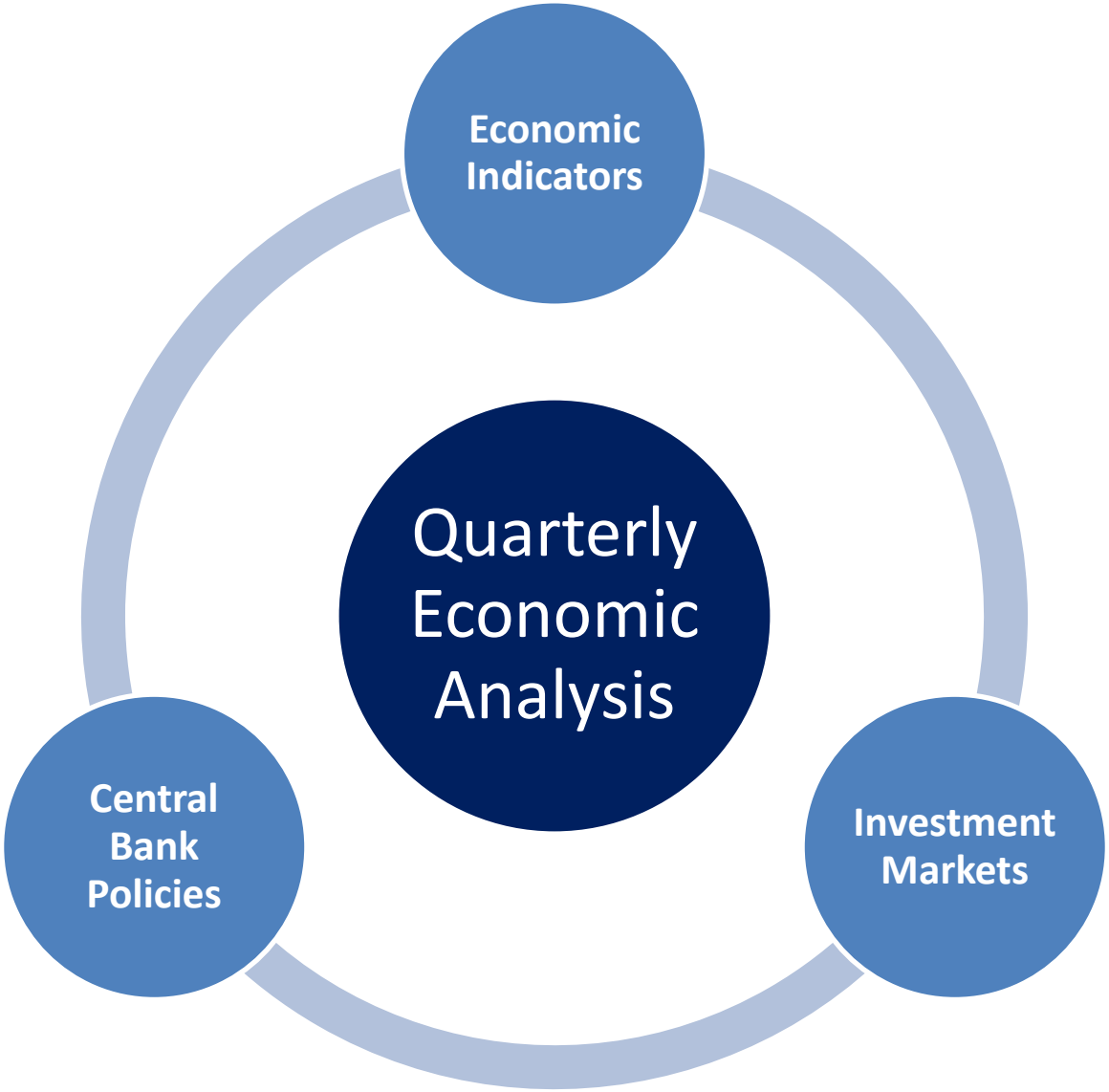
FFO SECURITIES (PTY) LTD
Authorised user of the JSE Ltd



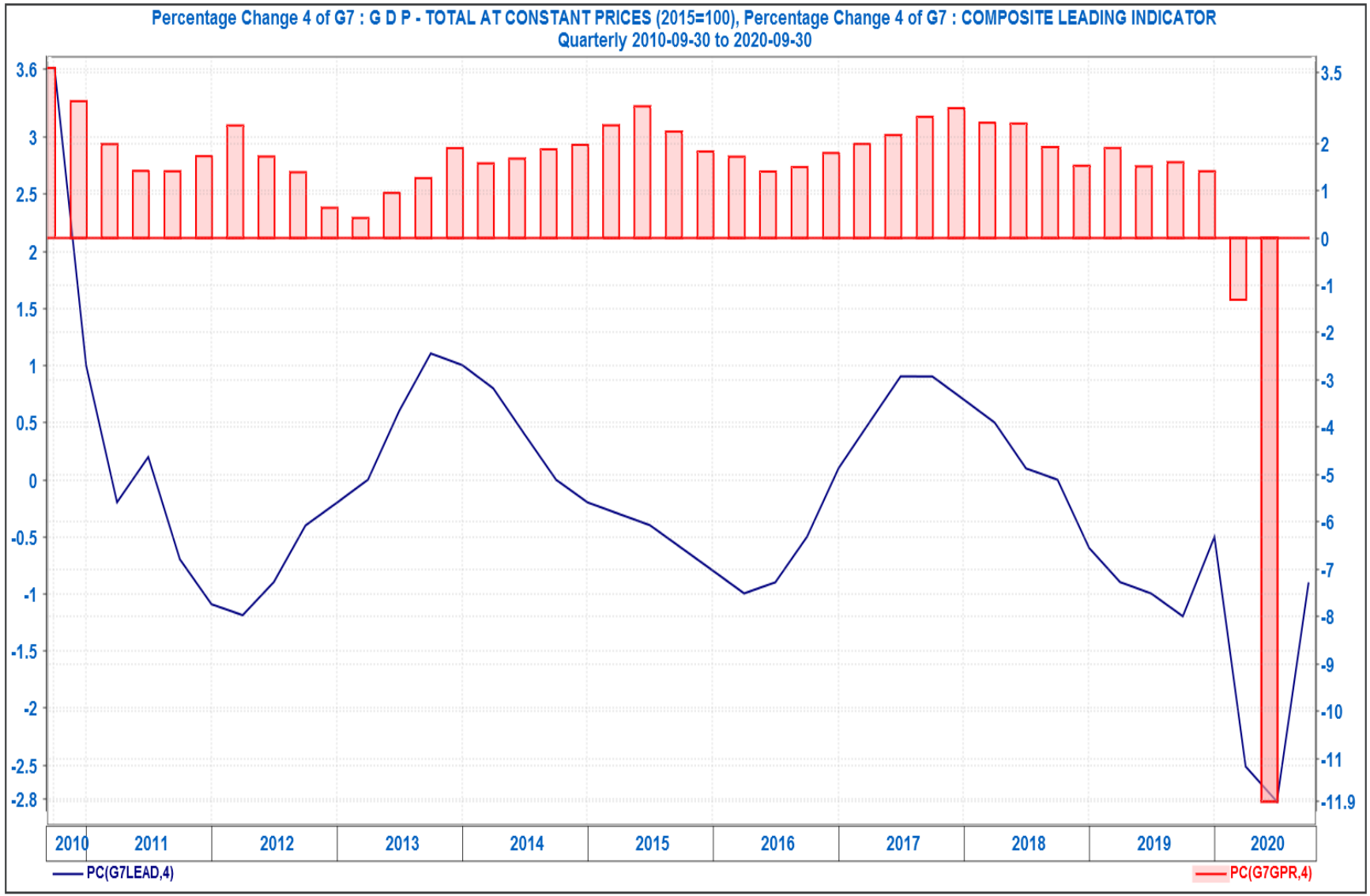
International Economic Indicators

Worldwide: G7

Global impact of Covid-19 on economic growth extended well into the second quarter of 2020, with most countries being in full lockdown for that period. Q2 economic growth in the G7 countries contracted 11.9%. With the future impact of Covid-19 on world growth still uncertain, third quarter estimates of some of the G7 countries remain very weak, but indicate recovery.

Unemployment rates have increased to 9% in Q2 of 2020; while the latest inflation figures at the 0.9% level Q3.

G7 – Economic Growth Rate



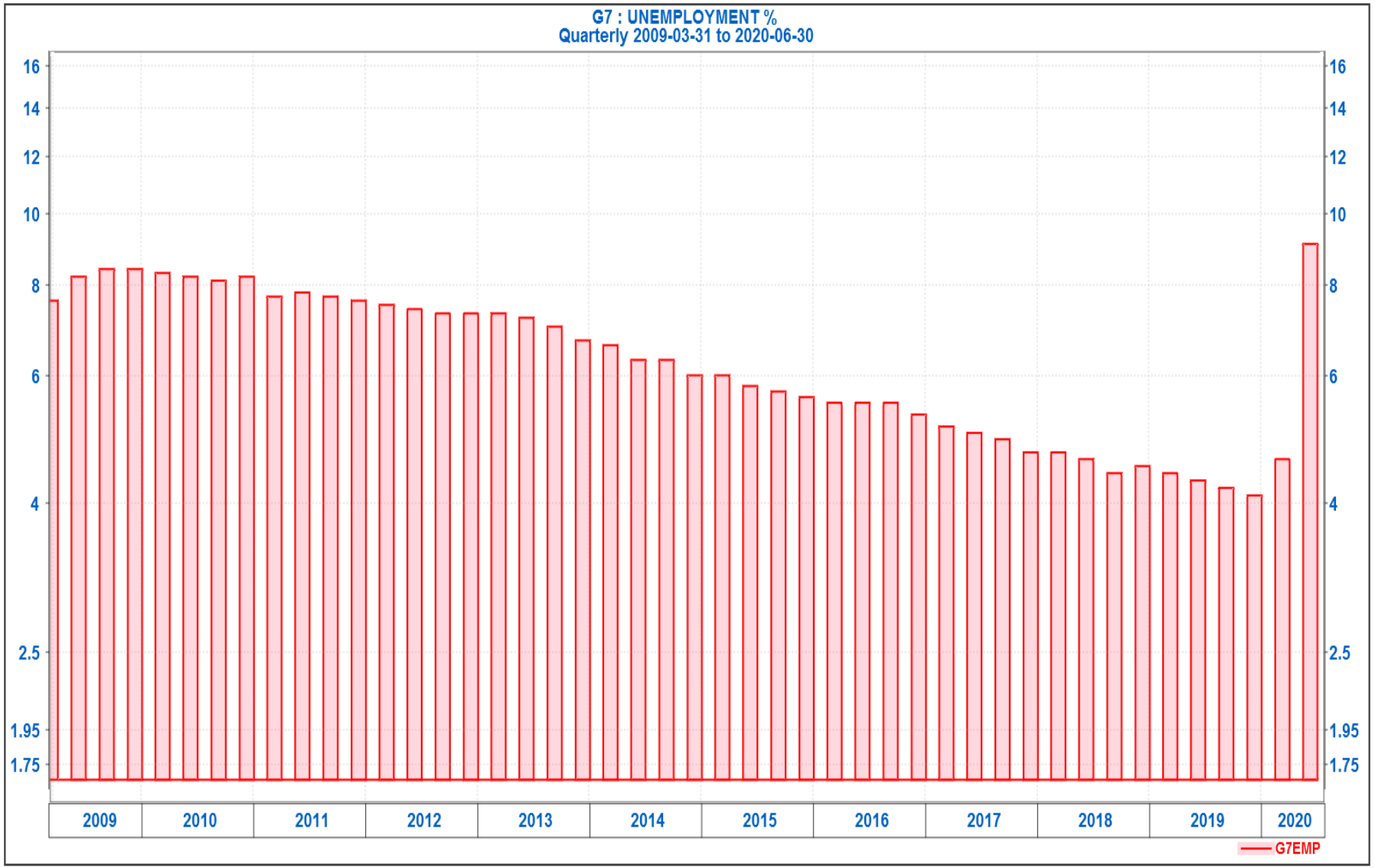
% Change

G7 Leading Indicator

G7 Growth Rate

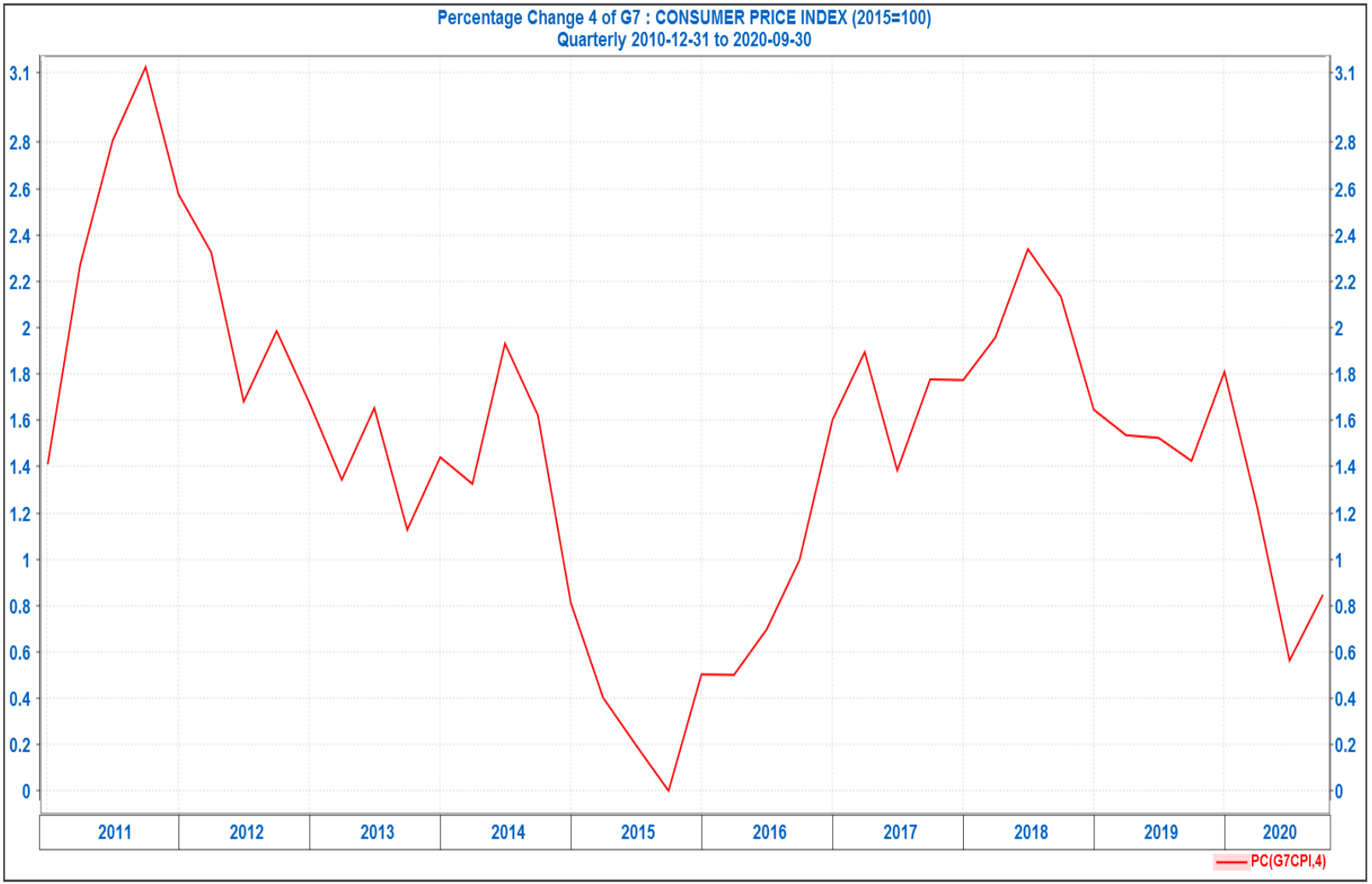
Period

G7 – Unemployment



Period

G7 – Inflation



% Change

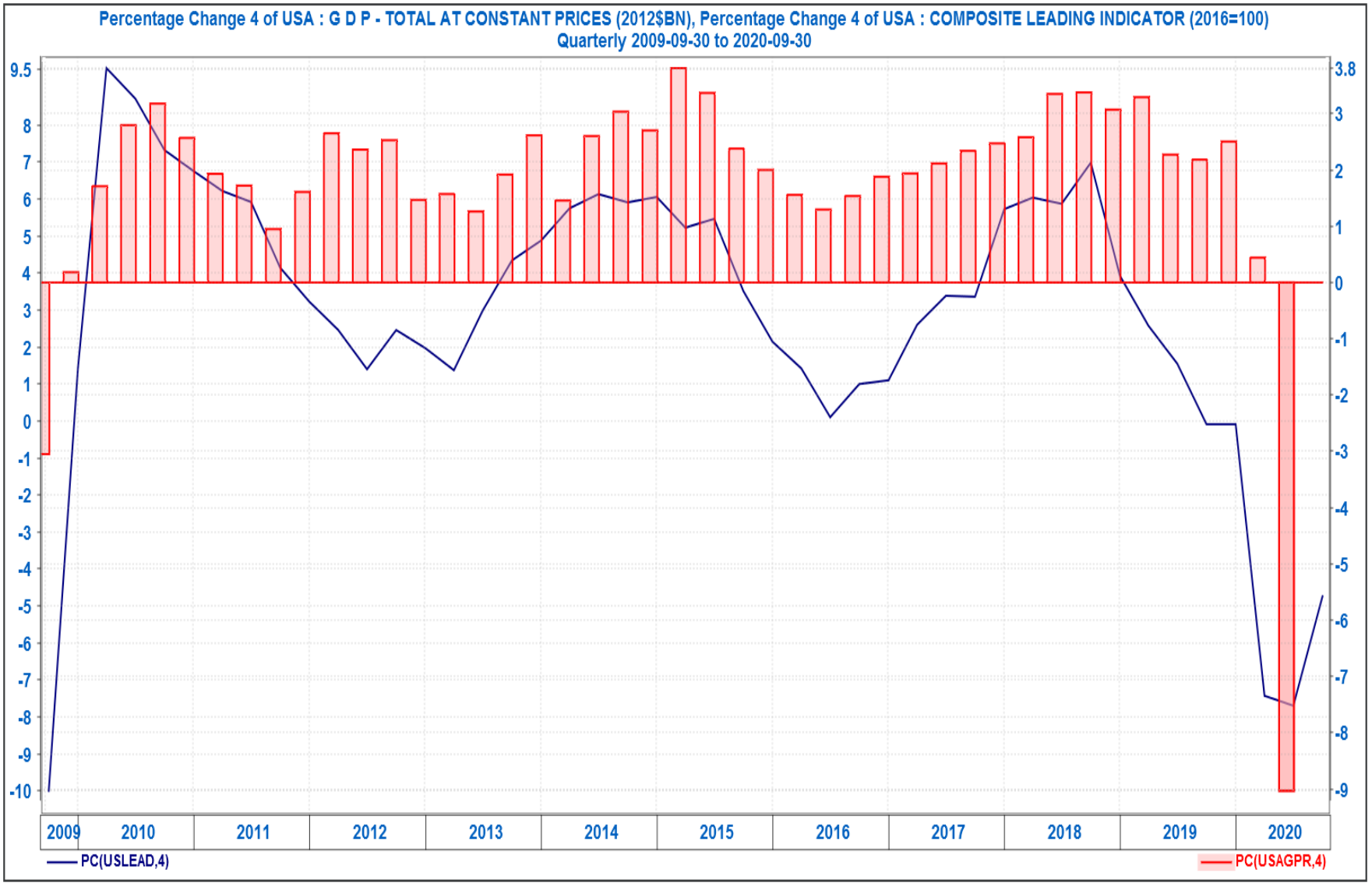
Period

Unites States:

The Federal Reserve's quantitative easing measures continue to show some impact on economic activity; however fears of the country going back in lockdown amidst record infection rates as well as a looming election continues to weigh down the economy. With Q2 GDP coming in at a record low of -36.1%. Inflation came in higher at 1.4% for September 2020. The unemployment rate also came in lower at 8% and real wages growth declined to -0.1% for the same period.

Earnings growth expectations have decreased as well and are estimated at -42.2% for the second quarter of 2020 and -20.5% for quarter three.

