S/A, USA : GOVT 10 YEAR BOND
Monthly 2013-08-31 to 2018-11-30



Period

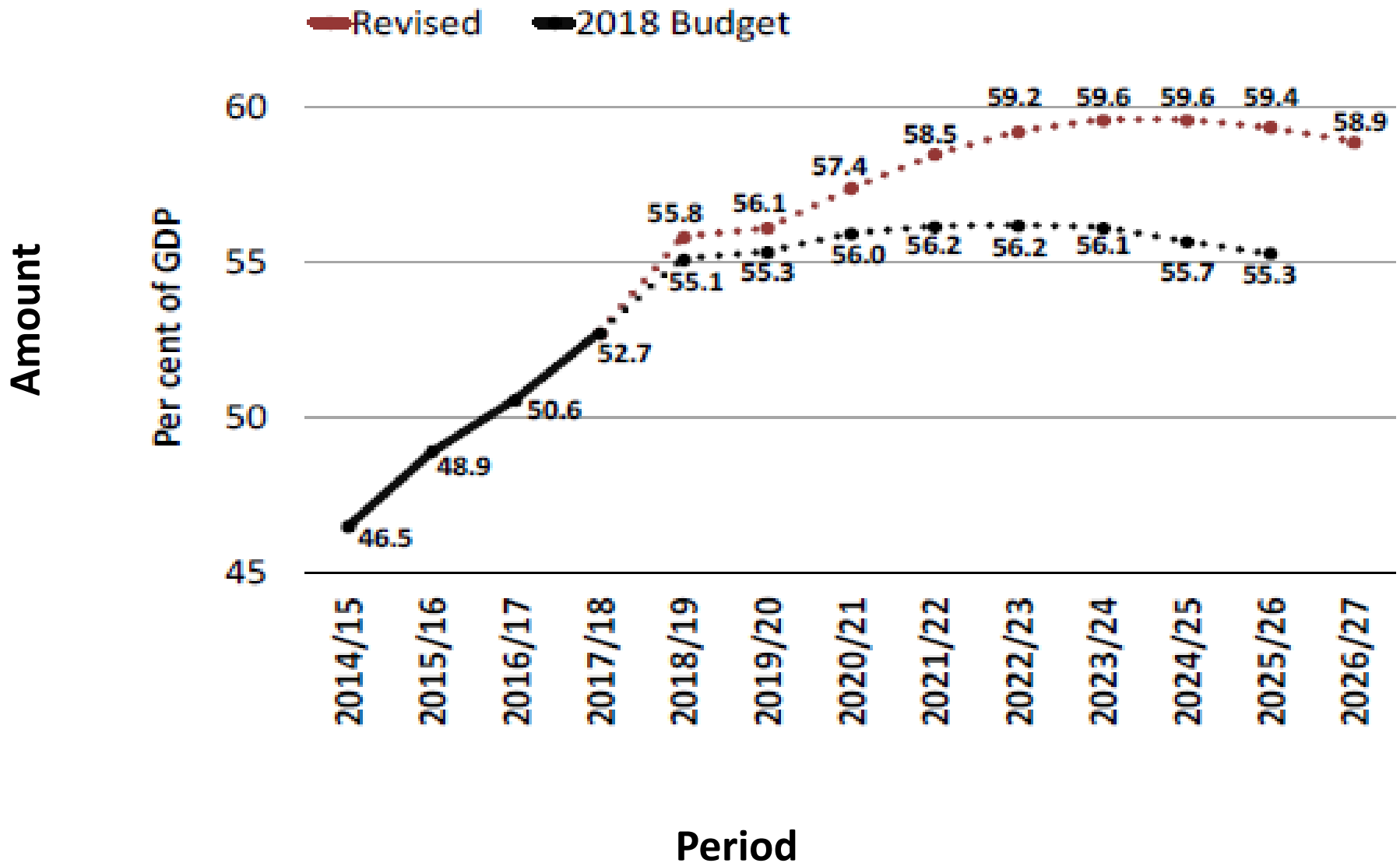
SA 10yr Bond Rate & 1m NCD Rate Differential



