

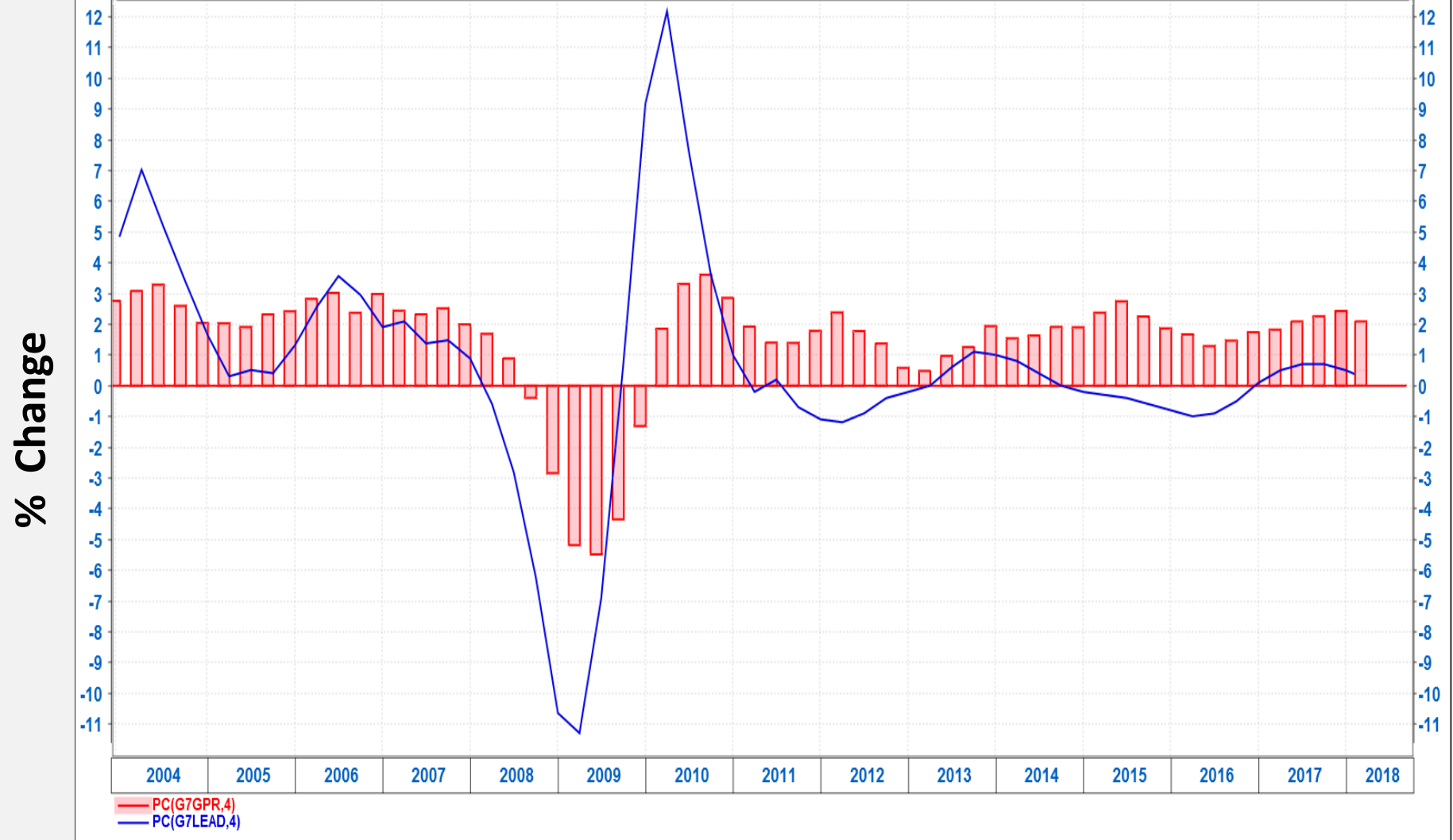
# **International Economic Indicators**

## **Worldwide: G7**

Economic growth eased in Q1 of 2018 for the G7 countries, with only the United States suggesting any real growth. Unemployment continues its downward trend and inflation remains below the 2% level for the time being. Leading indicators still indicate a 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 (2010=100), Percentage Change 4 of G7 : COMPOSITE LEADING INDICATOR  
Quarterly 2003-12-31 to 2018-03-31



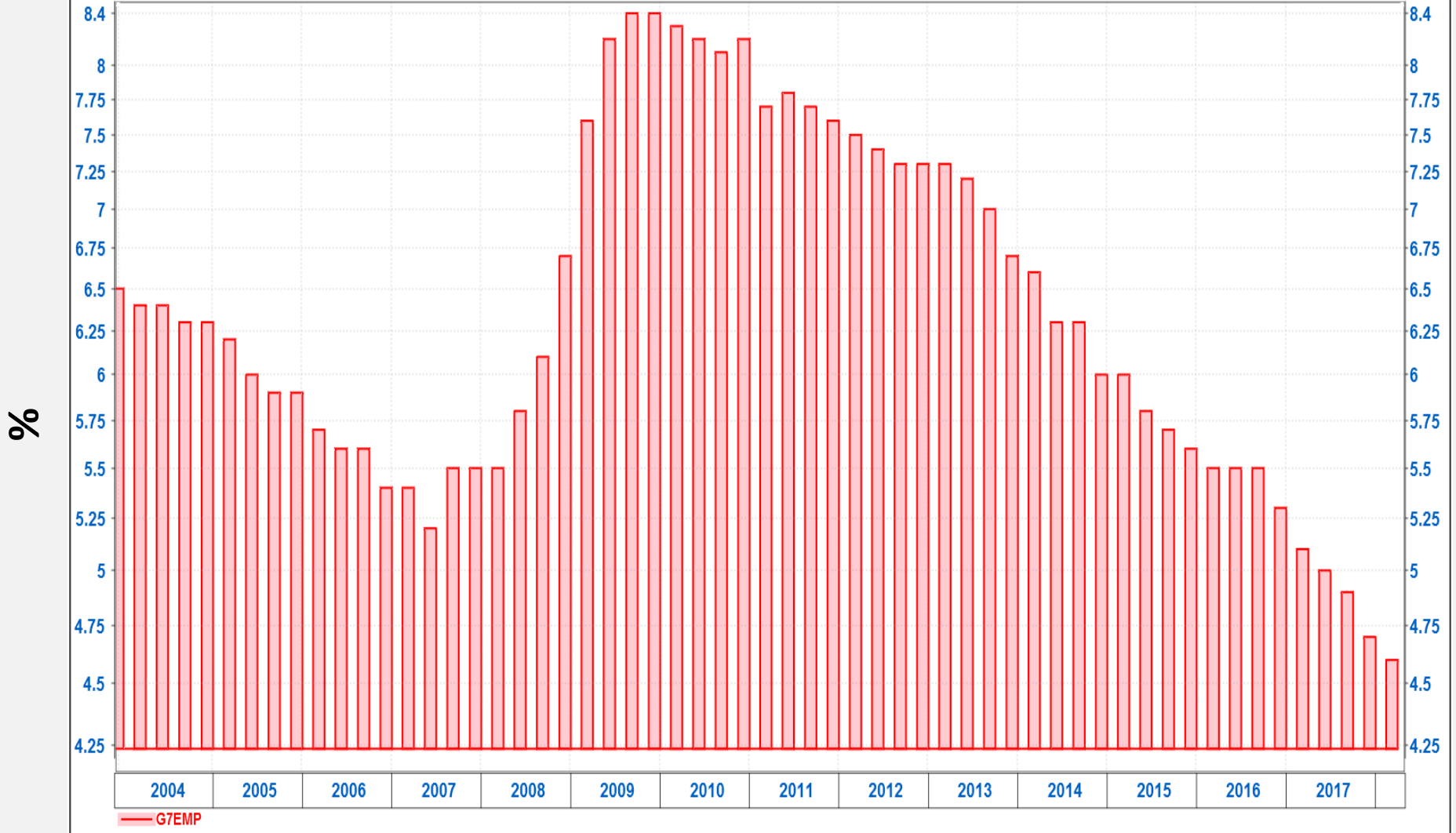
— G7 Leading Indicator

— G7 Growth Rate

Period

# G7 – Unemployment

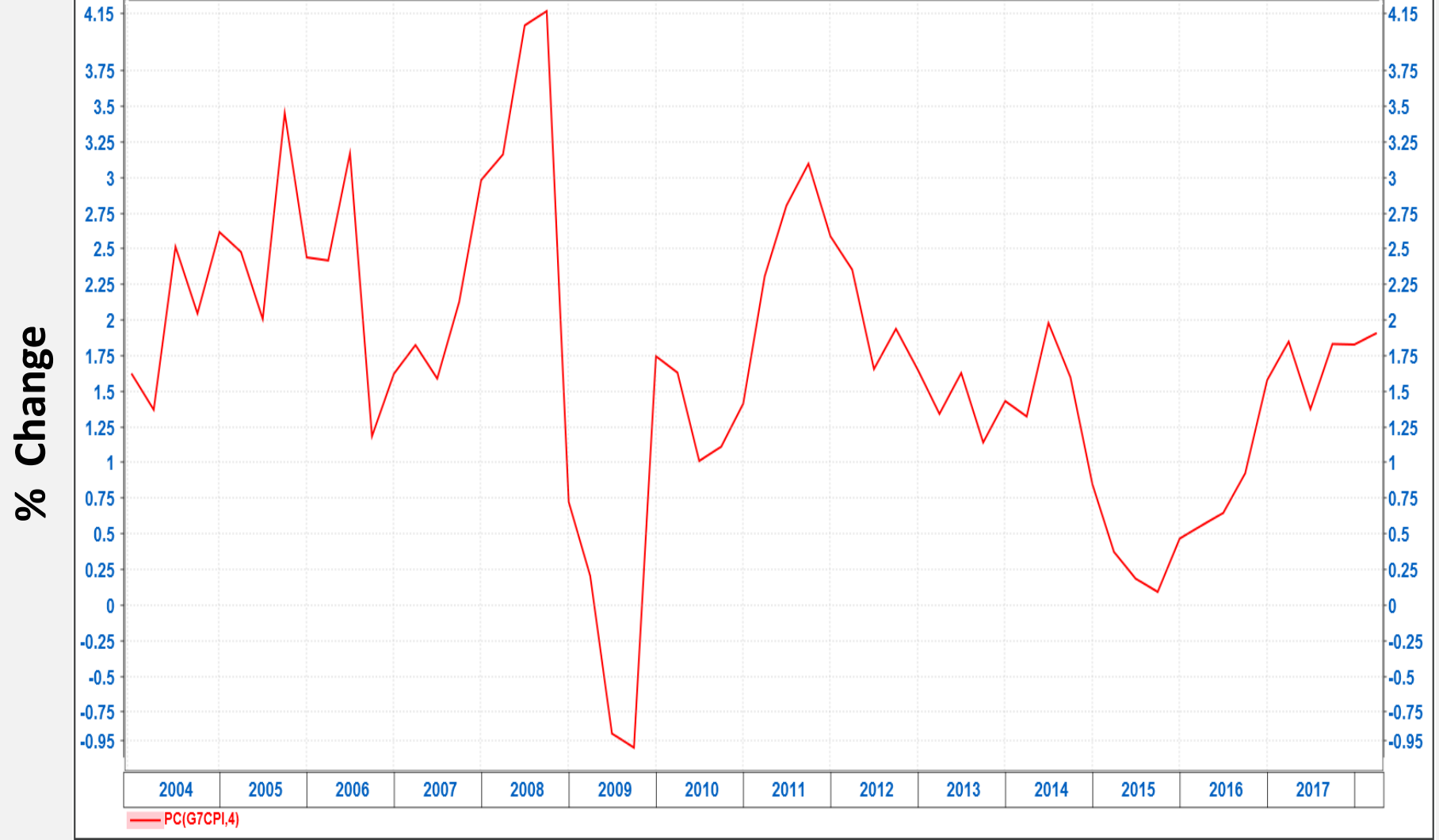
G7 : UNEMPLOYMENT %  
Quarterly 2003-12-31 to 2018-03-31



Period

# G7 – Inflation

Percentage Change 4 of G7 : CONSUMER PRICE INDEX (2010=100)  
Quarterly 2003-12-31 to 2018-03-31



Period

## Unites States:

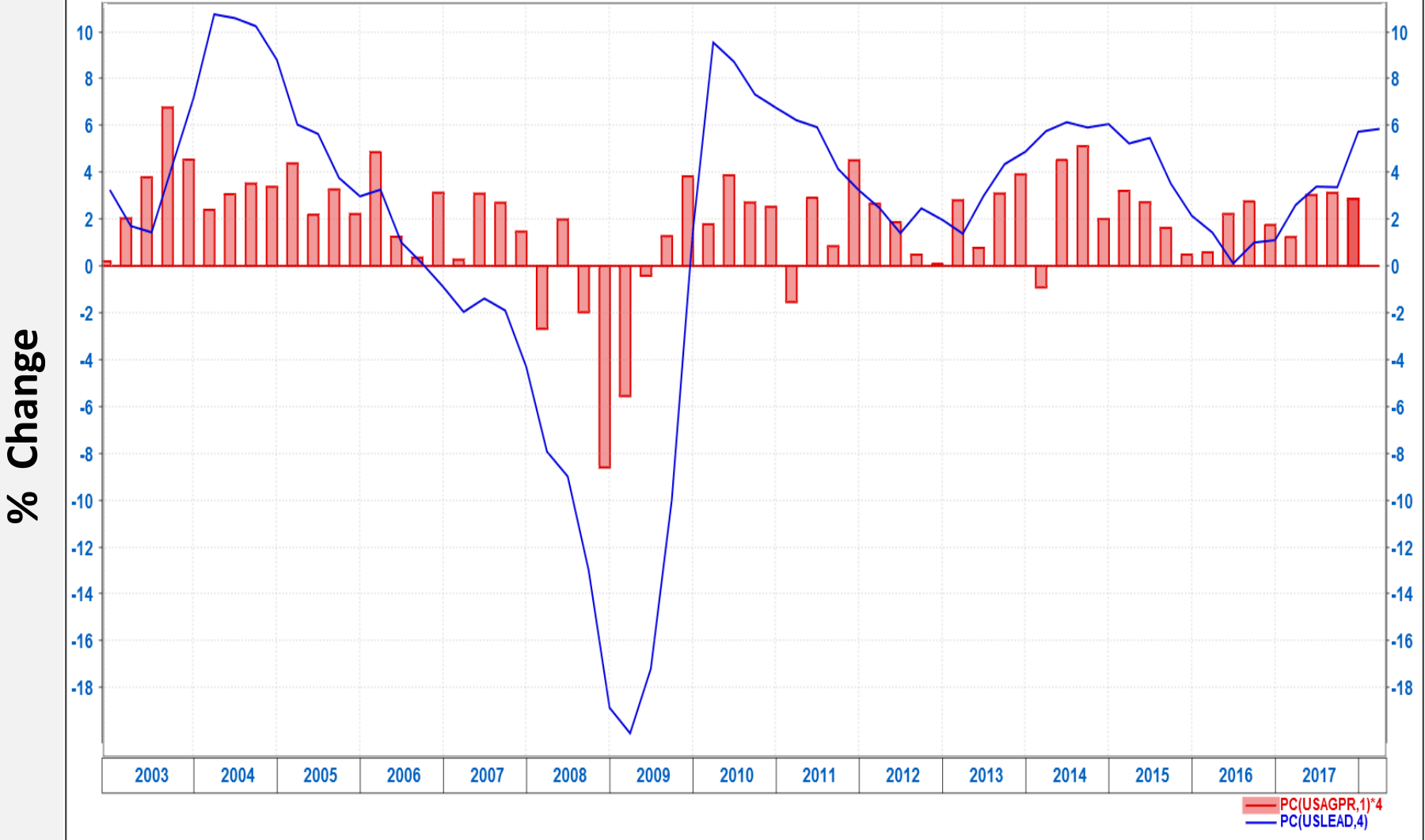
The Federal Reserve raised interest rates by 50 basis points this year. This decision was expected as a result of the boom in economic growth witnessed during 2017 and the beginning of 2018 with leading indicators suggesting this growth to continue. Further anticipated interest rate hikes are unlikely. Rising inflation rates and lower consumer demand suggest that the US economy is not overheating.

Tax reforms recently implemented may put added pressure on government debt.

Earnings growth of companies is expected to remain high, already yielding 20.2% growth in Q1 of 2018, and expecting 19% and 21.2% for Q2 and Q3 in 2018 respectively.

# USA – Economic Growth Rate

PC(USAGPR,1)\*4 , Percentage Change 4 of USA : COMPOSITE LEADING INDICATOR (2016=100)  
Quarterly 2002-12-31 to 2018-03-31