USA – Economic Growth Rate



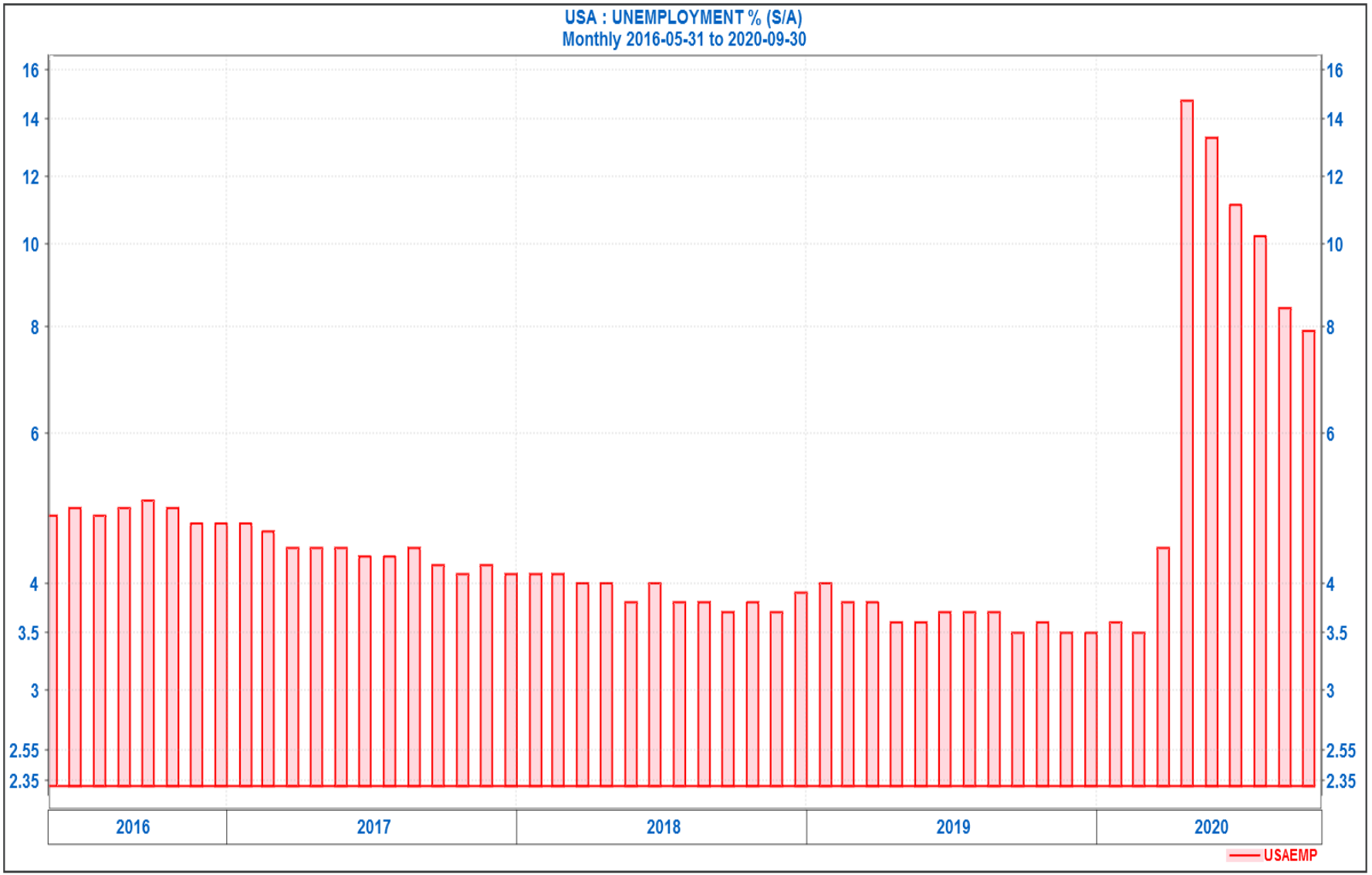
% Change

USA Growth Rate

USA Leading Indicator

Period

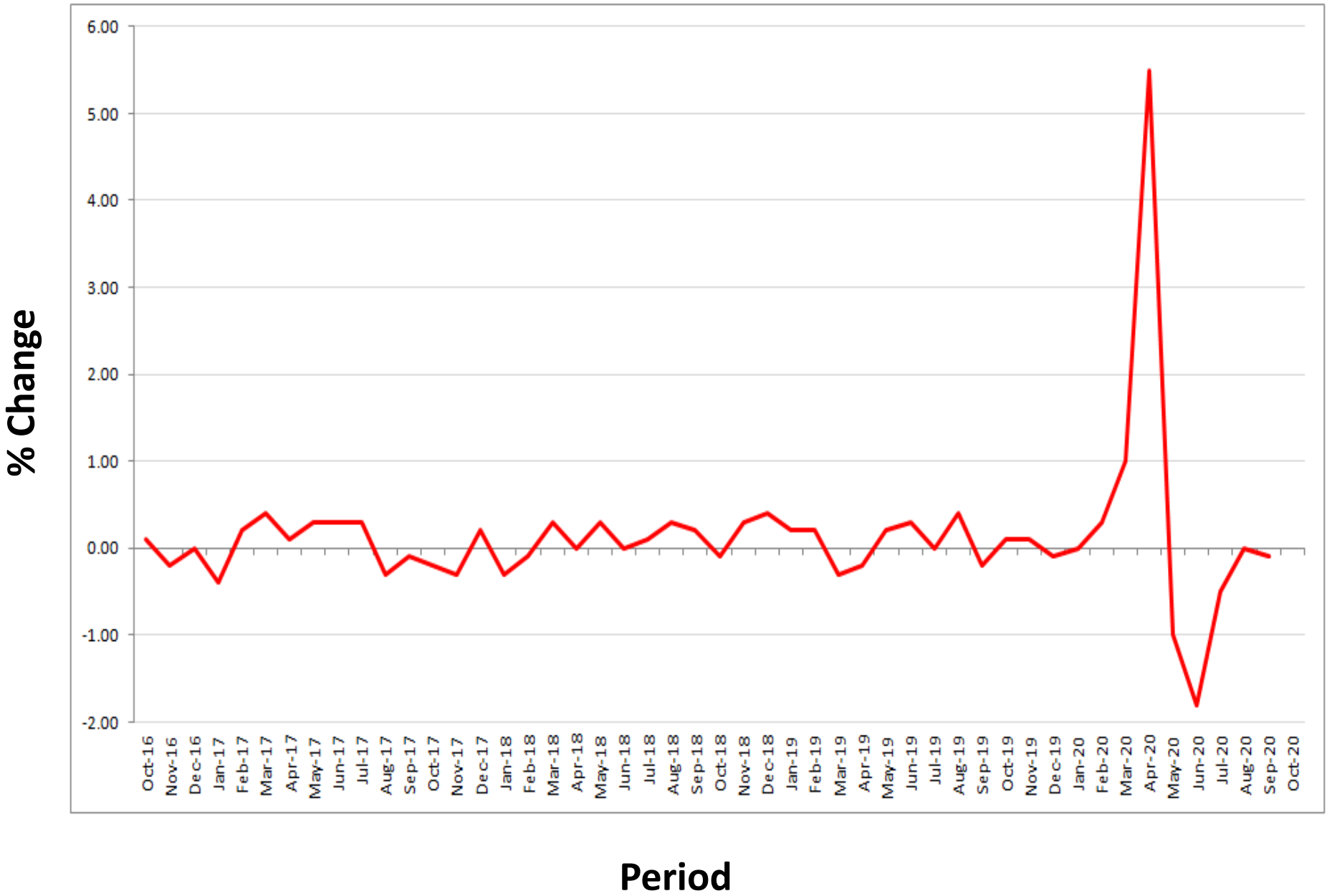
USA – Unemployment



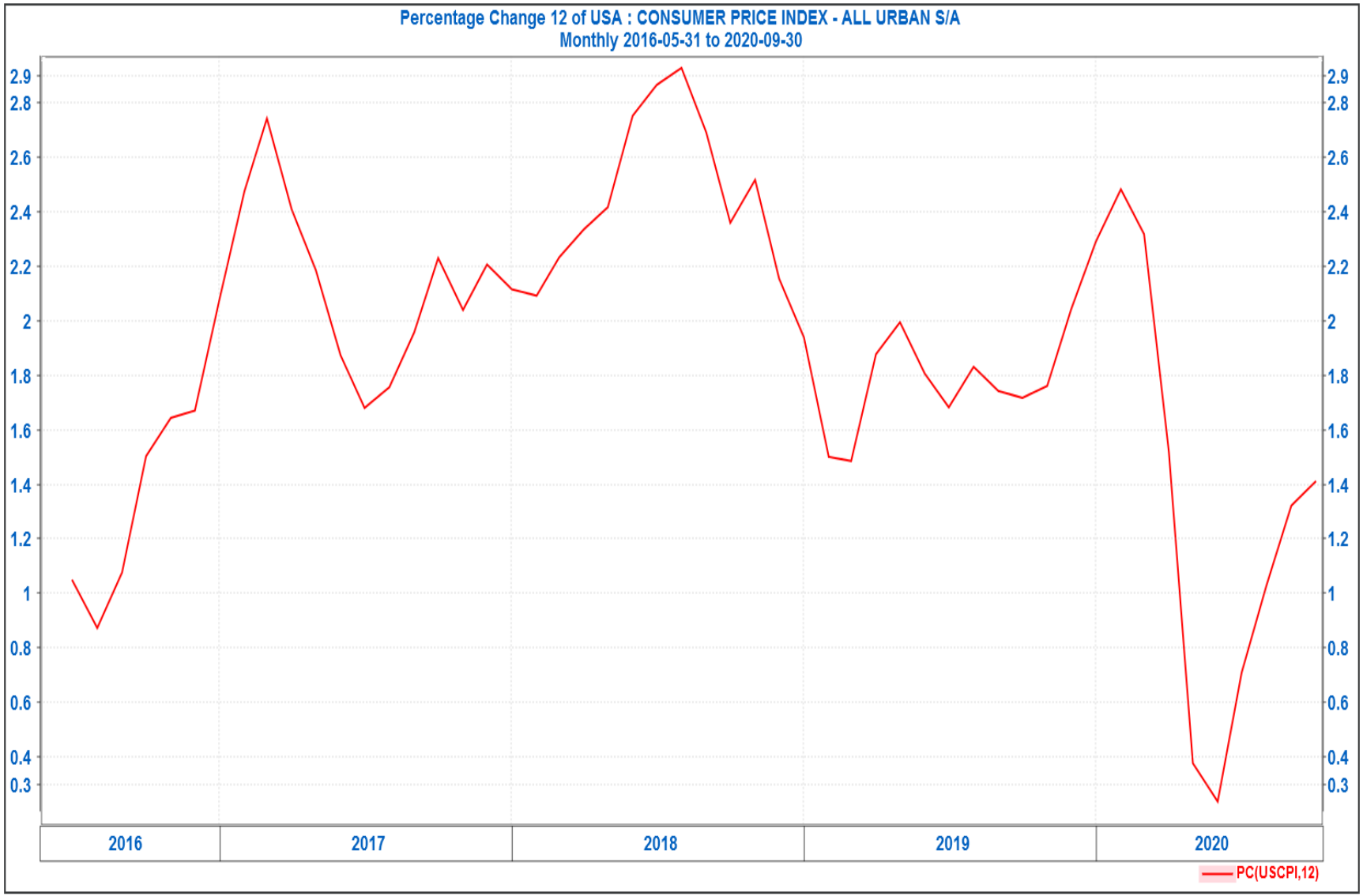
%

Period

Real US Wages Growth (MoM)



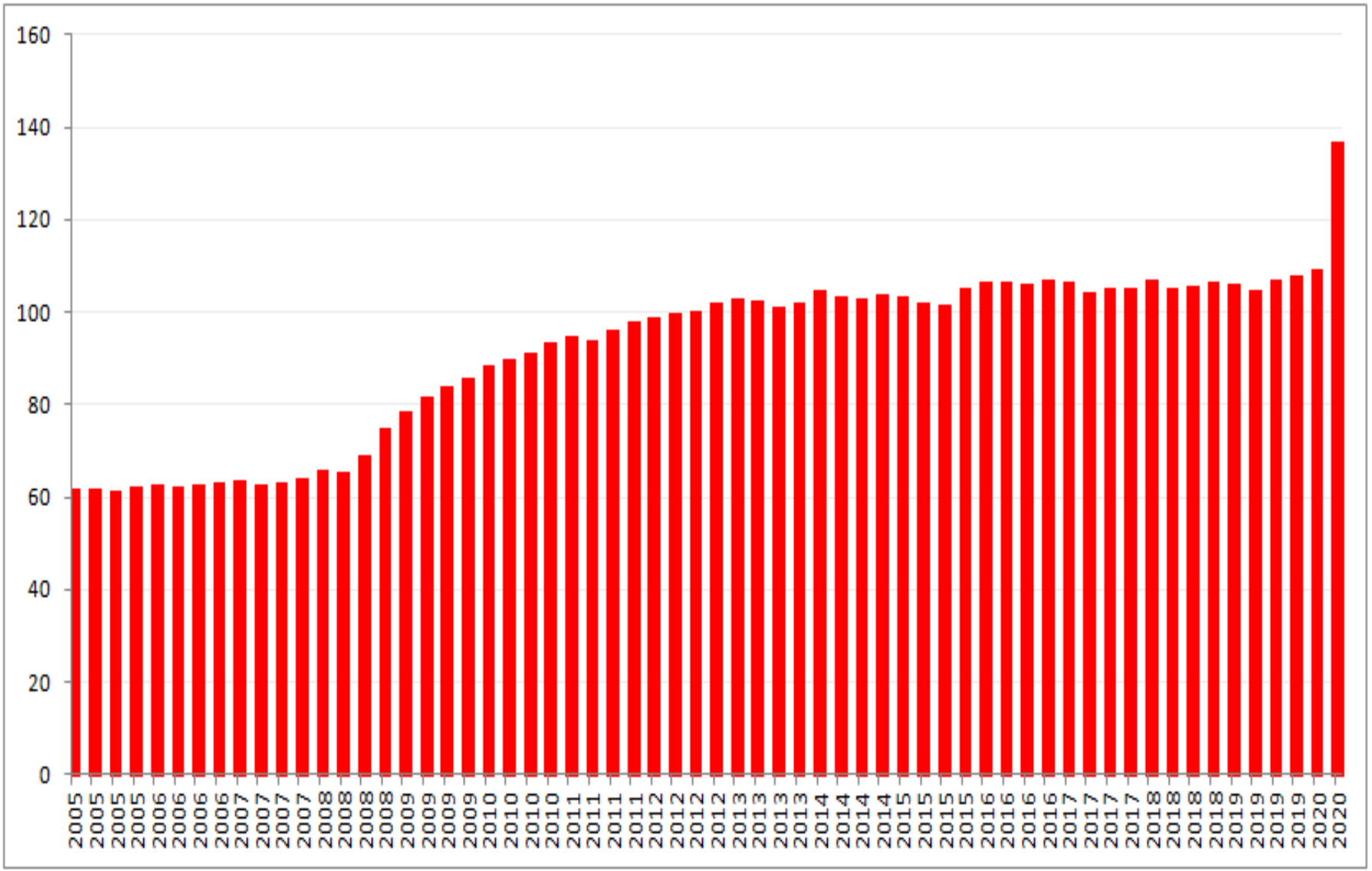
USA – Inflation



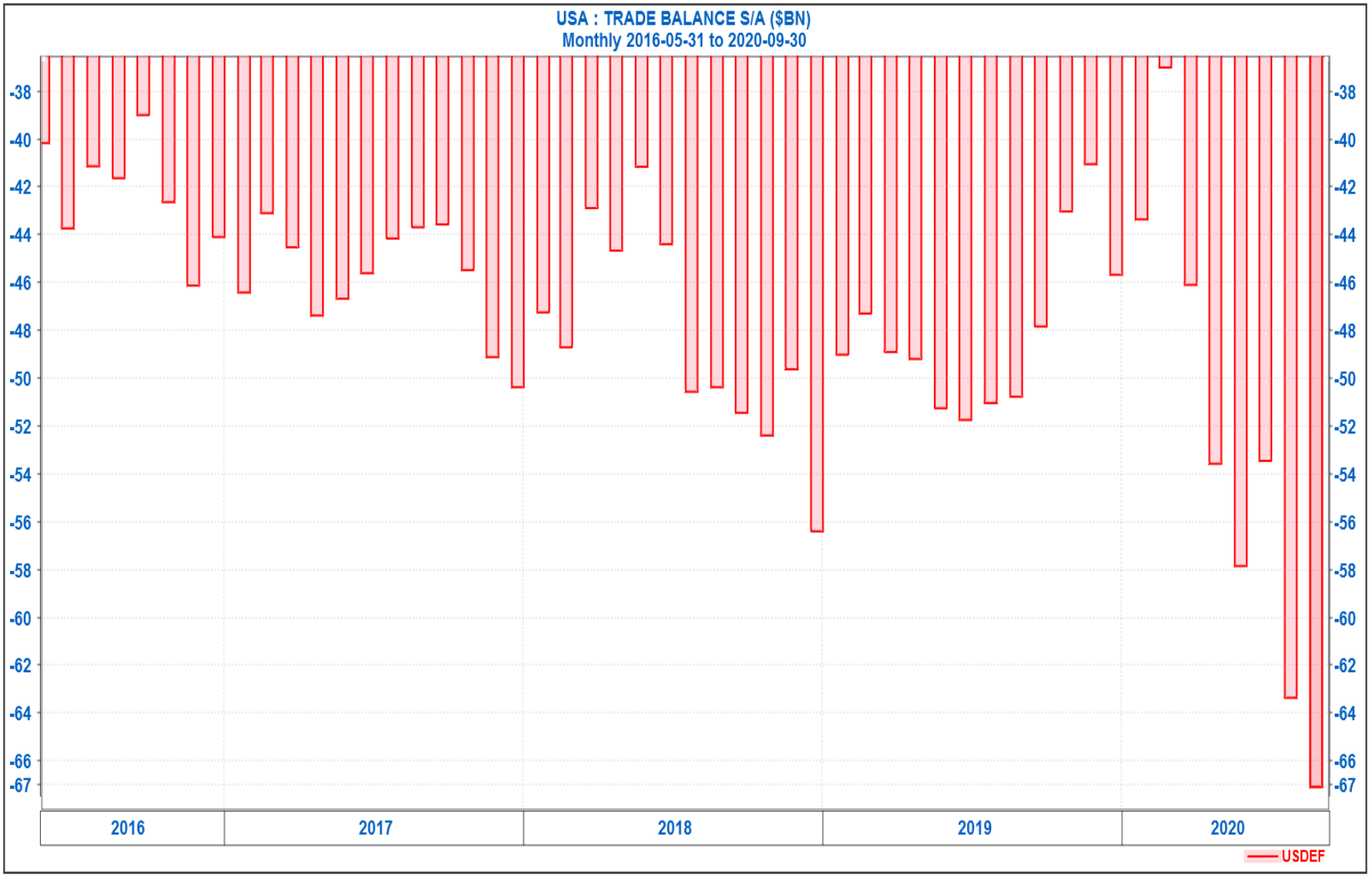
% Change

Period

USA – Government Debt %GDP ($ Million)



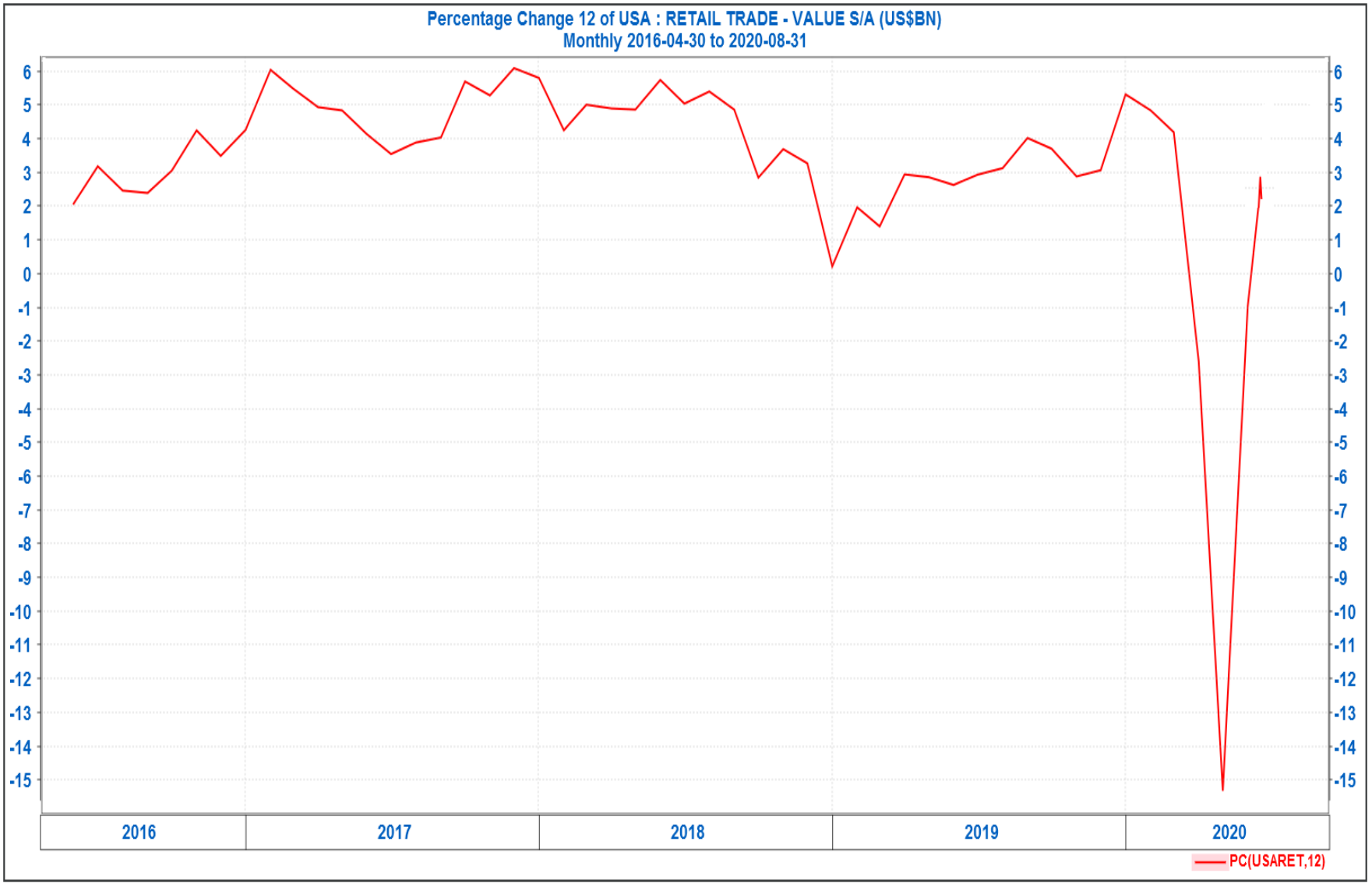
USA - Trade Balance Deficit ($ Billion)



Amount

Period

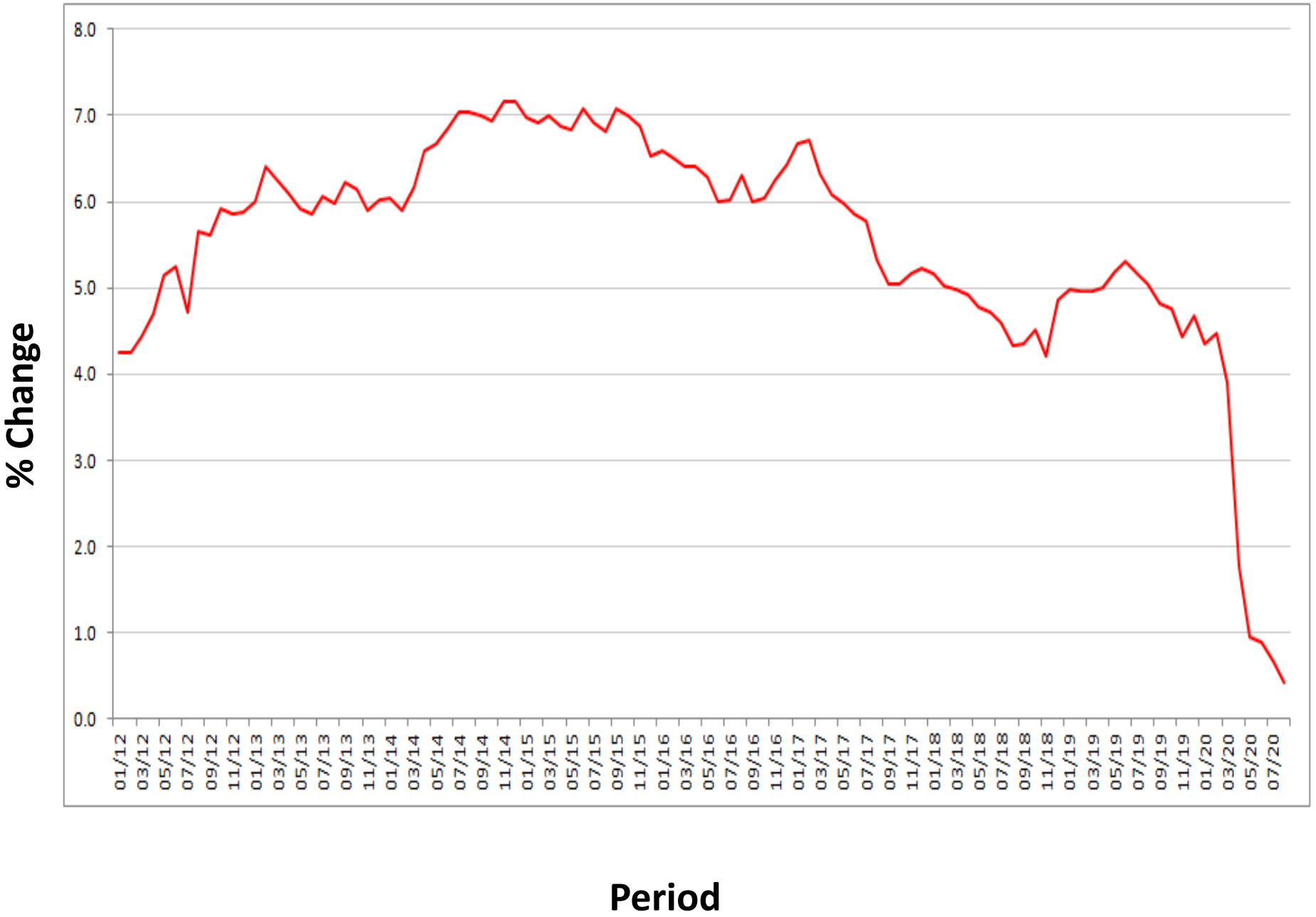
USA - Retail Sales



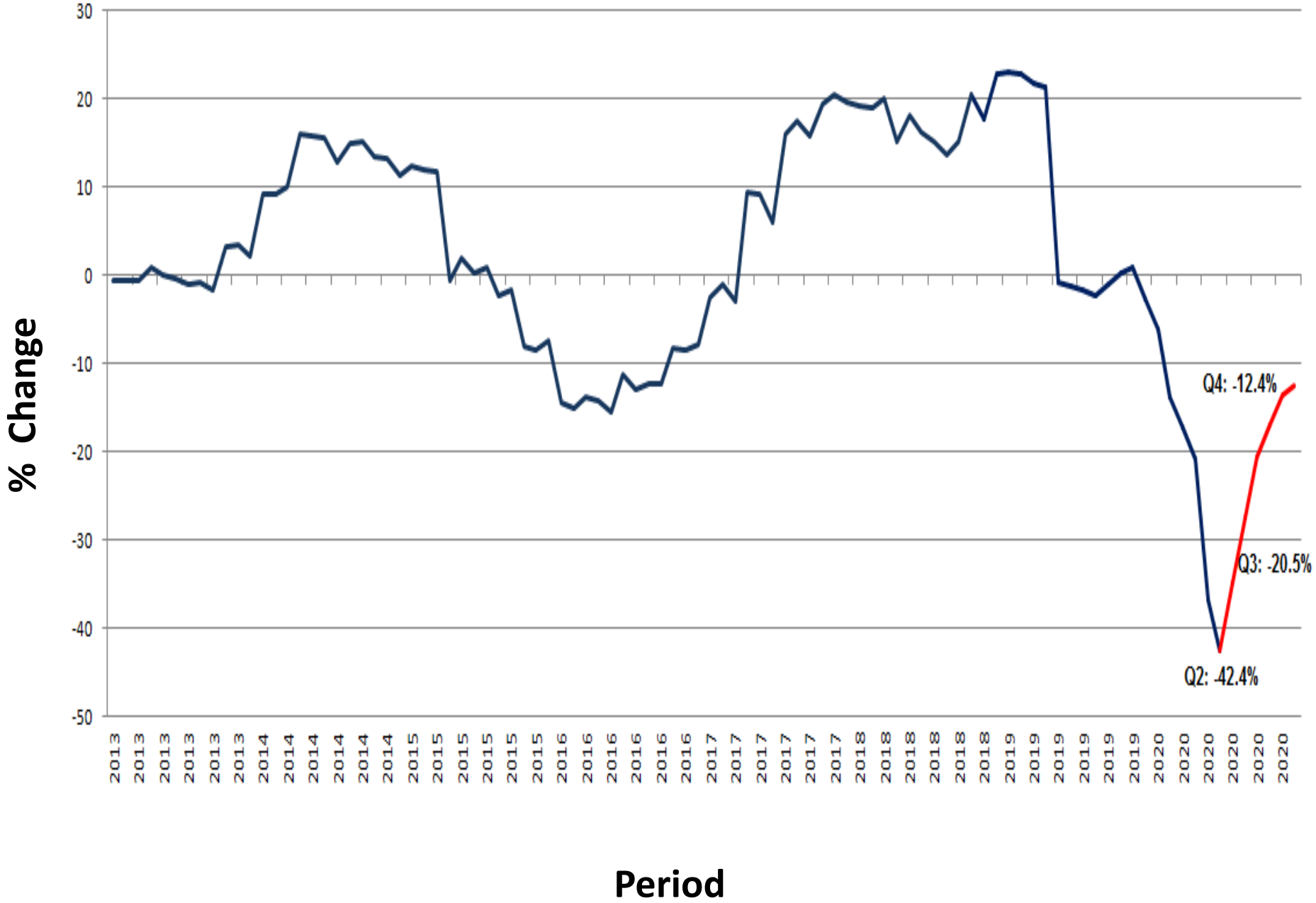
% Change

Period

USA – Consumer Credit



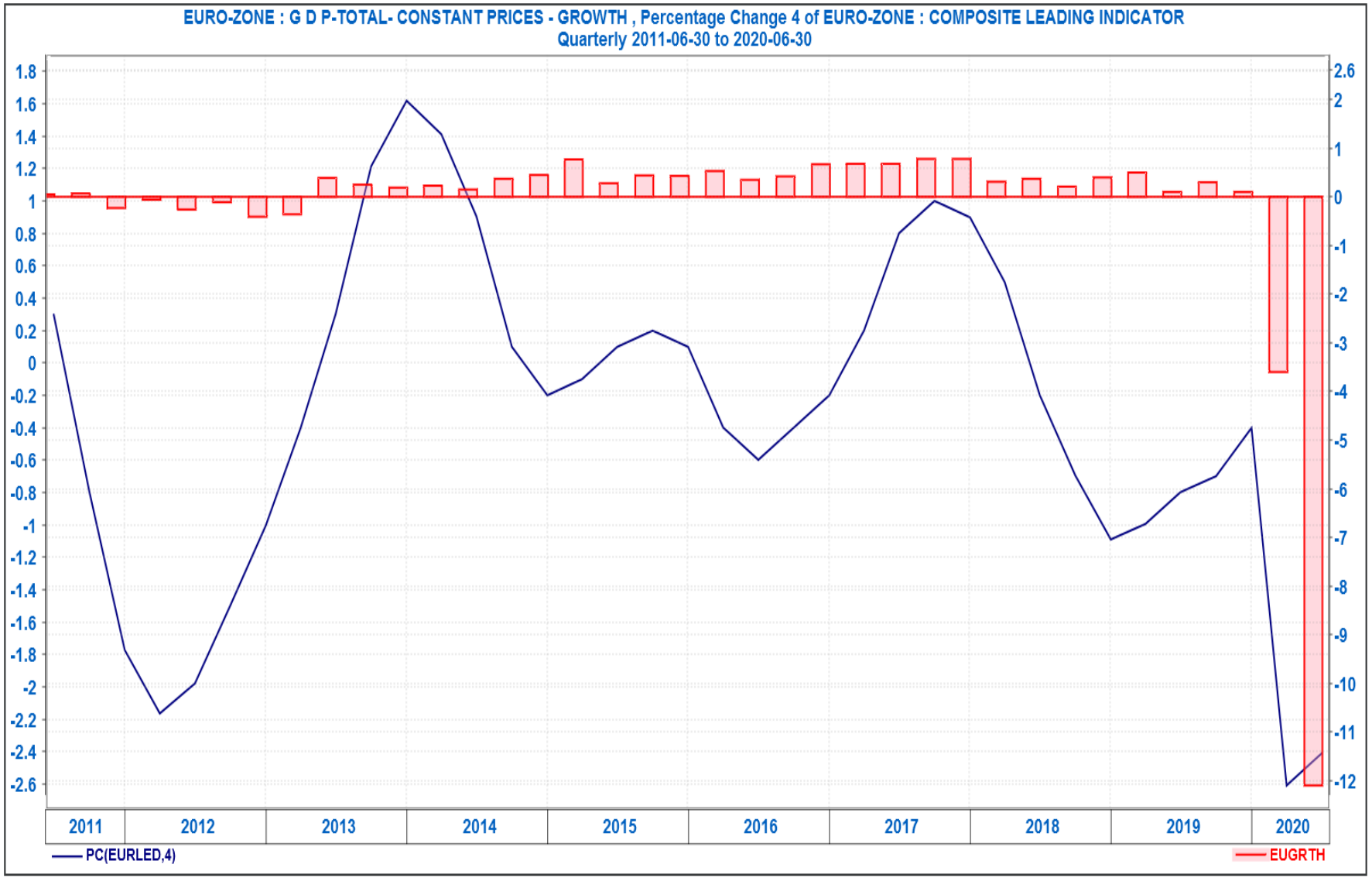
USA – S&P 500 Earnings Growth



Euro Area:

GDP growth came in at -12% for the second quarter, with Germany being the biggest contributor to the contraction, third quarter estimates remain weak. Unemployment ticked up to 7.8% in the same period. Inflation remains negative at -0.3% in September 2020, as new lockdown measures plagues economic activity. The European Economy remains weak, and forecasts show the effect of Covid-19 to remain negative with the fears of a second wave hitting the continent dragging down sentiment.