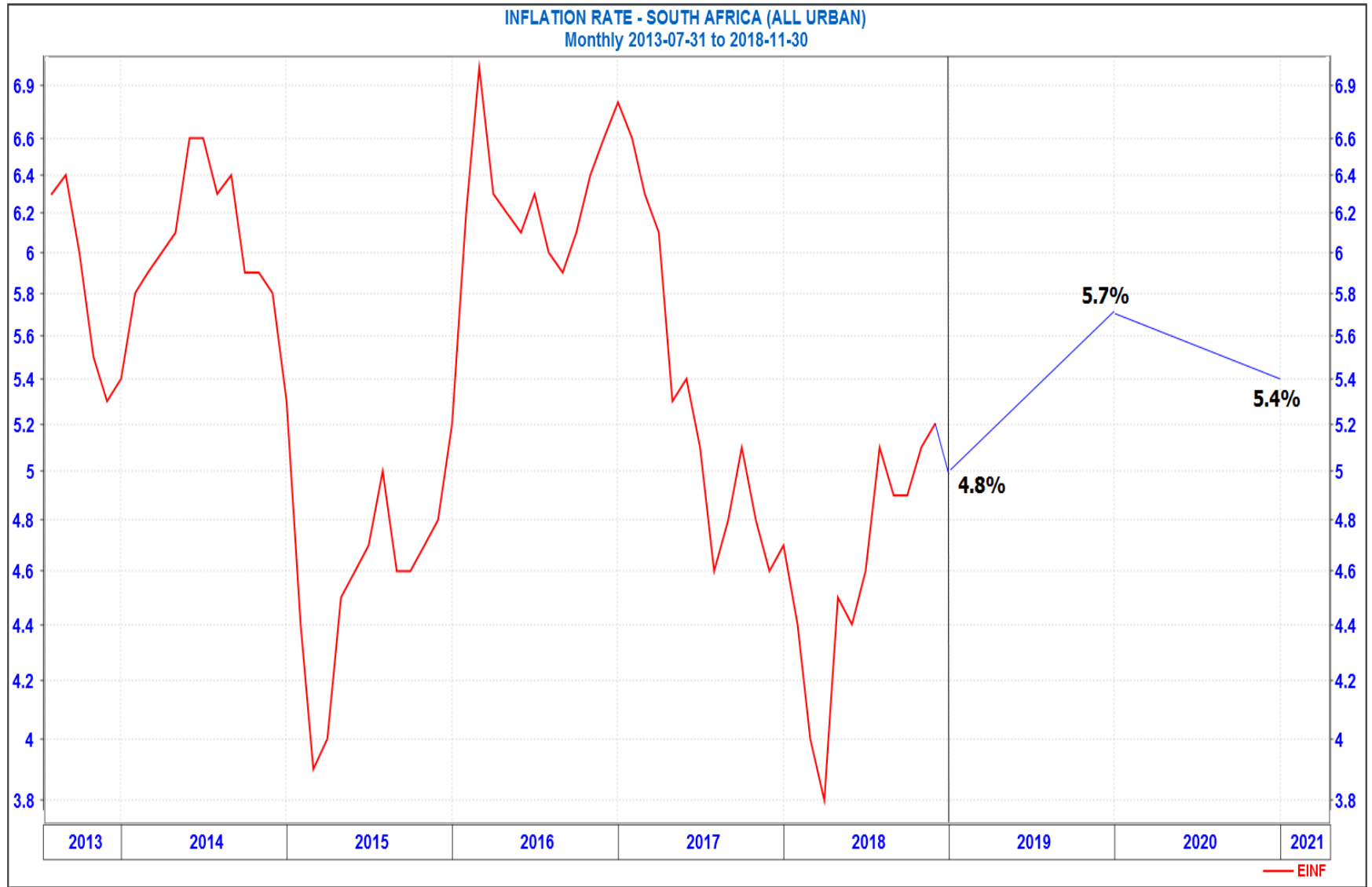
Period

SA Government Debt %GDP

Figure 3.2 Gross debt-to-GDP outlook**

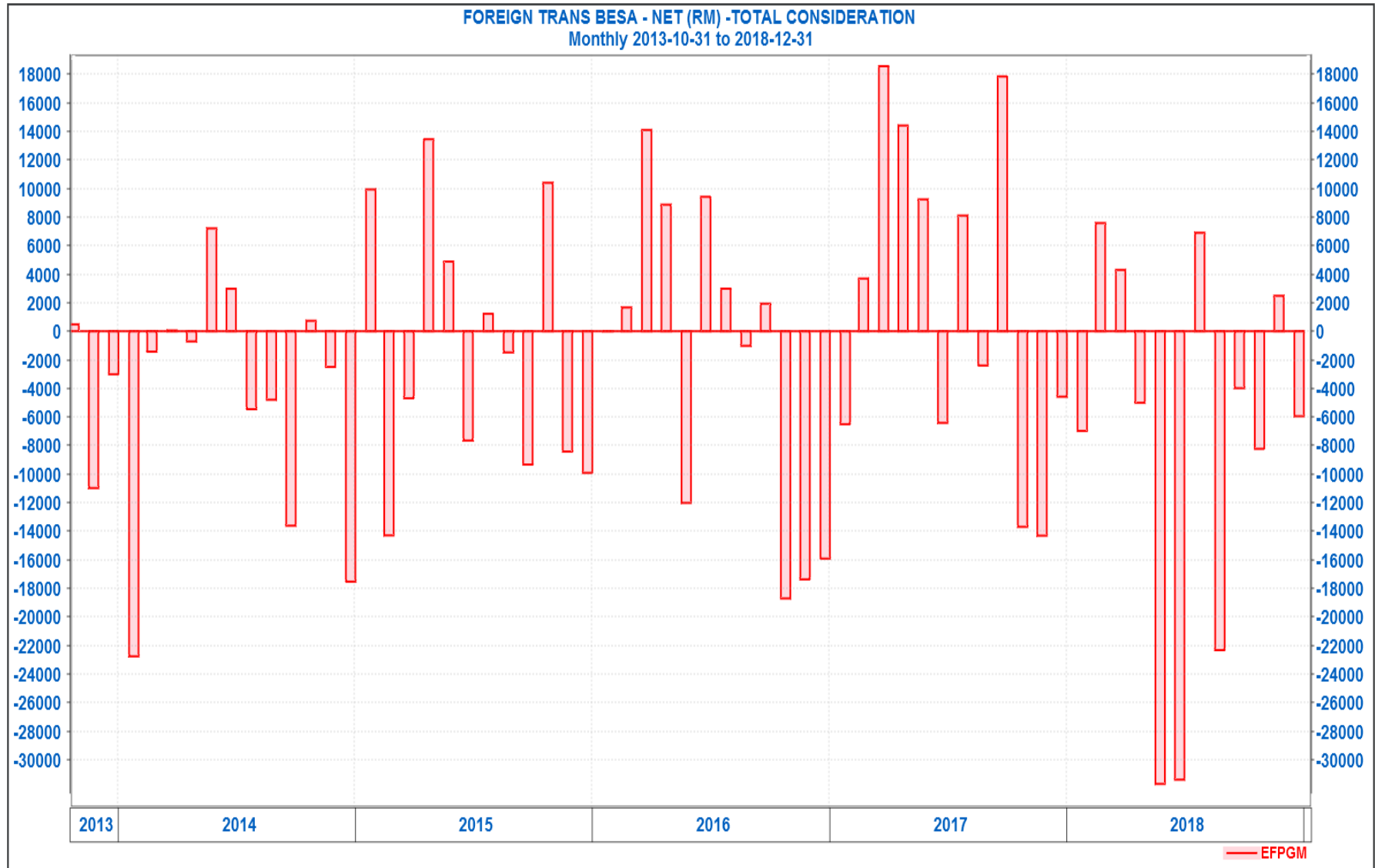