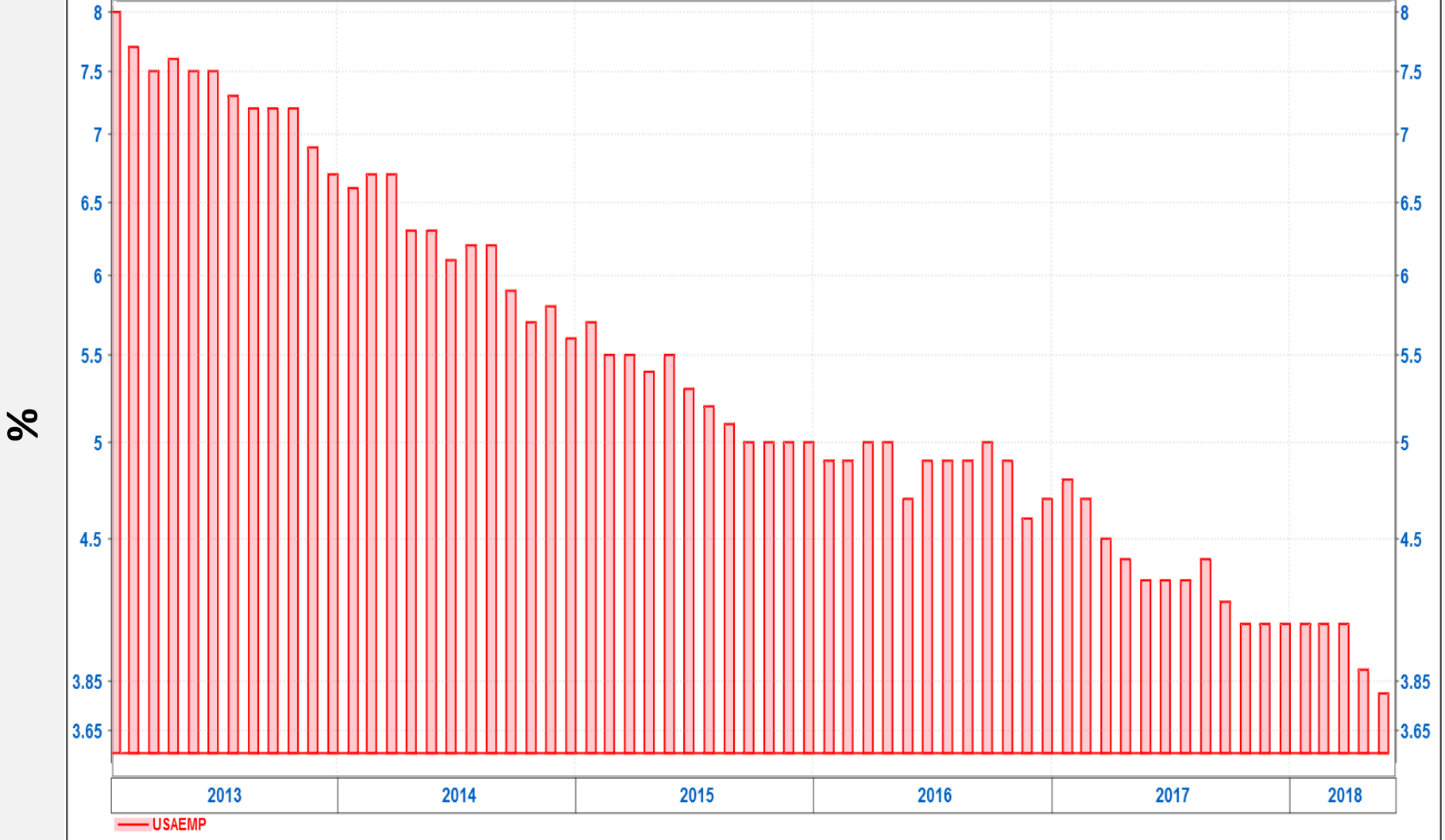
— USA Growth Rate

— USA Leading Indicator

Period

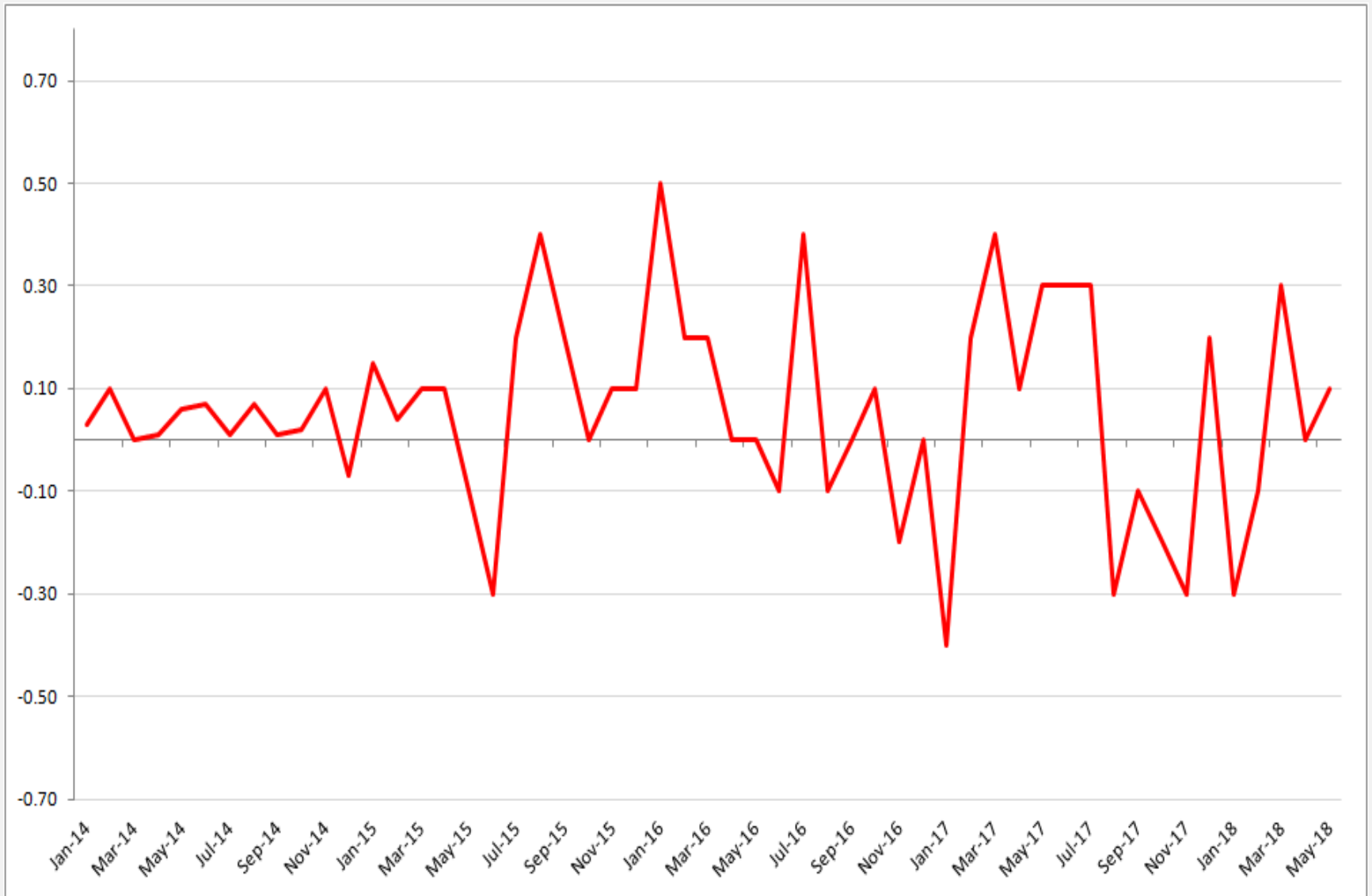
# USA – Unemployment

USA : UNEMPLOYMENT % (S/A)  
Monthly 2013-01-31 to 2018-05-31



Period

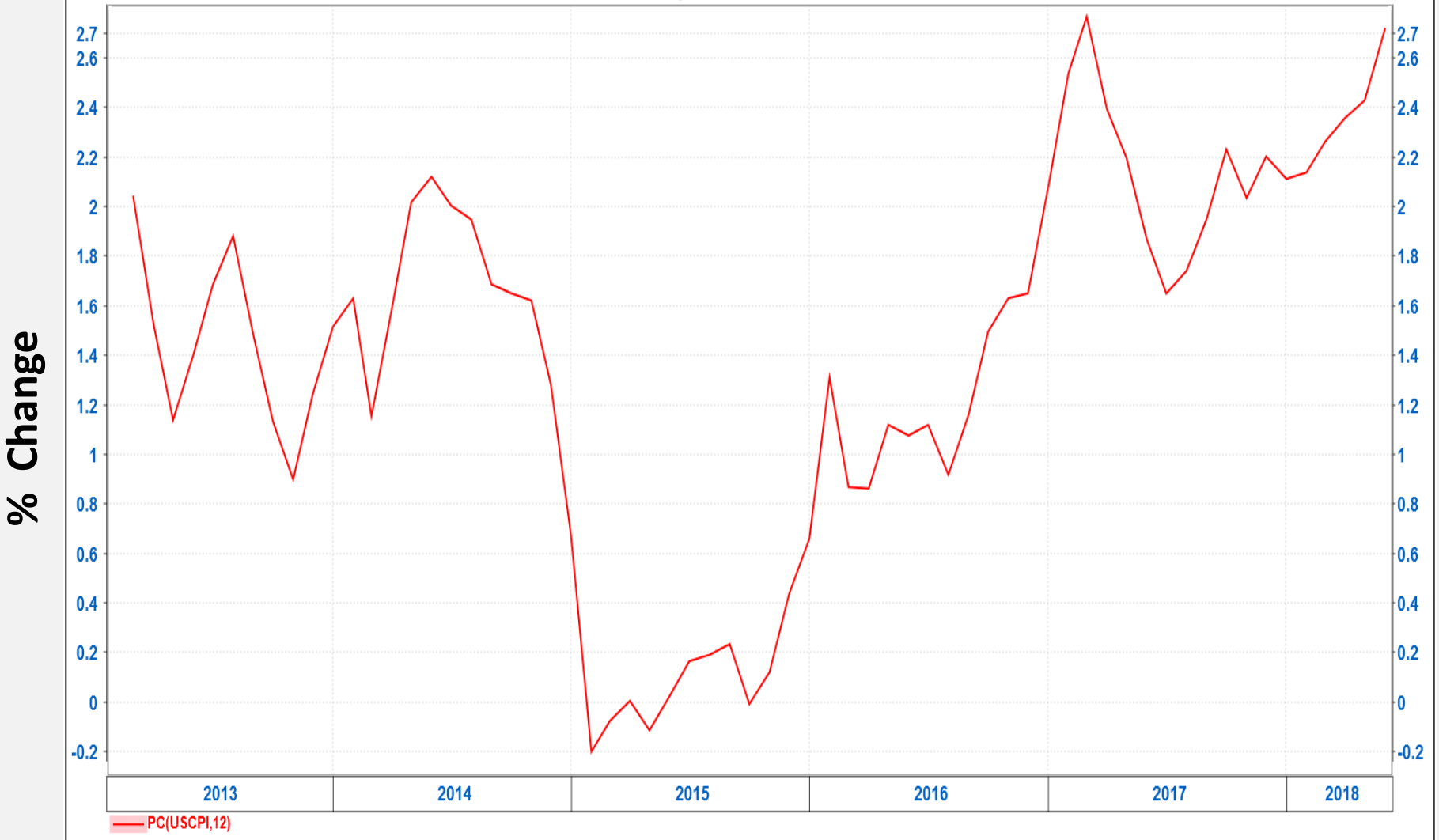
# Real US Wages Growth (MoM)



Period

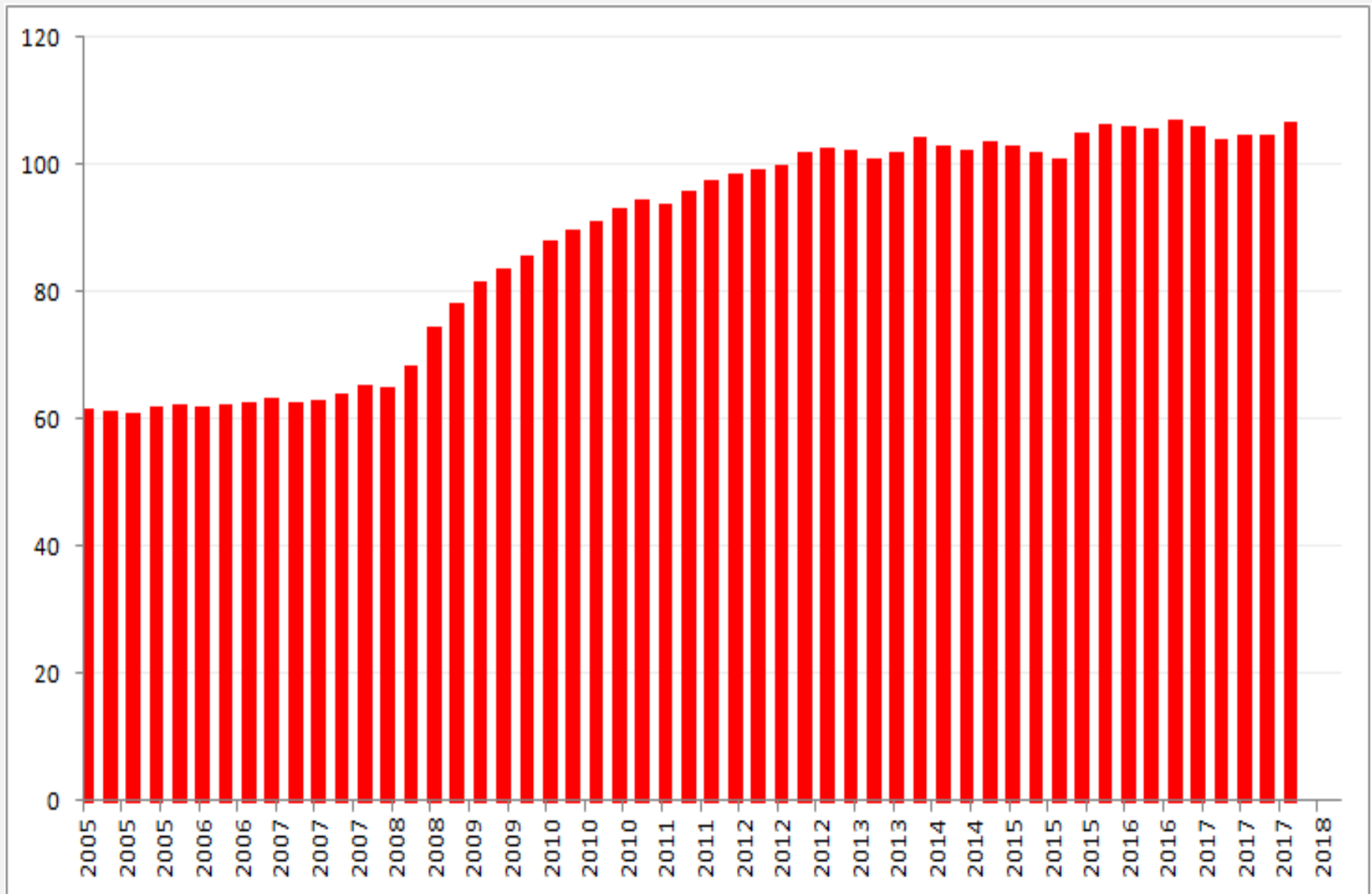
# USA – Inflation

Percentage Change 12 of USA : CONSUMER PRICE INDEX - ALL URBAN S/A  
Monthly 2013-01-31 to 2018-05-31



Period

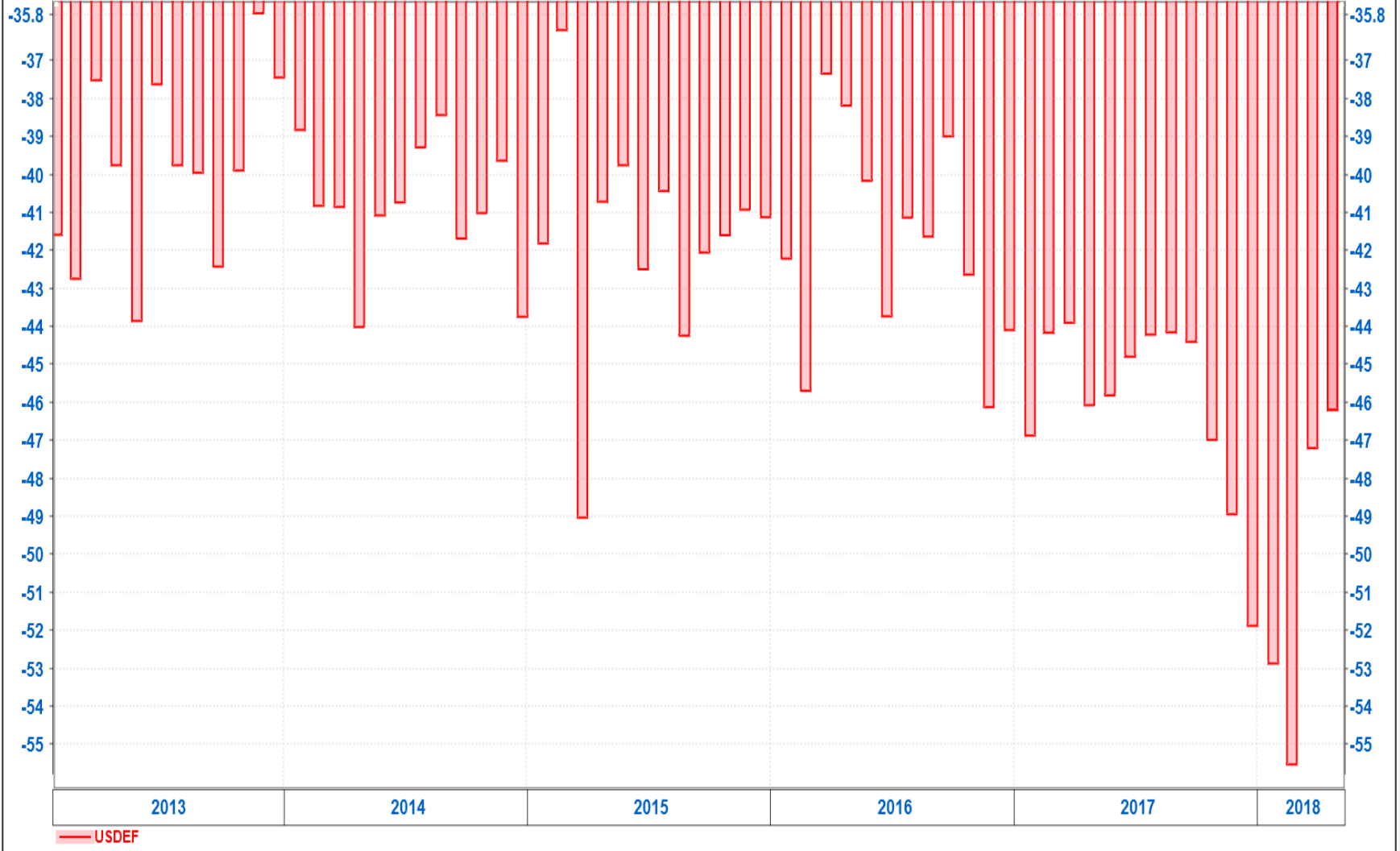
# USA – Government Debt %GDP (\$ Million)



Period

# USA - Trade Balance Deficit (\$ Billion)

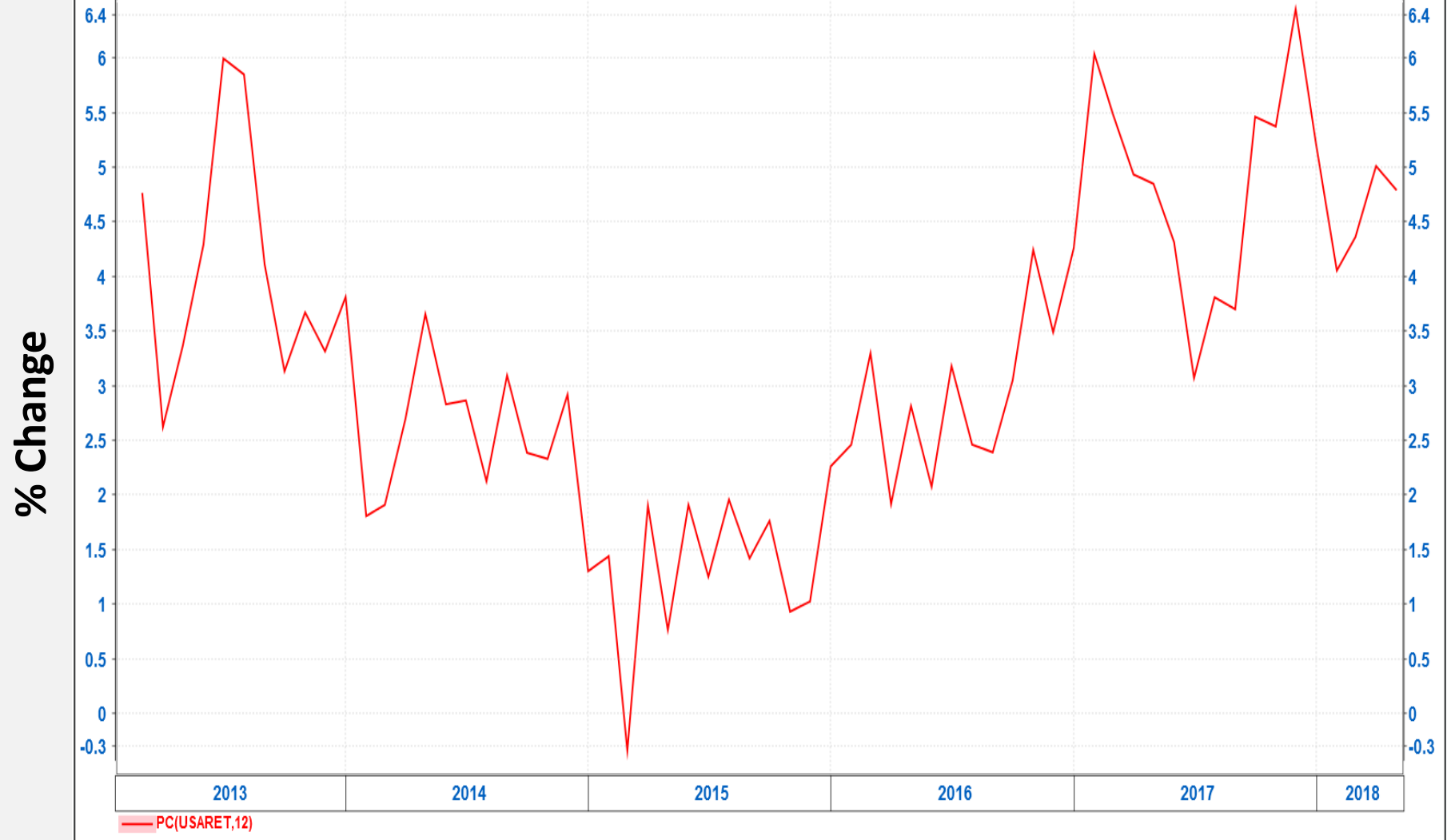
USA : TRADE BALANCE S/A (\$BN)  
Monthly 2013-01-31 to 2018-05-31