Europe – Economic Growth Rate Quarterly



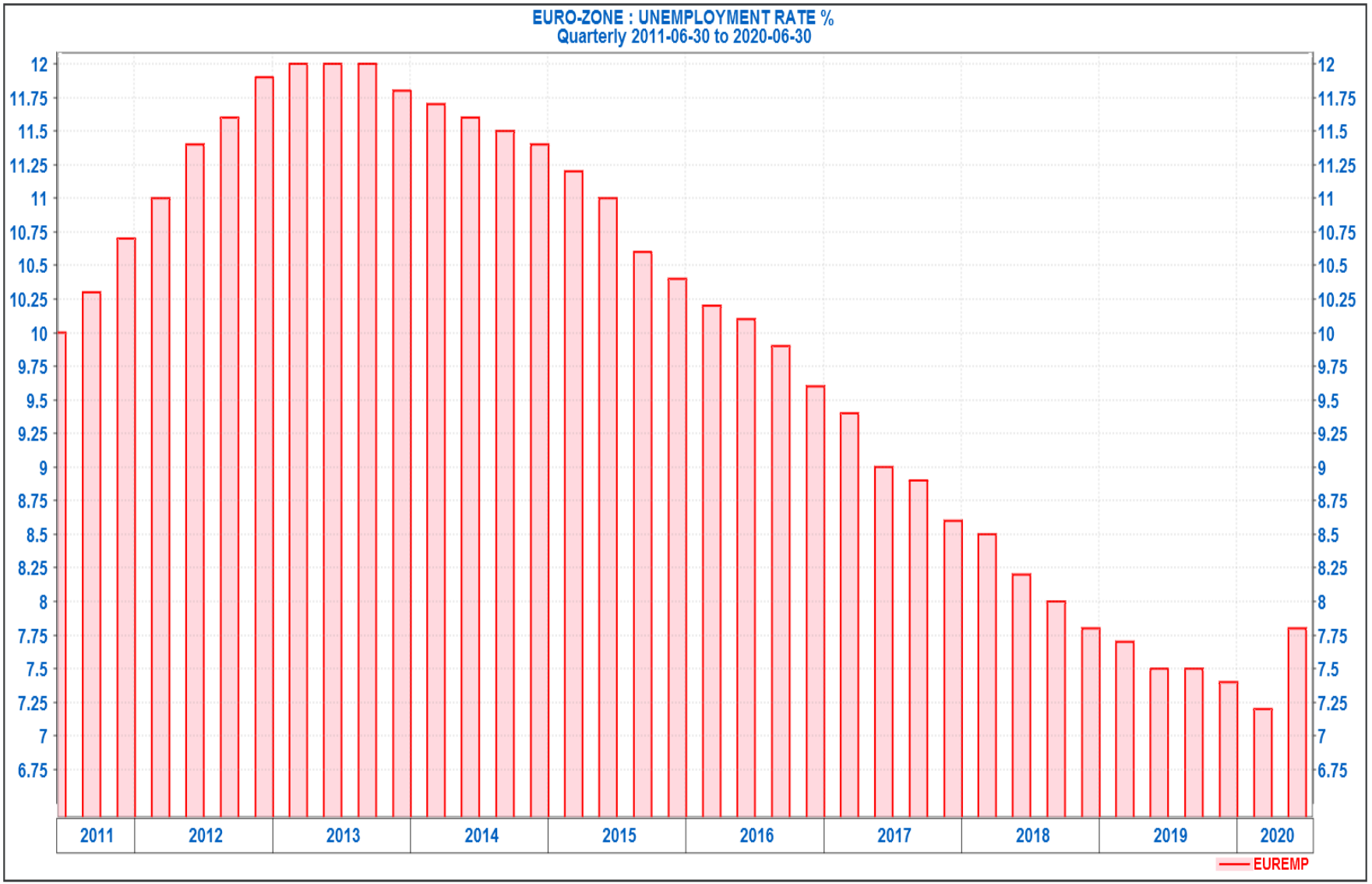
% Change

Europe Growth Rate

Europe Leading Indicator

Period

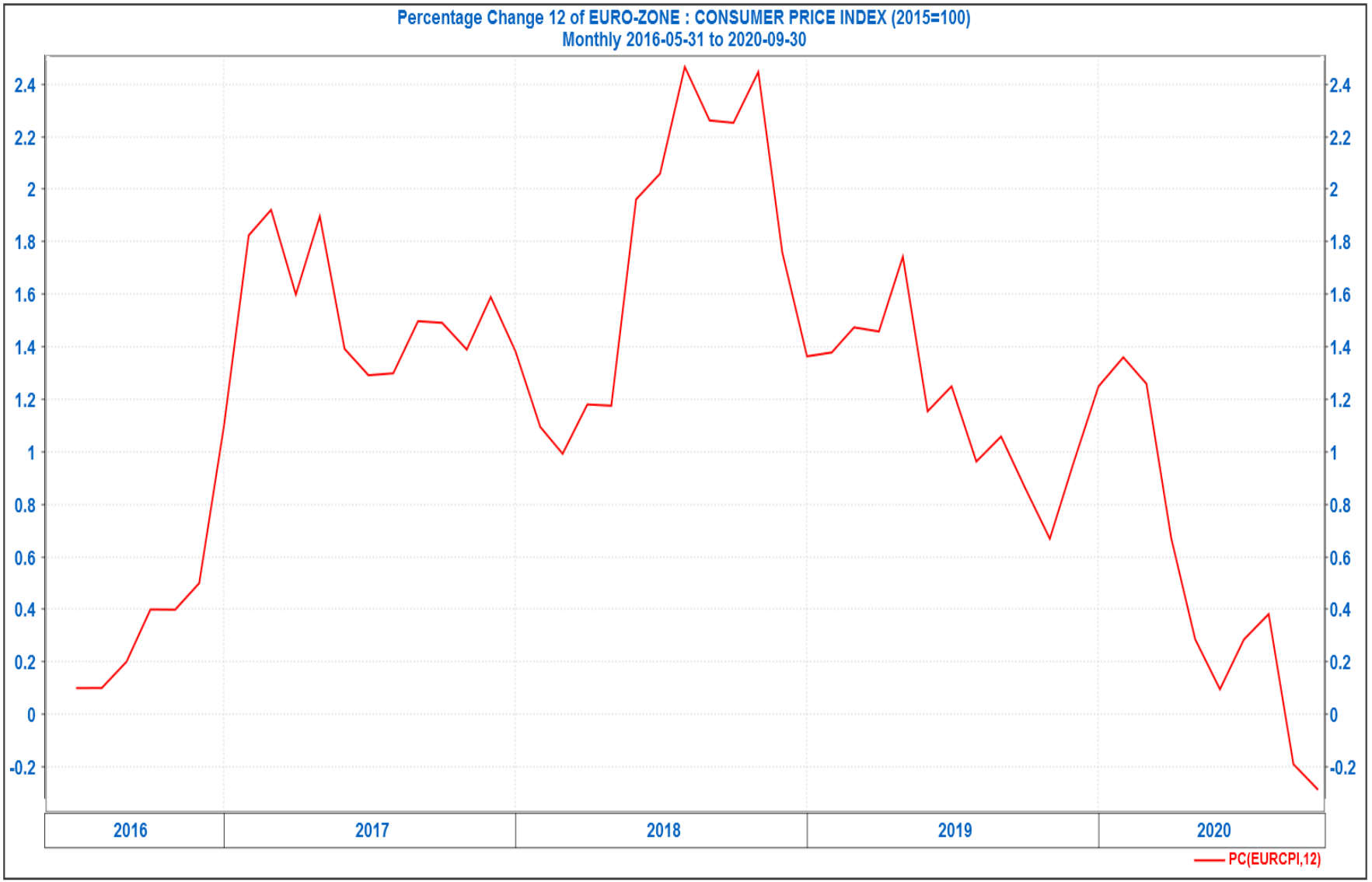
Europe – Unemployment



%

Period

Europe – Inflation



% Change

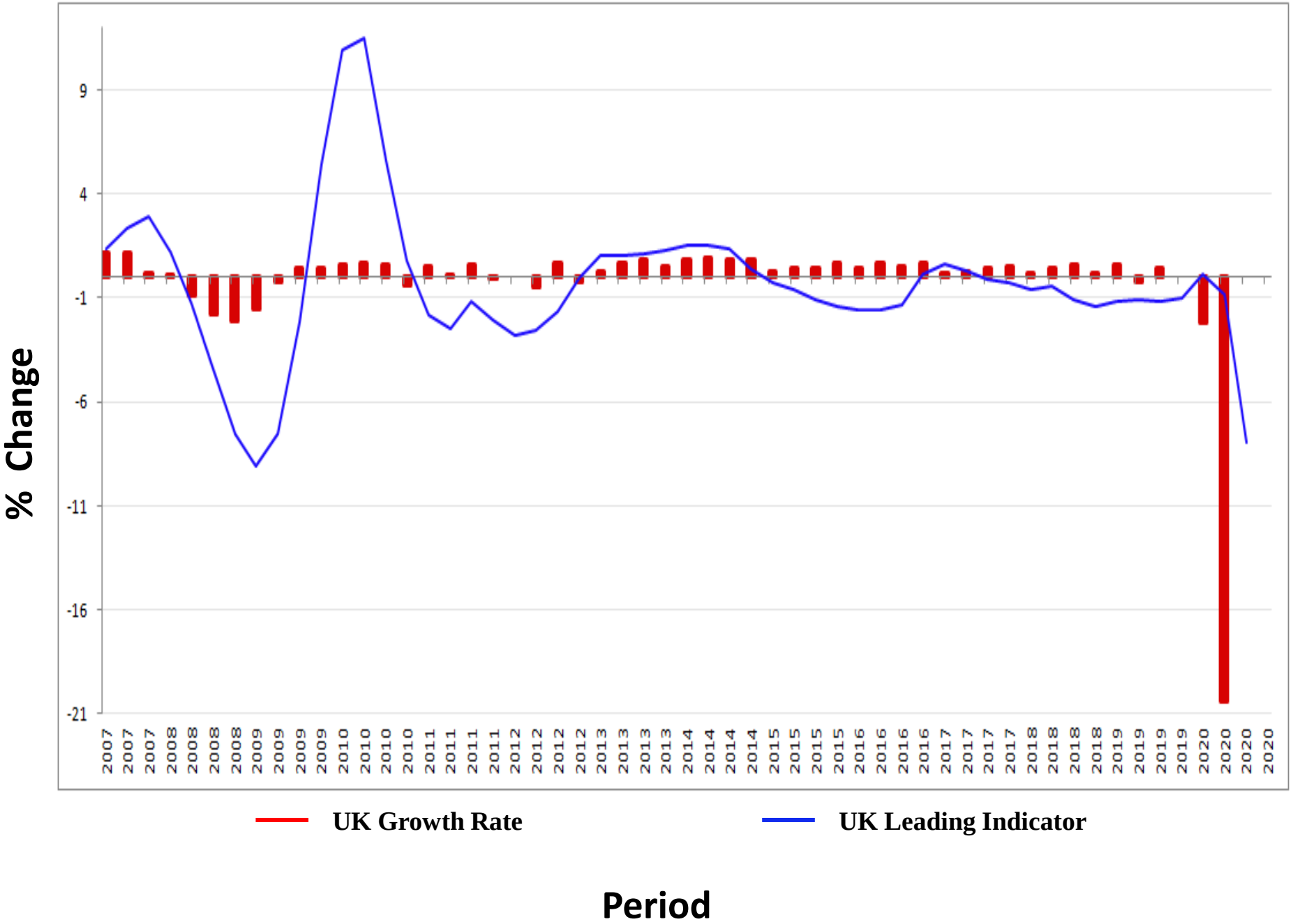
Period

United Kingdom:

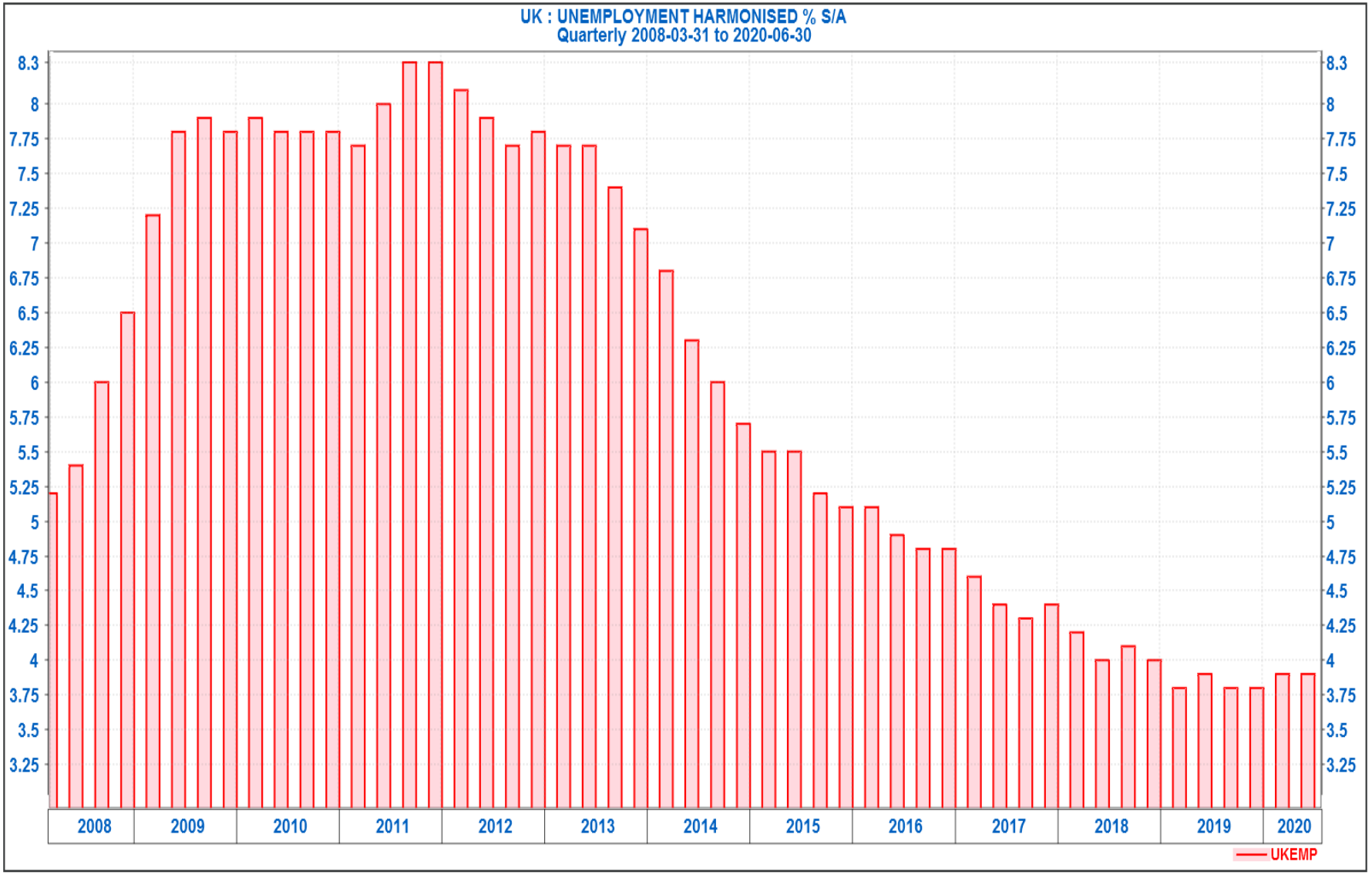
Economic growth weakened -20.2% in the second quarter, sending the UK into its first technical recession since 2008. With Brexit clearly weighing down on the country and additional strain from the effect of Covid-19. Inflation lowered to 0.2% for September 2020, and the unemployment rate remained at 3.8% for Q2.

Earnings growth of companies is forecasted to be – 21.6% for 2020.

UK – Economic Growth Rate Quarterly

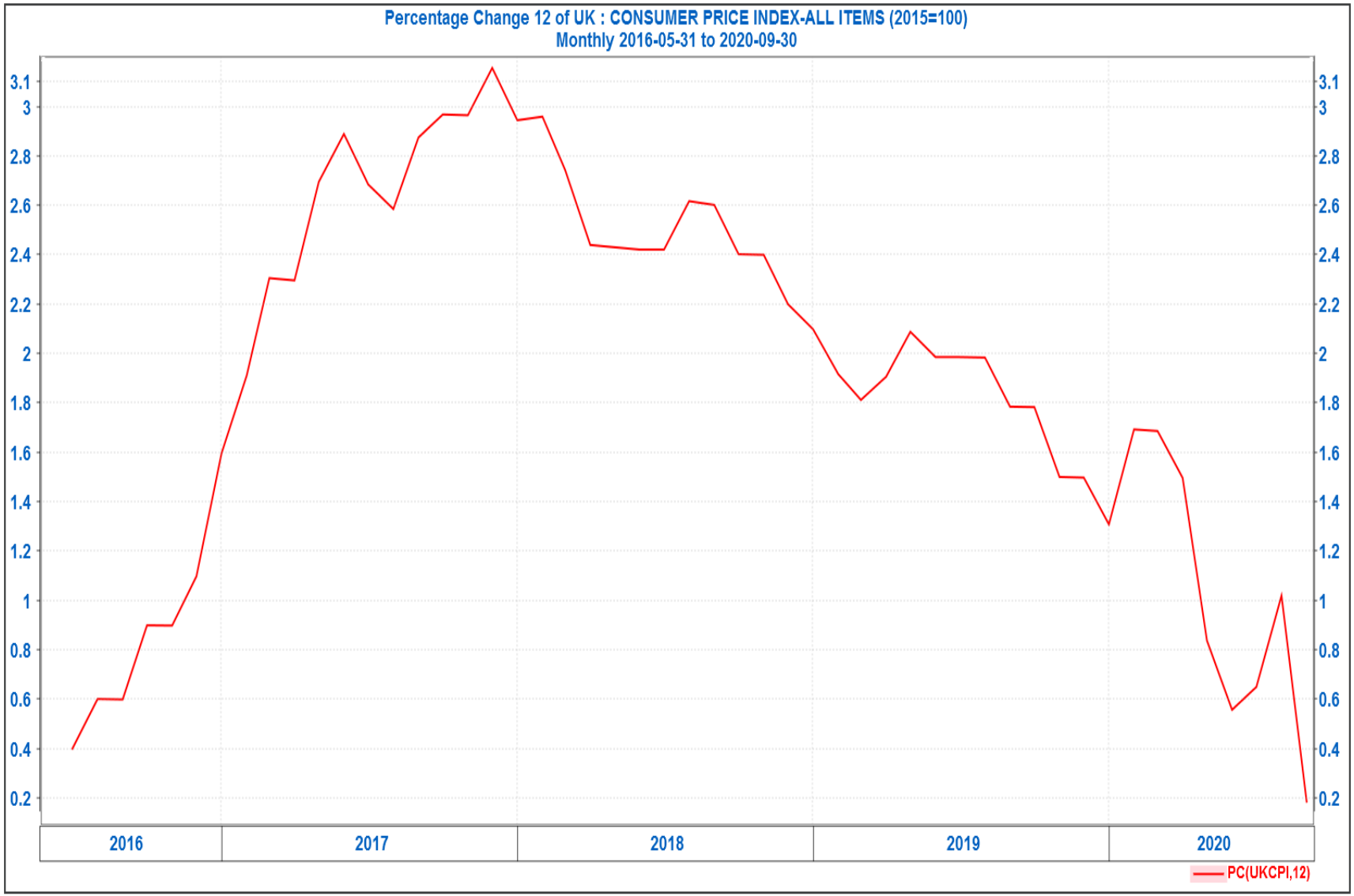


UK – Unemployment



Period

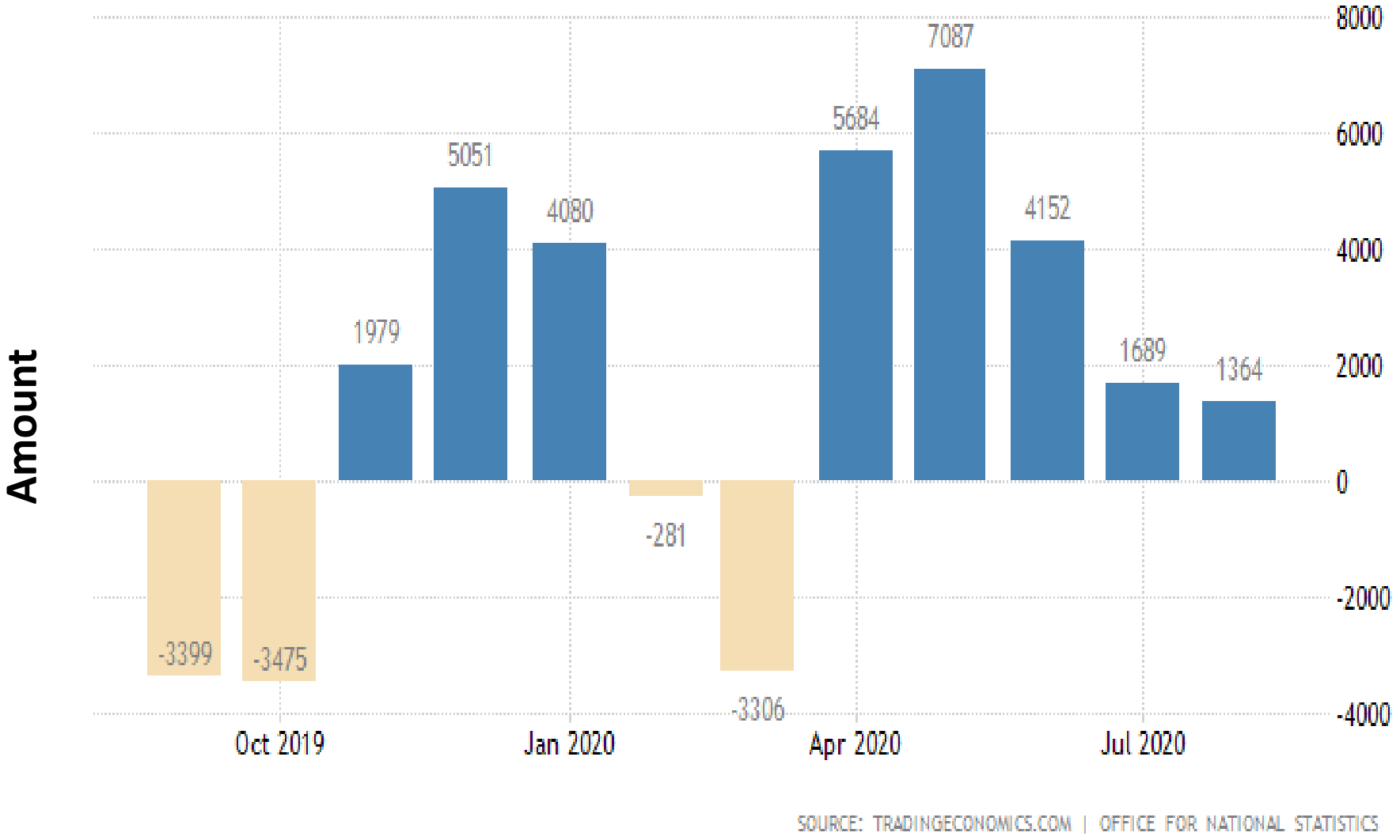
UK – Inflation



%

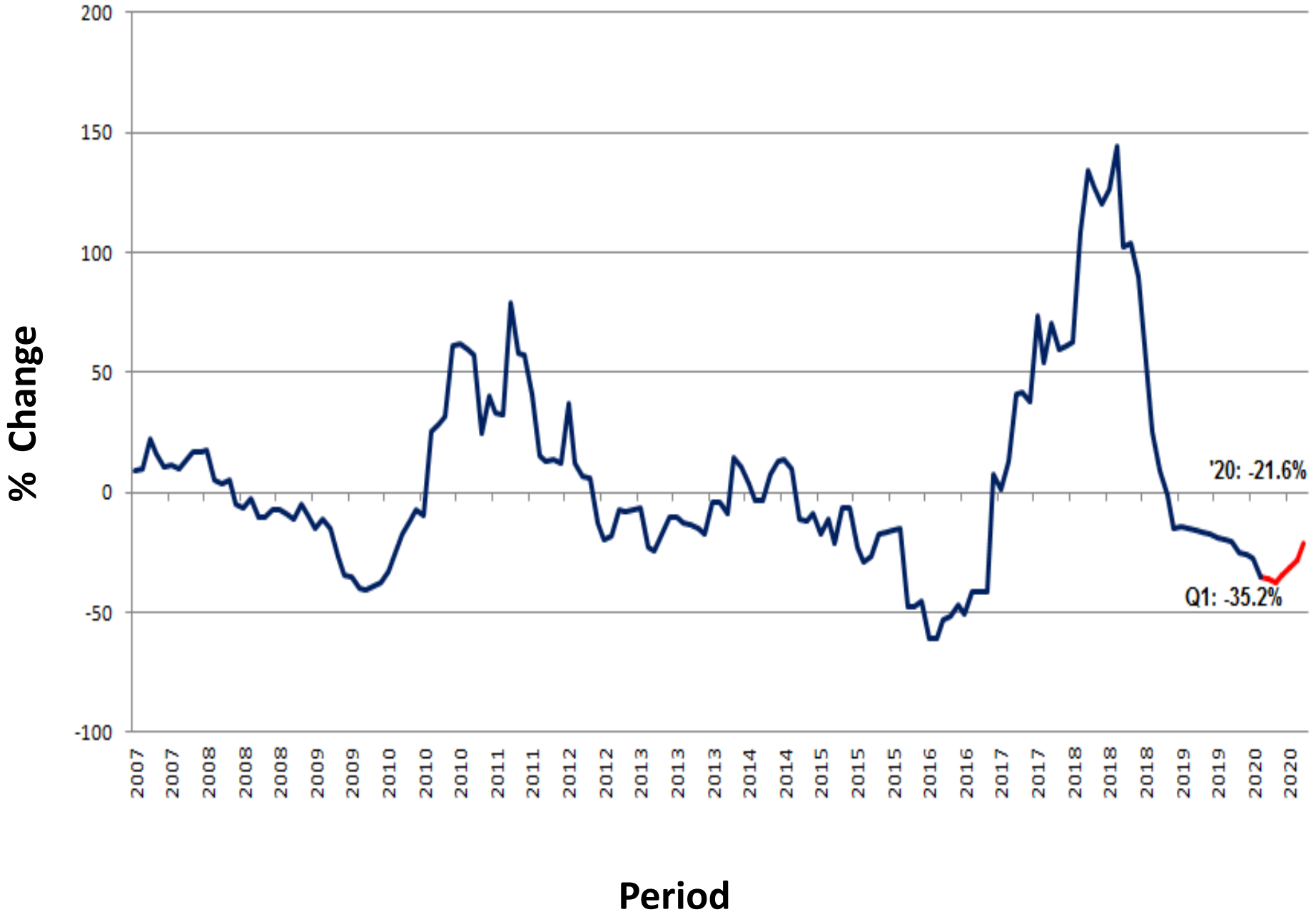
Period

UK – Trade Balance (£ Millions)