SARB Inflation Expectation



Period

Foreign In- and out flows in Capital market (Million)



Commodities Market

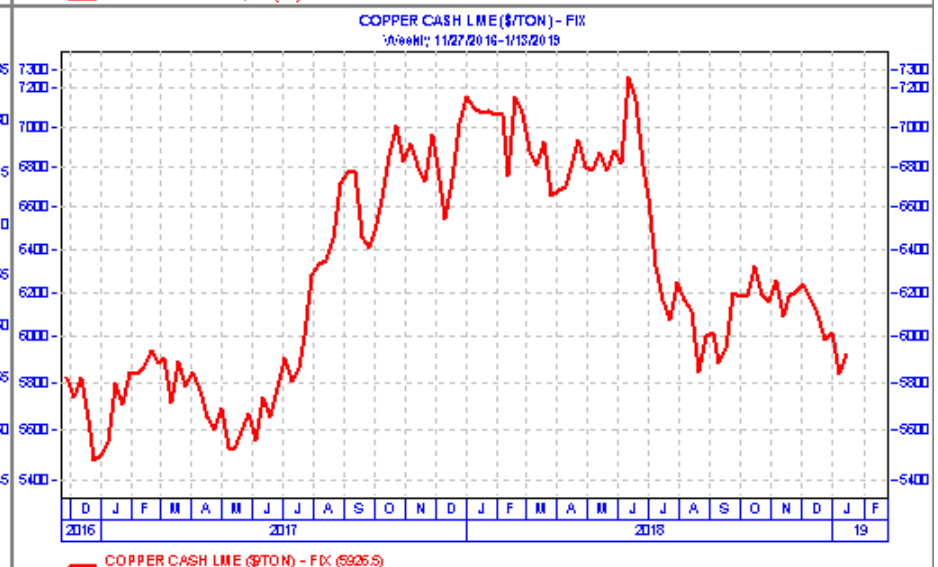