Period

# USA - Retail Sales

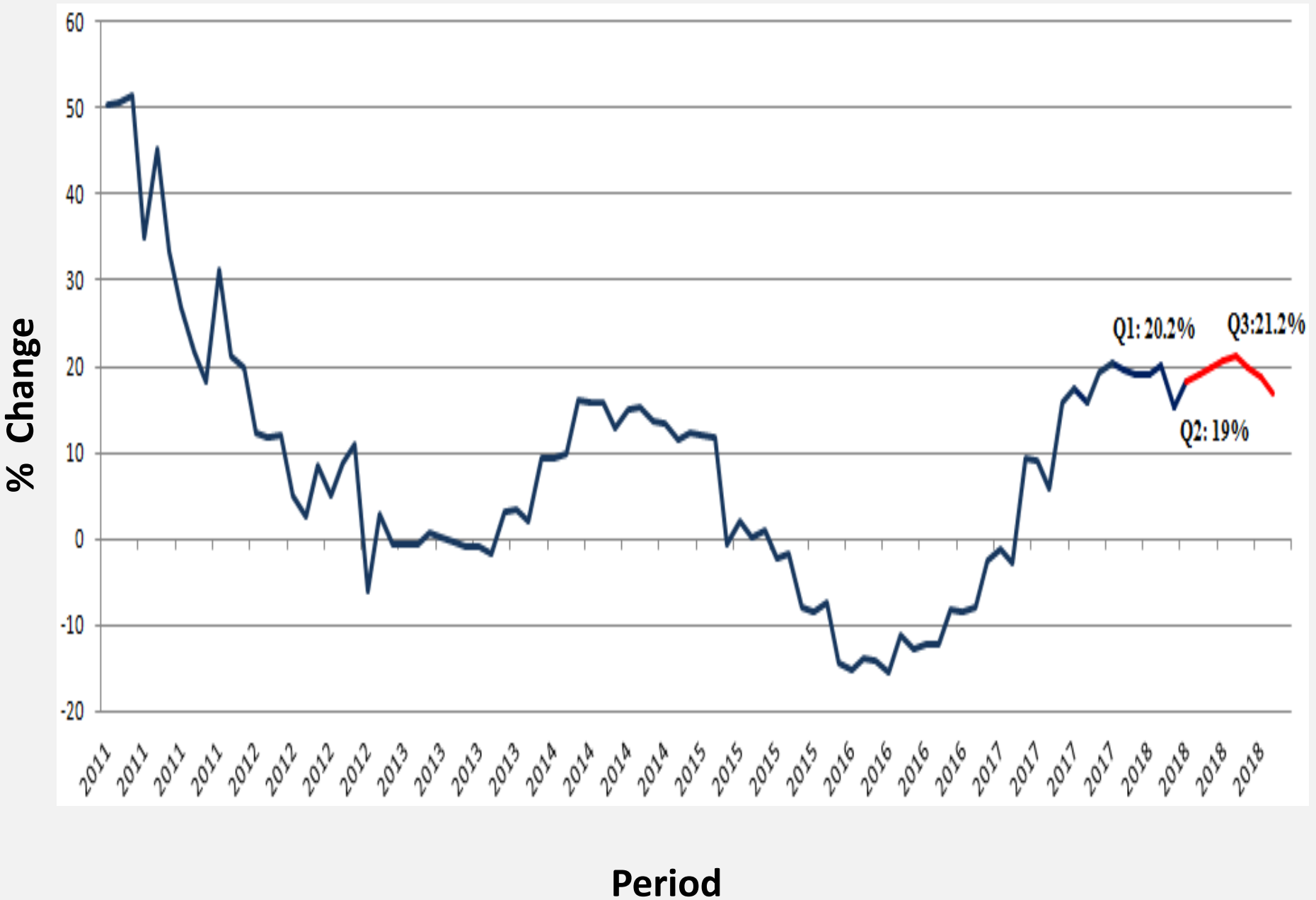
Percentage Change 12 of USA : RETAIL TRADE - VALUE S/A (US\$BN)  
Monthly 2013-01-31 to 2018-05-31



Period



# USA – S&P 500 Earnings Growth

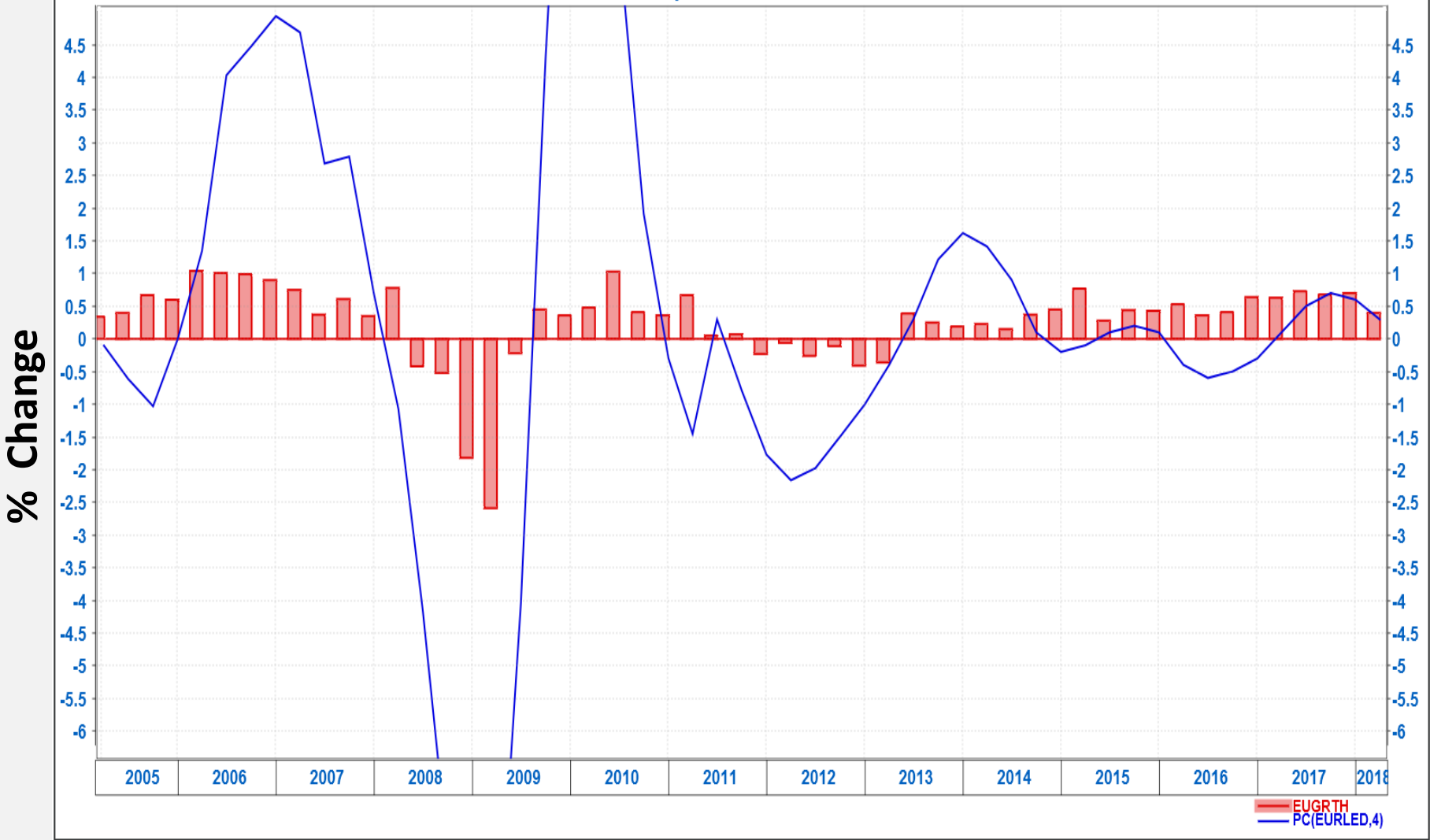


## **Euro Area:**

The ECB is unlikely to implement restrictive monetary policy as GDP growth remains weak, with leading indicators suggesting that this sideways trend is set to continue. Unemployment continues to be on a downward trend. Inflation however is worrying as it is likely to break through the 2% level in the near future. The European Economy seems stable but remains fragile.

# Europe – Economic Growth Rate Quarterly

EURO-ZONE : G D P-TOTAL- CONSTANT PRICES - GROWTH , Percentage Change 4 of EURO-ZONE : COMPOSITE LEADING INDICATOR  
Quarterly 2005-03-31 to 2018-03-31

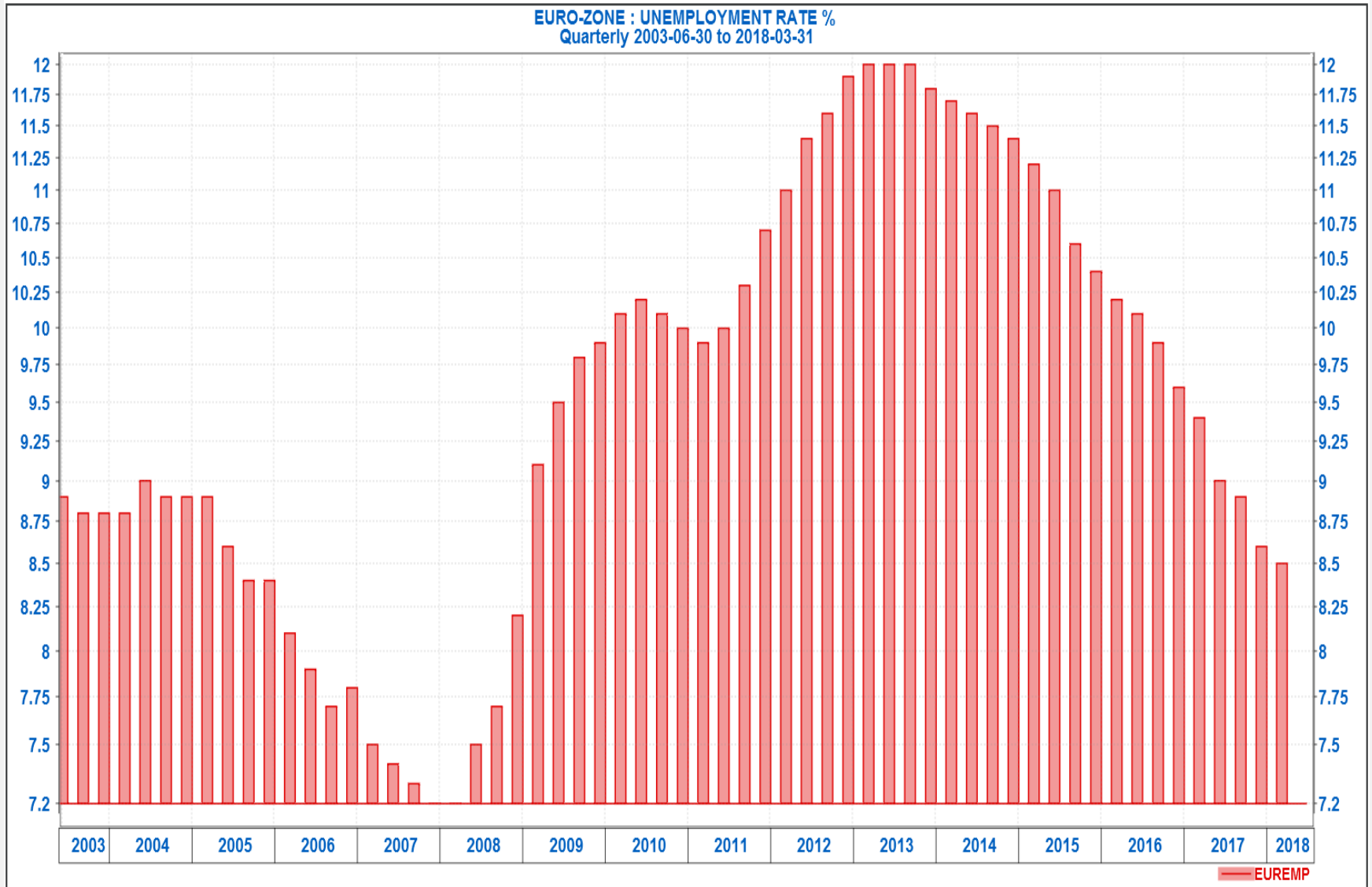


— Europe Growth Rate

— Europe Leading Indicator

Period

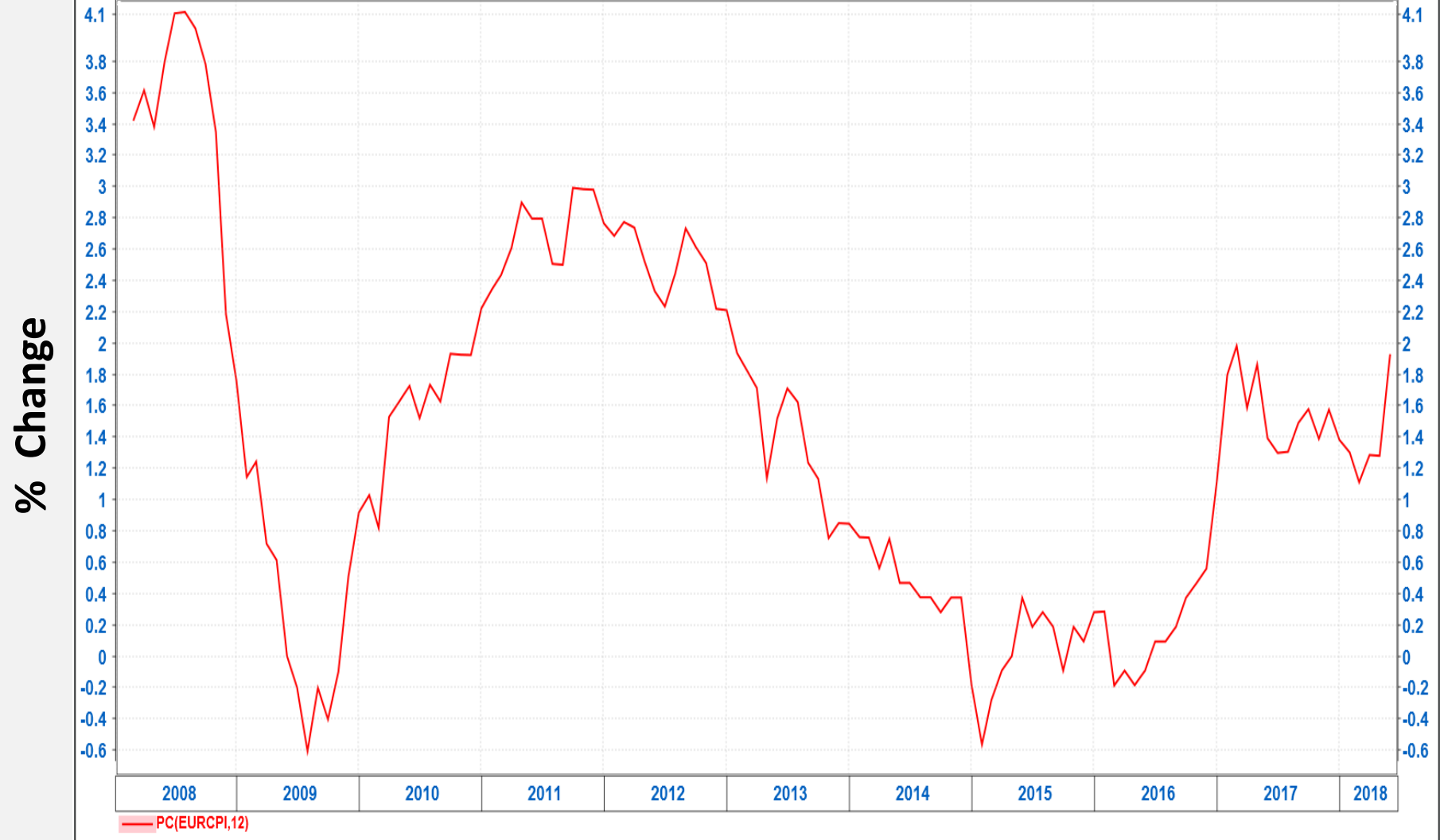
# Europe – Unemployment



Period

# Europe – Inflation

Percentage Change 12 of EURO-ZONE : CONSUMER PRICE INDEX (2010=100)  
Monthly 2008-01-31 to 2018-05-31



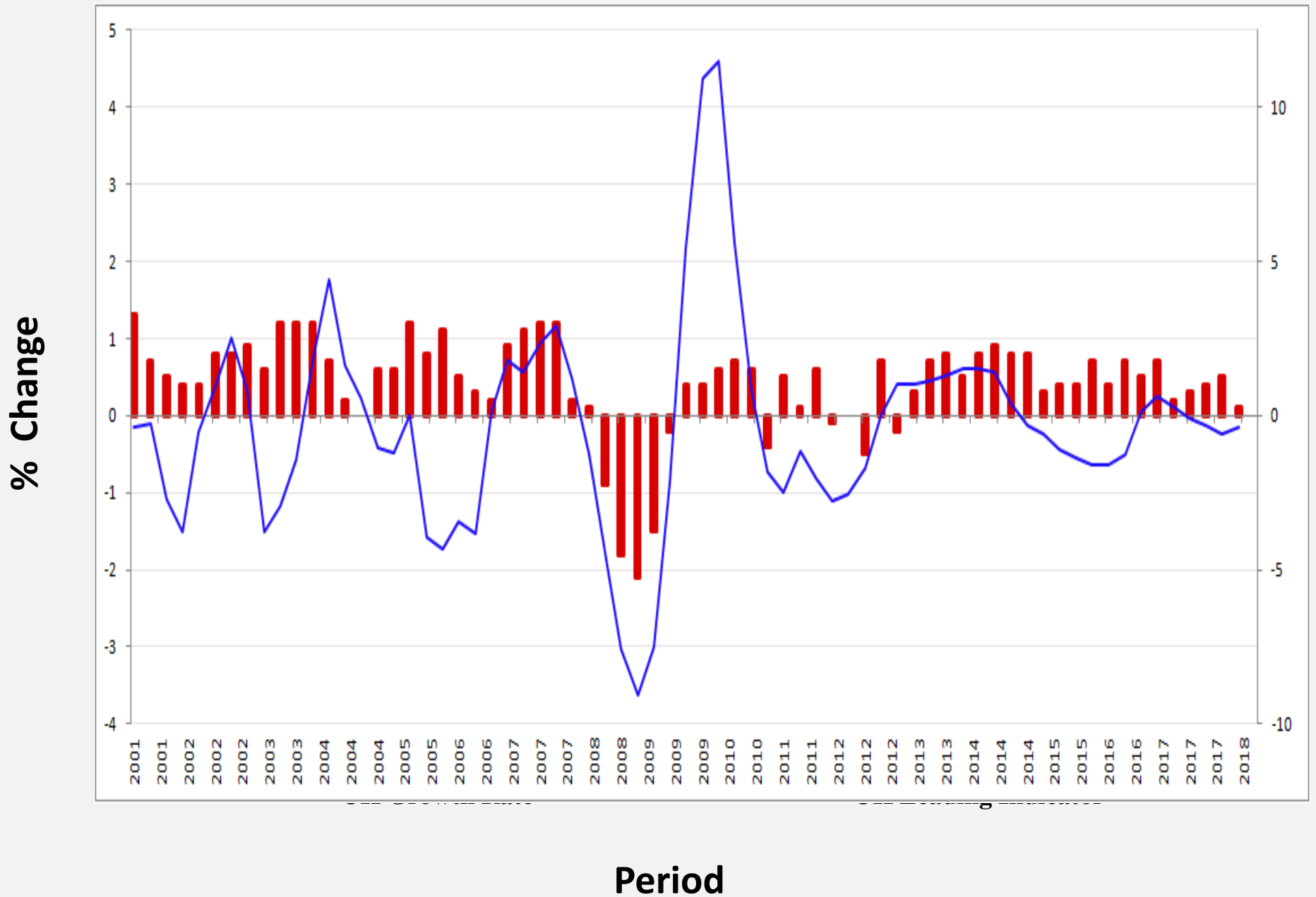
Period

## **United Kingdom:**

Economic growth slowed within the UK during the first quarter of 2018, and inflation is back down below the 2.5% level. Unemployment continues to move sideways. No further interest rate increases are expected from the Bank of England as yet.

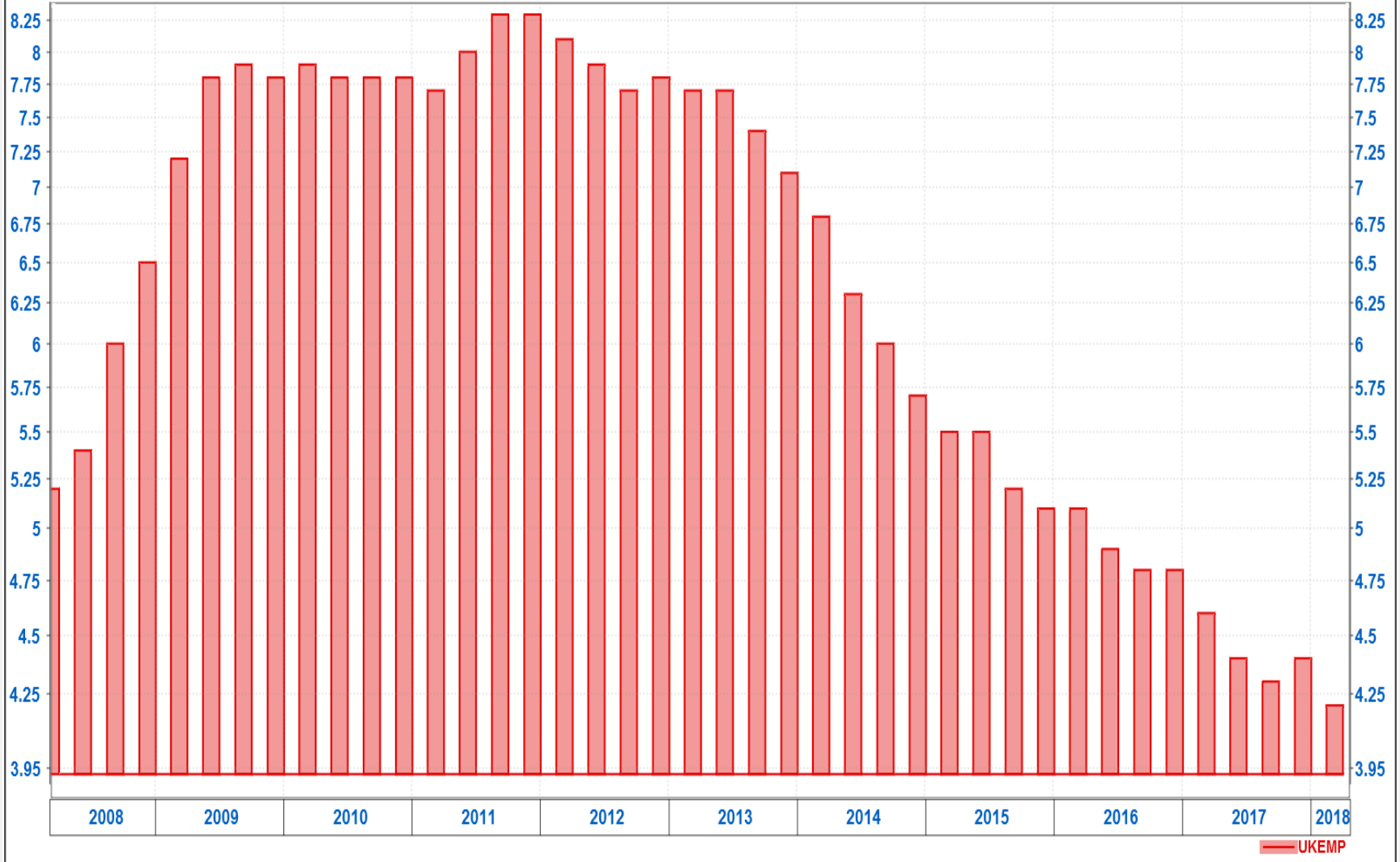
Earnings growth forecasts of companies eased slightly, yielding 17% in Q1 of 2018, and expecting 15% and 7.8% for Q2 and Q3 in 2018 respectively.