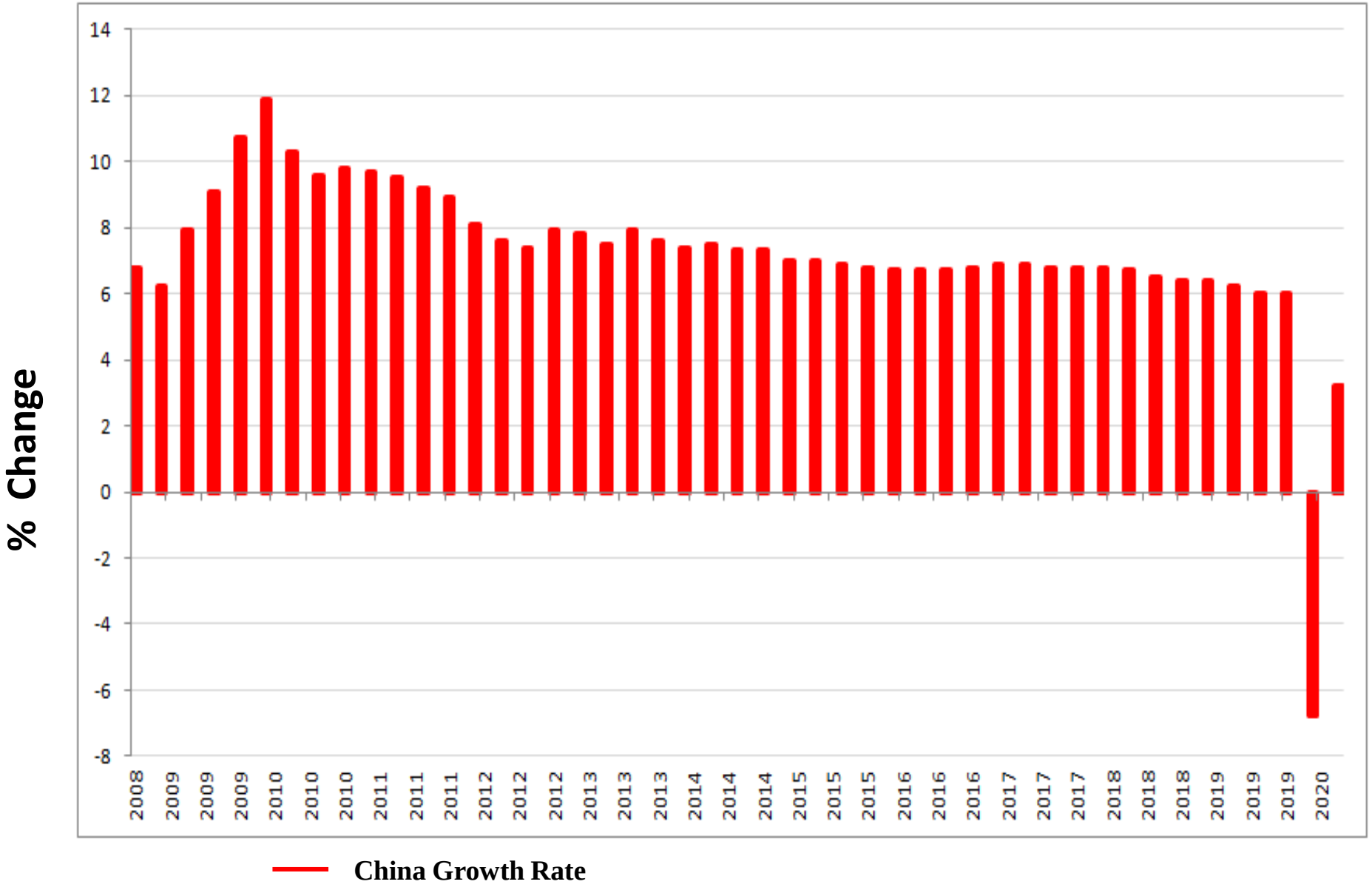


Period

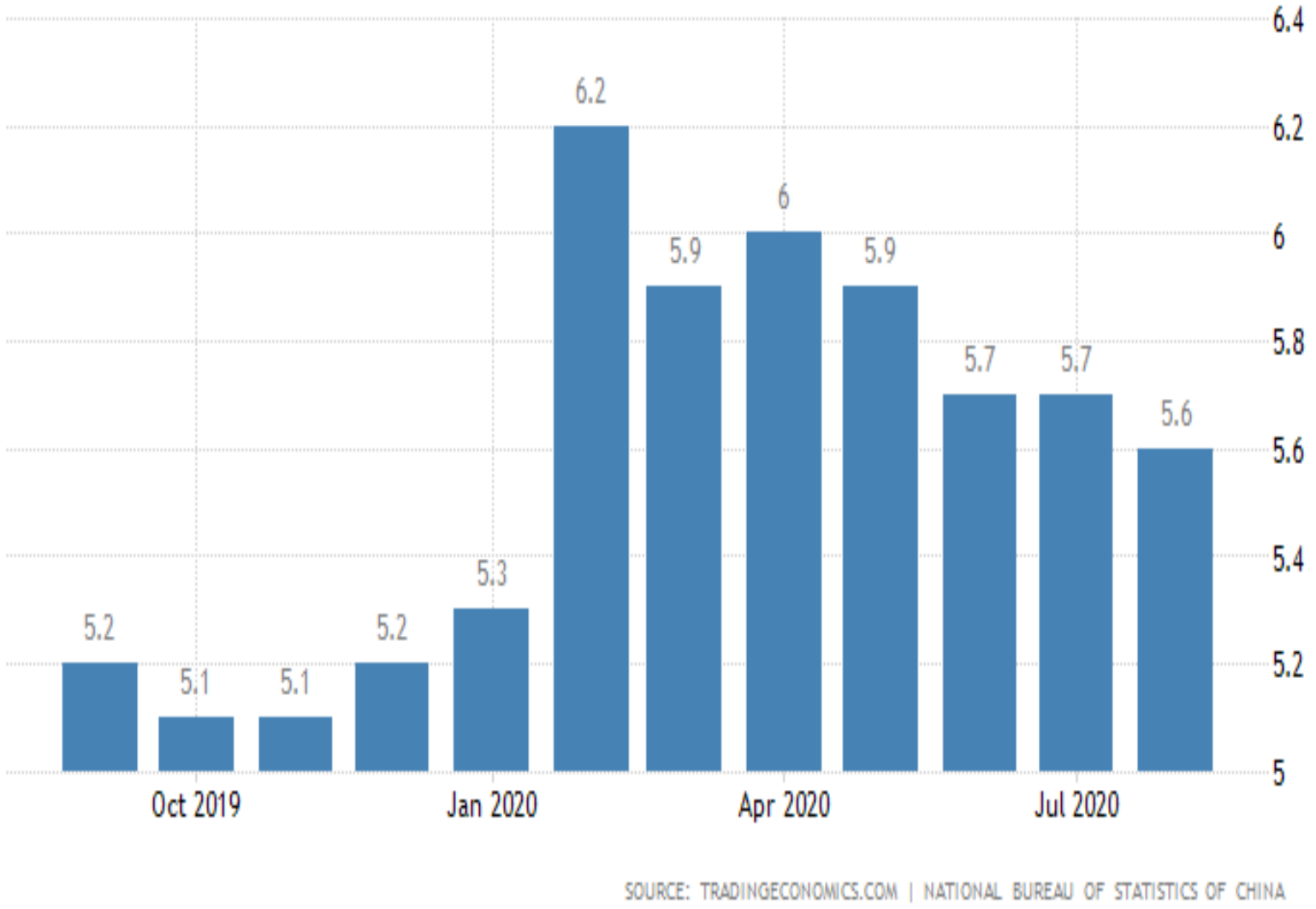
UK – FTSE 100 Earnings Growth



China – Economic Growth Rate



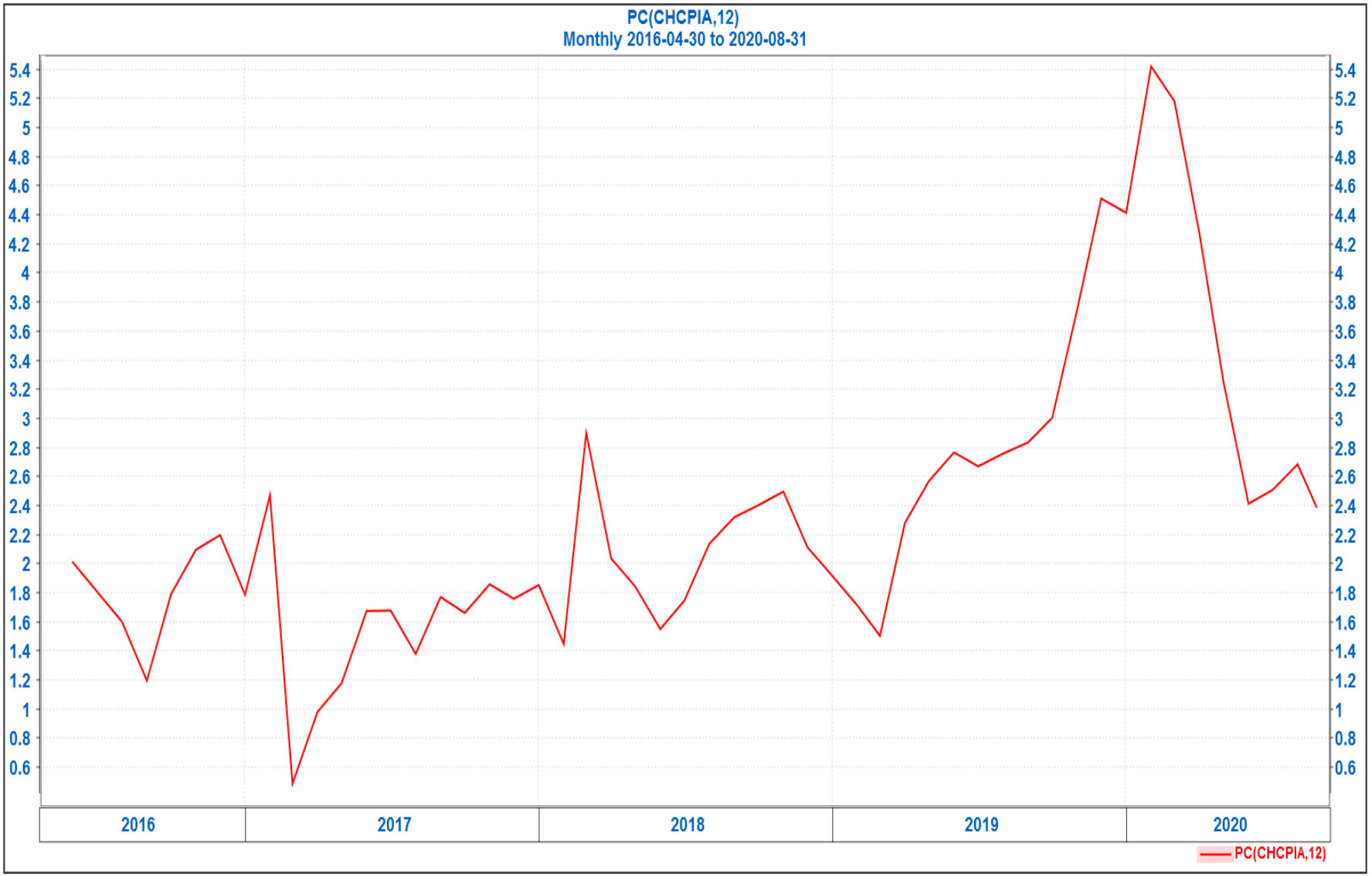
China – Unemployment



%

Period

China – Inflation



%

Period

South Africa Economic Indicators

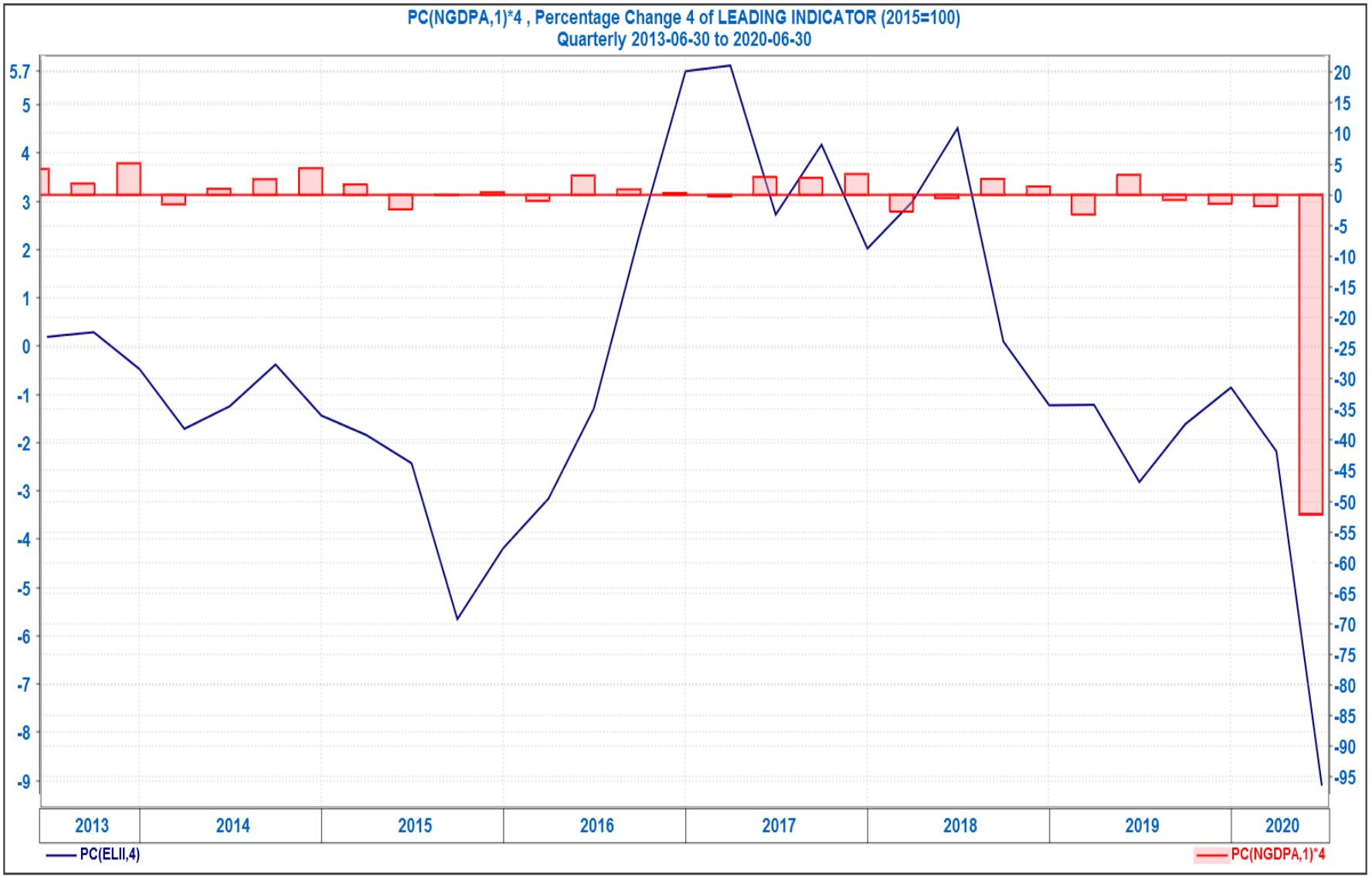
South Africa:

Economic growth slowed further to -51% at an annualized rate in Q2 of 2020 with rolling blackouts, strike action and the national lockdown clearly weighing down economic activity. Unemployment remains high and Inflation is recovered to 3.1% for August 2020, whilst consumer credit remains low at the 3.8% level.

It is expected that the SARB may opt to keep interest rates stable despite inflation staying below the midpoint of the SARB's inflation target, and Covid-19 is weighing down economic activity.

Earnings growth of SA companies is expected to come in at 15.46% in 2020, after experiencing growth of -9.5% in Q1 and -22% in Q2 of 2020.