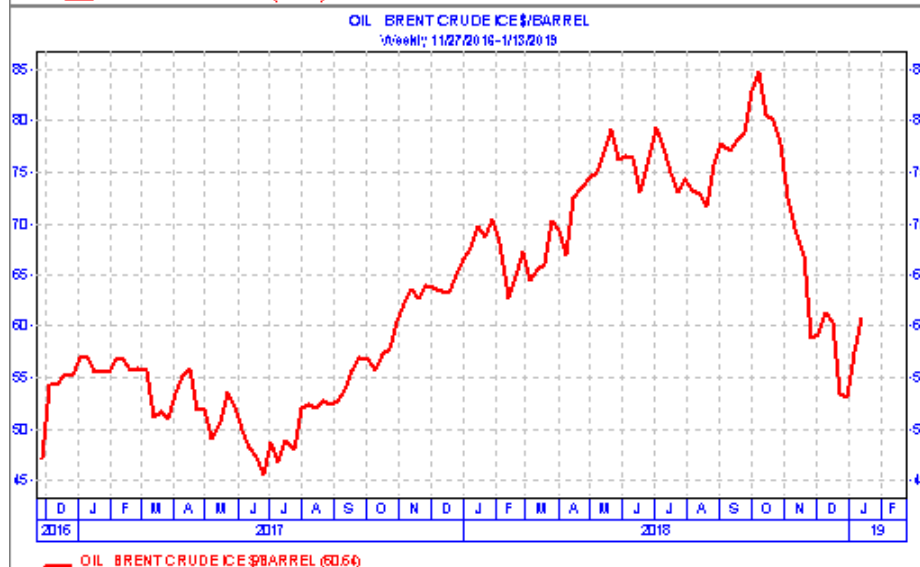
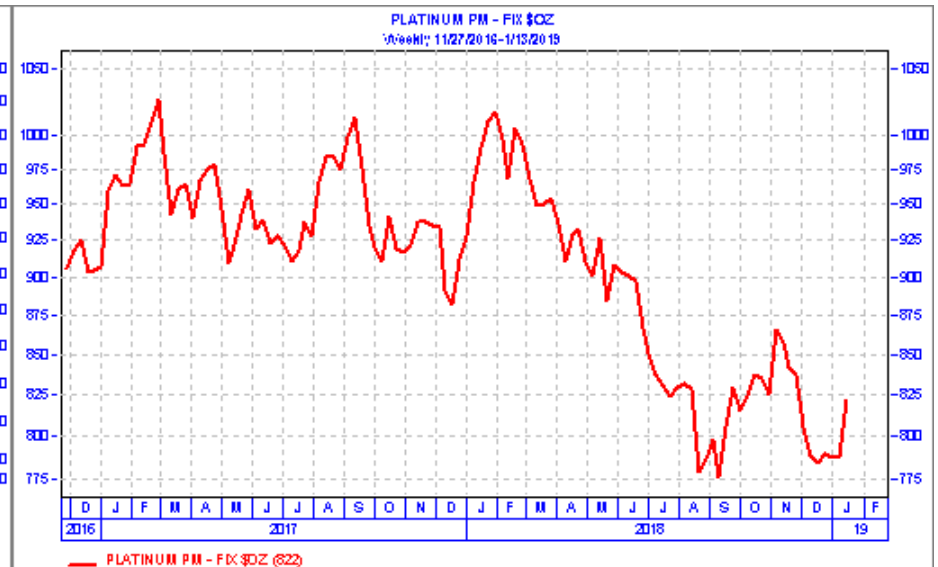
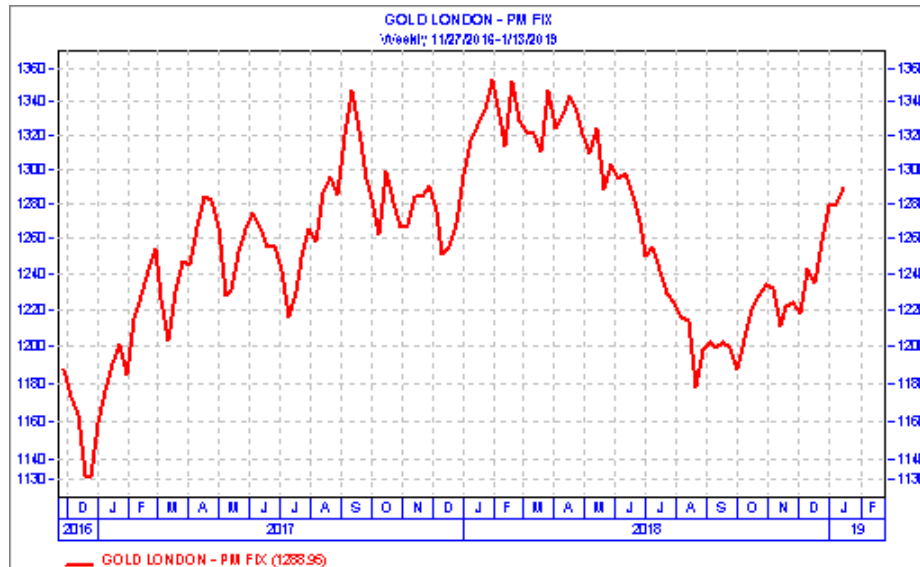
Commodity Index