# UK – Economic Growth Rate Quarterly



# UK – Unemployment

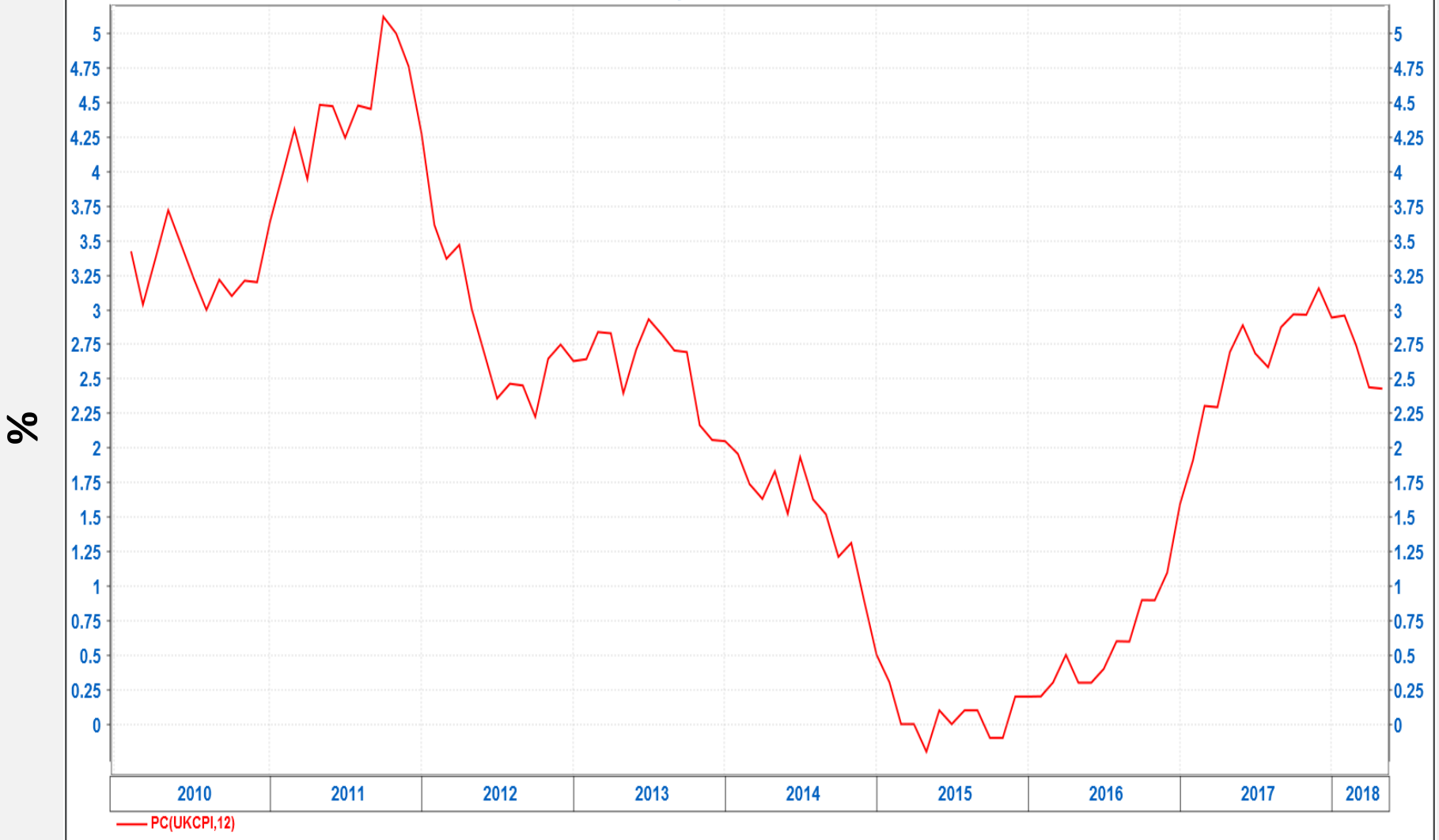
UK : UNEMPLOYMENT HARMONISED % S/A  
Quarterly 2008-03-31 to 2018-03-31



Period

# UK – Inflation

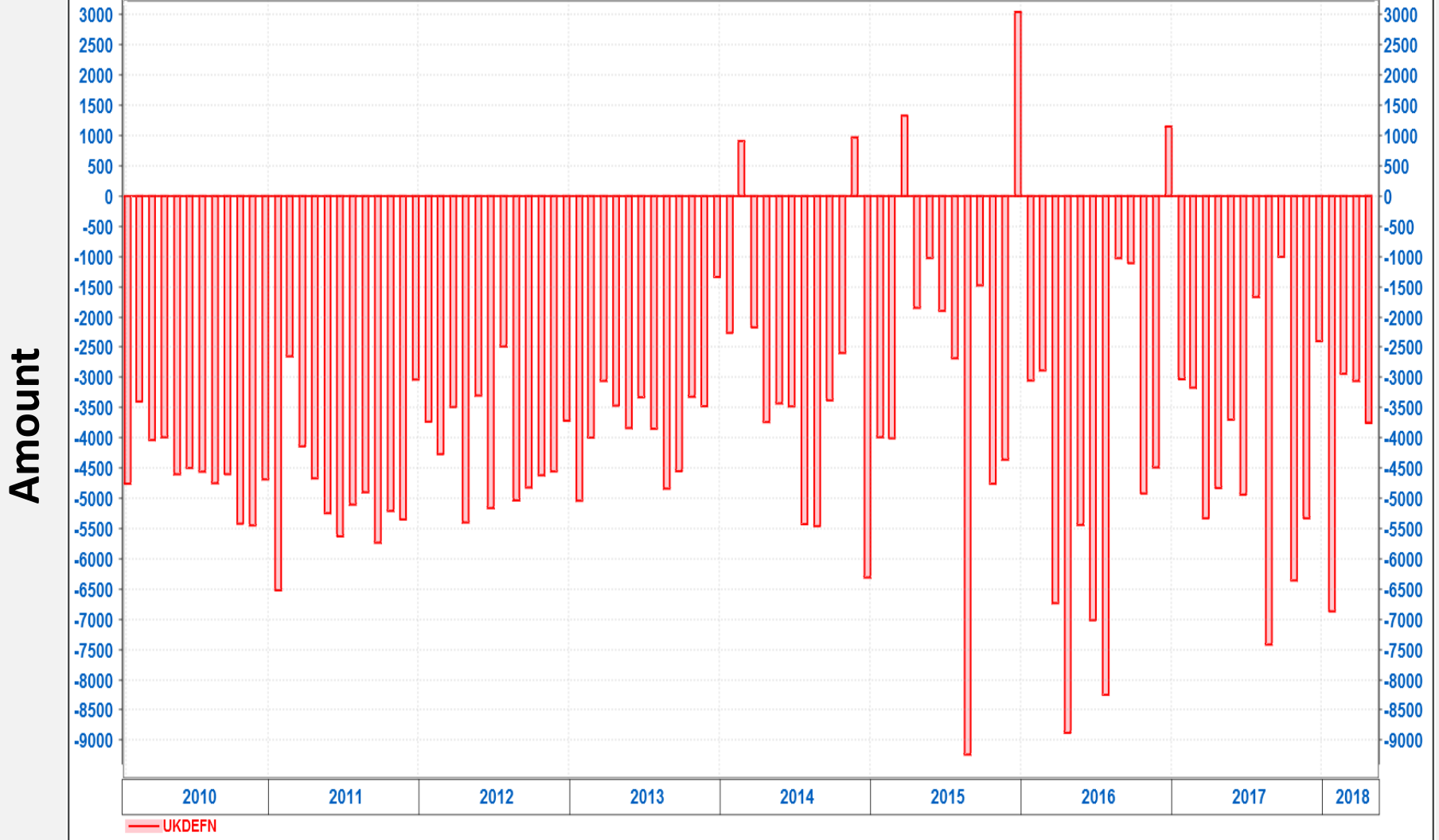
Percentage Change 12 of UK : CONSUMER PRICE INDEX-ALL ITEMS (2015=100)  
Monthly 2009-12-31 to 2018-04-30



Period

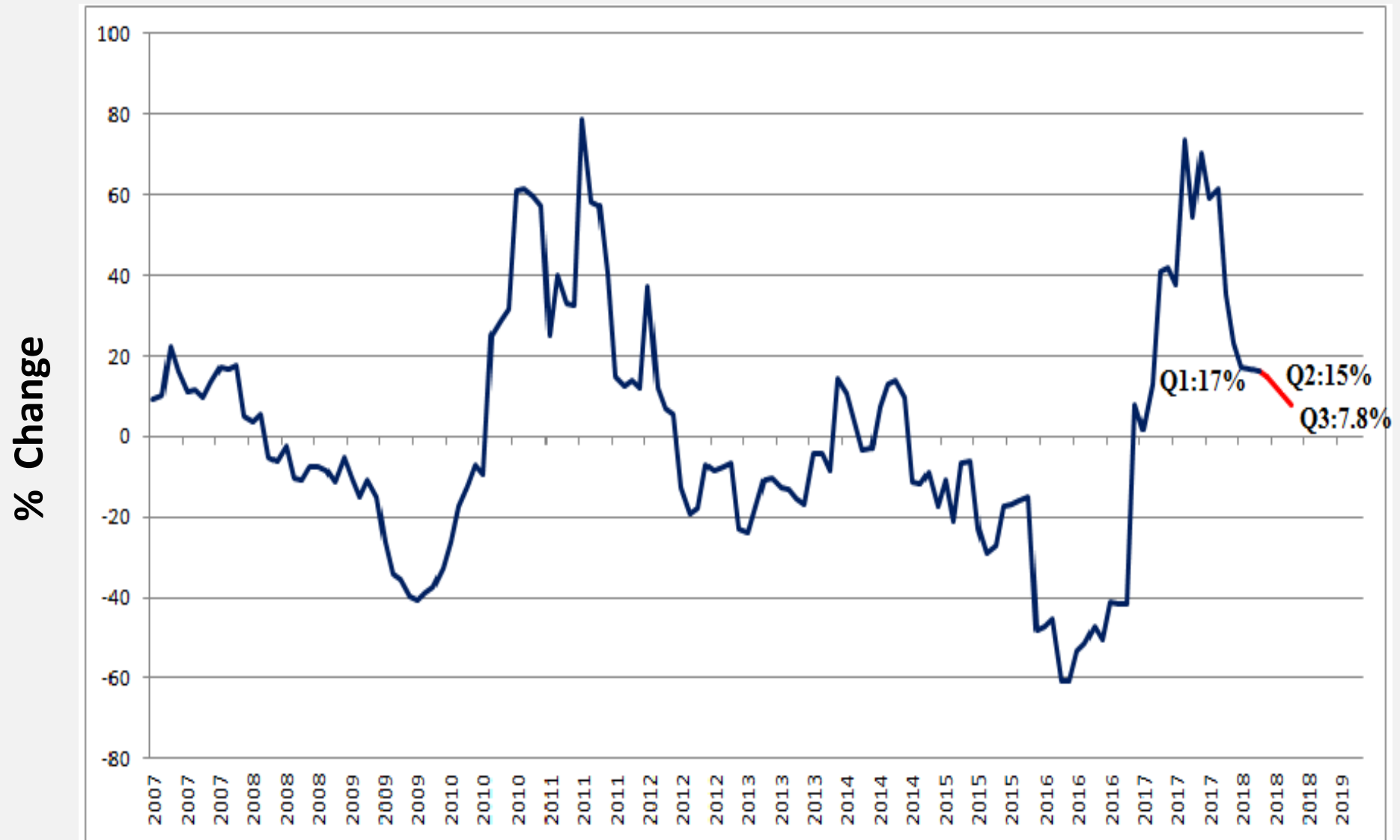
# UK – Trade Balance Deficit (£ Millions)

UK : TRADE BALANCE - NON-EU (STG MLN)  
Monthly 2010-01-31 to 2018-05-31



Period

# UK – FTSE 100 Earnings Growth



Period

# **South Africa Economic Indicators**

## South Africa:

Economic growth disappointed in Q1 of 2018, with the economy contracting by 2.2%. Unemployment remains high and inflation remains well below the 5% level, comfortably within the Reserve Bank target. Both Consumer Credit and Retail Sales for March printed lower, with Retail Sales showing the lowest growth since 2016.

A further reduction in the interest rate in the near term is less likely. The increase in VAT and implementation of Sugar Tax may put upward pressure on inflation.

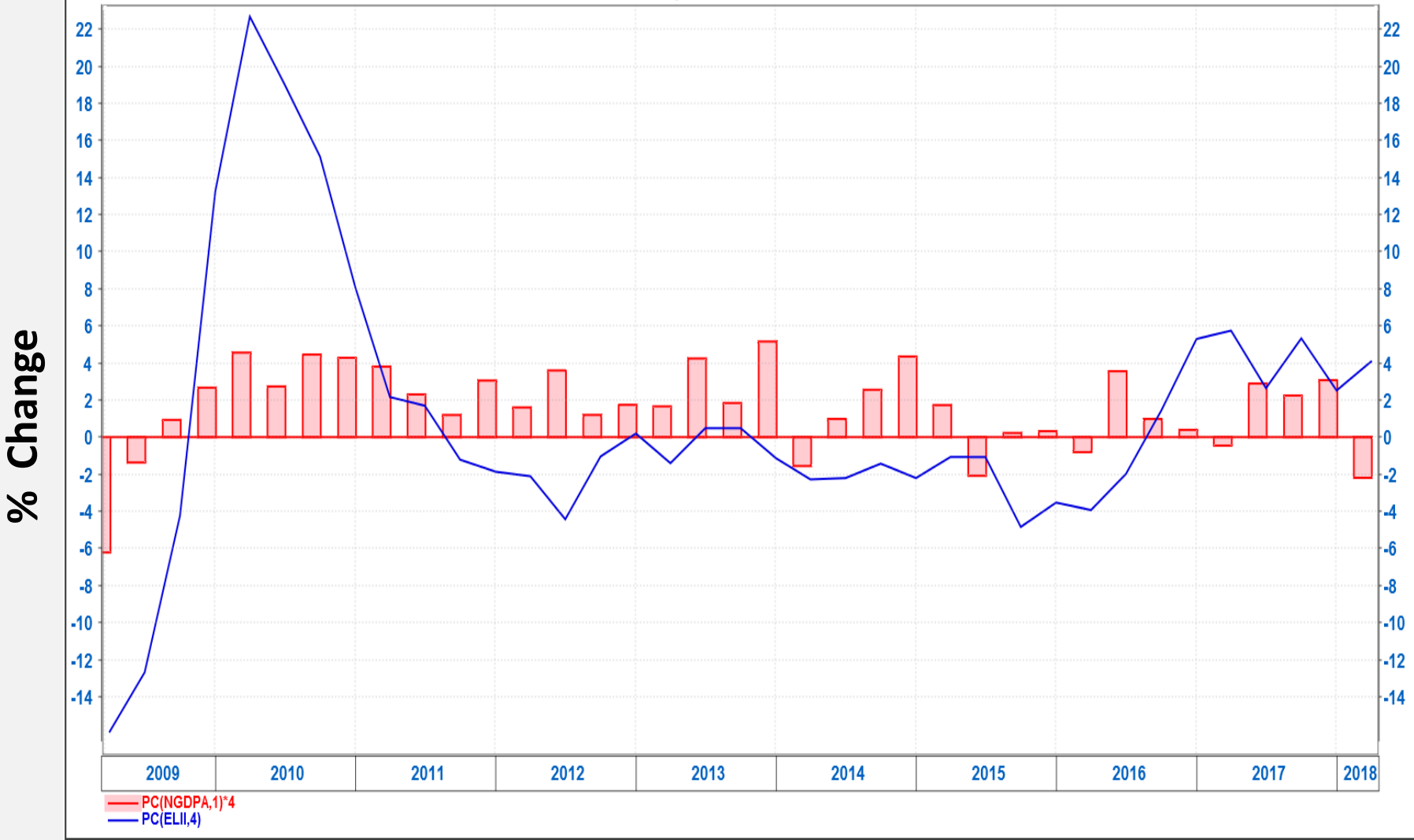
Government is working on improving the pressure placed on Government Debt by SOE's.

The overall economic outlook seems to be recovering; however the sustainability thereof is doubtful as suggested by the leading indicators.

Earnings growth of SA companies is expected to pick up to 18.13% for 2018.