South Africa – Economic Growth Rate Quarterly



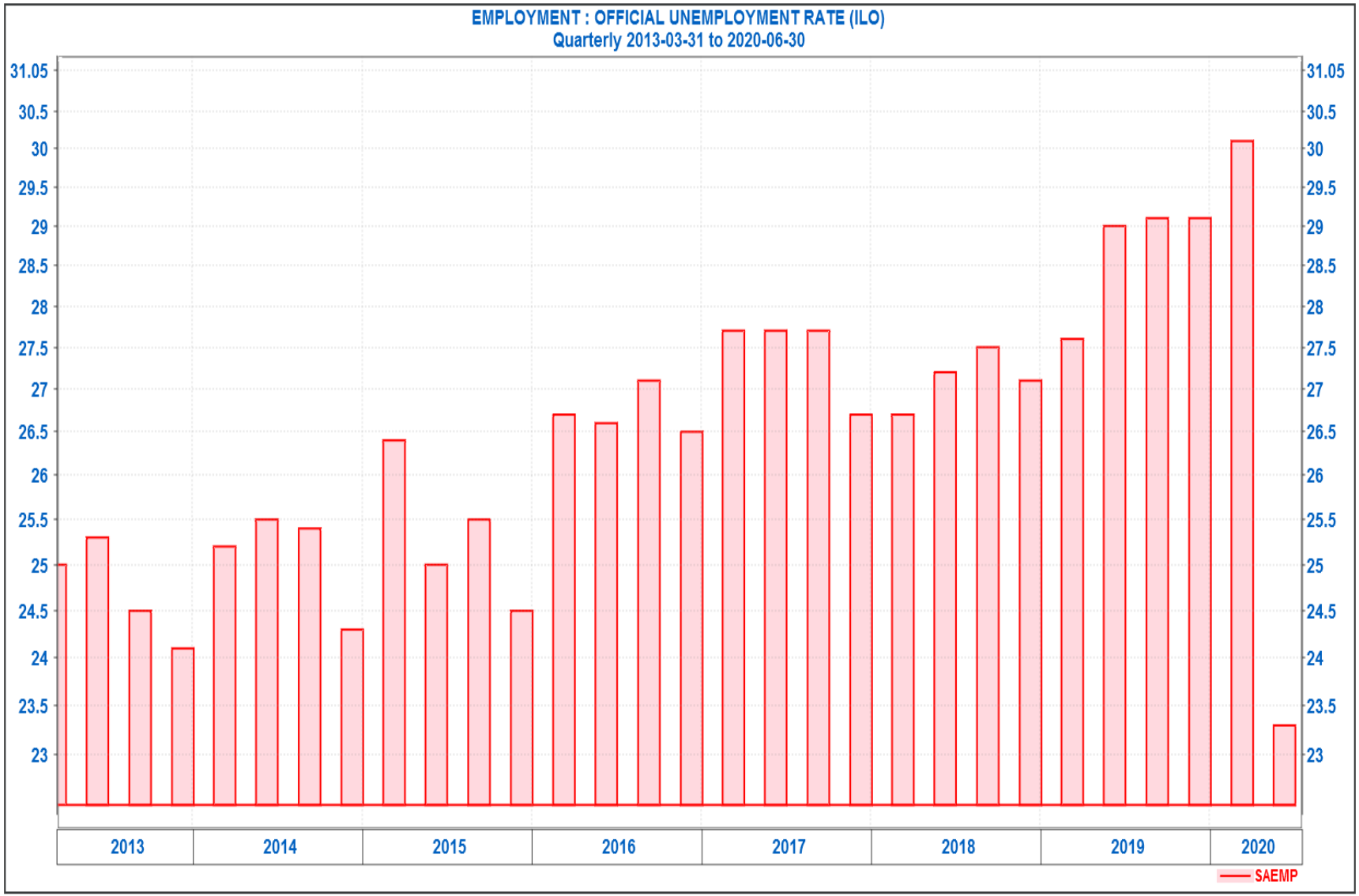
% Change

South Africa Growth Rate

South Africa Leading Indicator

Period

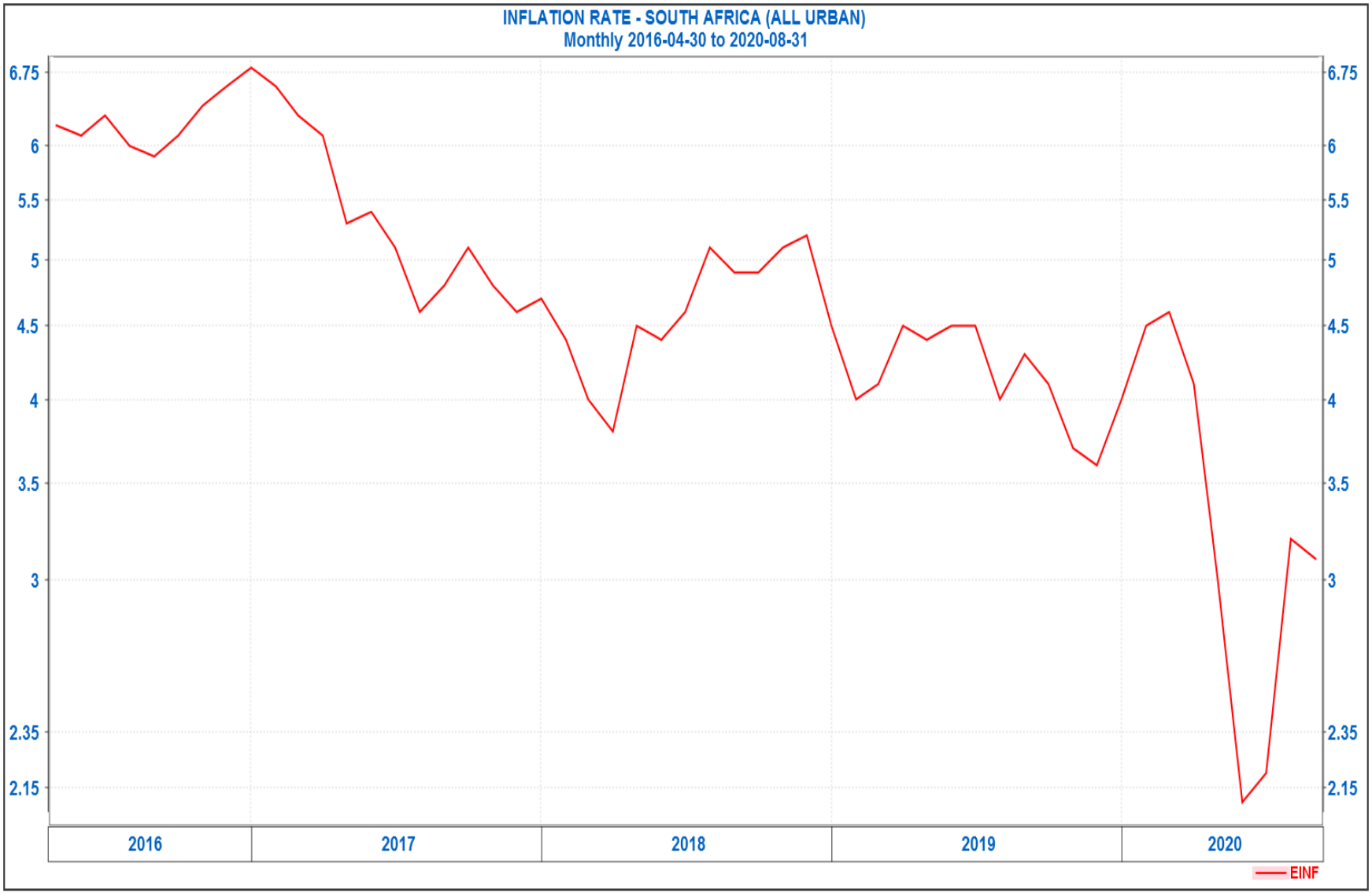
South Africa – Unemployment



%

Period

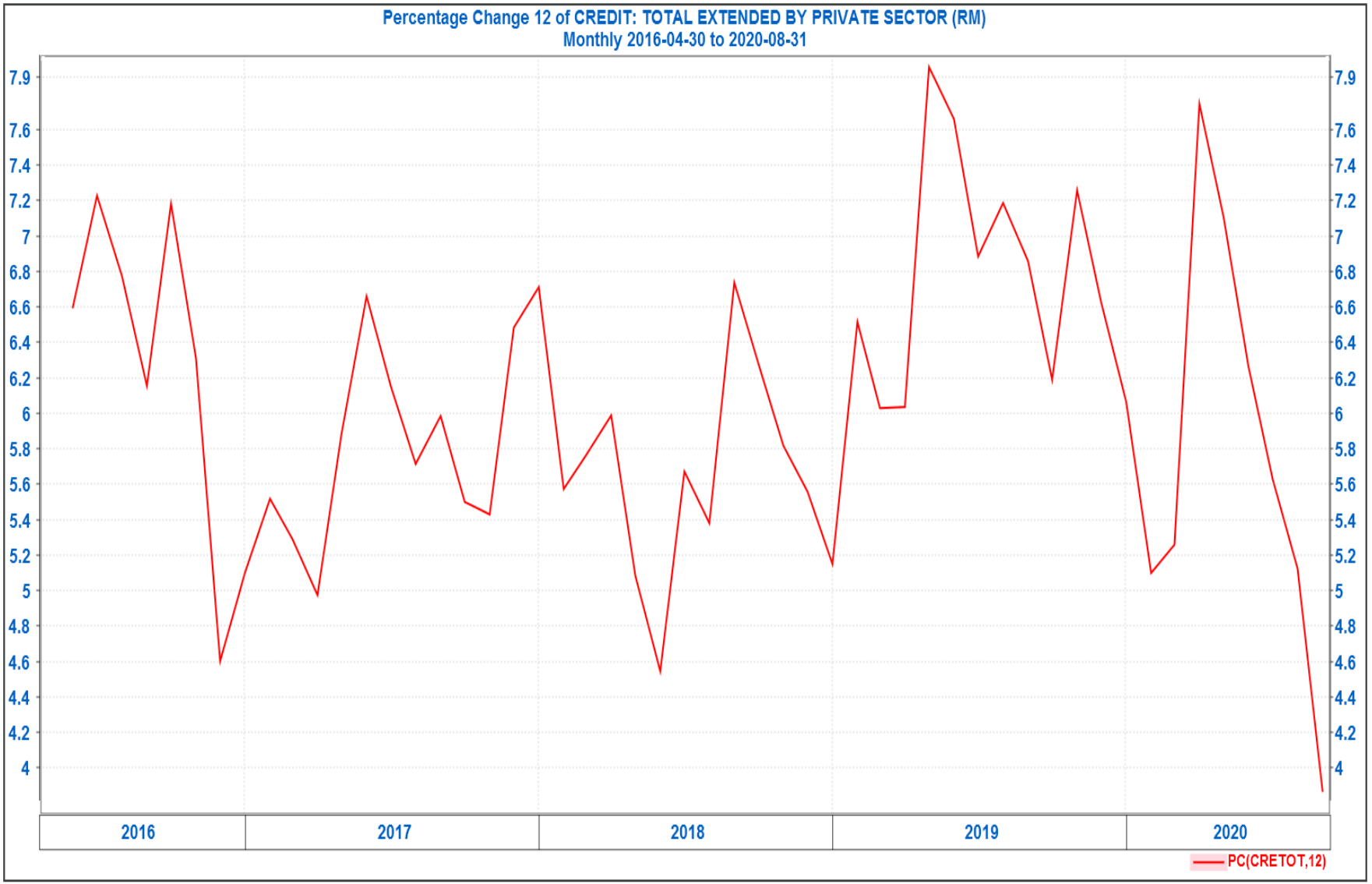
South Africa – Inflation Rate



%

Period

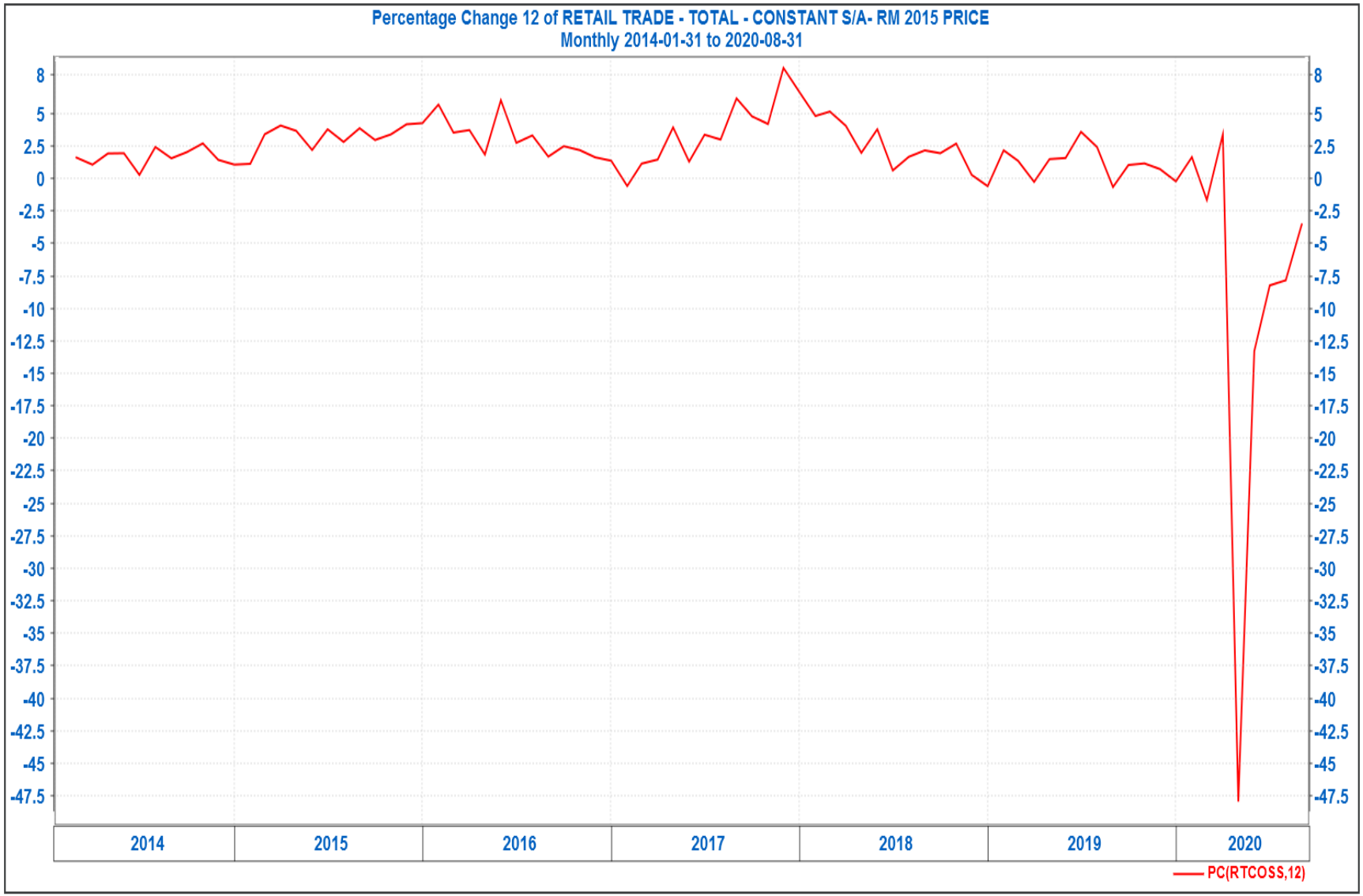
South Africa – Consumer Credit



% Change

Period

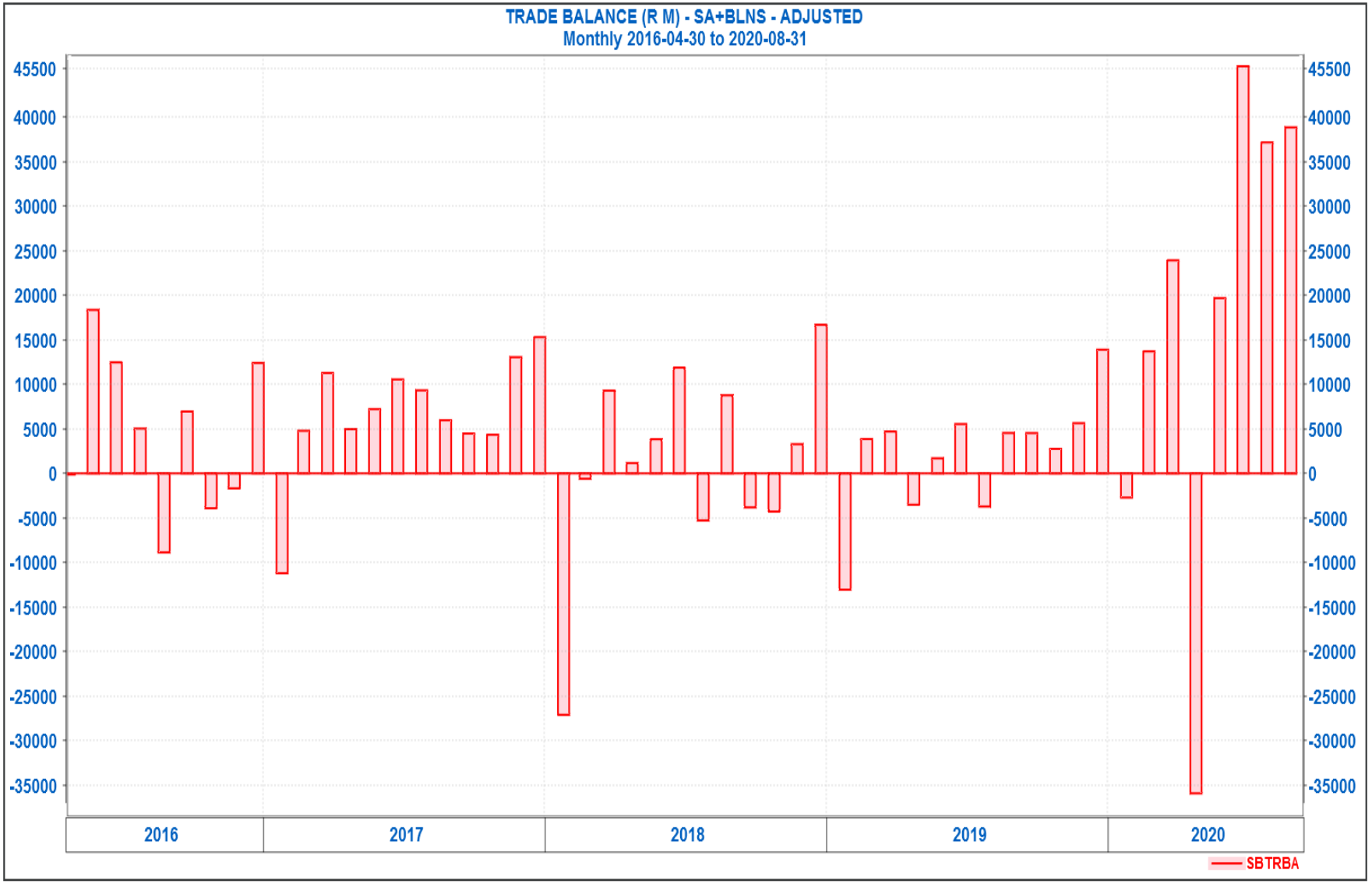
South Africa – Retail Sales



% Change

Period

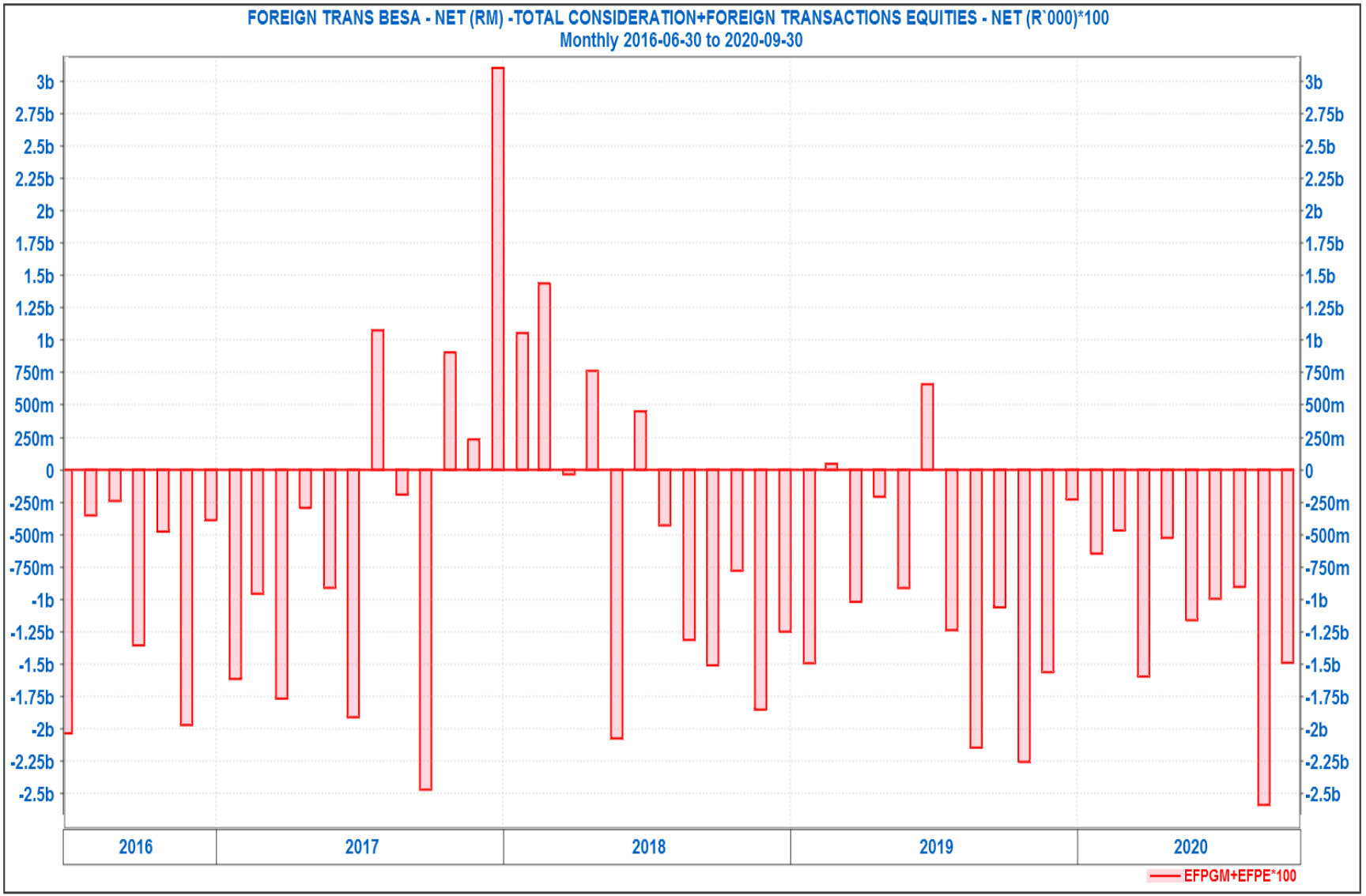
South Africa – Trade Balance (ZAR Million)



Amount

Period

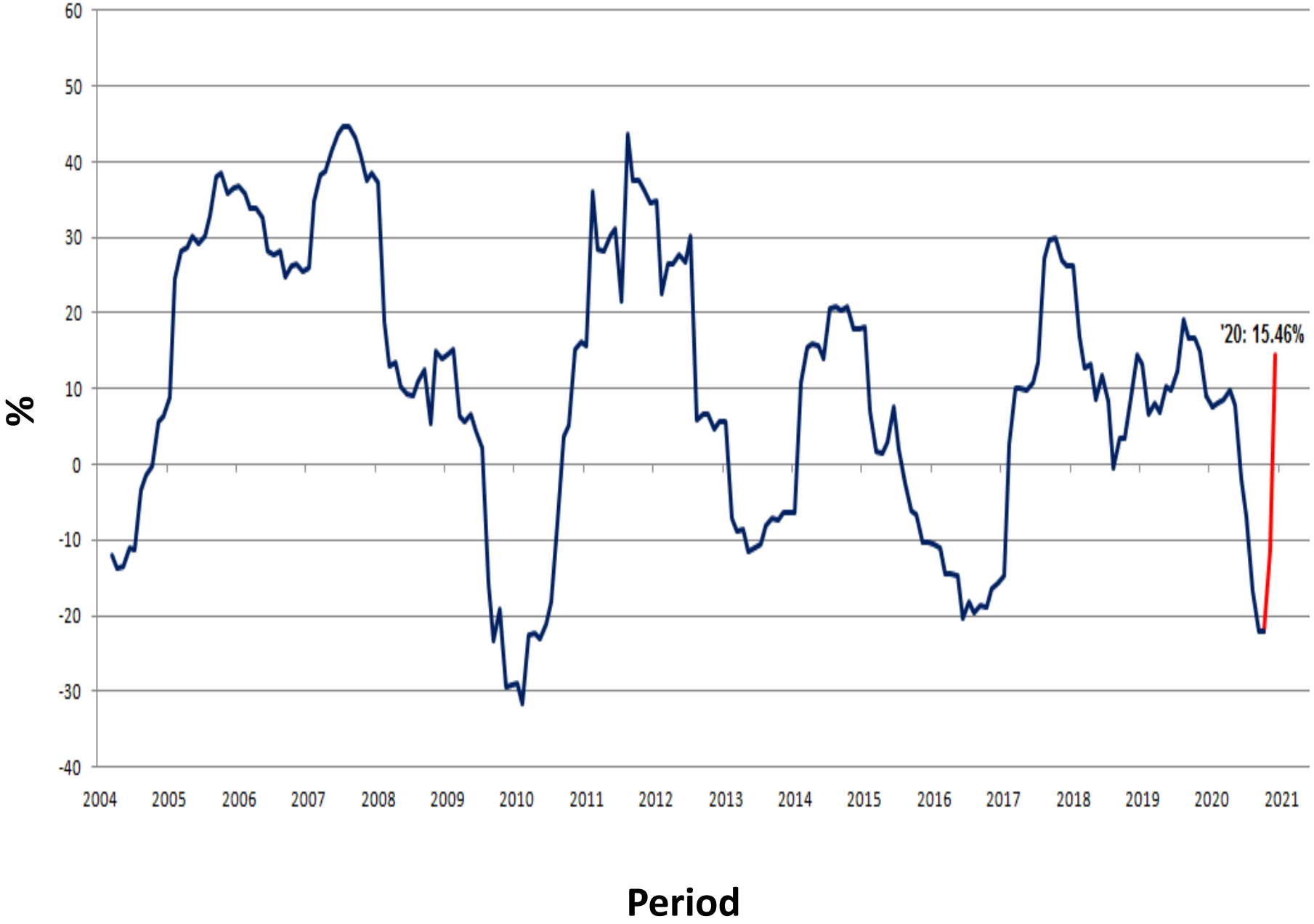
Foreign In- and outflows in Investment Market (ZAR Million)



Amount (ZAR Mil)

Period

S.A. All Share Earnings Forecast



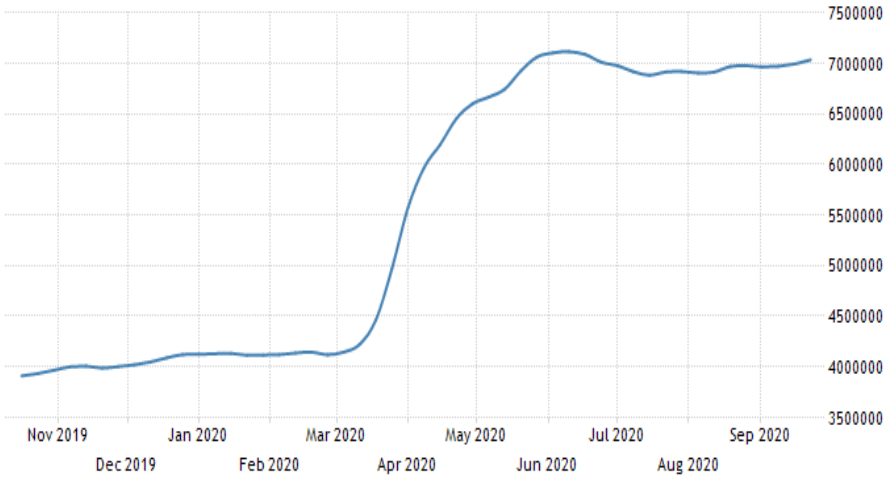
Central Bank Policies

Central Bank Policies:

Central Banks are likely to remain accommodative as global growth worries persist, with Covid-19 lockdowns likely to strain on economic activity and inflation. Central banks' balance sheets have continued to expand in efforts to increase liquidity and damper effects of the virus.

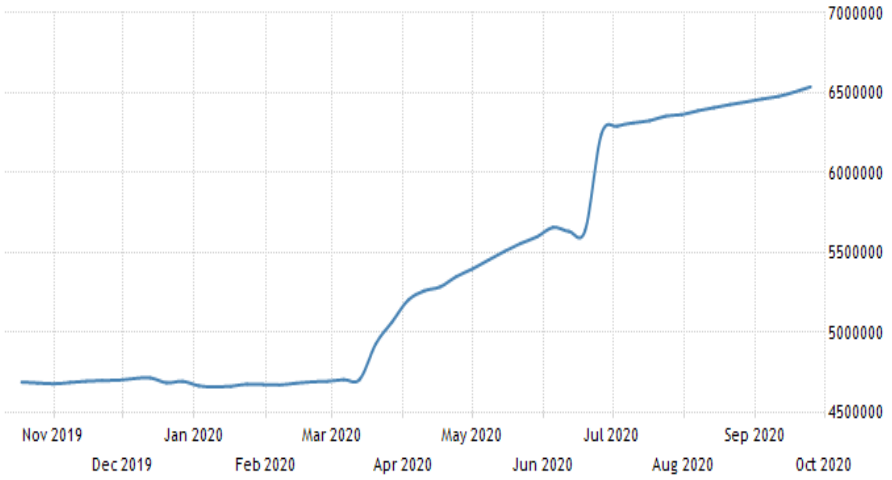
Central Banks Balance Sheets

Federal Reserve



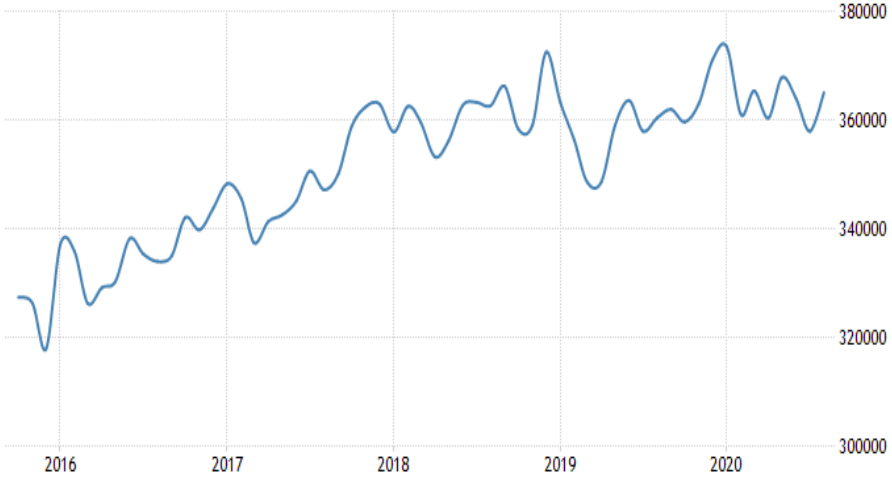
SOURCE: TRADINGECONOMICS.COM | FEDERAL RESERVE