RJ/CRB TOTAL RETURN INDEX
Weekly 2012-07-15 to 2019-01-13

Index Points



Commodity Prices



Equities Market

Equities Market:

Equities had a negative fourth quarter in 2018 and remain overpriced relative to the Capital Market. Selected shares in Financials, Resources, Health Care and General Retailer's sectors currently are showing value.

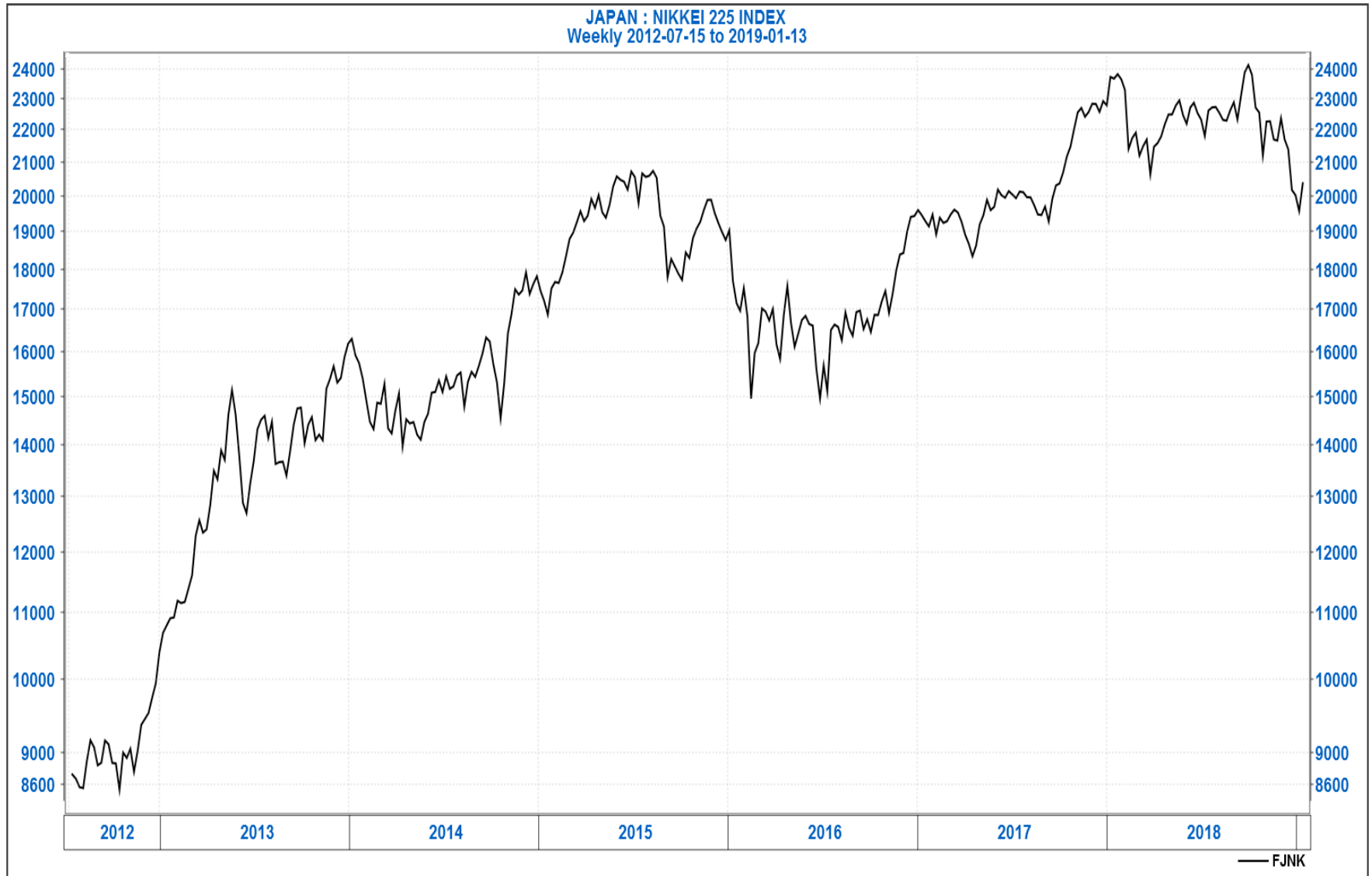
Foreign Investors remain net sellers of South African Equities.