# South Africa – Economic Growth Rate Quarterly

PC(NGDPA,1)\*4 , Percentage Change 4 of LEADING INDICATOR (2010=100)  
 Quarterly 2009-03-31 to 2018-03-31



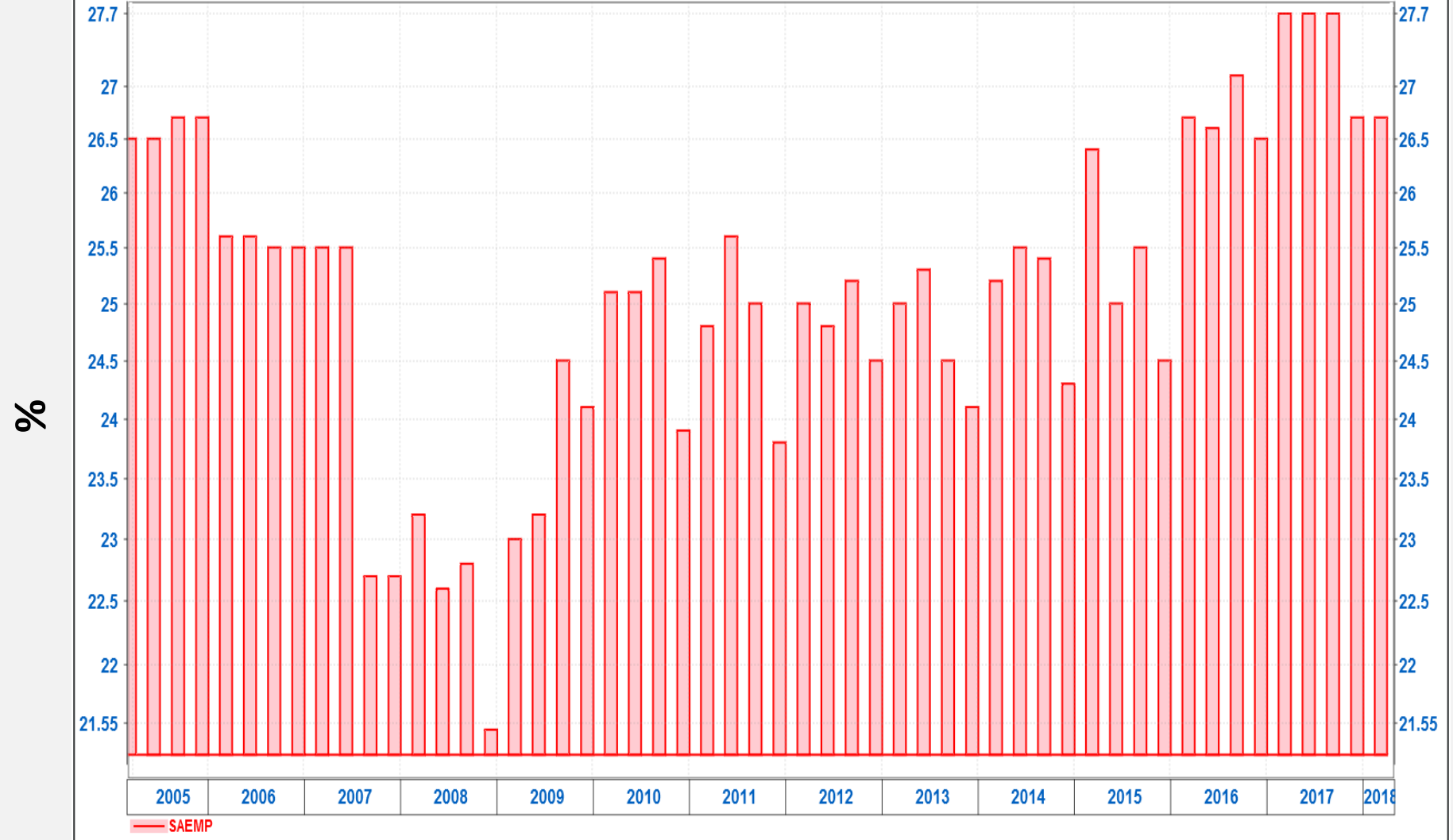
— South Africa Growth Rate

— South Africa Leading Indicator

Period

# South Africa – Unemployment

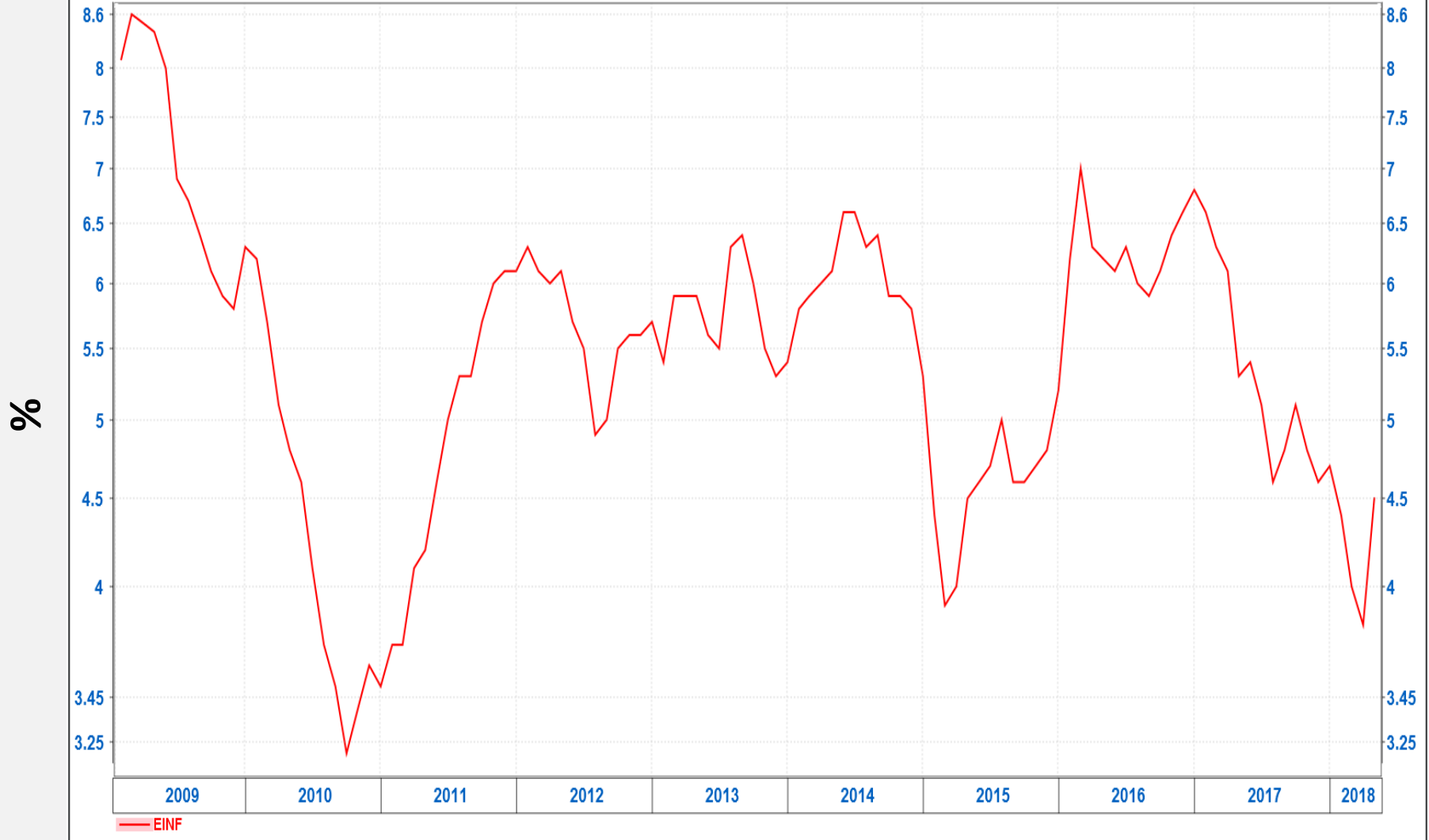
EMPLOYMENT : OFFICIAL UNEMPLOYMENT RATE (ILO)  
Quarterly 2005-03-31 to 2018-03-31



Period

# South Africa – Inflation Rate

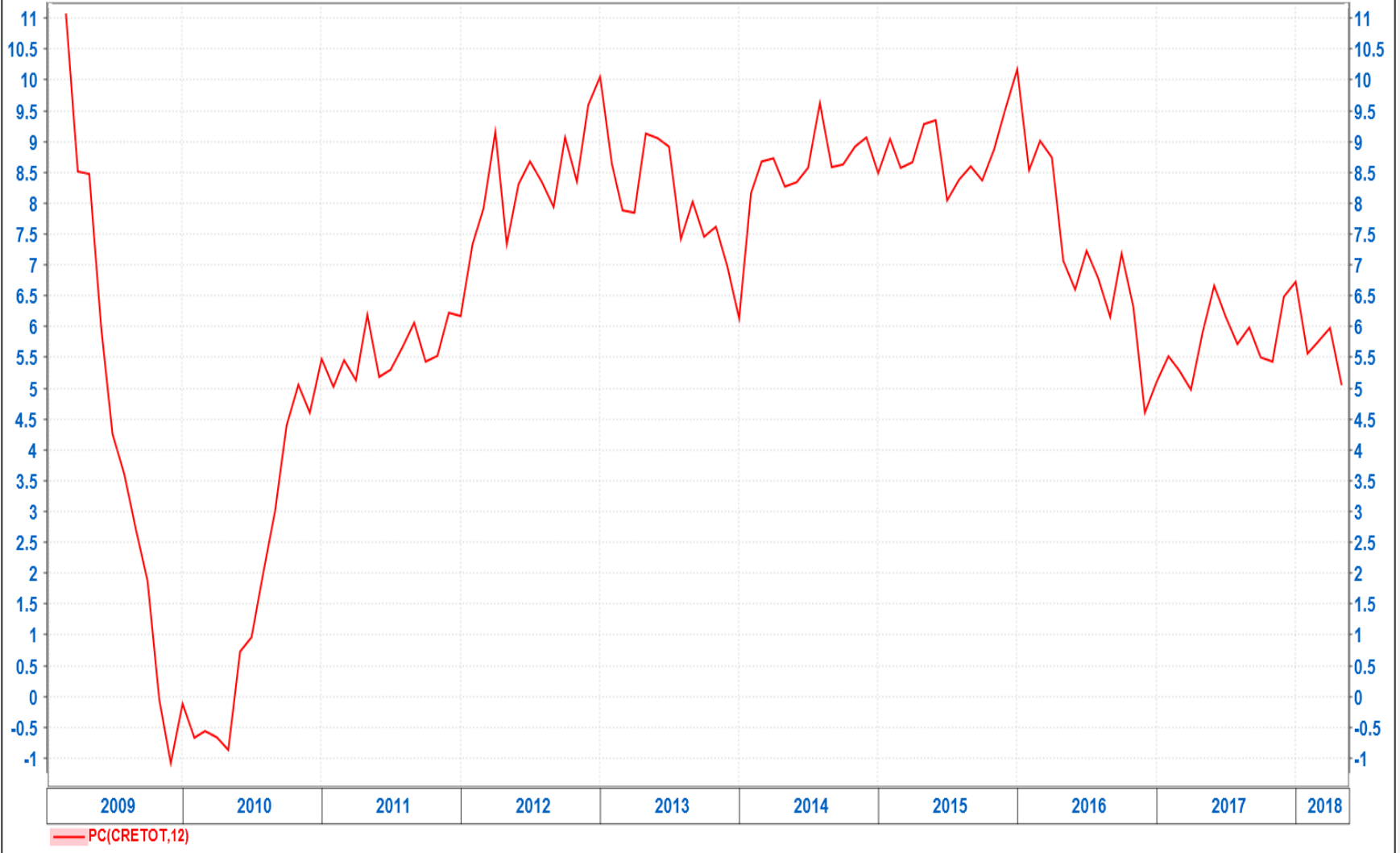
INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2009-01-01 to 2018-04-30



Period

# South Africa – Consumer Credit

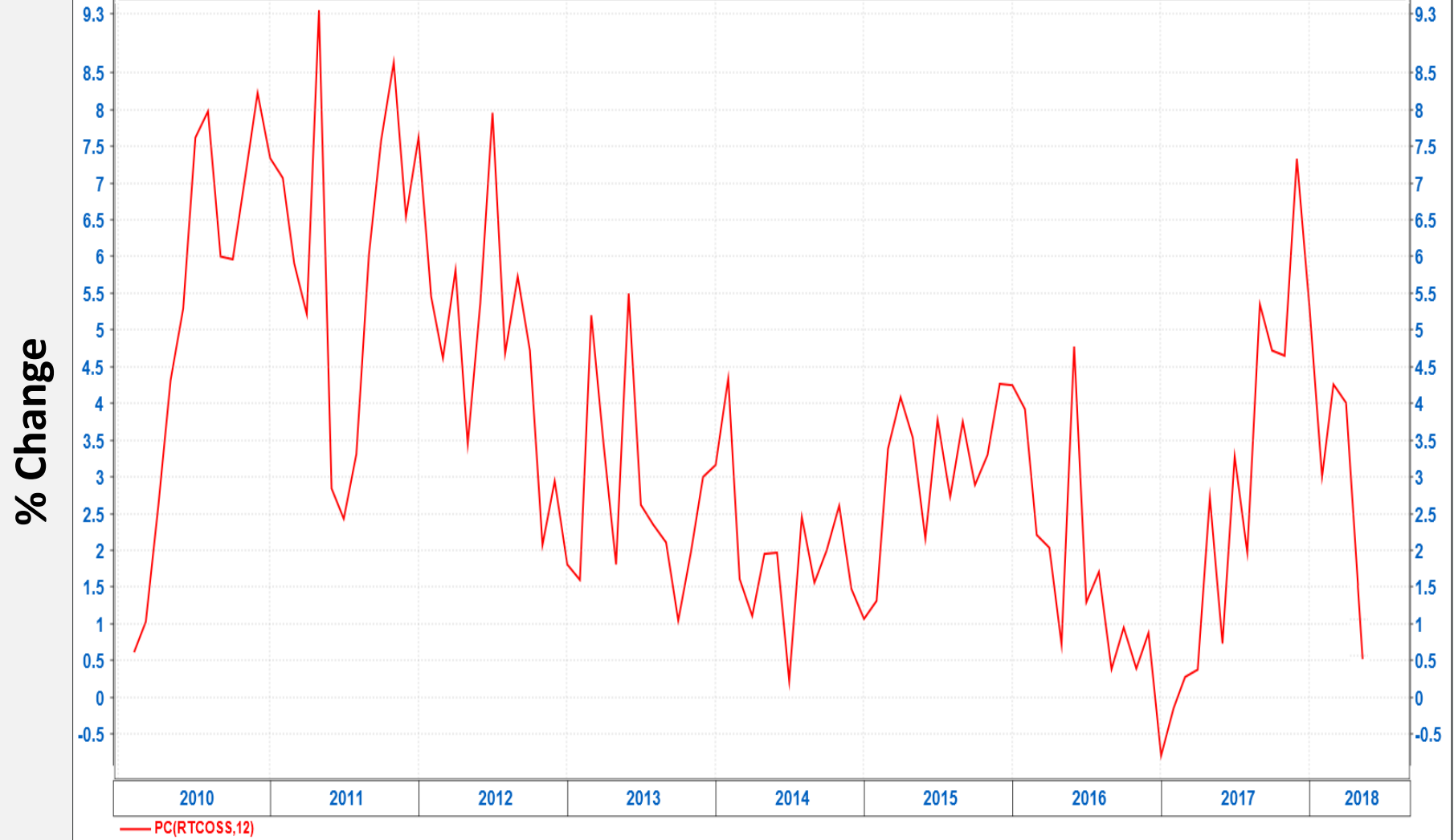
PC(CRETOT,12)  
Monthly 2009-01-01 to 2018-04-30



Period

# South Africa – Retail Sales

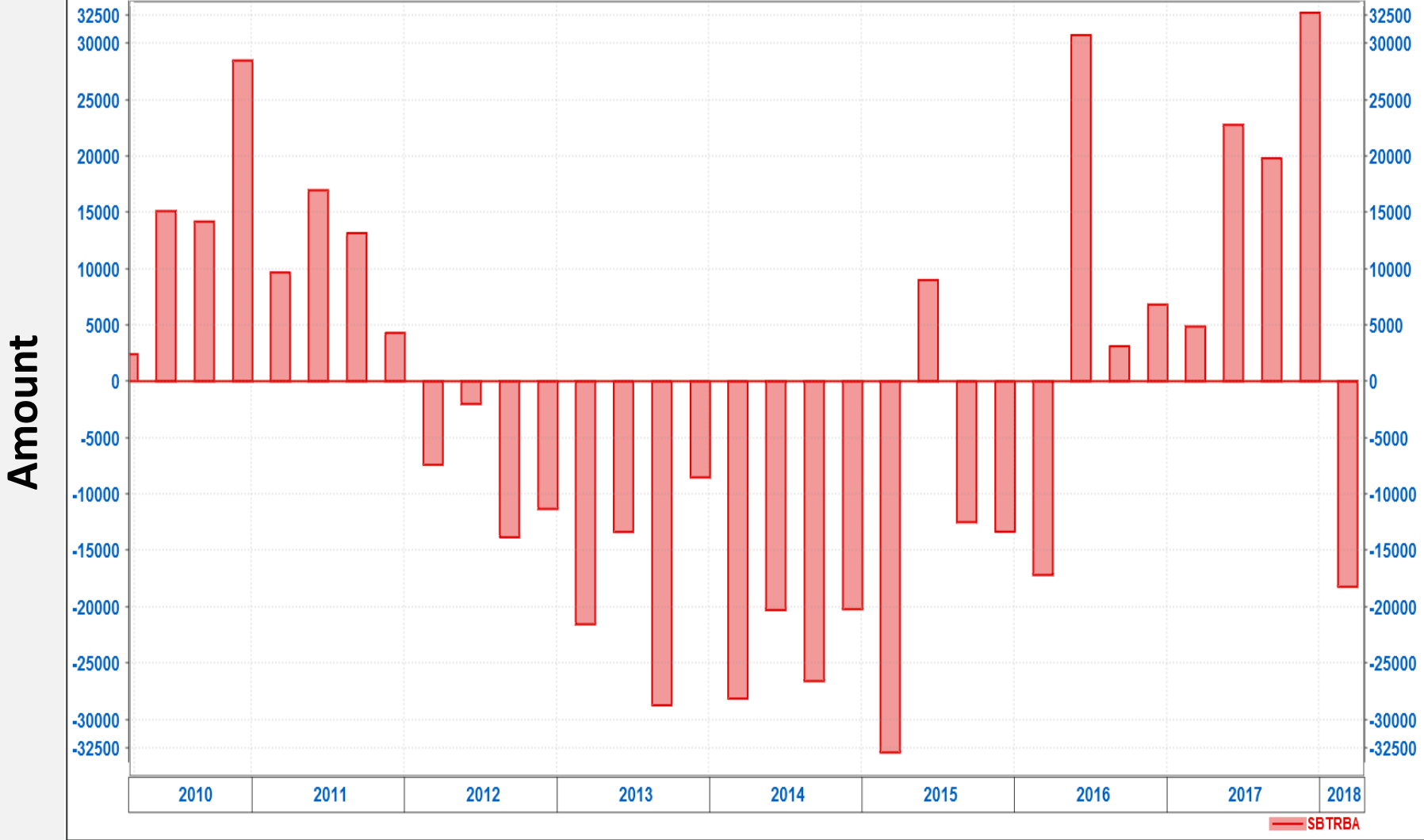
Percentage Change 12 of RETAIL TRADE - TOTAL - CONSTANT S/A- RM 2015 PRICE  
Monthly 2009-12-31 to 2018-04-30



Period

# South Africa – Trade Balance Deficit(ZAR Million)

TRADE BALANCE (R M) - SA+BLNS - ADJUSTED  
Quarterly 2010-03-31 to 2018-03-31

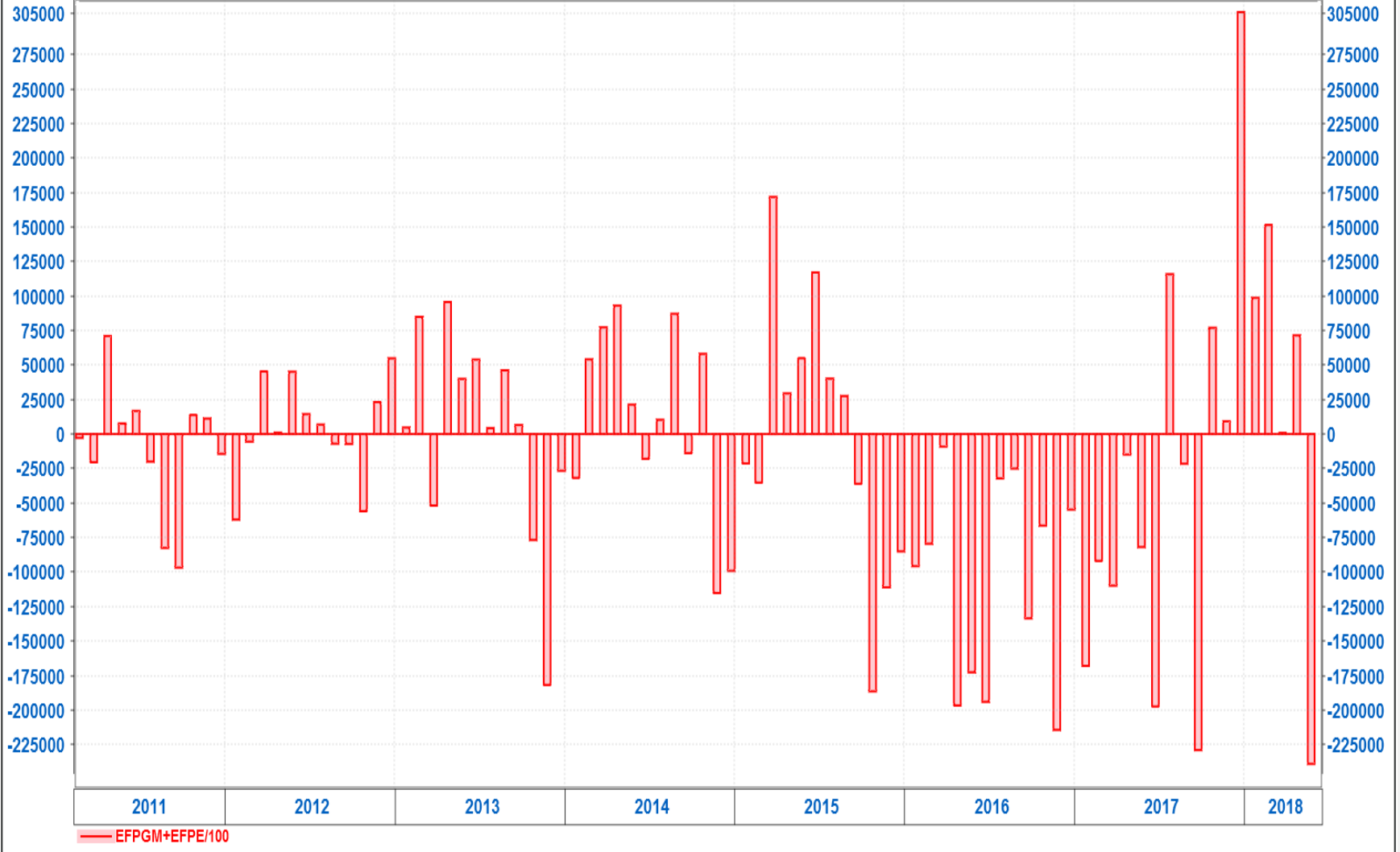


Period

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

FOREIGN TRANS BESA - NET (RM) -TOTAL CONSIDERATION+FOREIGN TRANSACTIONS EQUITIES - NET (R'000)/100  
Monthly 2011-02-28 to 2018-05-31