European Central Bank



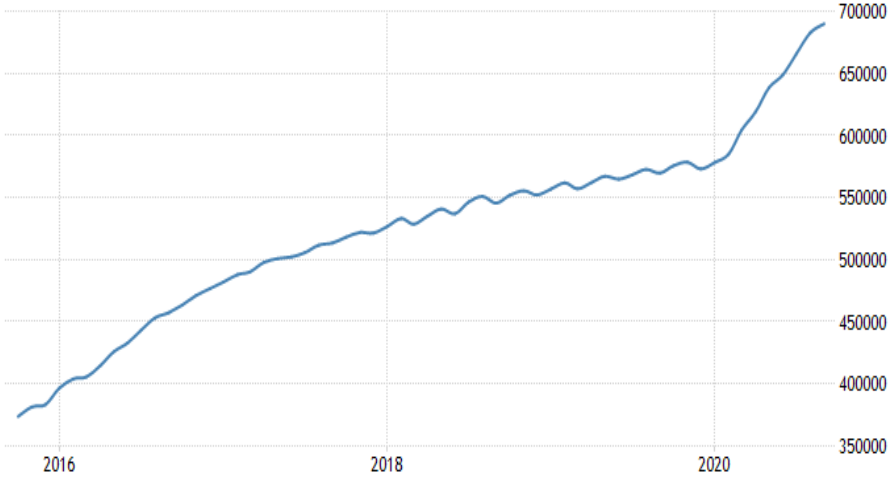
SOURCE: TRADINGECONOMICS.COM | EUROPEAN CENTRAL BANK

China Central Bank



SOURCE: TRADINGECONOMICS.COM | PEOPLE'S BANK OF CHINA

Japan Central Bank

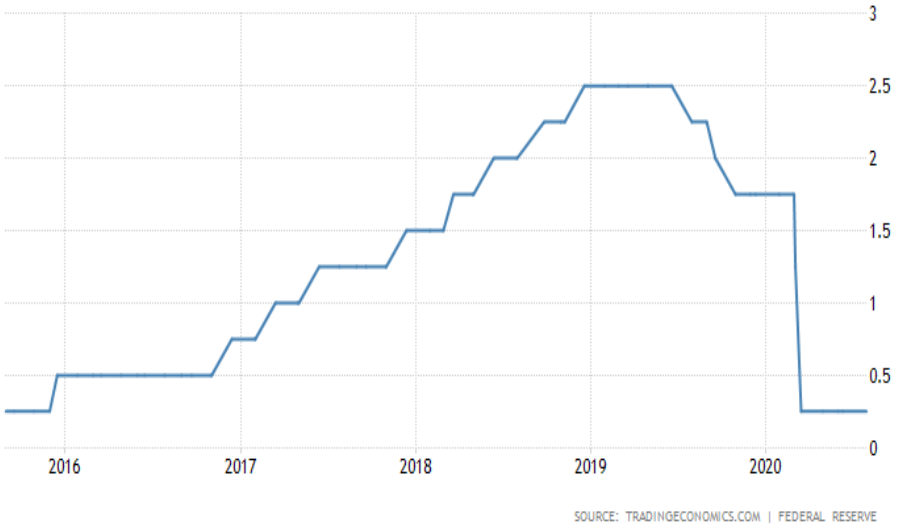


SOURCE: TRADINGECONOMICS.COM | BANK OF JAPAN

South Africa Central Bank Balance Sheet

Central Bank Interest Rate

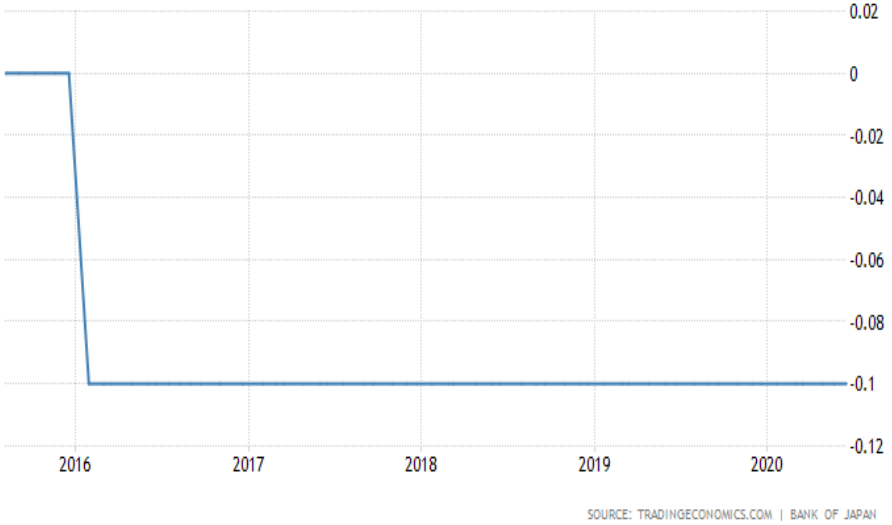
Federal Reserve Interest Rate



European Central Bank Interest Rate

China Central Bank Interest Rate

Japan Central Bank Interest Rate



Central Bank Interest Rate

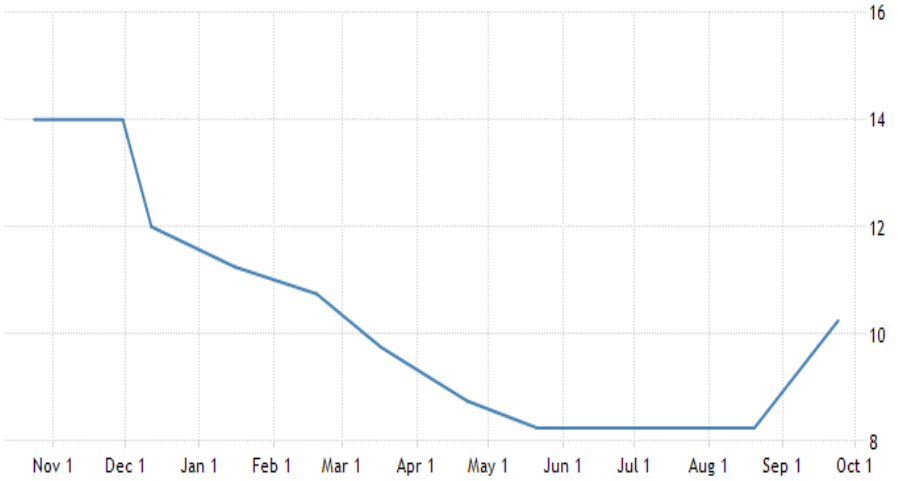
Russia Interest Rate

SOURCE: TRADINGECONOMICS.COM | CENTRAL BANK OF RUSSIA

Indian Central Bank Interest Rate

SOURCE: TRADINGECONOMICS.COM | RESERVE BANK OF INDIA

Turkey Central Bank Interest Rate

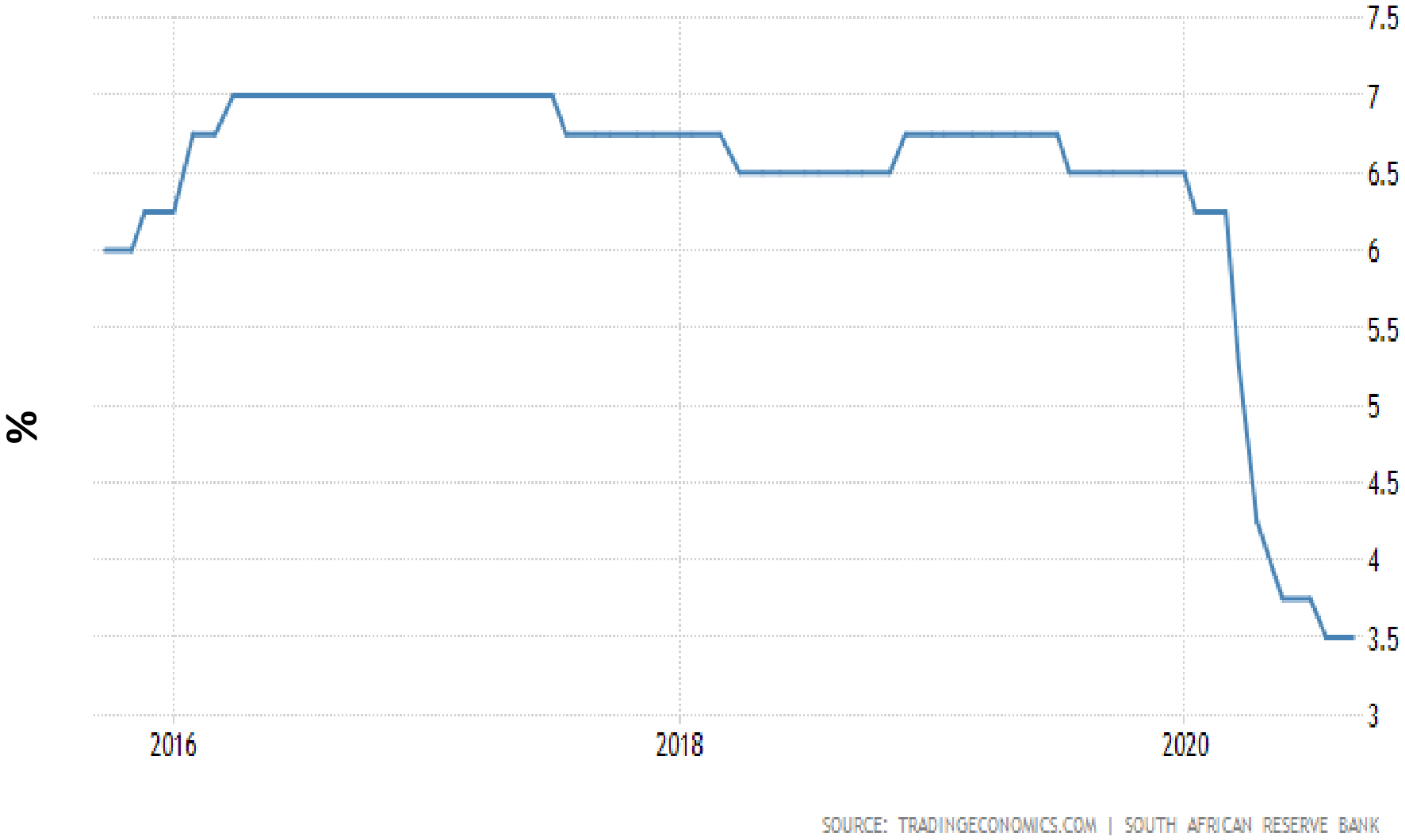


SOURCE: TRADINGECONOMICS.COM | CENTRAL BANK OF THE REPUBLIC OF TURKEY

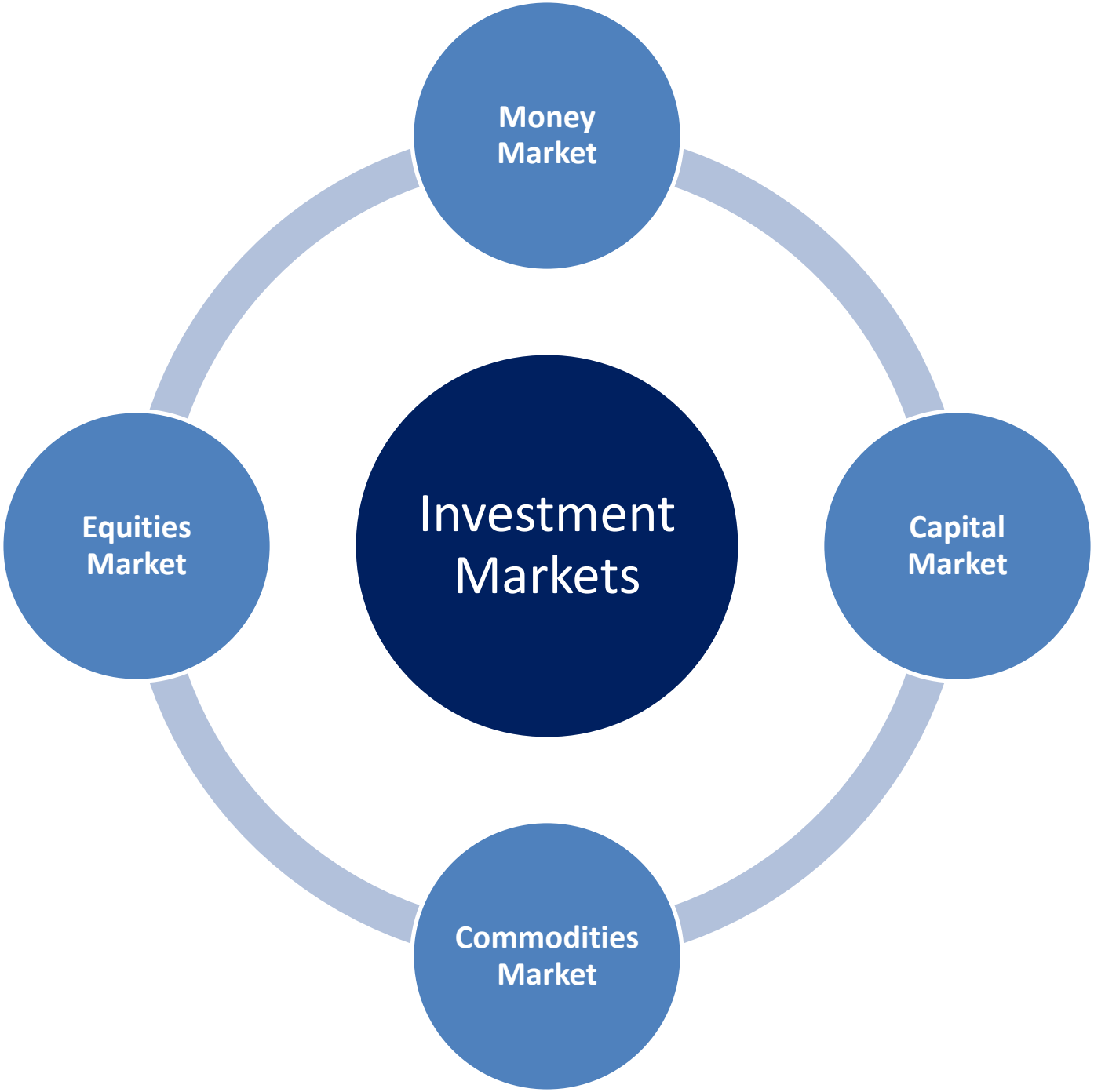
Brazil Central Bank Interest Rate

SOURCE: TRADINGECONOMICS.COM | BANCO CENTRAL DO BRASIL

SARB Interest Rate



Period


Money Market
Equities Market
Investment Markets
Capital Market
Commodities Market

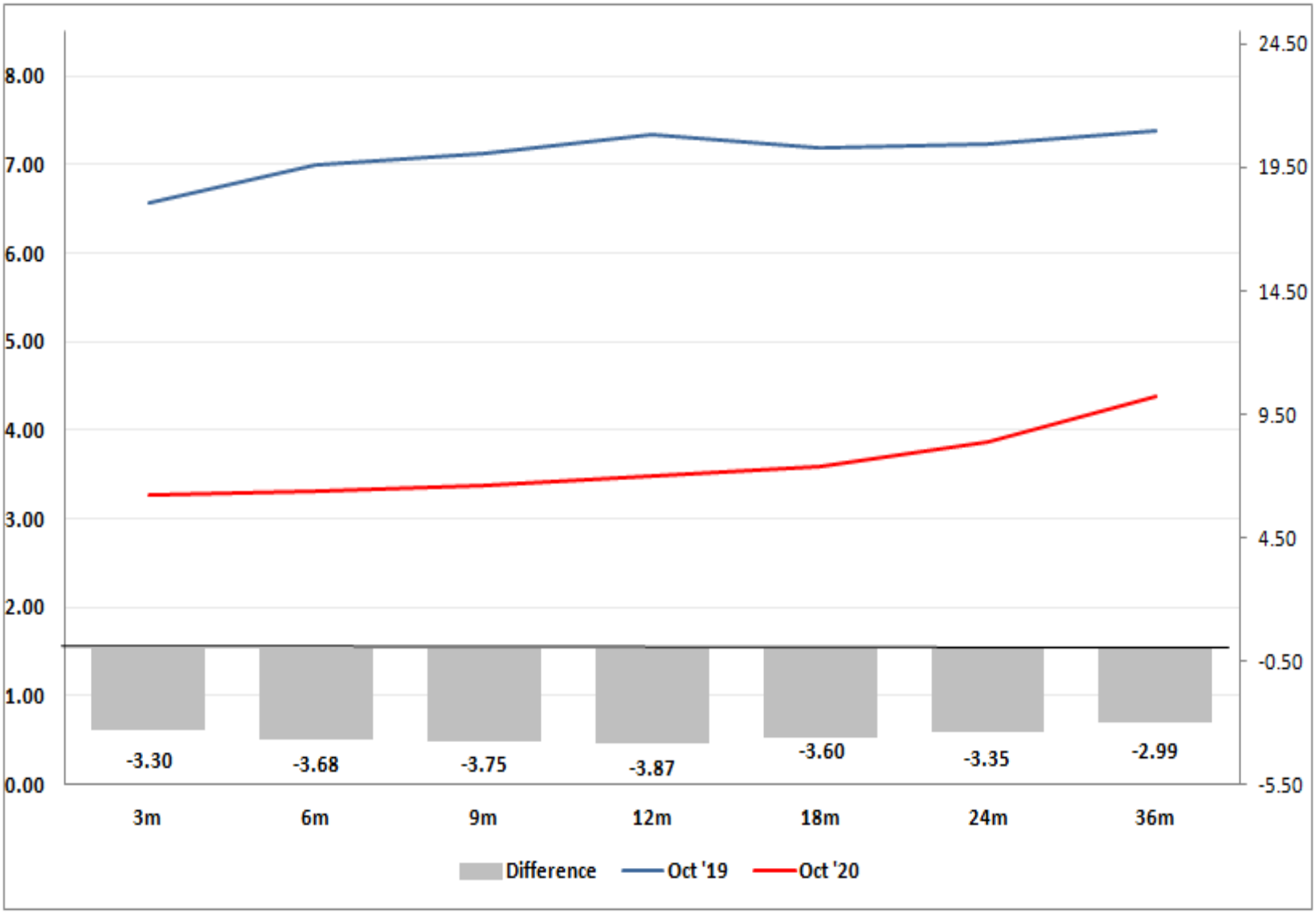
Money Market

Money Market:

Money Market rates remains lower year on year, indicating and overall downward shift in the yield curve, with the Reserve Bank already lowered rates by 300 basis points this year. Slow economic growth coupled with muted inflation and currency weakness, suggests that rates are likely to remain the same.

Our current recommendation is not to invest longer than 3-6 month's term.

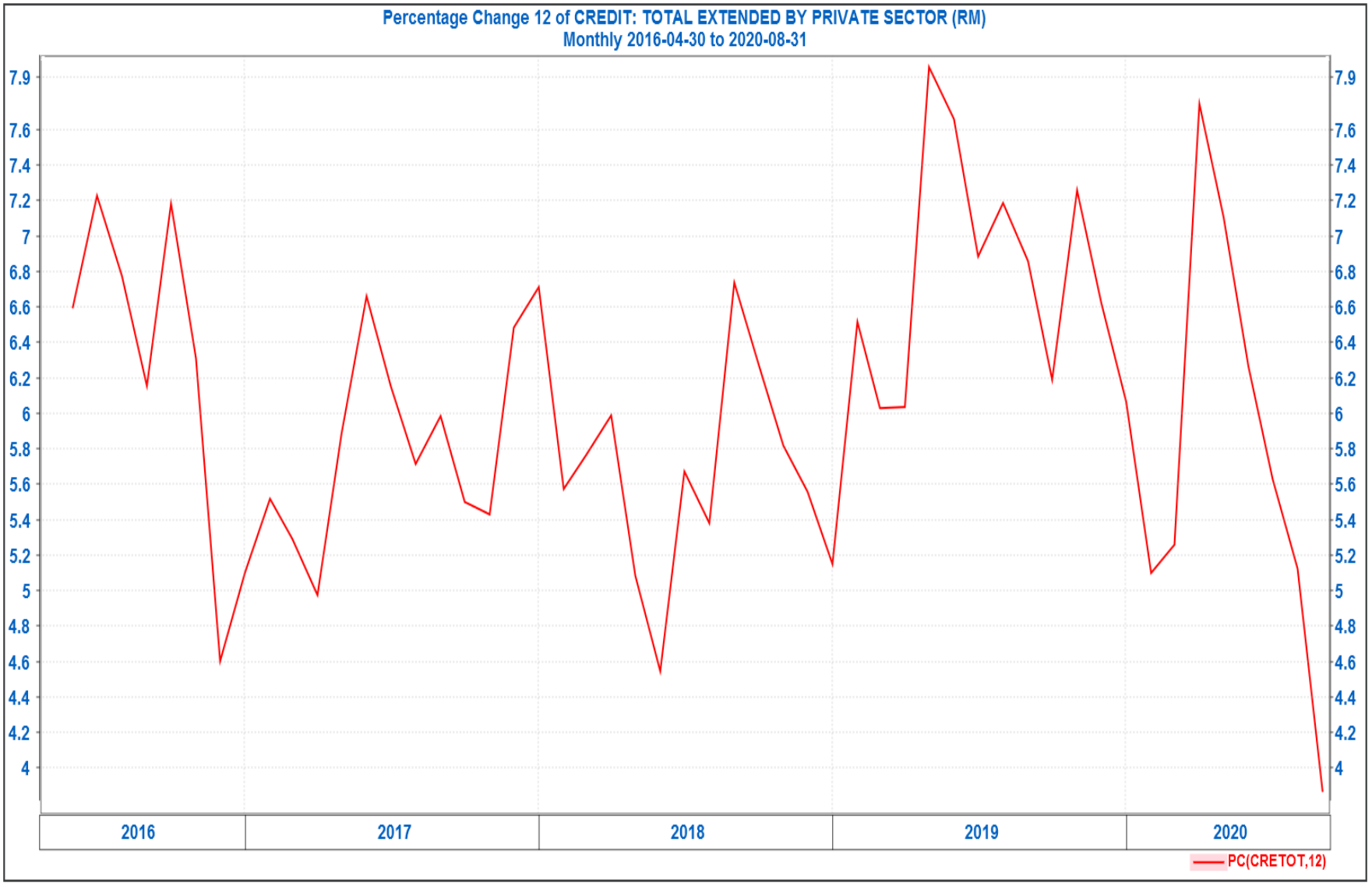
South Africa – Money Market Rates



Difference Oct 2019 Oct 2020

Period

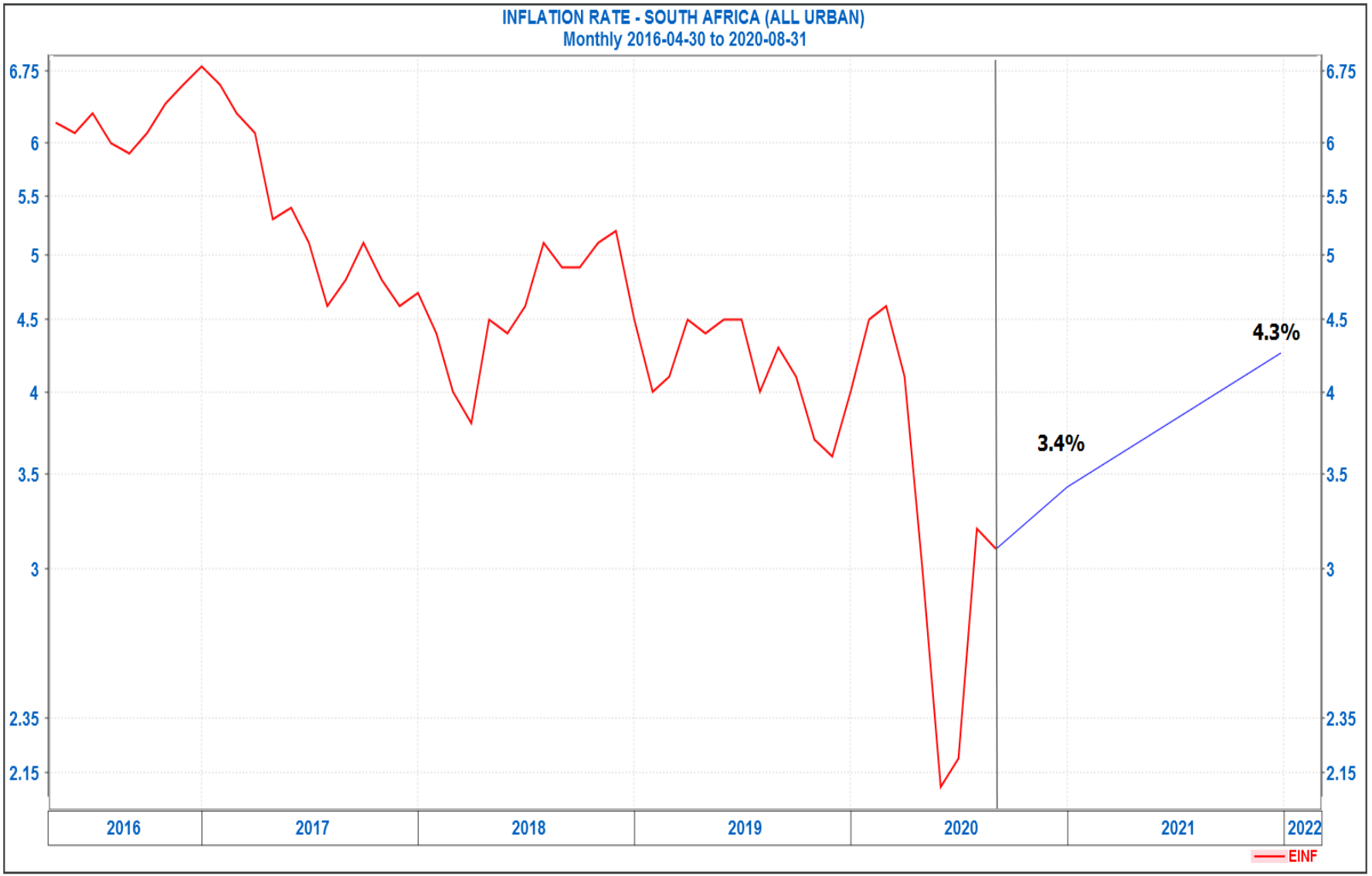
South Africa – Consumer Credit



% Change

Period

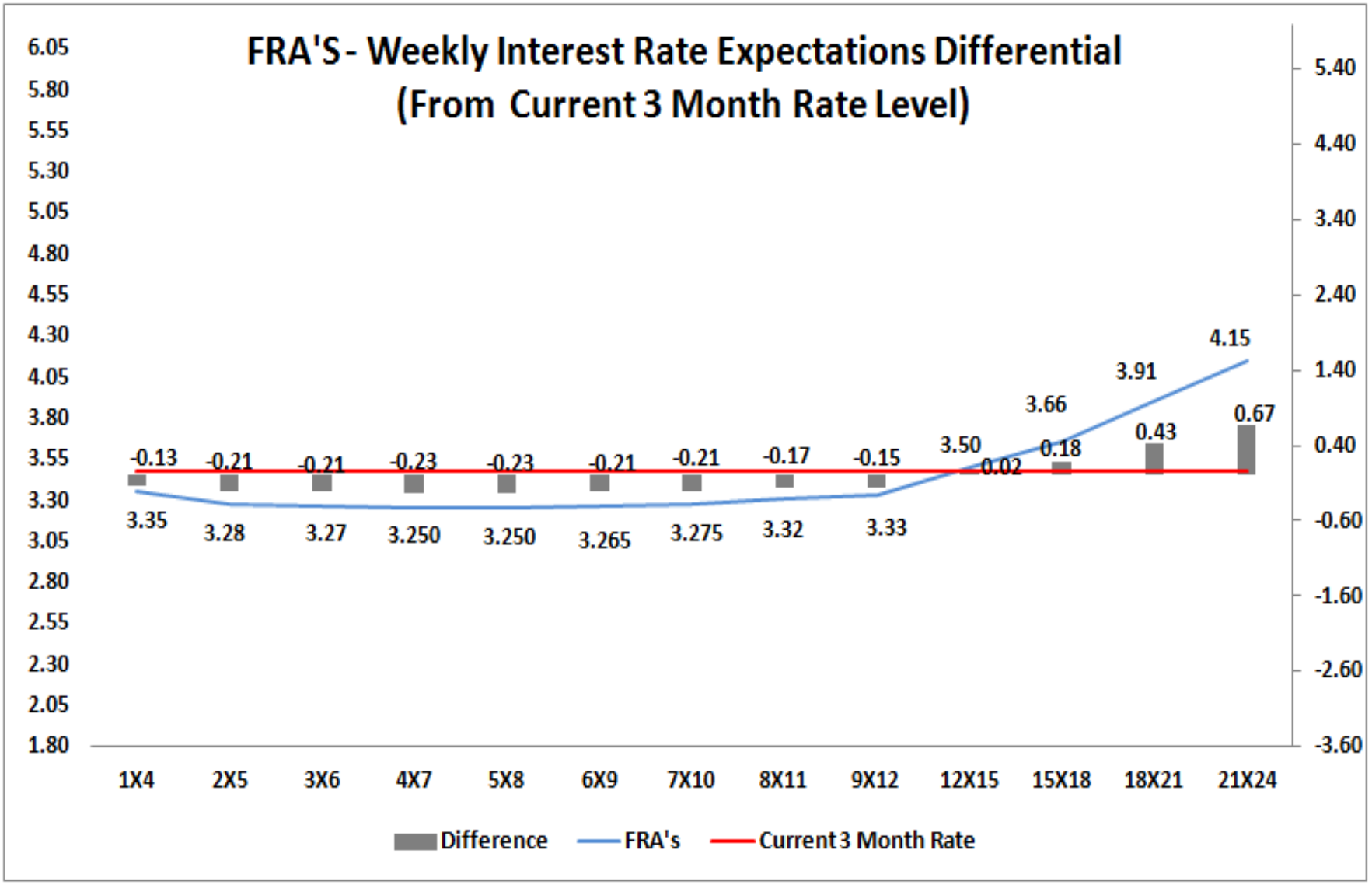
SARB Inflation Expectation



%

Period

Interest Rate Expectations



Difference FRA's Current 3 Month Rate

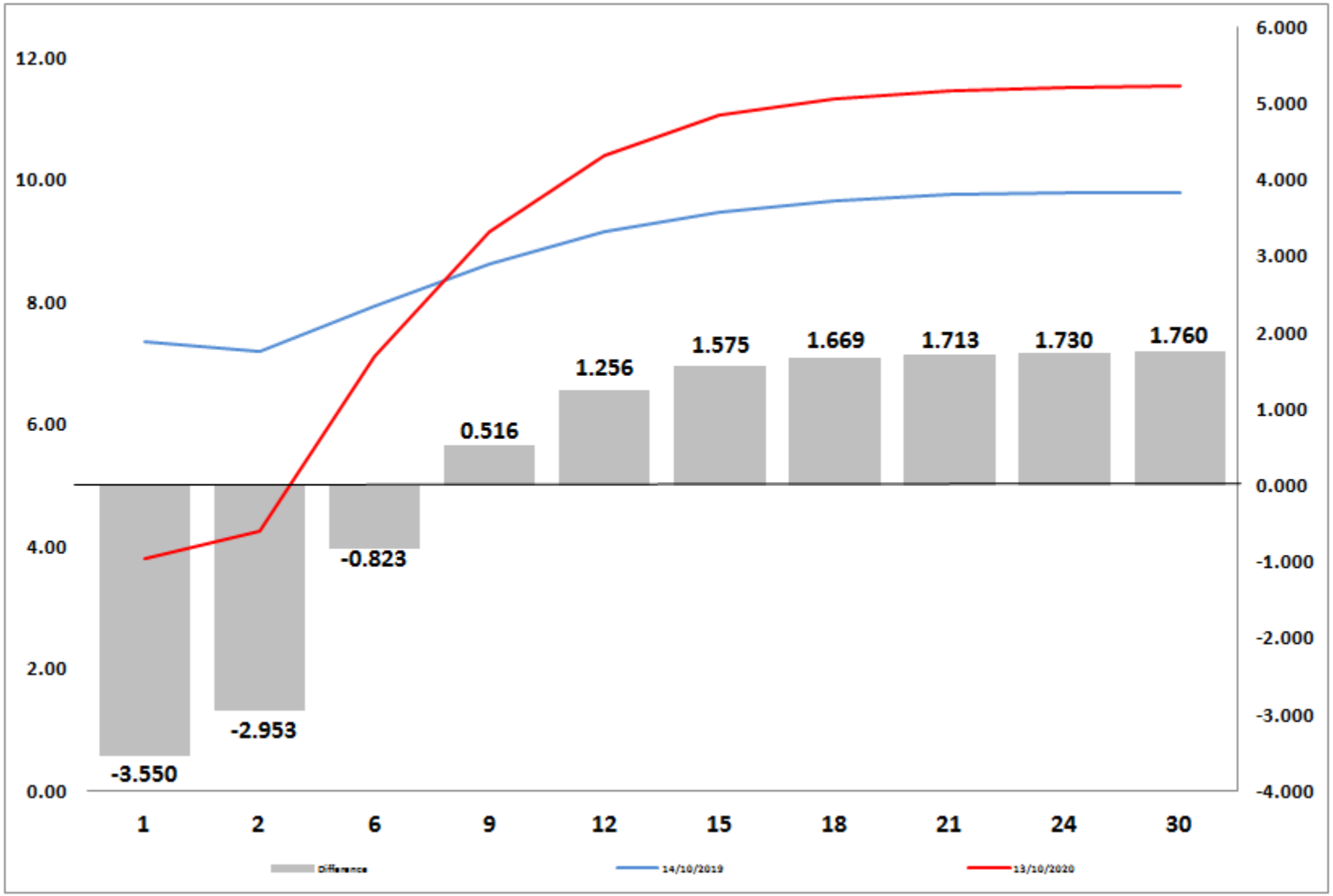
Period

Capital Market:

Capital Market rates are fully priced and do not offer much value at current levels given the risks posed by weak Government finances, higher inflation expectations, a weaker Rand and ratings downgrades. Foreigners were sellers of South African Bonds during the month of September.