China – Shanghai A Share Index



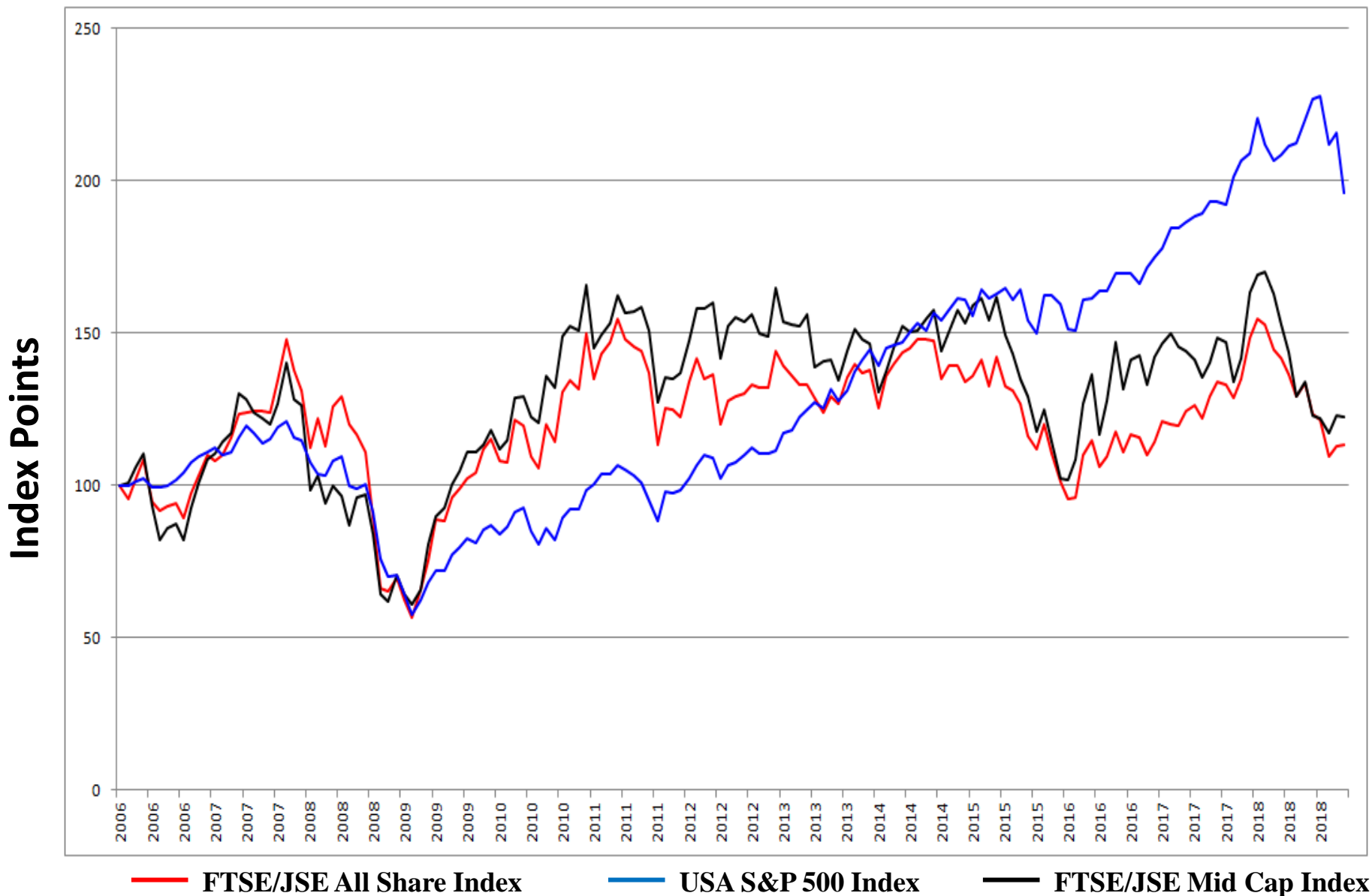
Period

Japan – Nikkei 225



Period

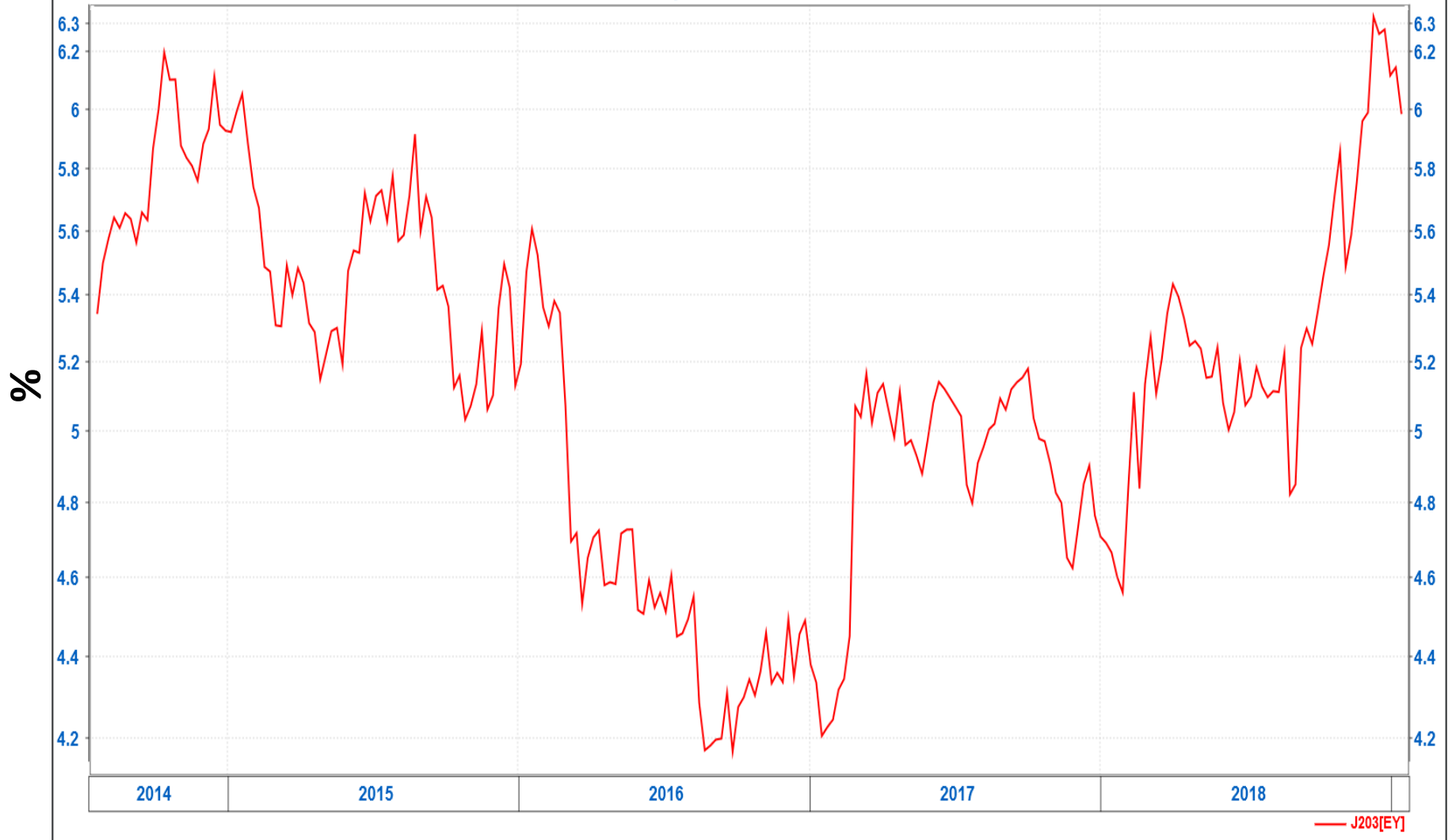
SA All Share Index and USA S&P 500 Index (\$)