Amount (ZAR Mil)



Period

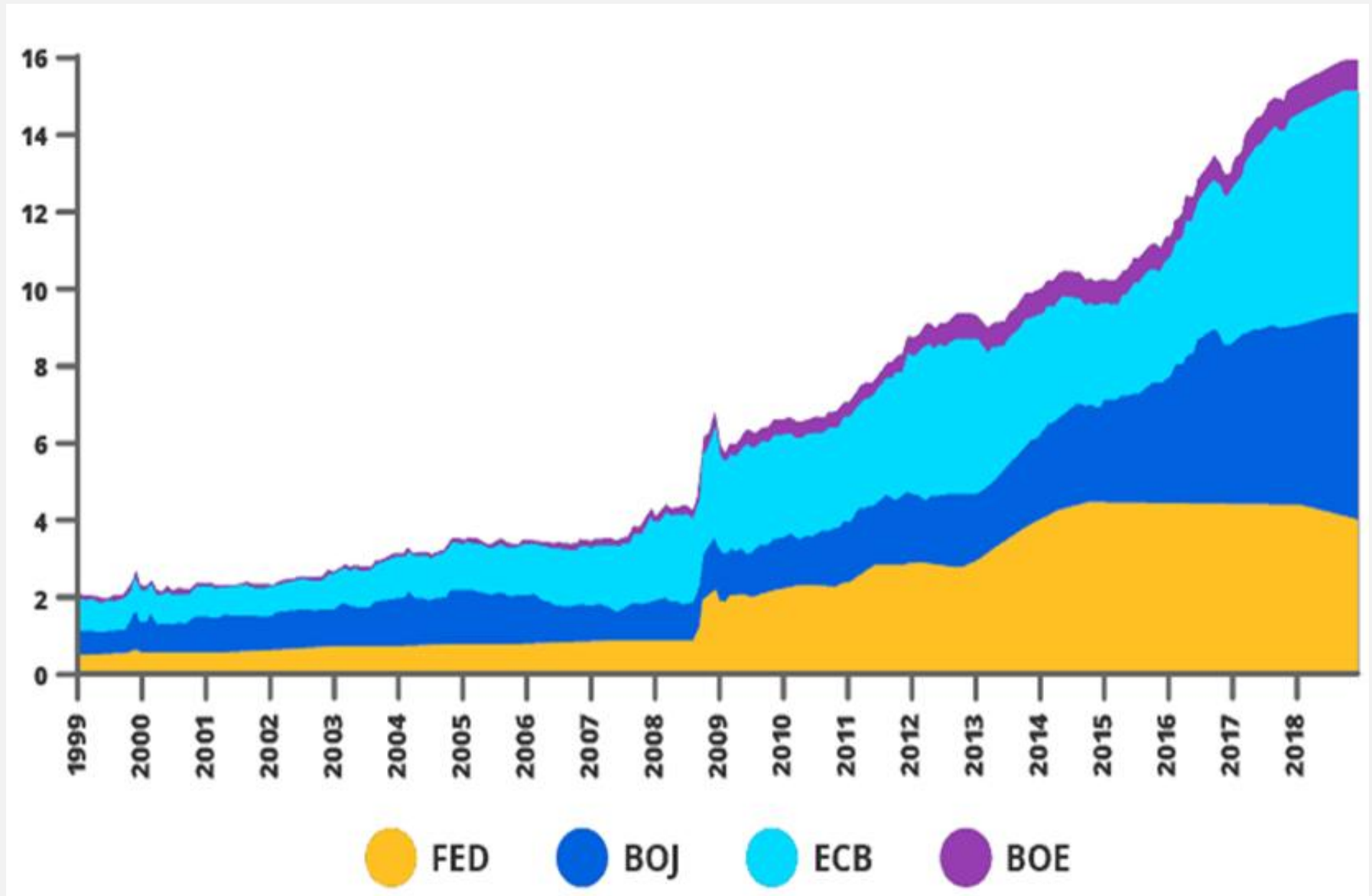
# **Central Bank Policies**

## **Central Bank Policies:**

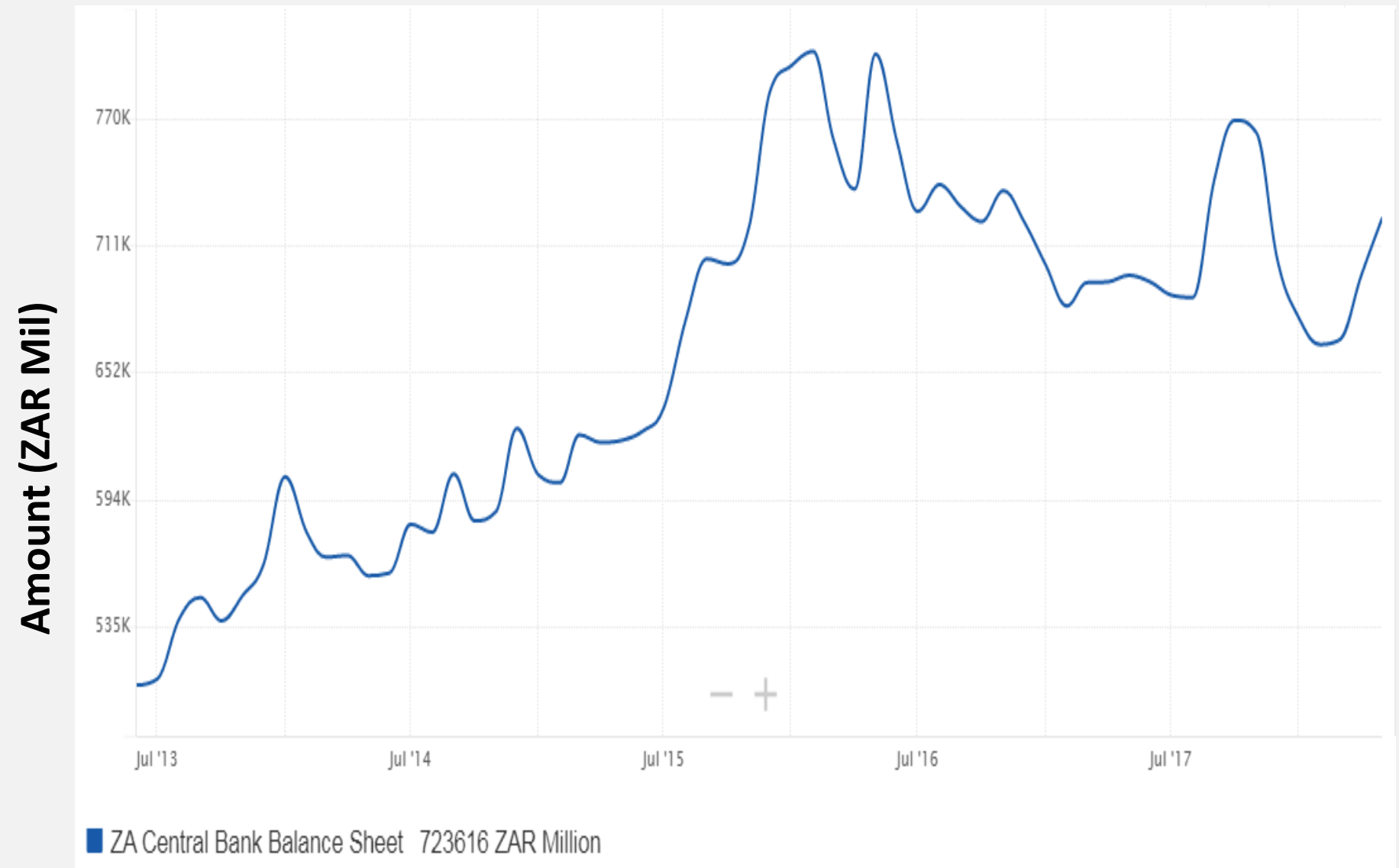
Central Banks have begun cutting back their expansionary policies, which have been in place since the financial crisis of 2008. The Federal Reserve and the Bank of England have already started implementing restrictive Policies.

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

# Major Central Bank Balance Sheets

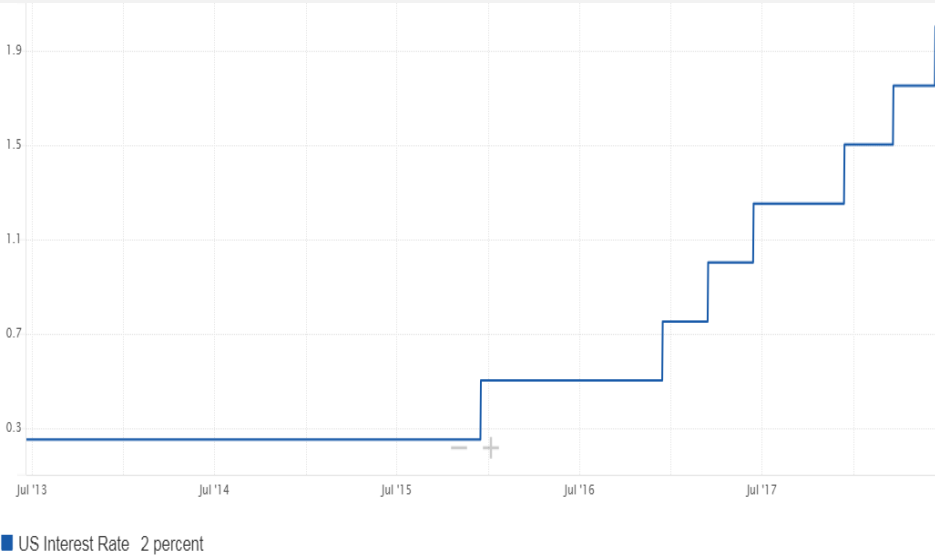


# South Africa Central Bank Balance Sheet

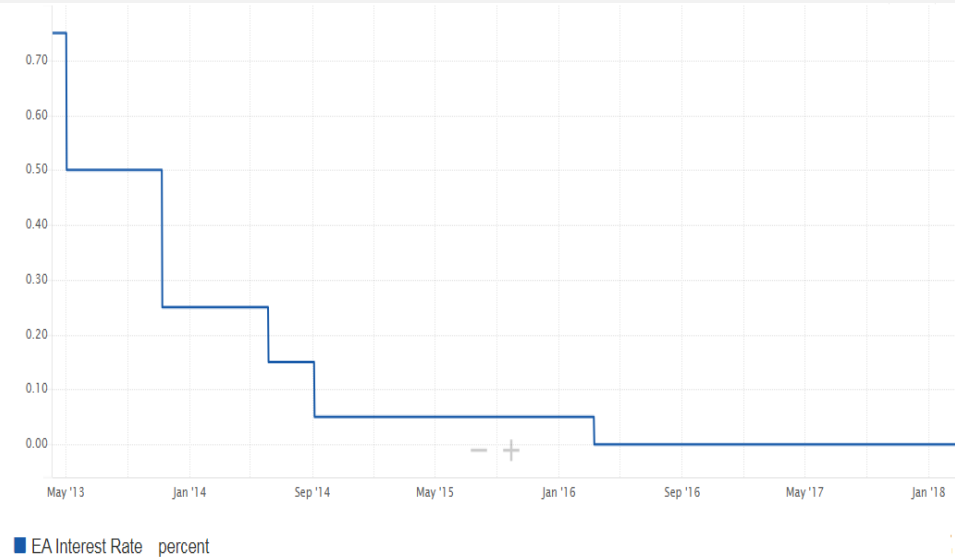


# Central Bank Interest Rate

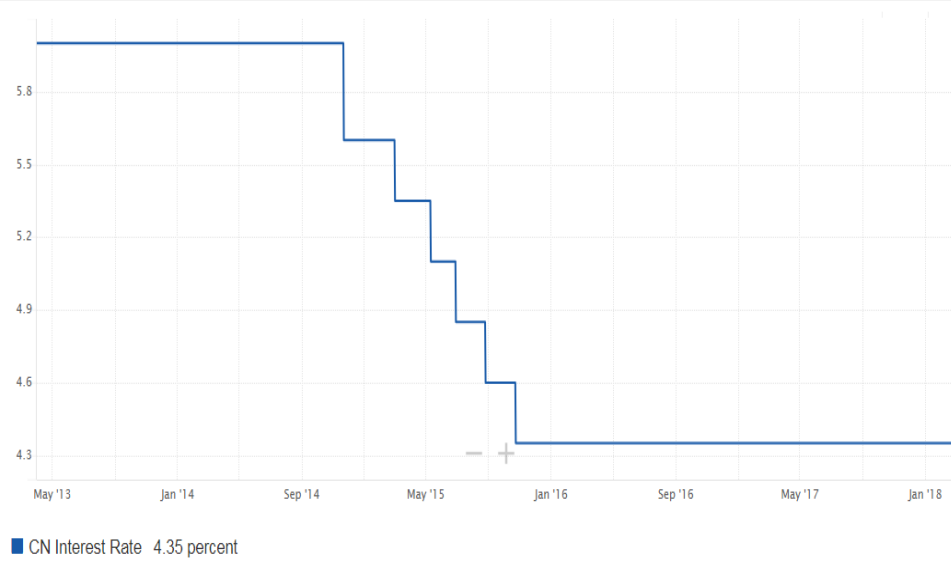
## Federal Reserve Interest Rate



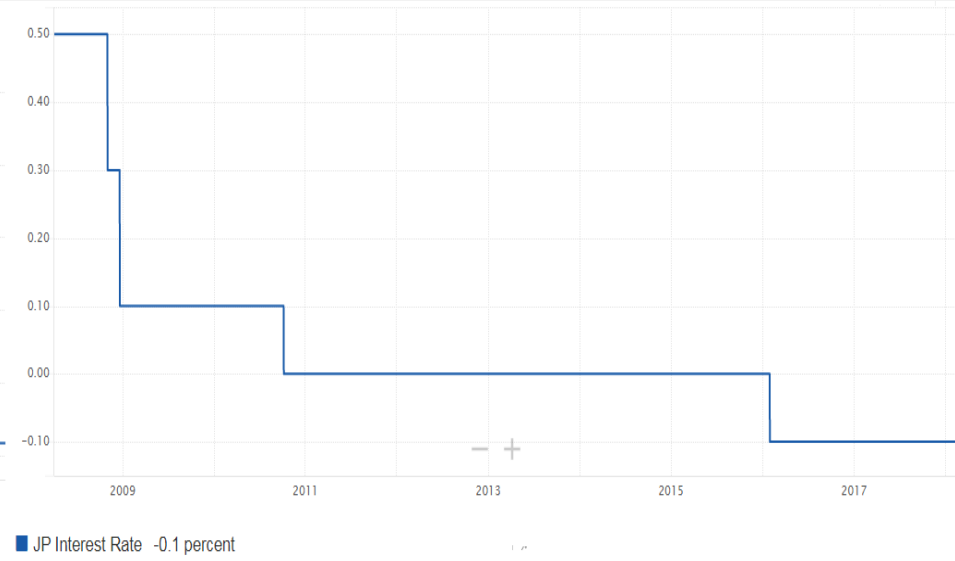
## European Central Bank Interest Rate



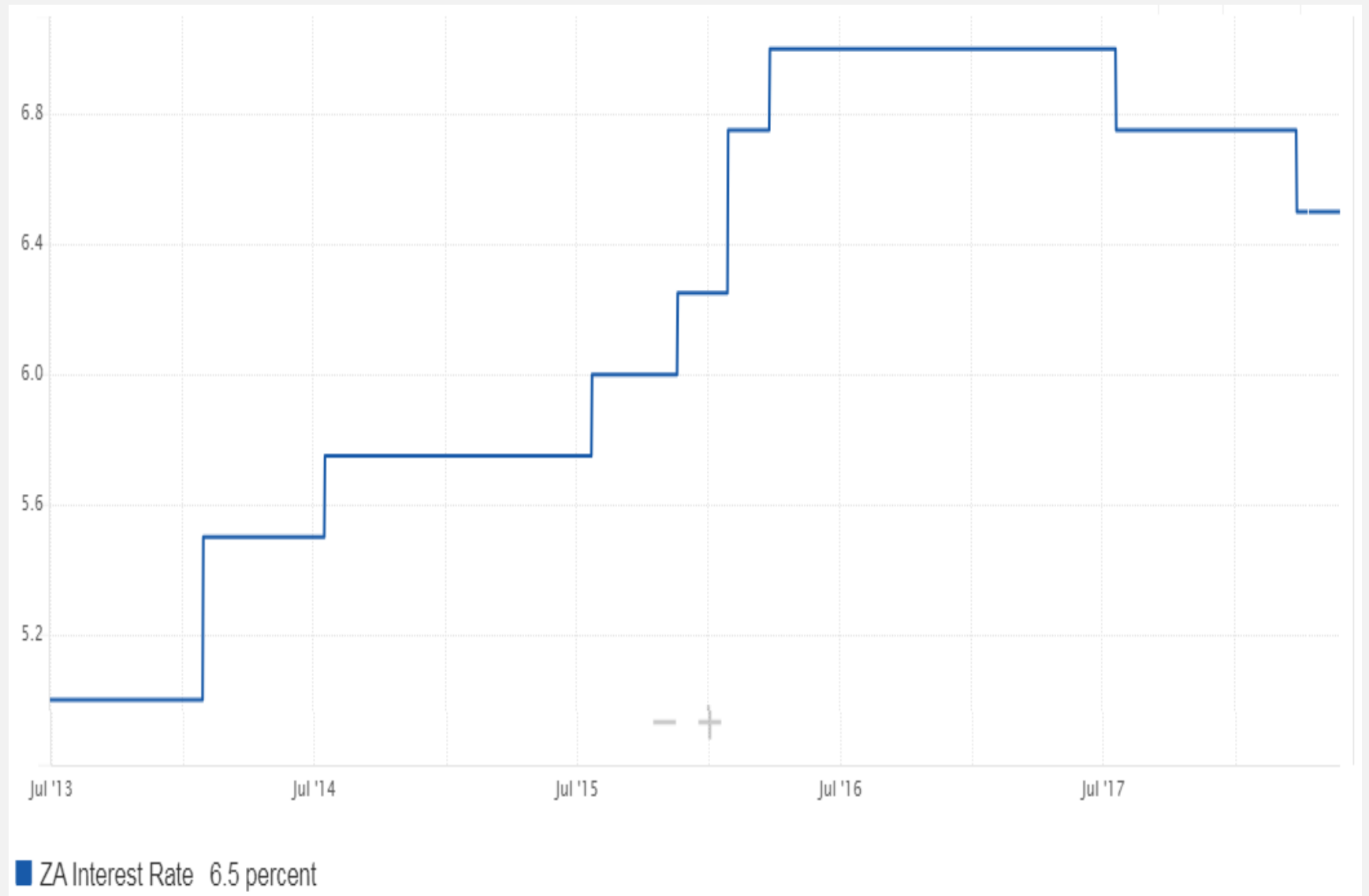
## China Central Bank Interest Rate



## Japan Central Bank Interest Rate



# SARB Interest Rate



Period



# Money Market

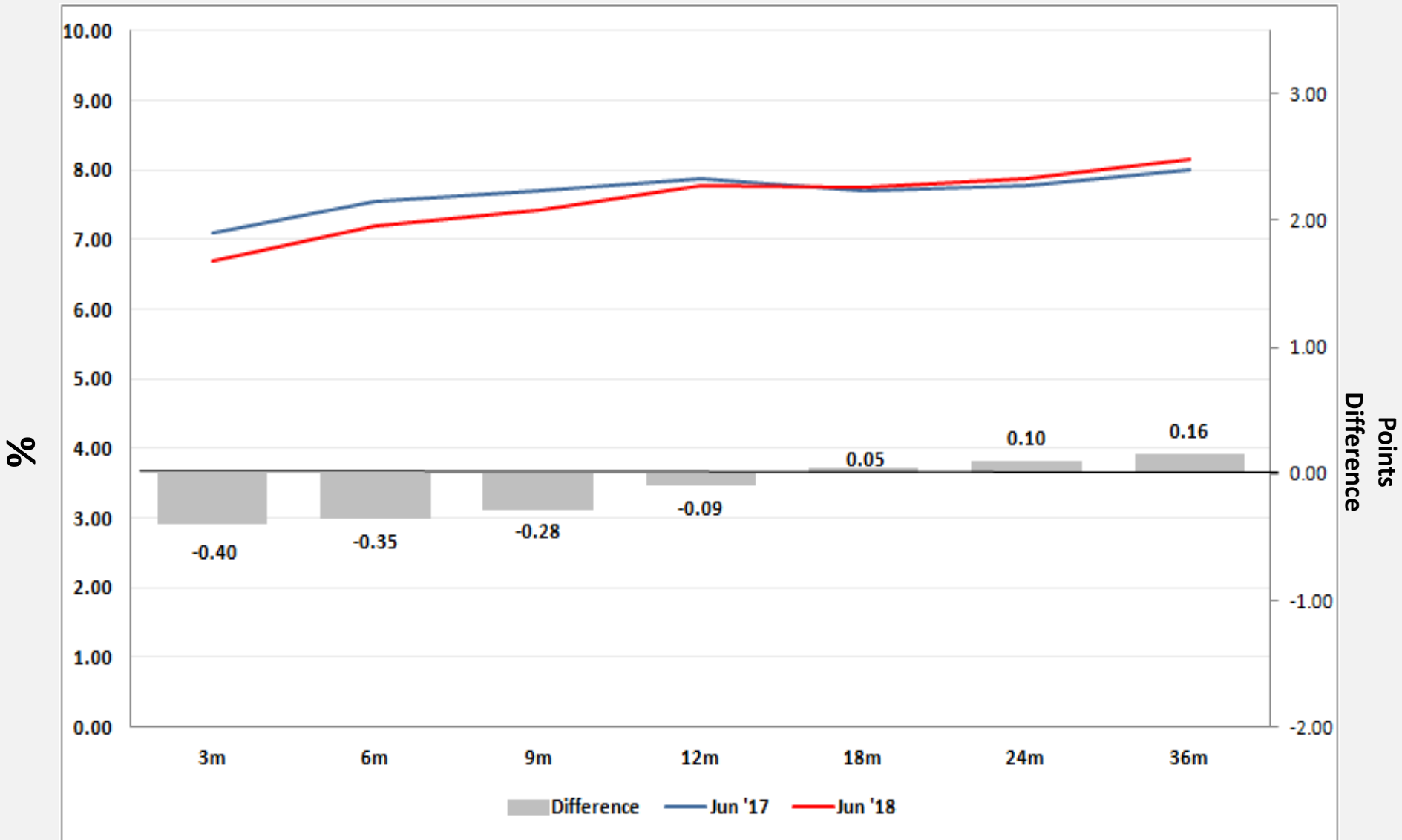
## **Money Market:**

The total yield curve has moved lower year on year in the short term, and increased slightly in the long term.