Benchmark rates offer value at current levels, and we maintain a hold recommendation, and not to invest in longer than 10 year term instruments.

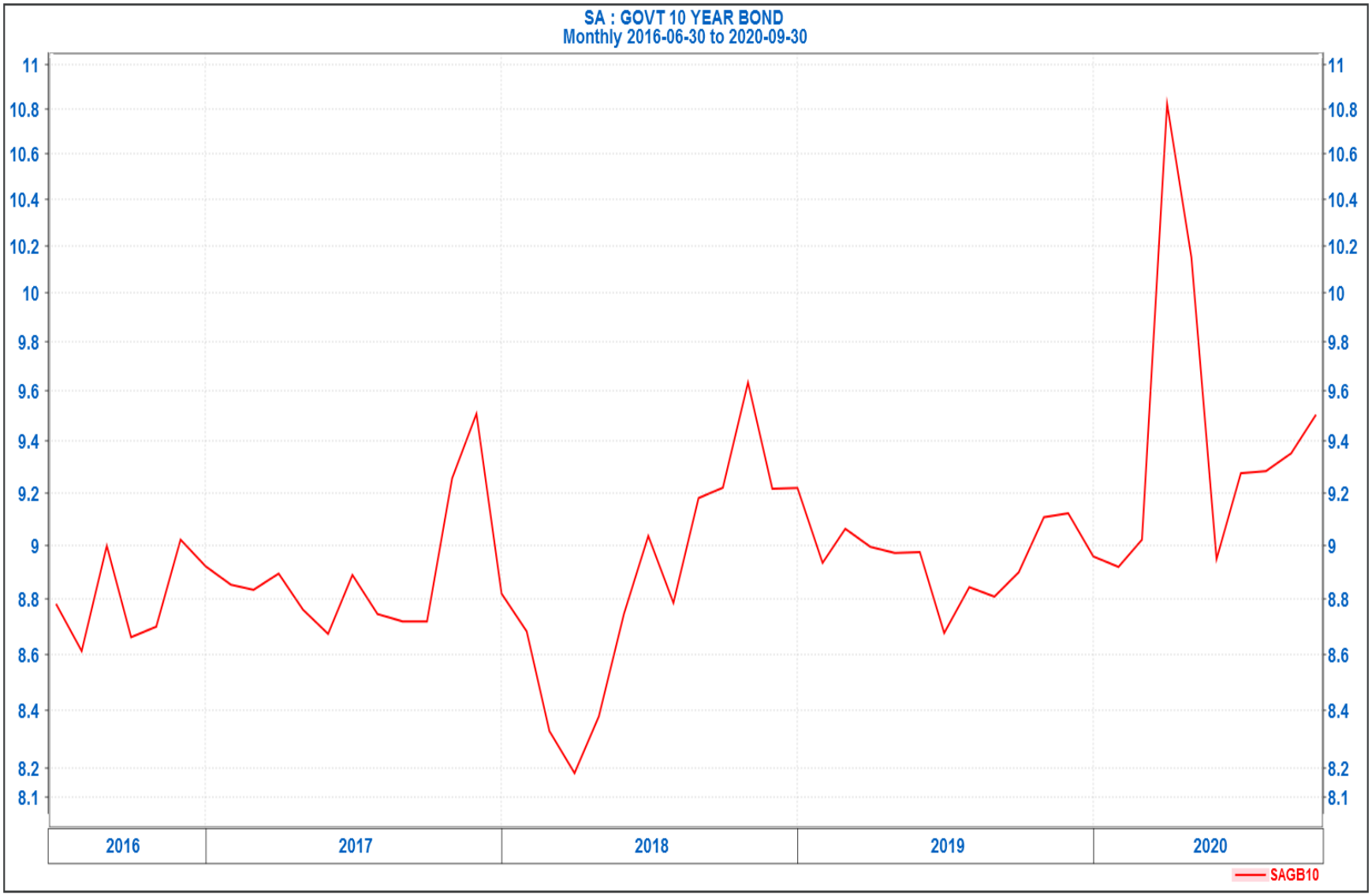
South Africa –Yield Curve



Difference Oct 2019 Oct 2020

Period

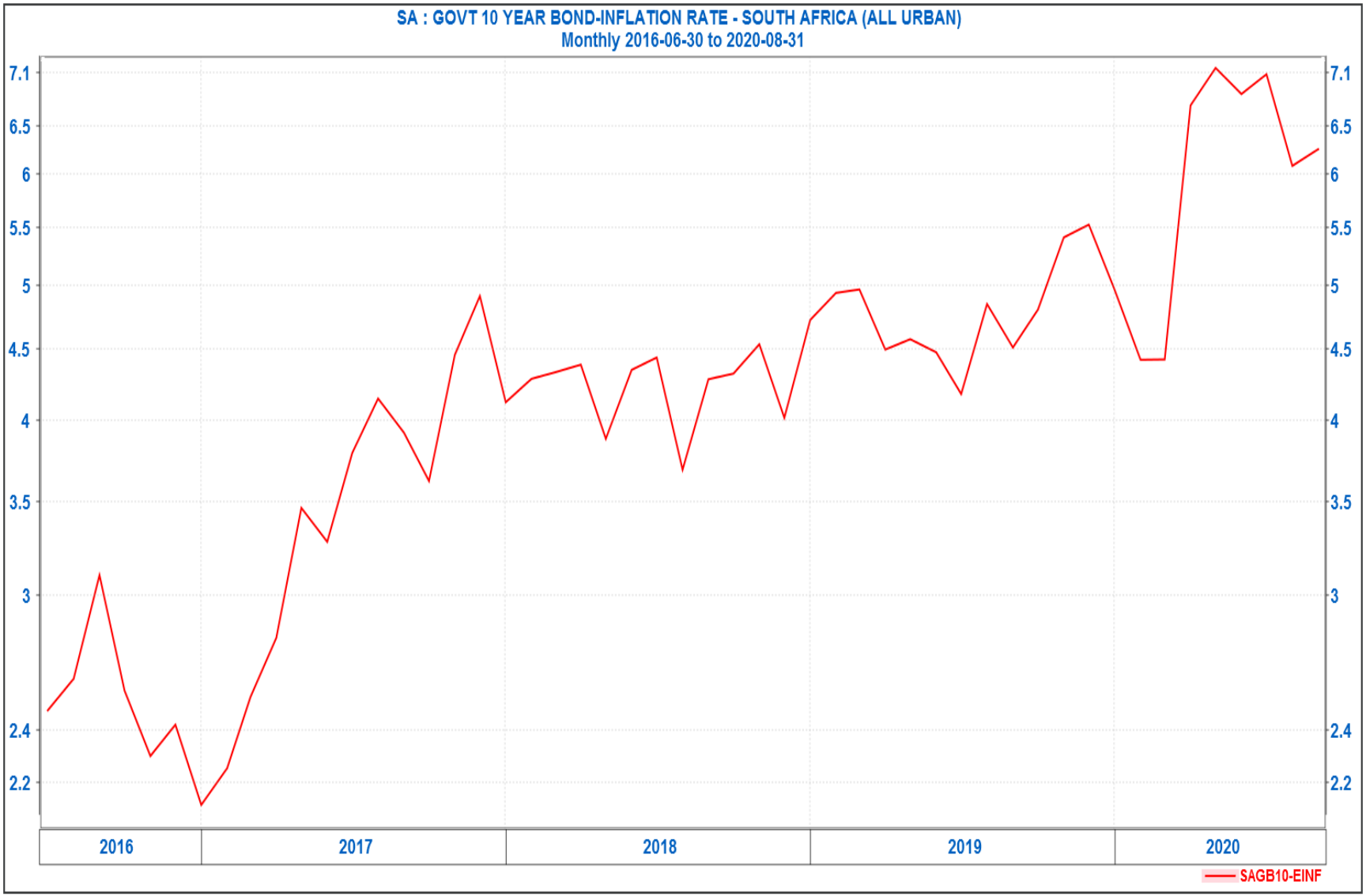
SA 10Year Bond Rate



%

Period

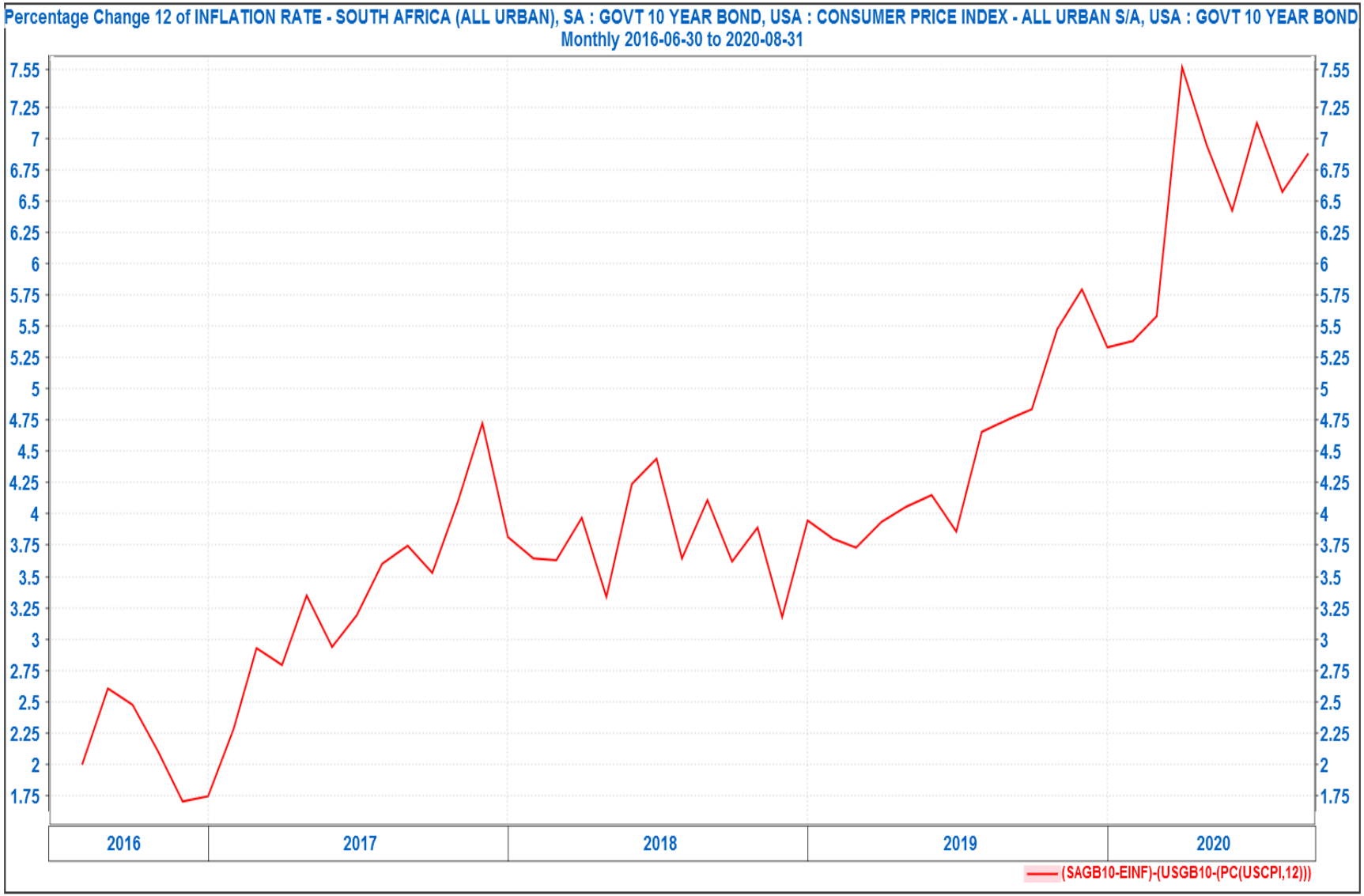
SA Real Interest Rate



%

Period

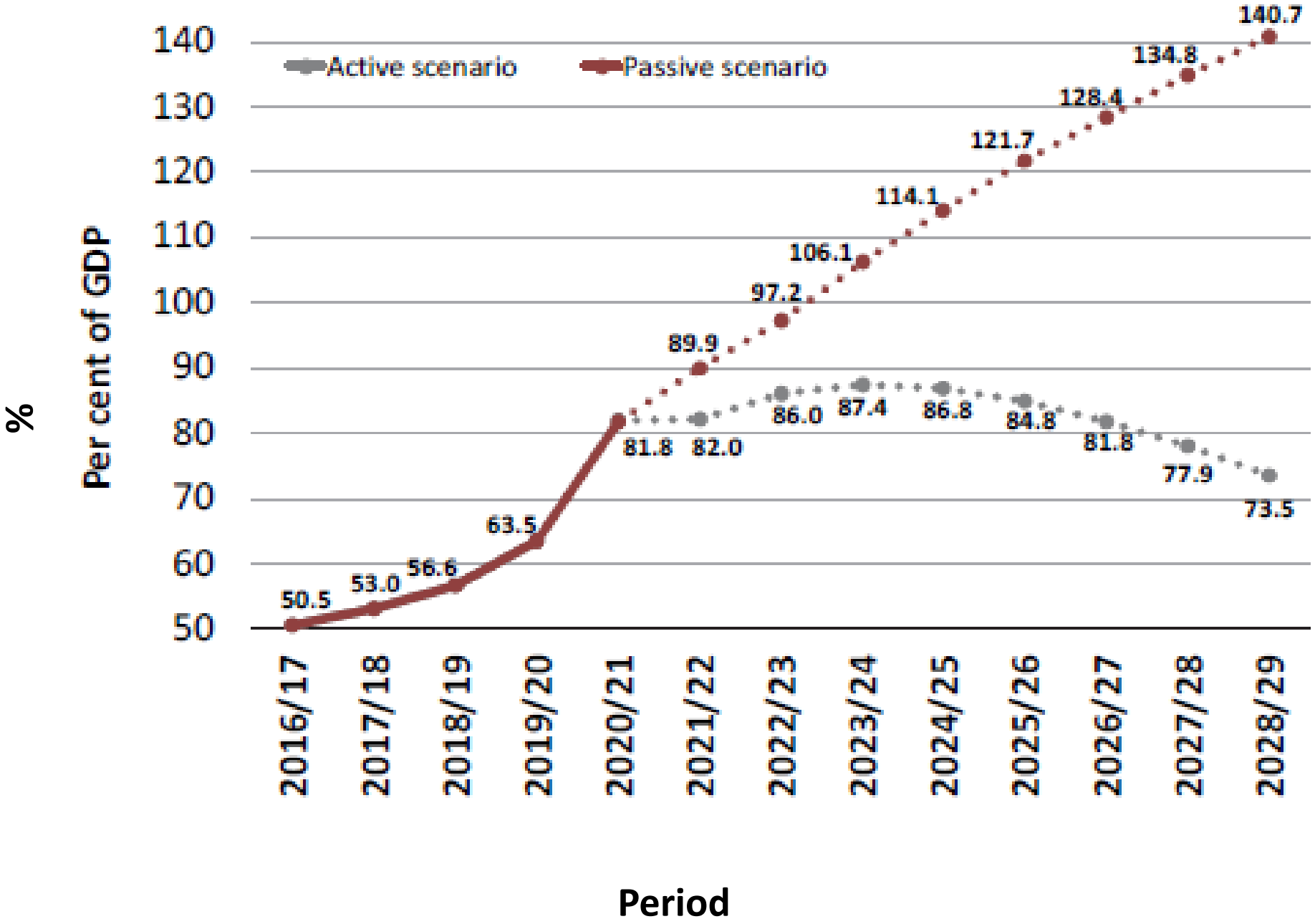
Real Interest Rate - SA vs. USA



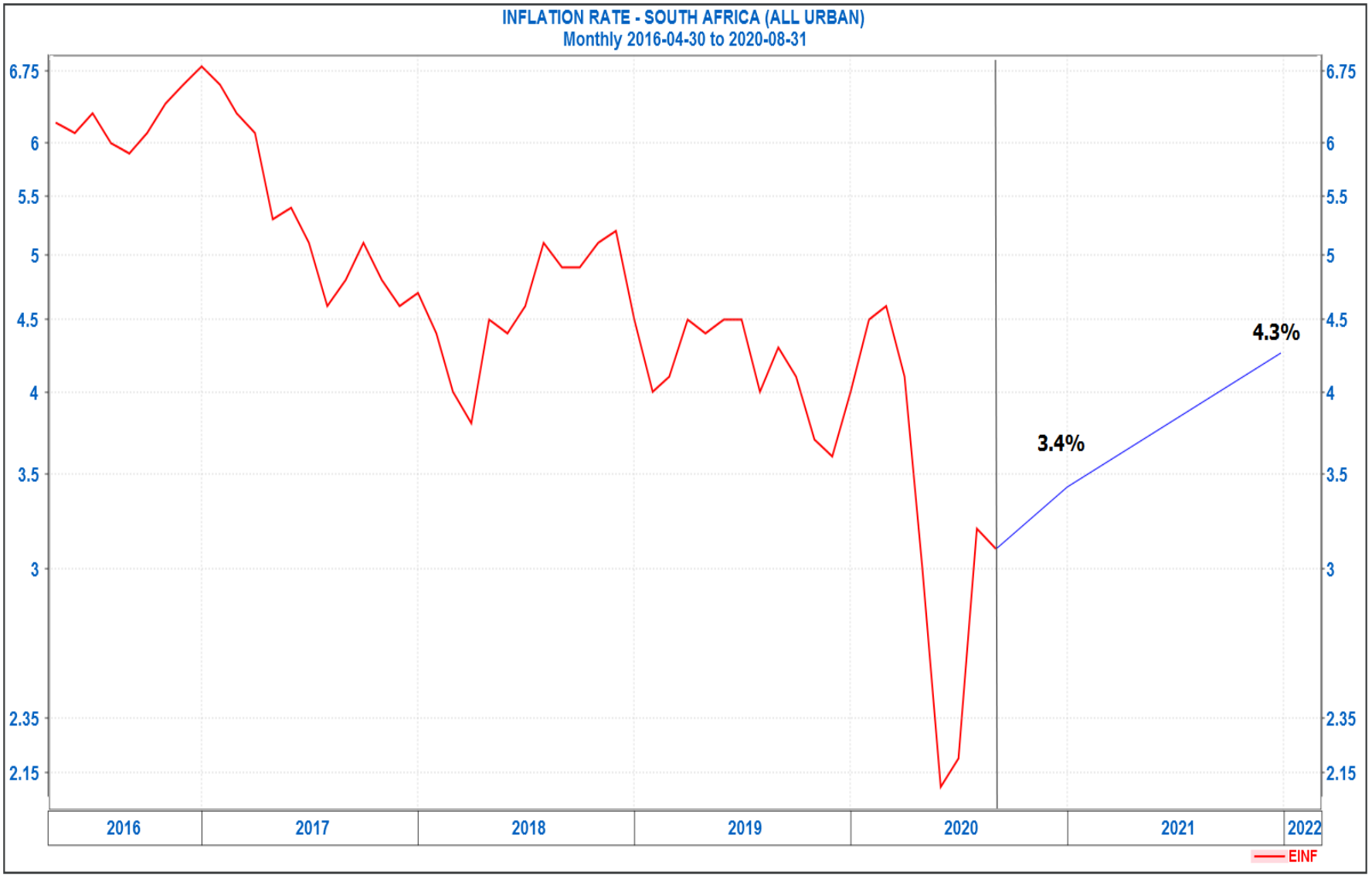
%

Period

SA Government Debt %GDP



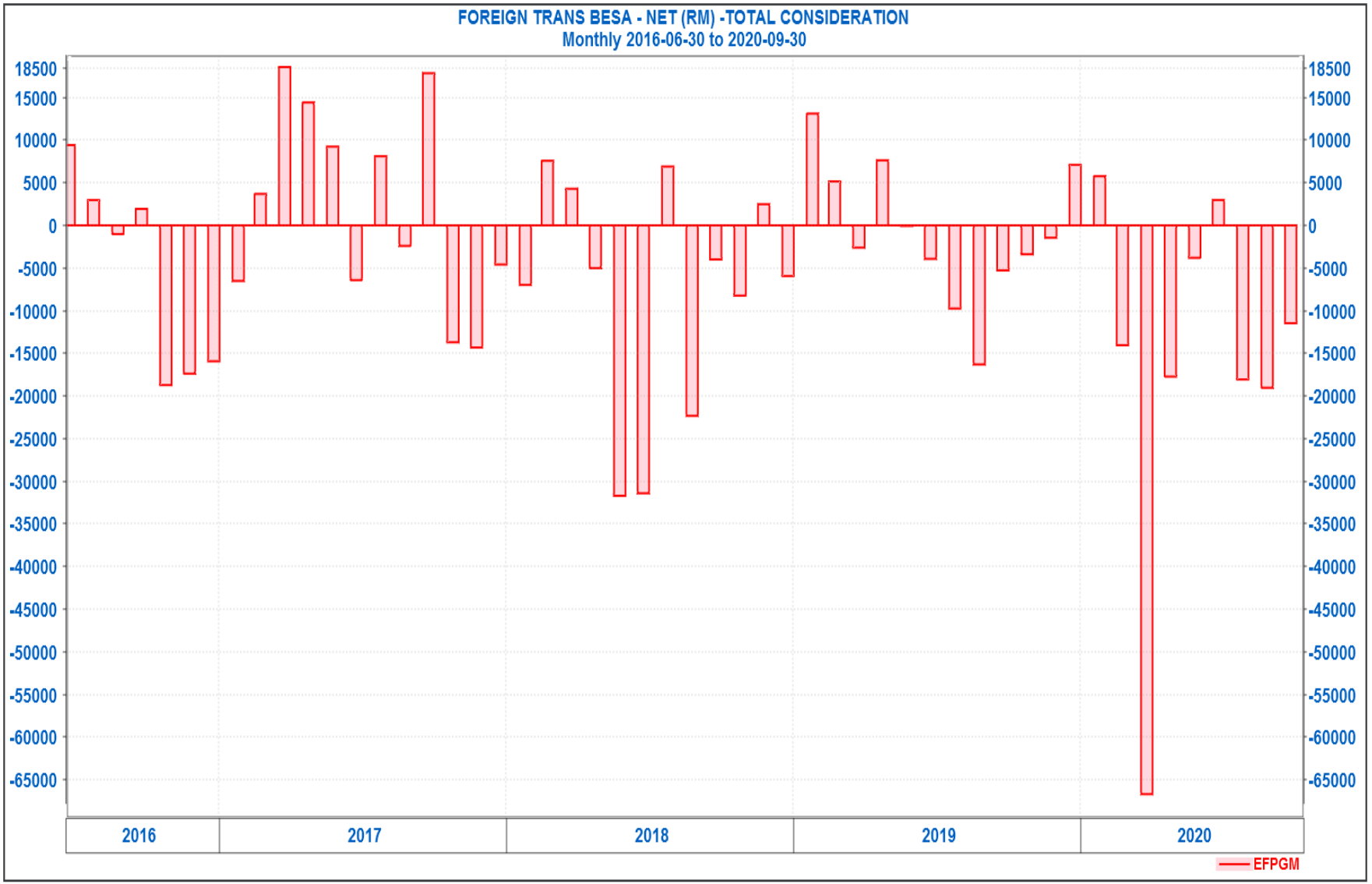
SARB Inflation Expectation



%

Period

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

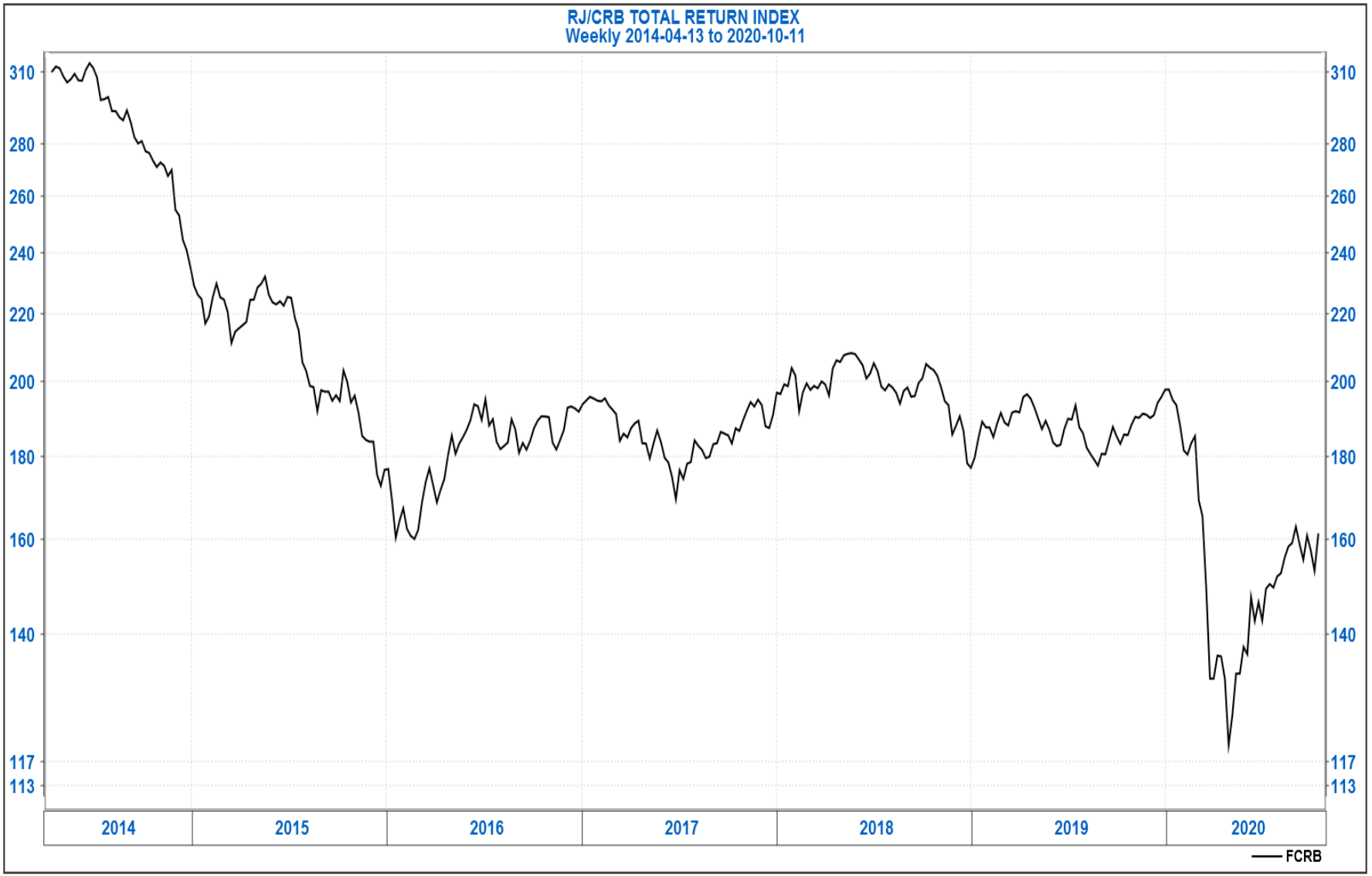


Amount

Period

Commodities Market

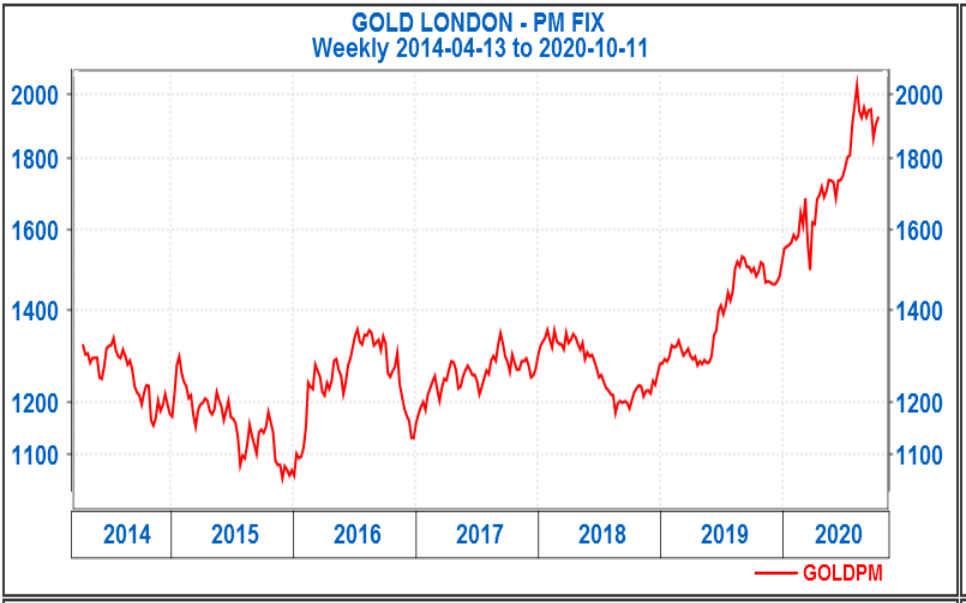
Commodity Index

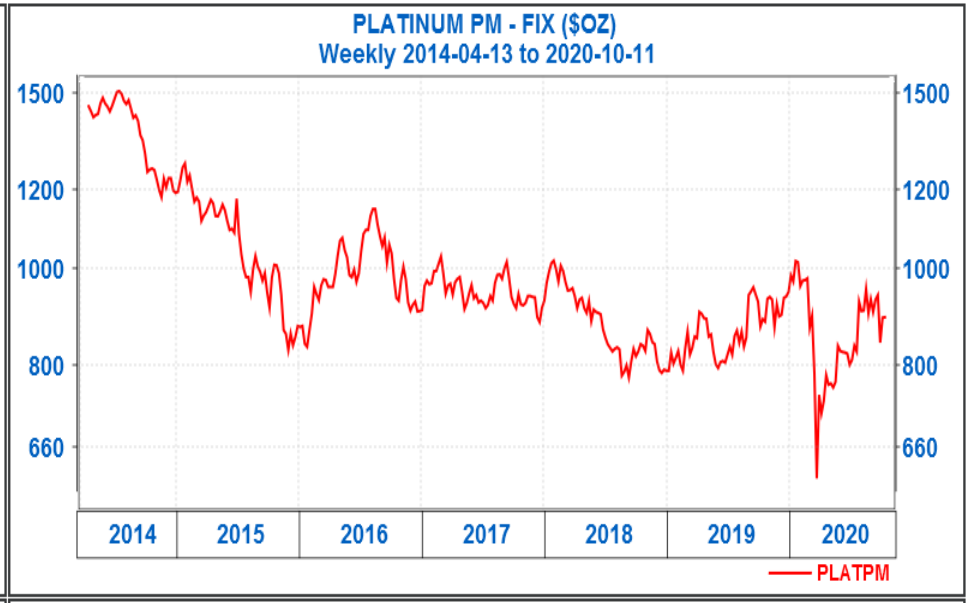


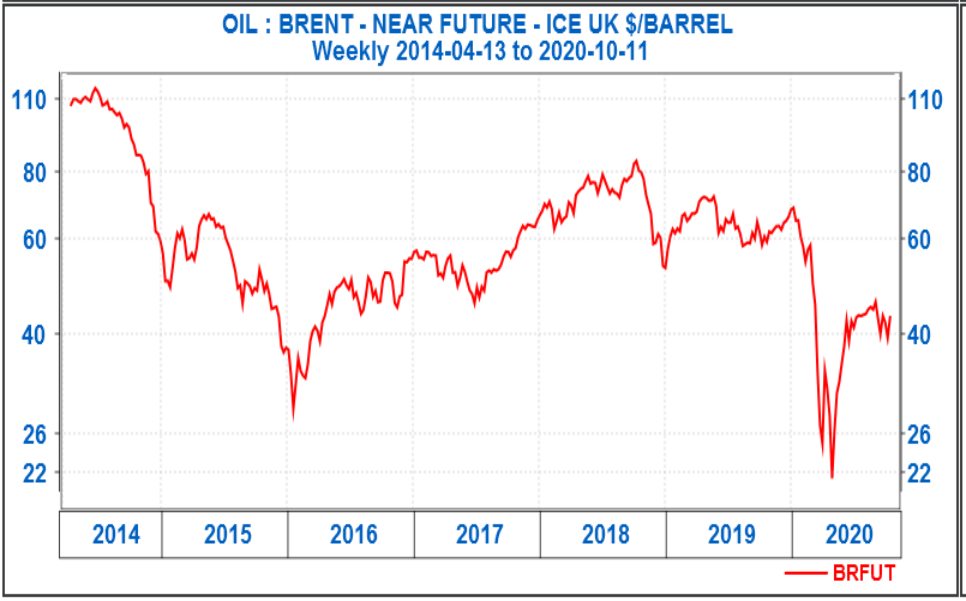
Index Points

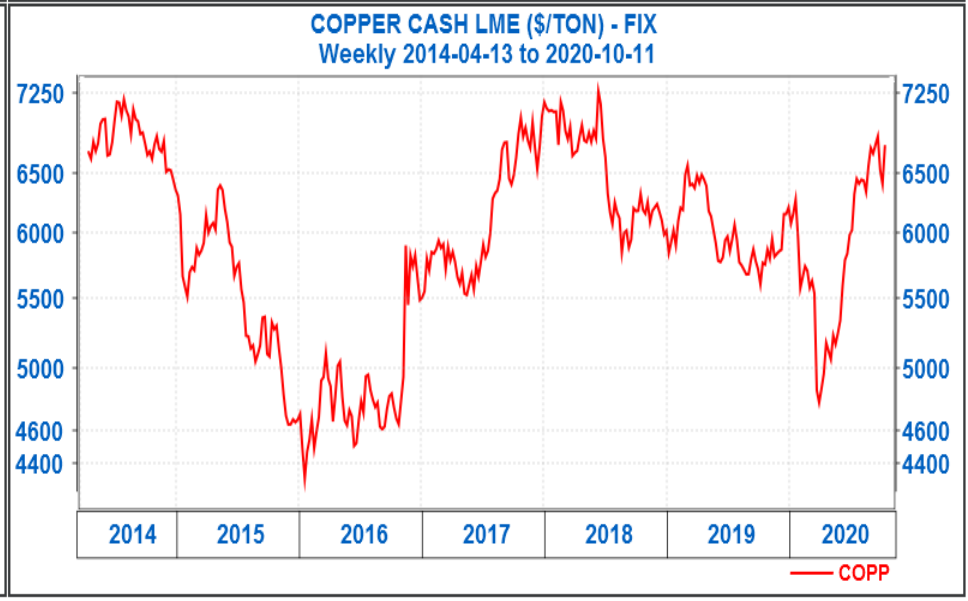
Period

Commodity Prices