Period

SA All Share Index – Earnings Yield

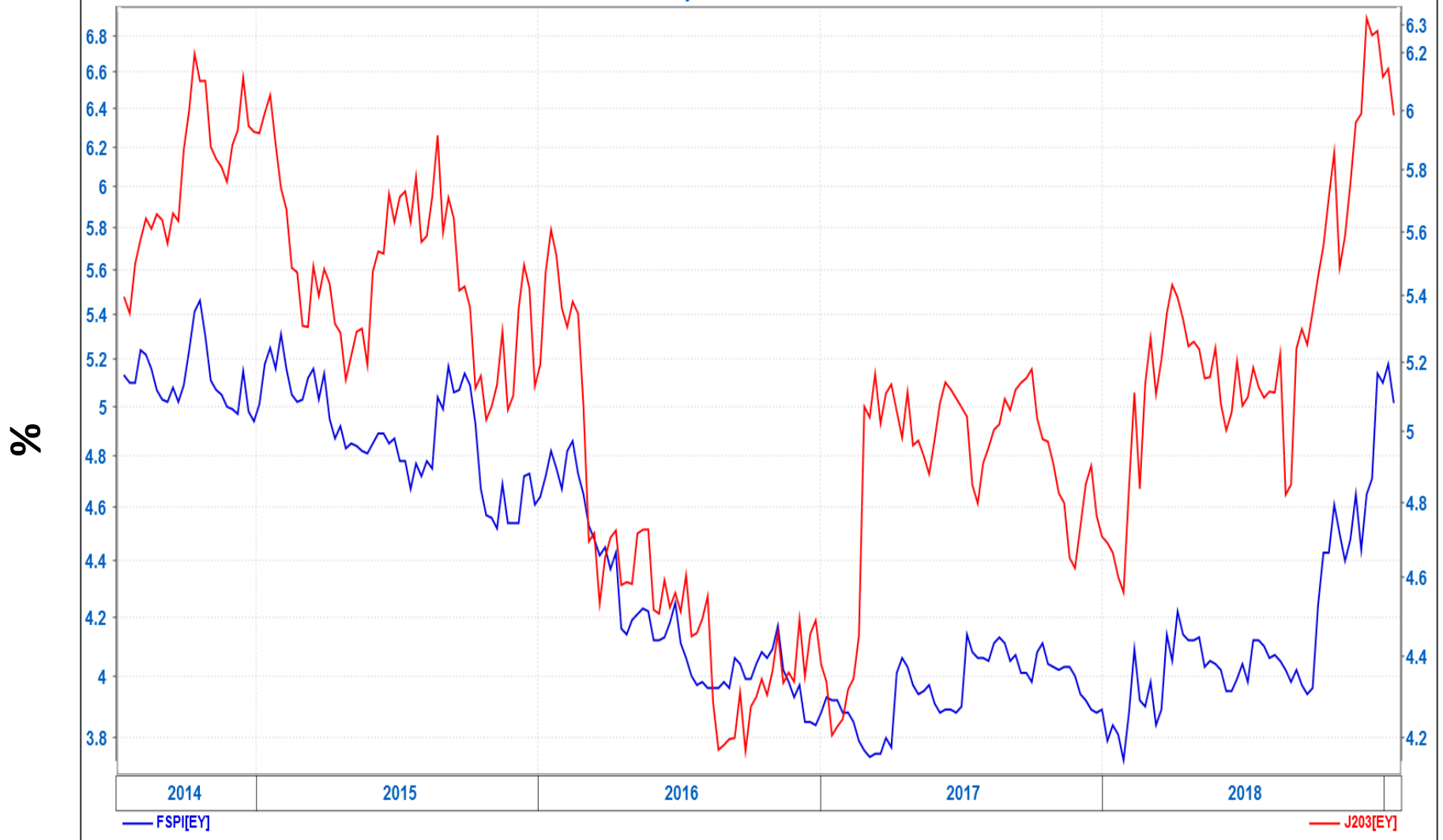
FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield)
Weekly 2014-07-15 to 2019-01-13



Period

Earnings Yield- SA vs. USA

FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield) , USA : S & P 500 COMPOSITE INDEX (Earnings Yield)
Weekly 2014-07-08 to 2019-01-13