Money Market rates are likely to move sideways in the next 6 months. However the volatility of the rand accompanied by higher inflation expectations is likely to place upward pressure on rates in the longer term.

Our current recommendation is to invest in the 6 -12 month's term.

# South Africa – Money Market Rates



— Difference

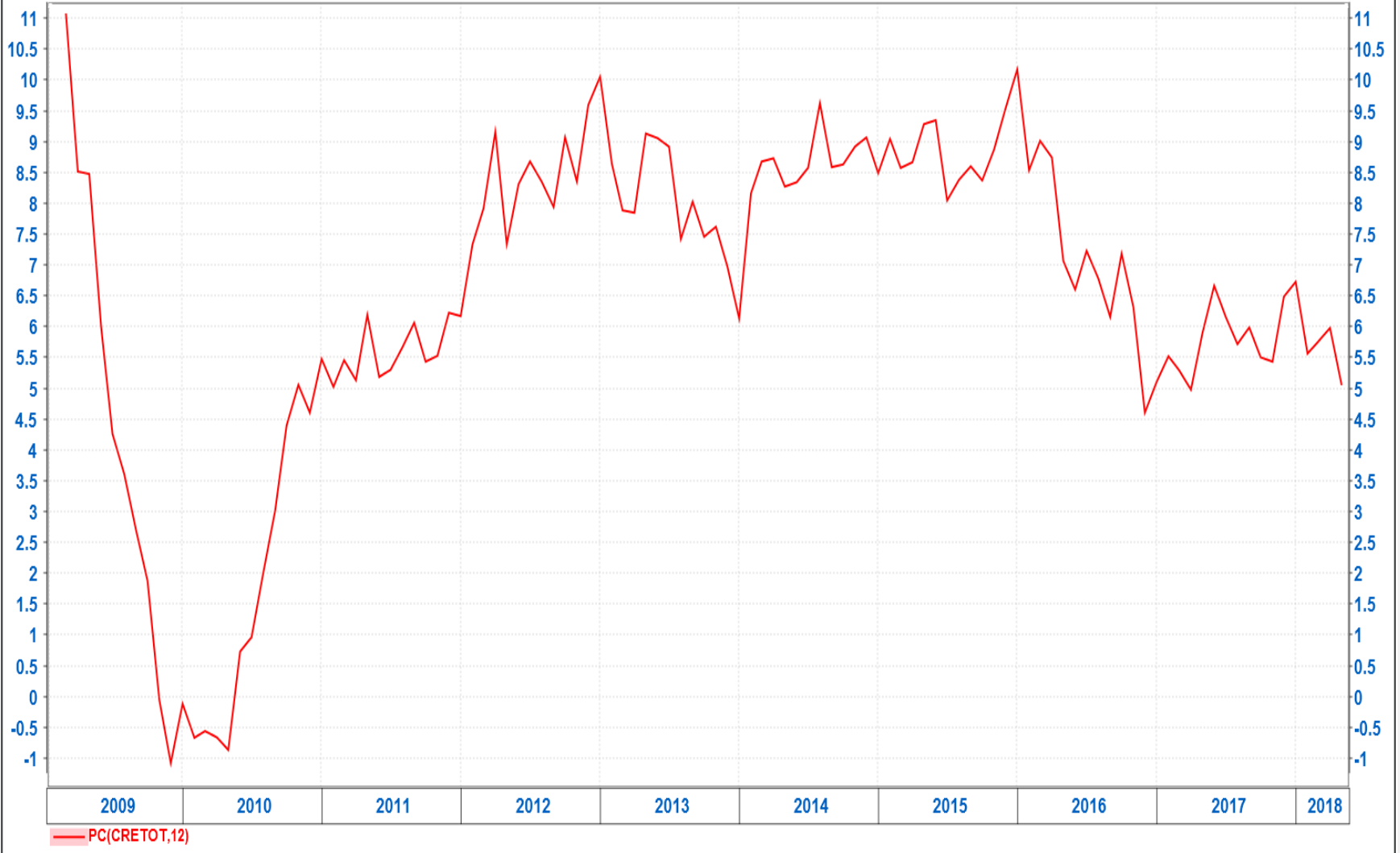
— Jun 2017

— Jun 2018

Period

# South Africa – Consumer Credit

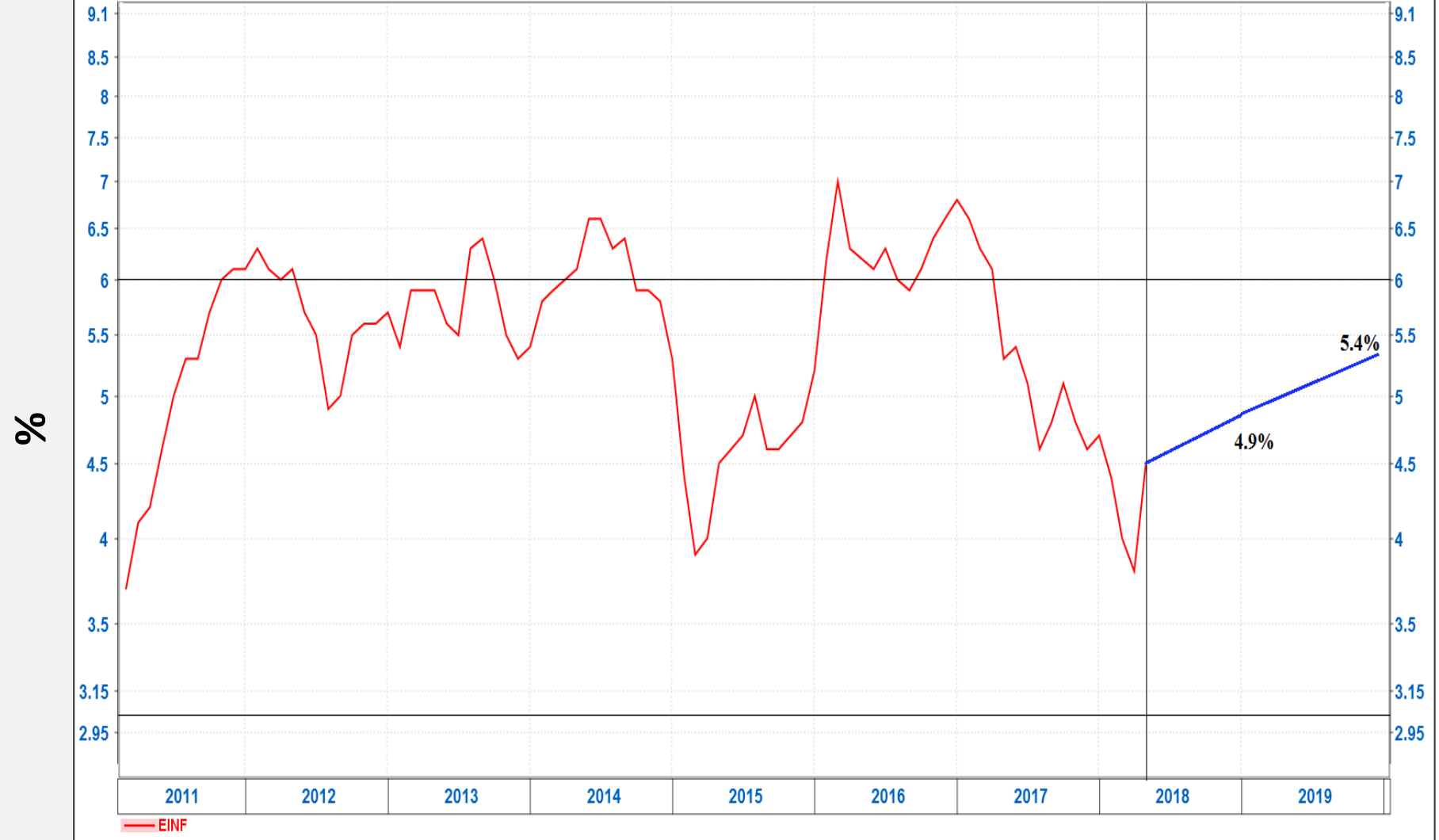
PC(CRETOT,12)  
Monthly 2009-01-01 to 2018-04-30



Period

# SARB Inflation Expectation

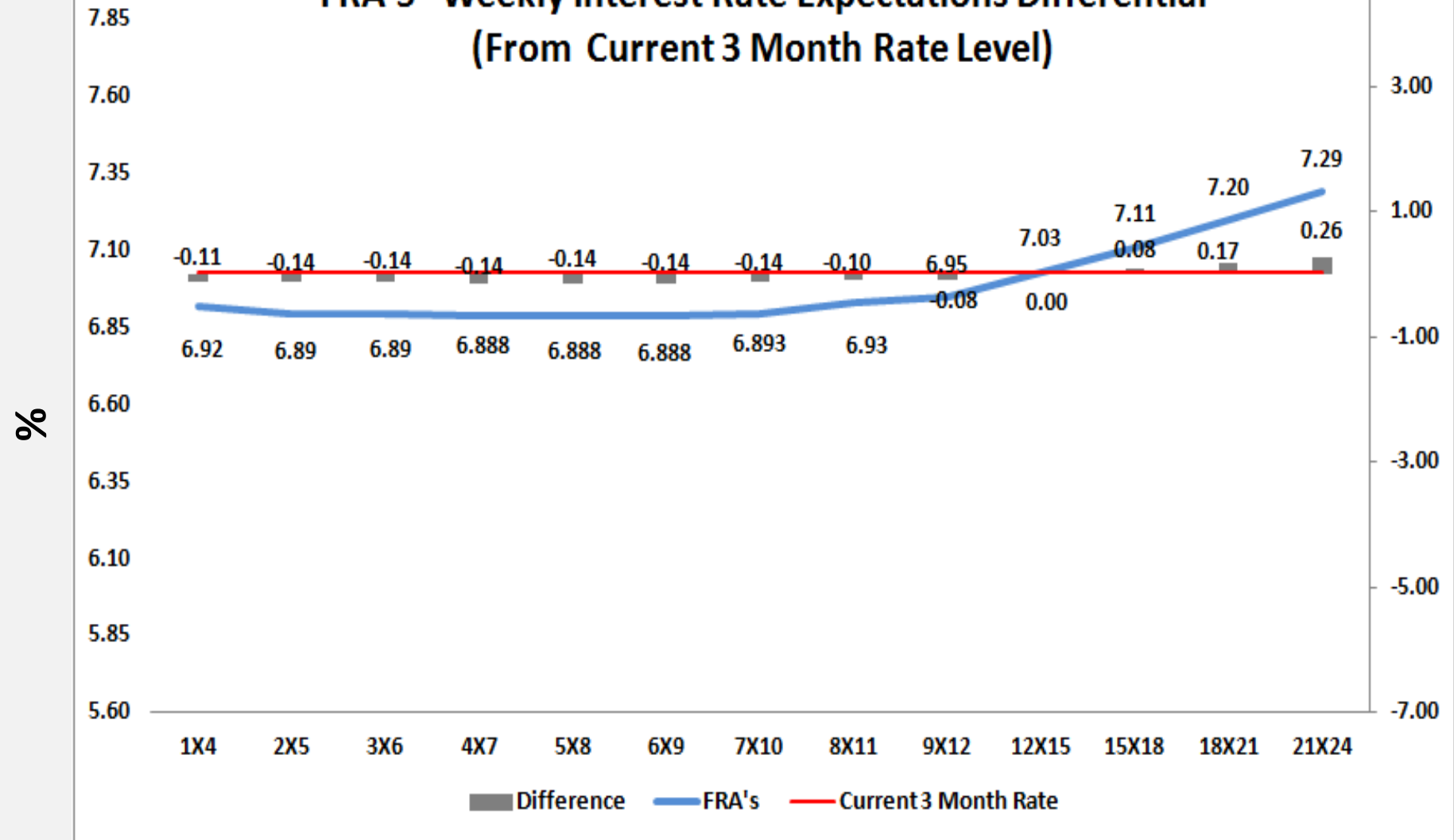
INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2011-02-28 to 2018-05-31



Period

# Interest Rate Expectations

## FRA'S - Weekly Interest Rate Expectations Differential (From Current 3 Month Rate Level)



Difference
  FRA's
  Current 3 Month Rate

Period

# Capital Market

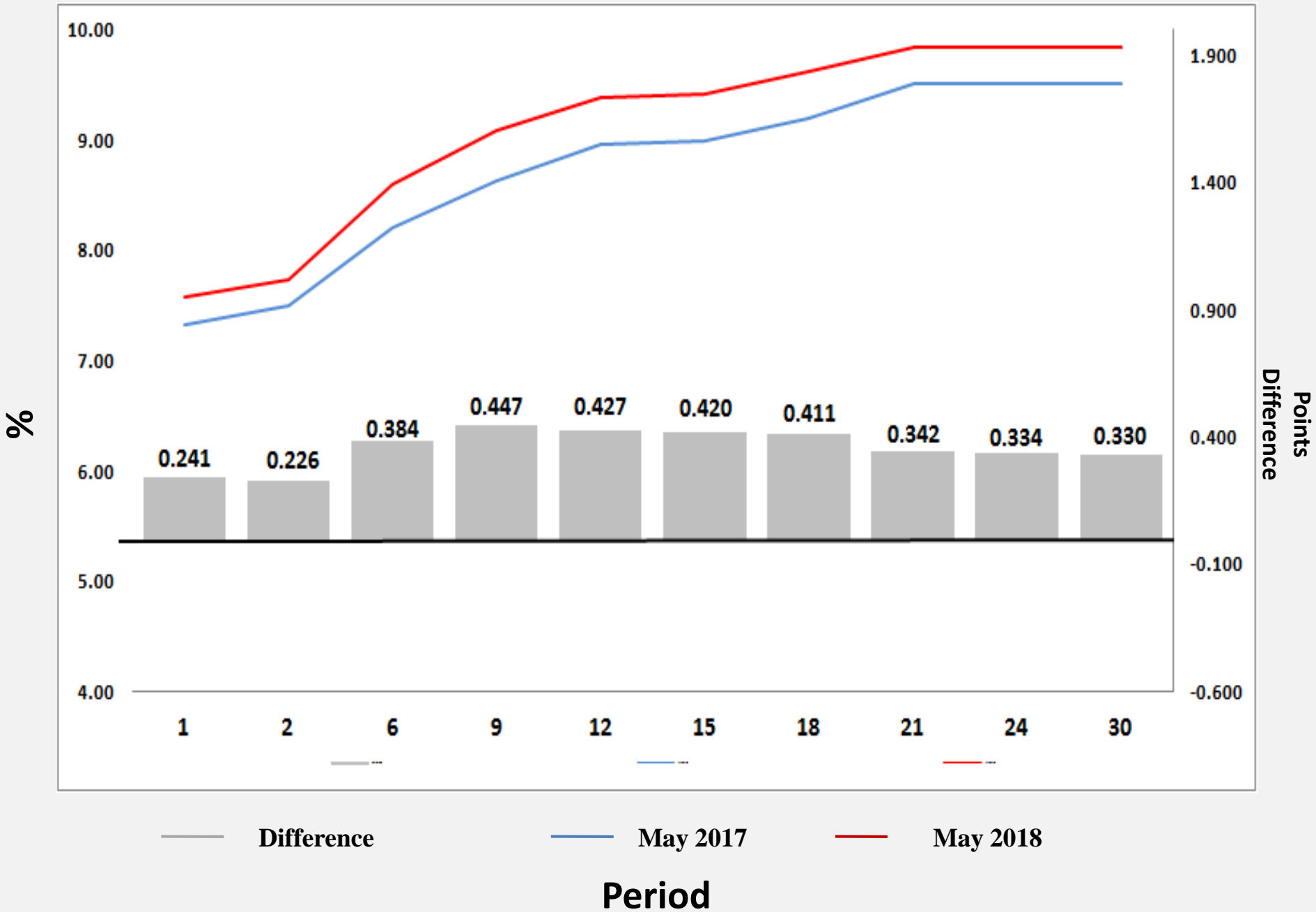
## **Capital Market:**

Capital Market is showing value and is fairly priced relative to the Equity market. Real rates remain attractive in comparison to its international counterparts. Foreigners were strong sellers during the months of April and May which may continue as capital outflow from emerging markets persists. Benchmark rates offer value at current levels. We maintain a hold recommendation.

Expected appreciation of the Dollar may lead to the further outflow of Capital from emerging markets.

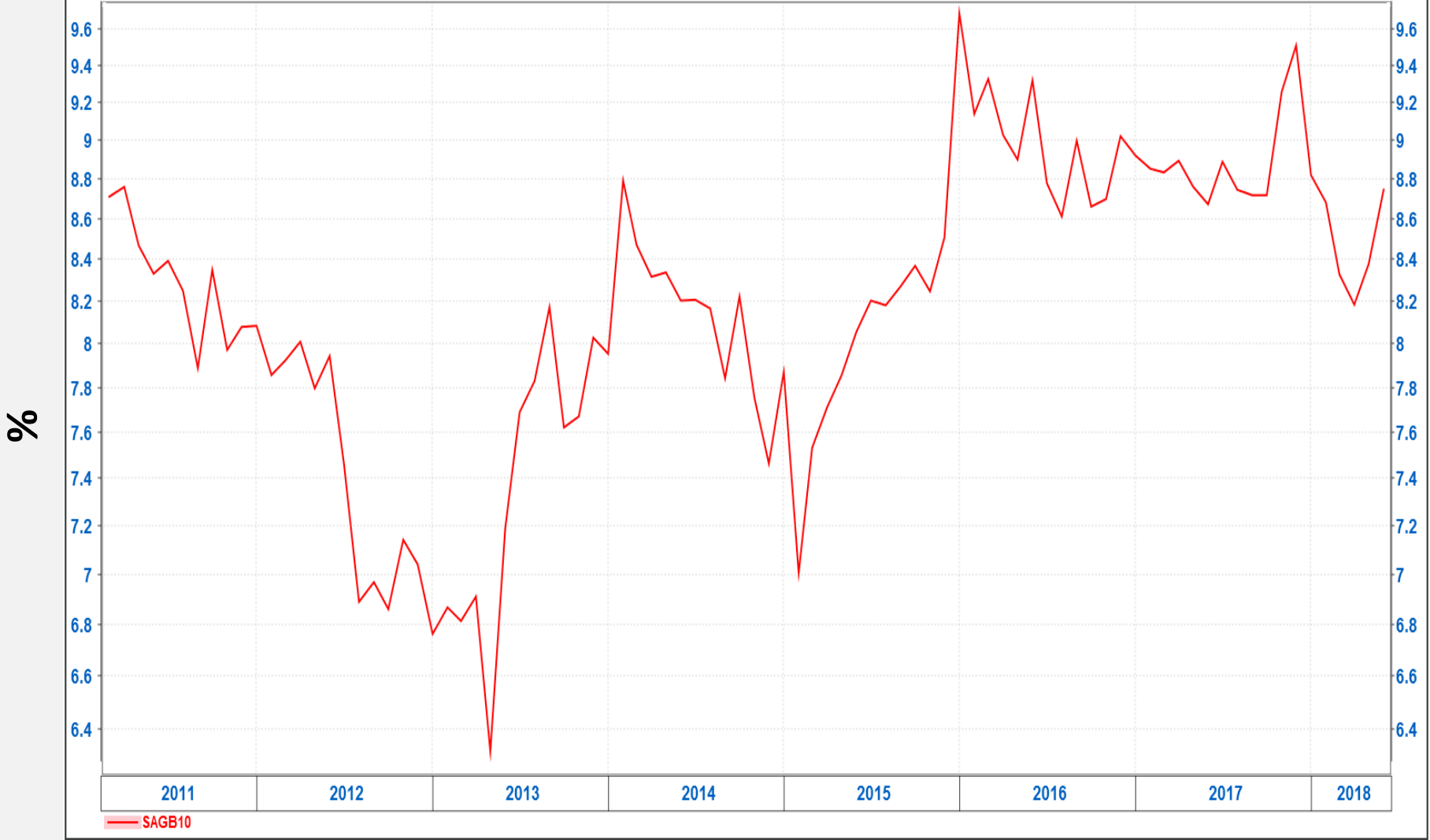
Stable Money Market rates, deteriorating government finances and higher inflation expectations will place upward pressure on Capital market rates.