Equities Market

Equities Market:

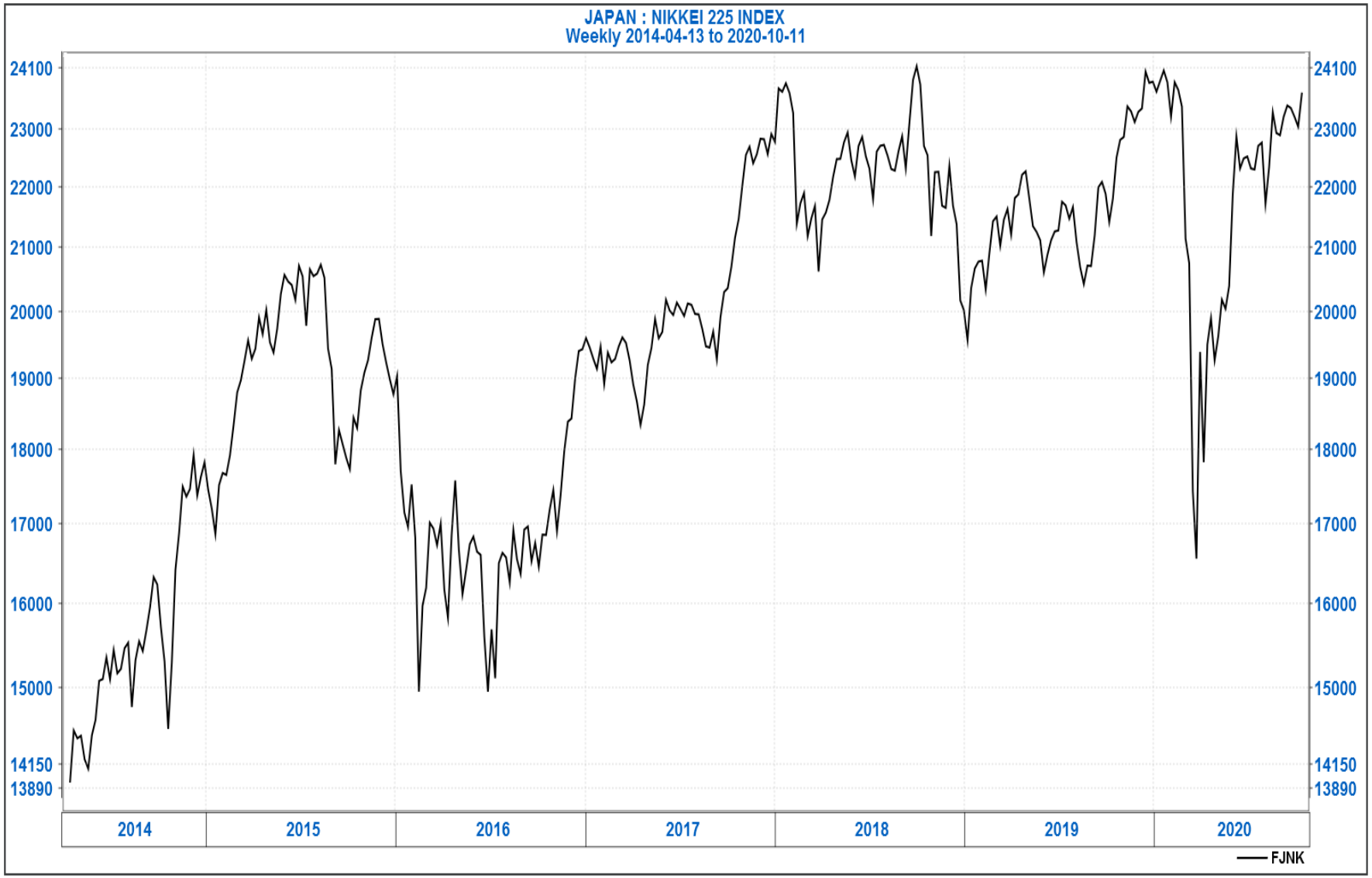
Equity markets worldwide seem to have recovered to almost pre-Covid-19 levels. SA Equities seem slightly overpriced relative to the Capital Market with word wide equity markets continuing to take strain on the back of Covid-19 fears. Selected shares in Industrials and Resources sectors are currently showing value, however market volatility increases uncertainty.

China – Shanghai A Share Index

Index Points

Period

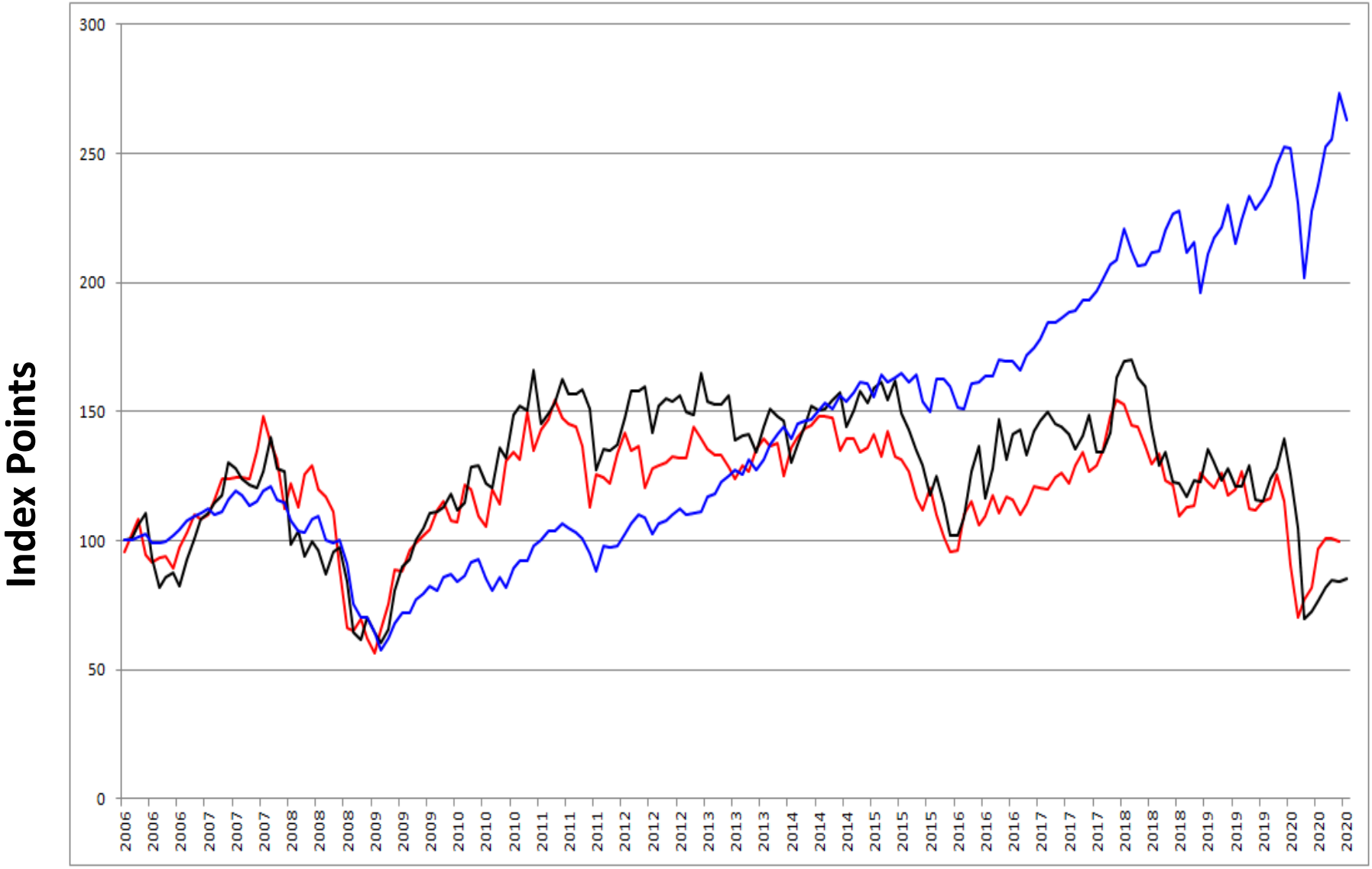
Japan – Nikkei 225



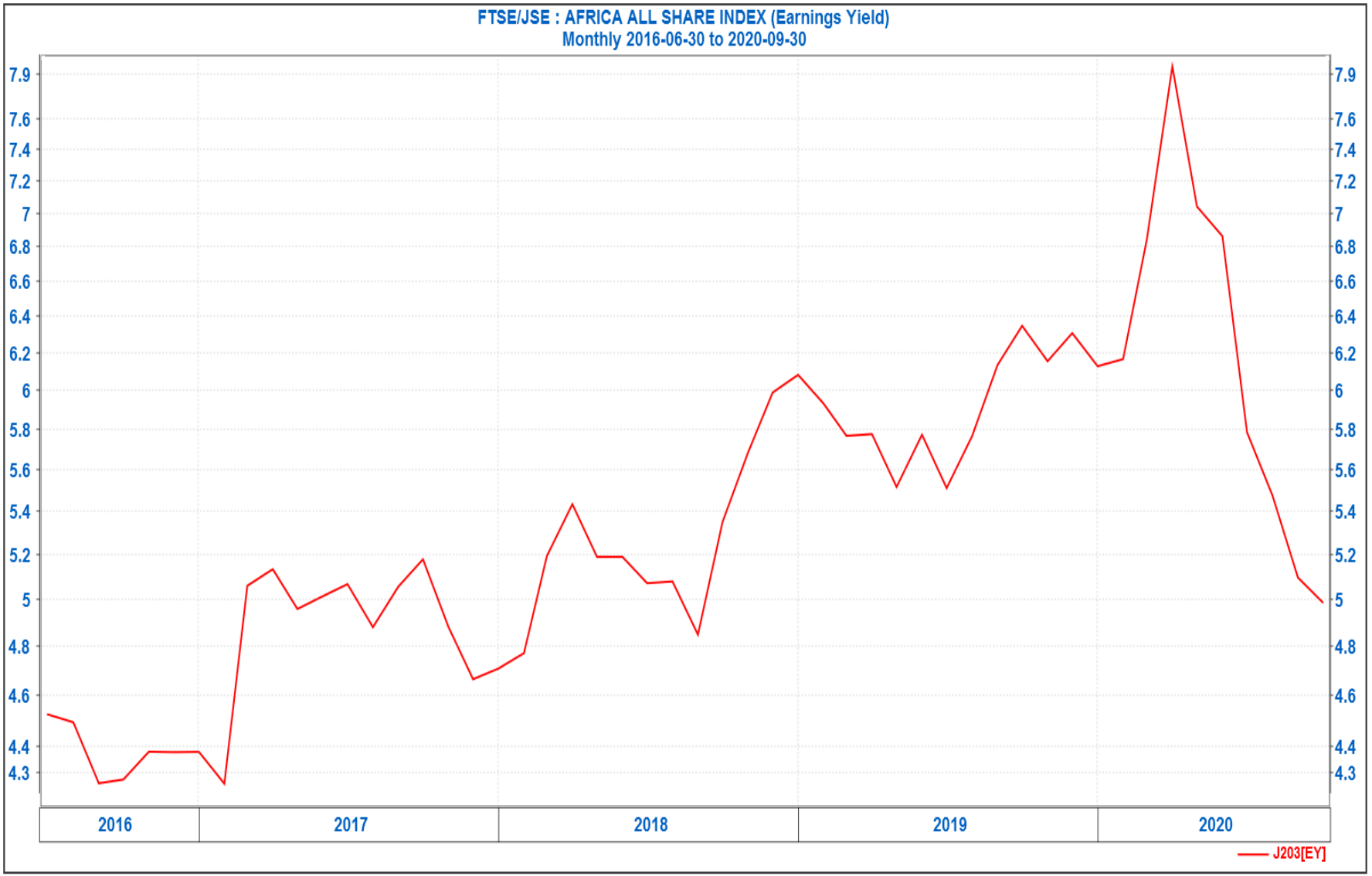
Index Points

Period

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



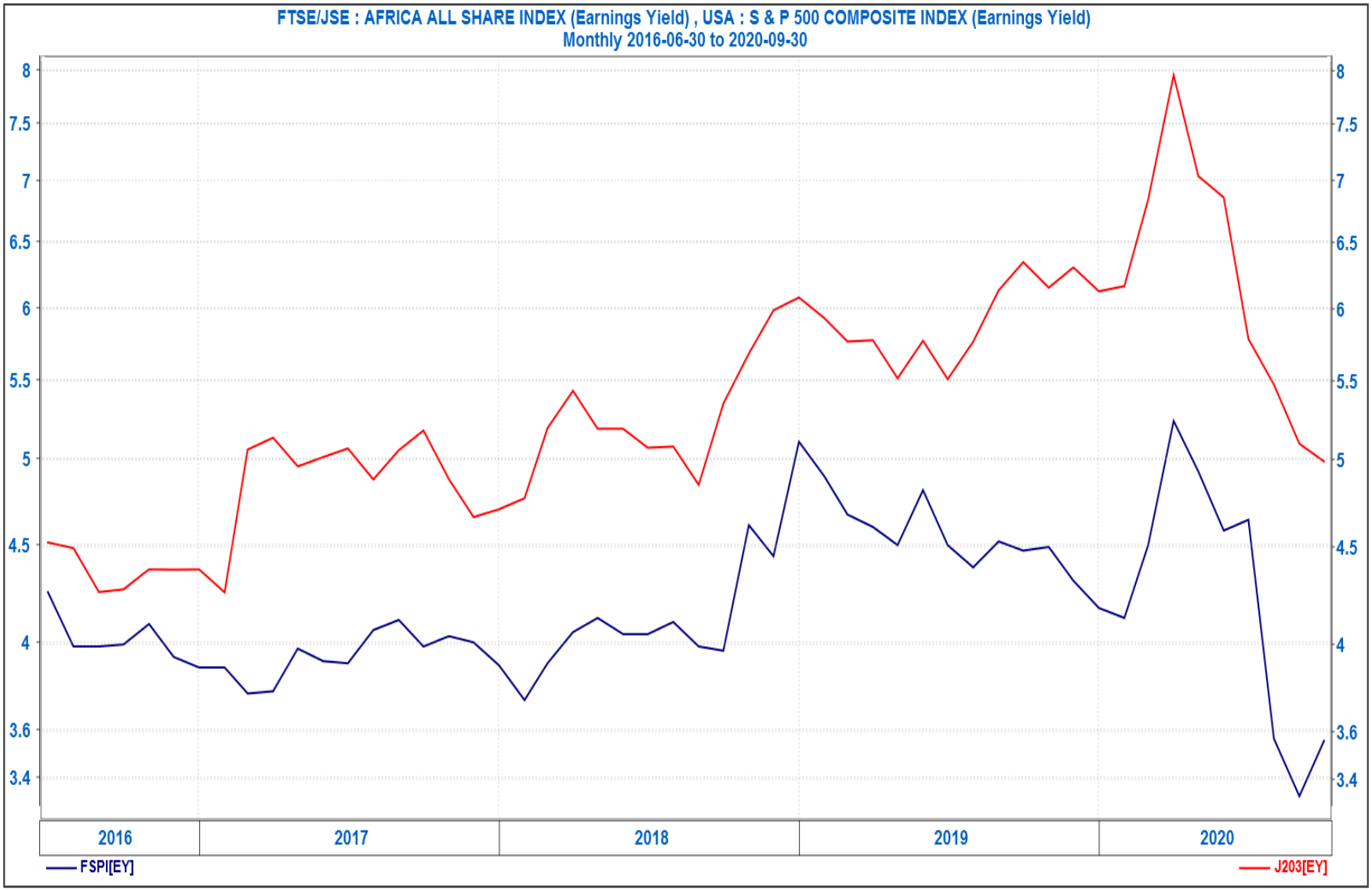
SA All Share Index – Earnings Yield



%

Period

Earnings Yield- SA vs. USA



%

S.A. All Share Earnings Yield

USA S&P 500 Shares Earnings Yield

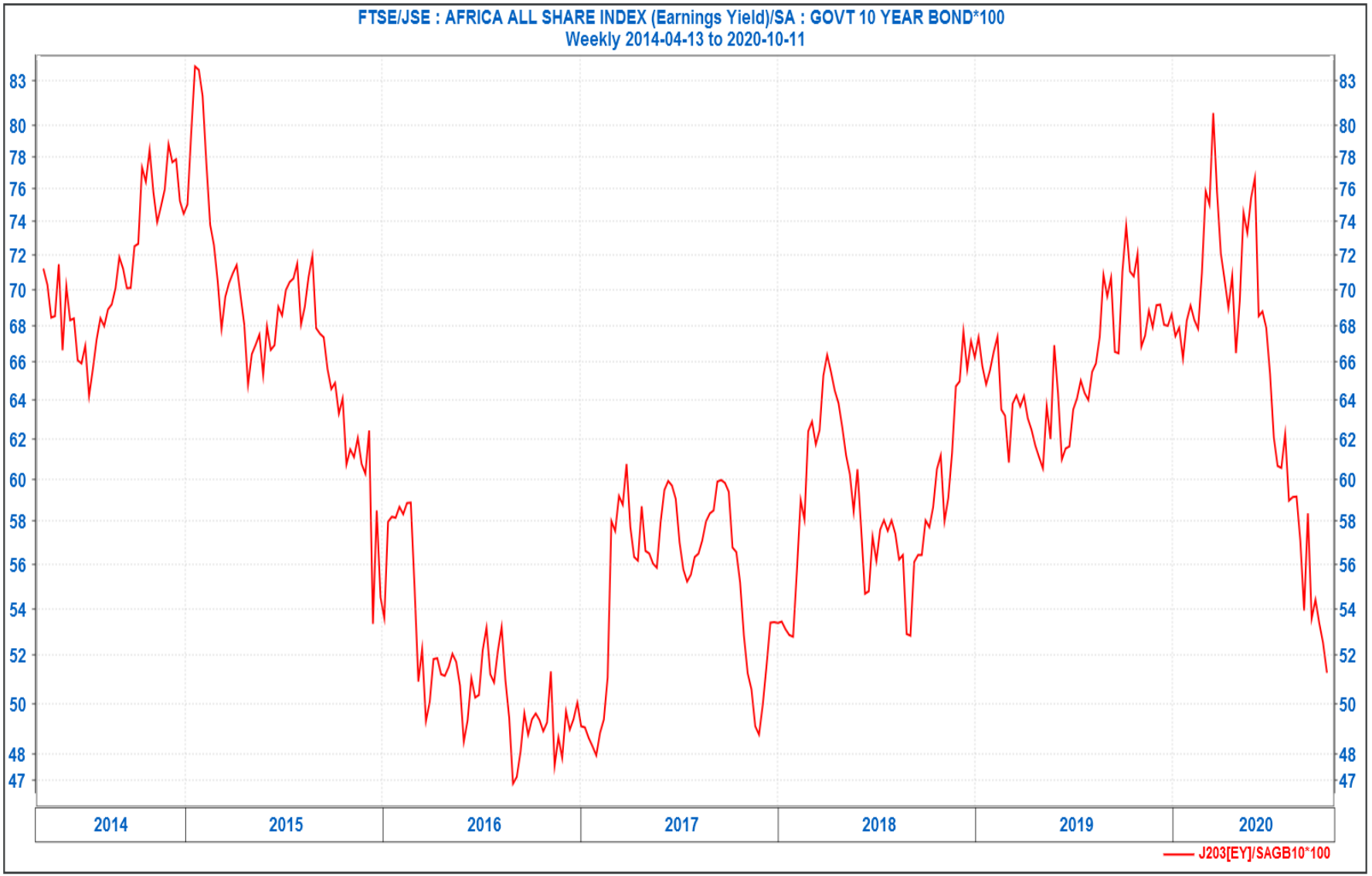
Period

Real EY- SA vs. USA

%

Period

Relative value of share's against Capital market rates



%

Period