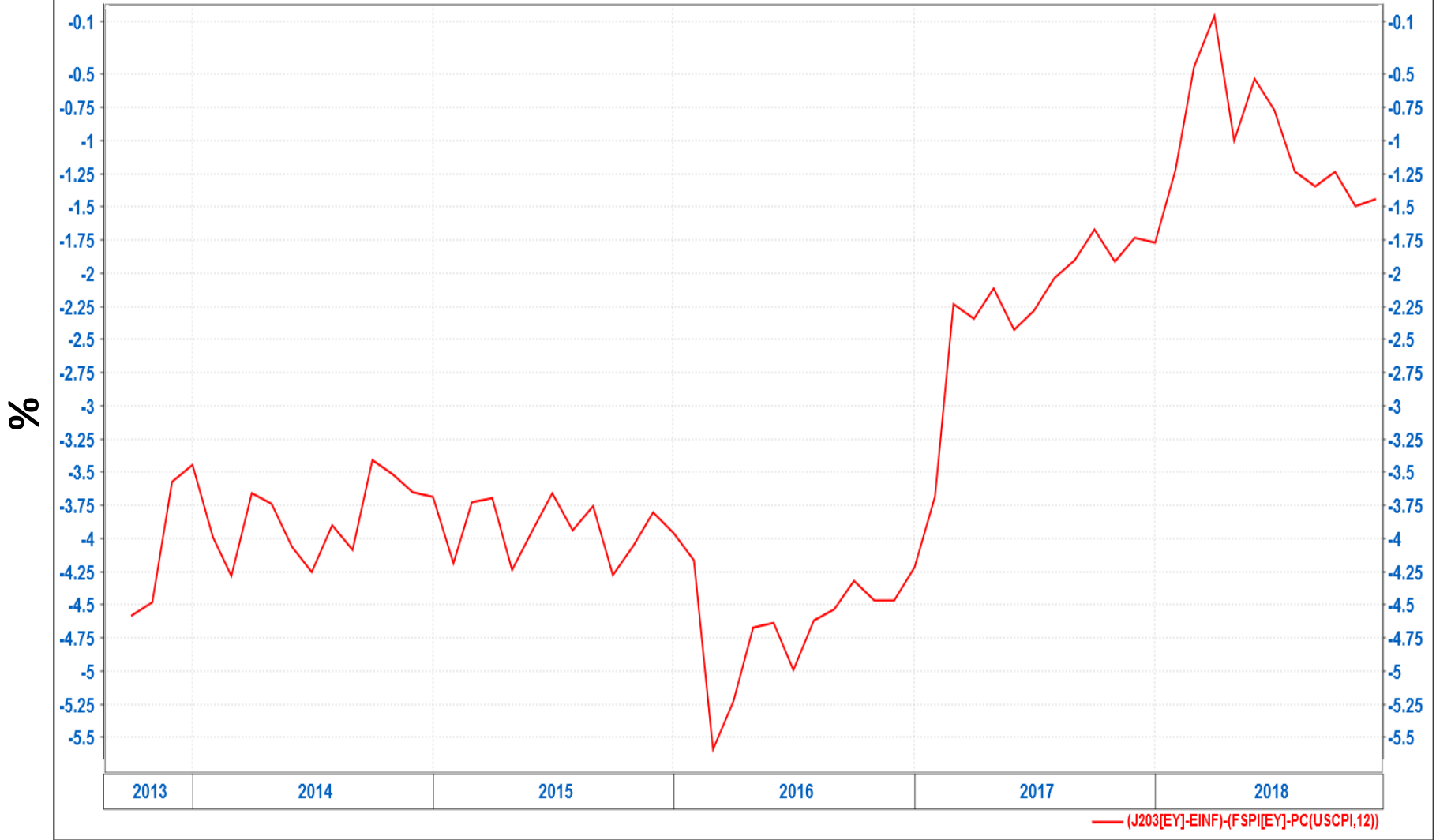
— S.A. All Share Earnings Yield

— USA S&P 500 Shares Earnings Yield

Period

Real EY- SA vs. USA

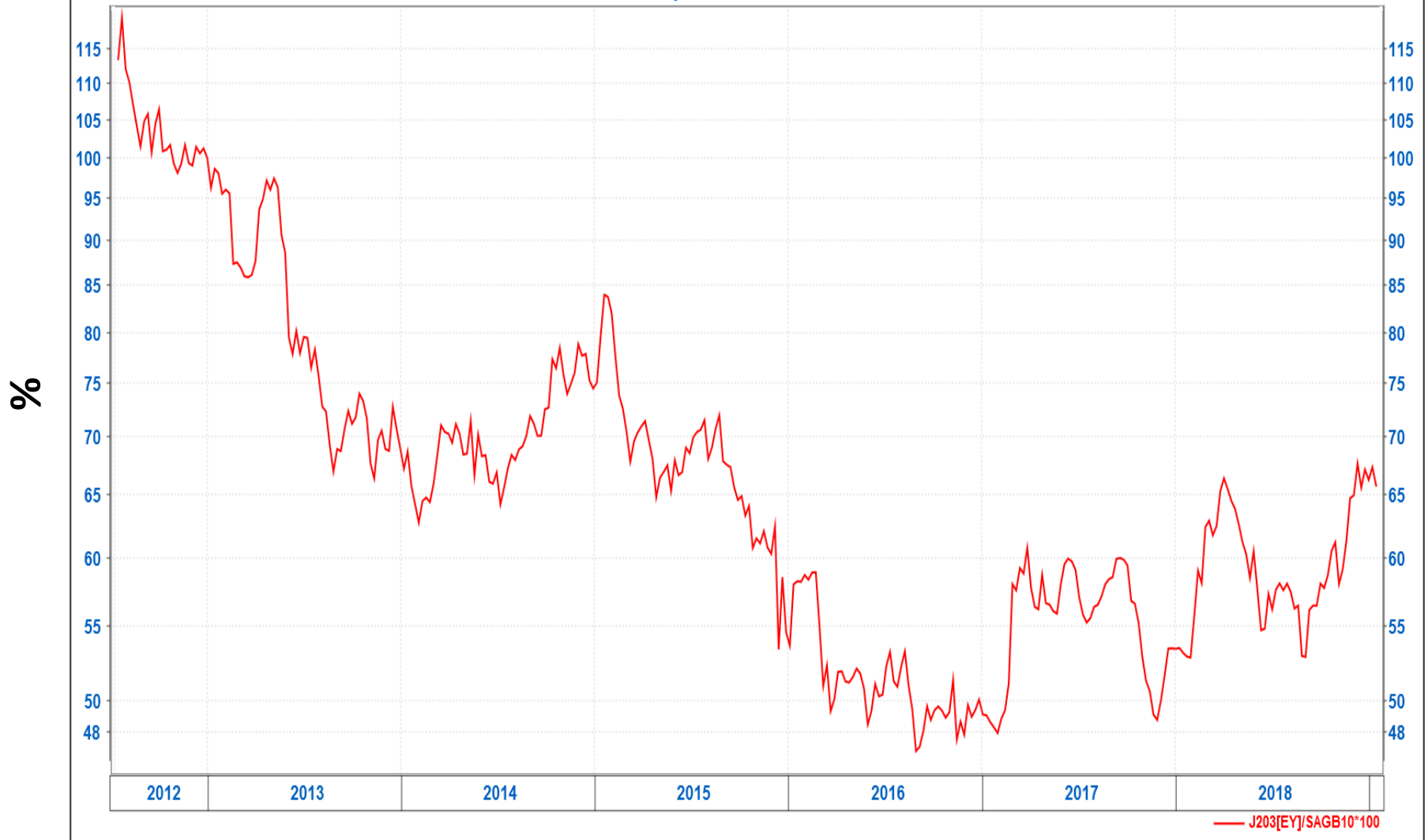
Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), USA : S & P 500 COMPOSITE INDEX (EY), FTSE/JSE : AFRICA ALL SHARE INDEX (EY), USA : CONSUMER PRICE INDEX - ALL URBAN S/A
Monthly 2013-08-31 to 2018-11-30



Period

Relative value of share's against Capital market rates

FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield)/SA : GOVT 10 YEAR BOND*100
Weekly 2012-07-15 to 2019-01-13



Period