# South Africa –Yield Curve



# SA 10Year Bond Rate

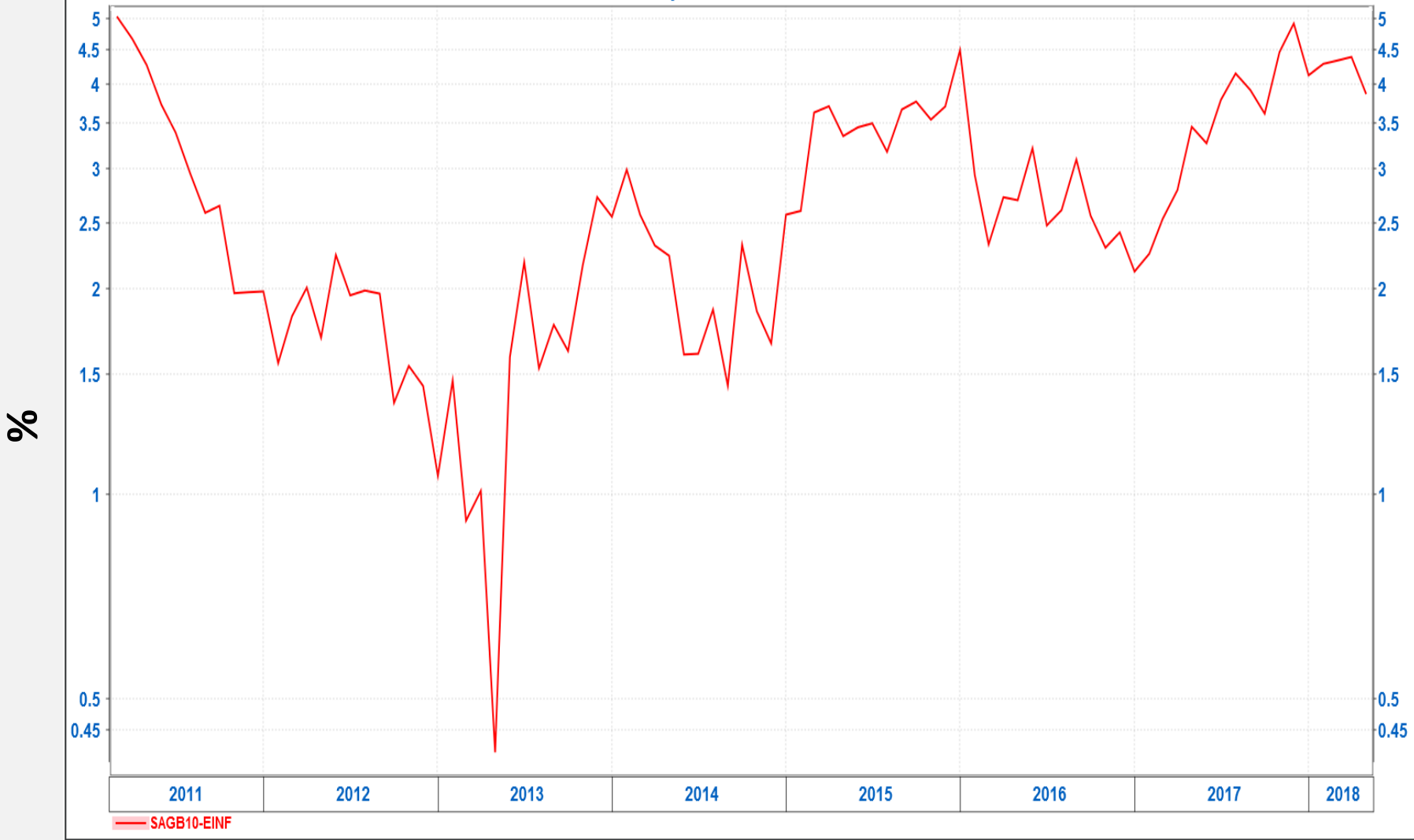
SA : GOVT 10 YEAR BOND  
Monthly 2011-02-28 to 2018-05-31



Period

# SA Real Interest Rate

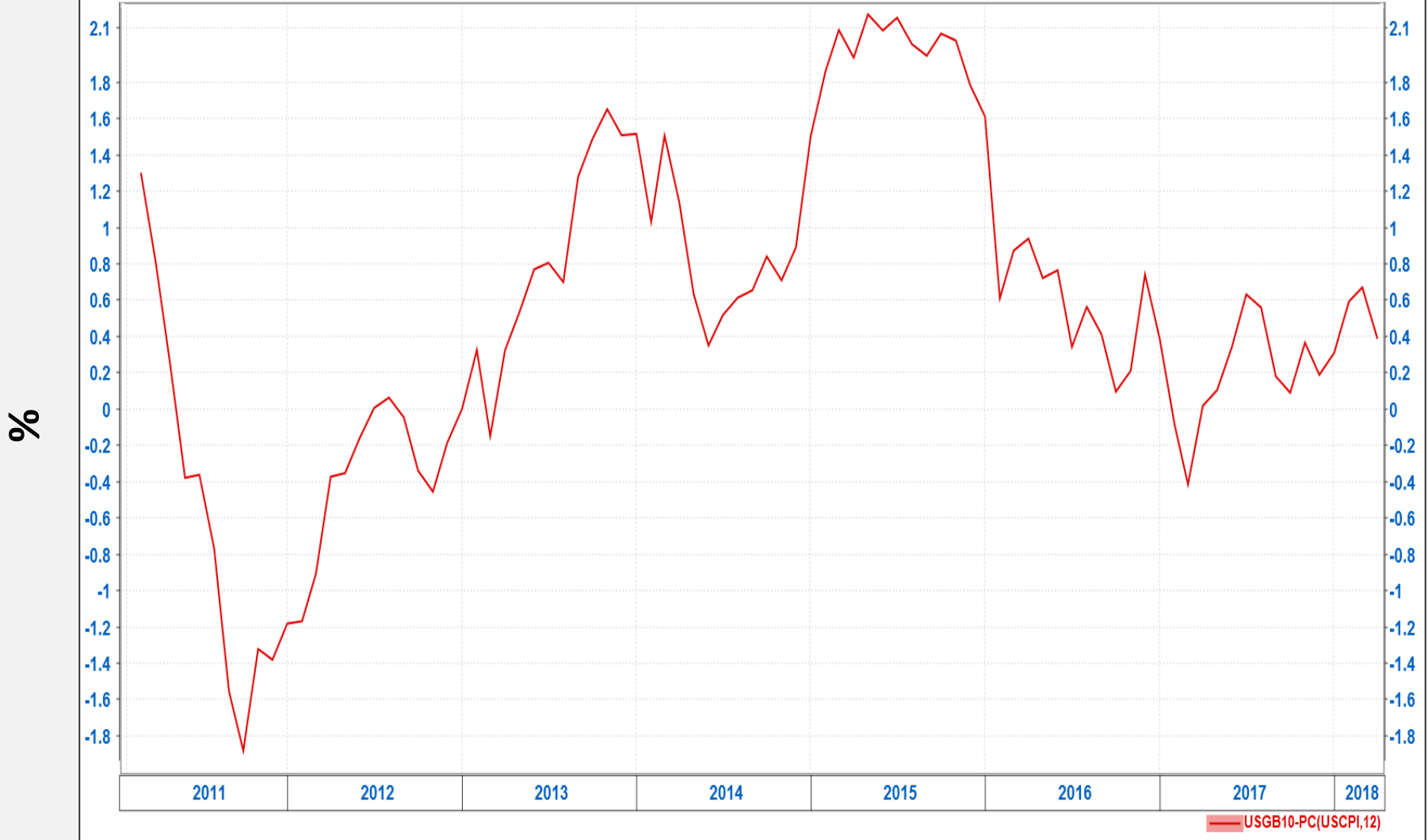
SA : GOVT 10 YEAR BOND-INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2011-02-28 to 2018-05-31



Period

# USA Real Interest Rate

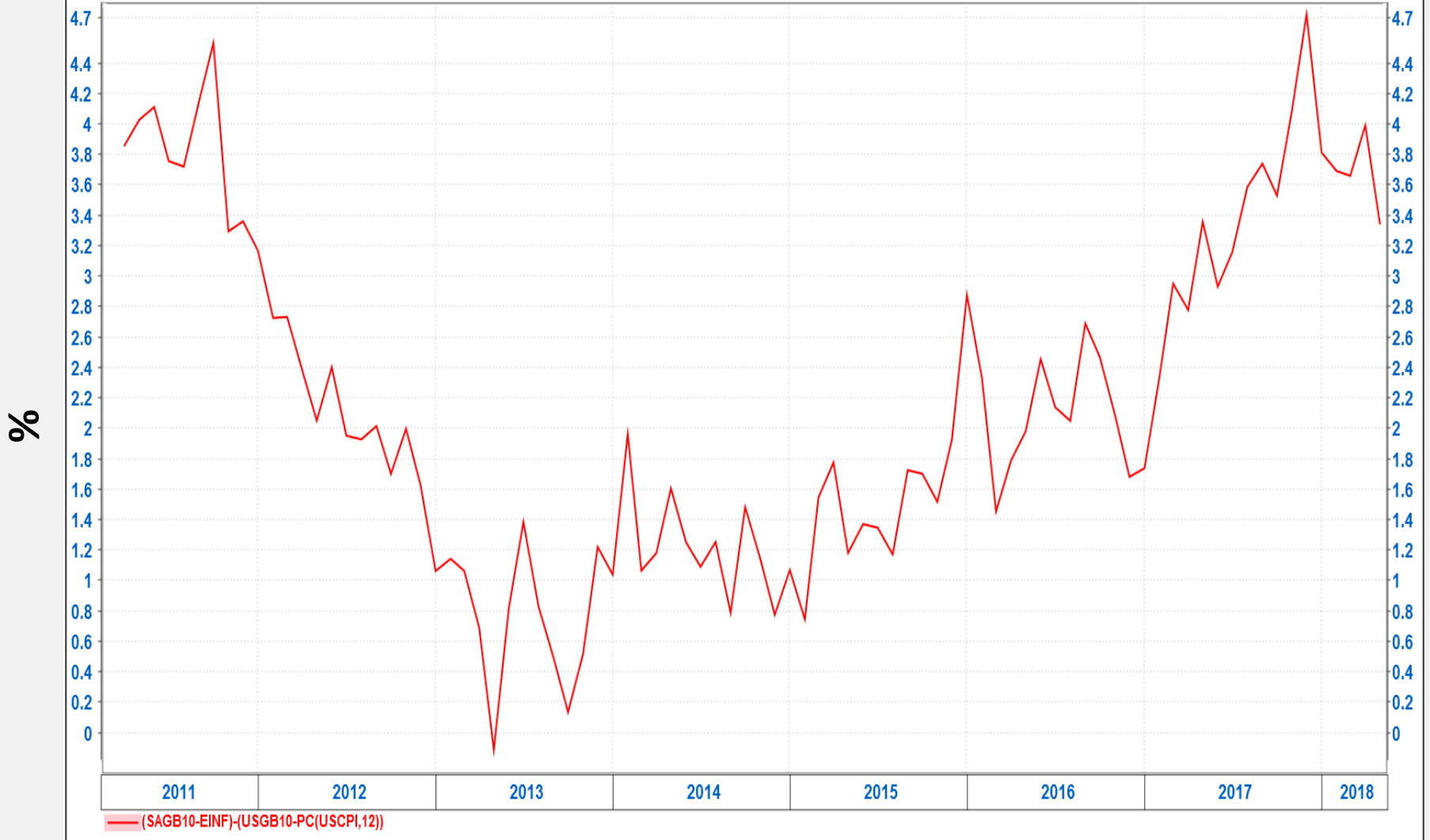
USGB10-PC(USCPI,12)  
Monthly 2011-01-31 to 2018-04-30



Period

# Real Interest Rate - SA vs. USA

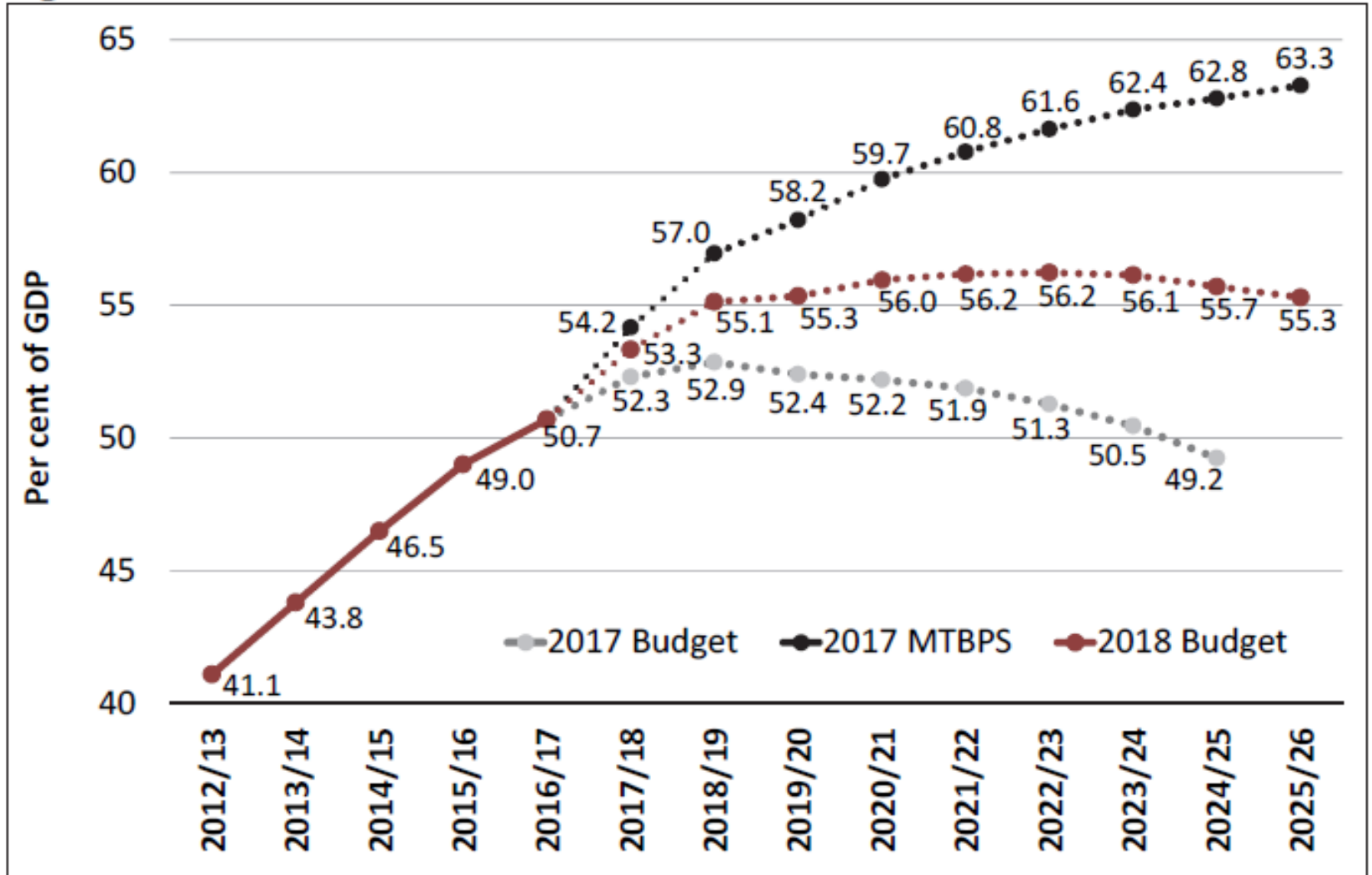
Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), SA : GOVT 10 YEAR BOND, USA : CONSUMER PRICE INDEX - ALL URBAN S/A, USA : GOVT 10 YEAR BOND  
Monthly 2011-02-28 to 2018-04-30



Period

# SA Government Debt %GDP

Figure 1.1 Gross debt-to-GDP outlook

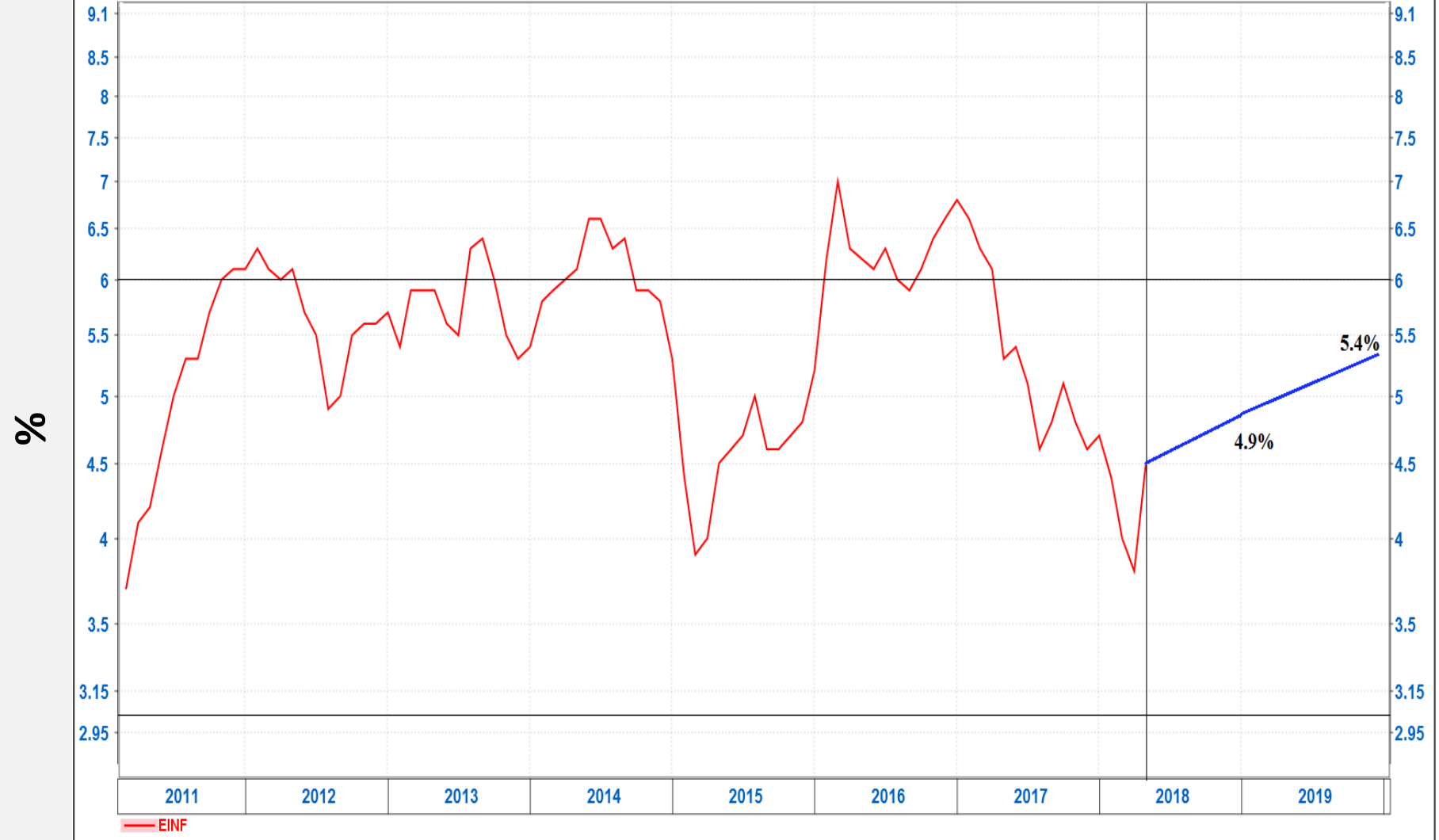


Source: National Treasury

Period

# SARB Inflation Expectation

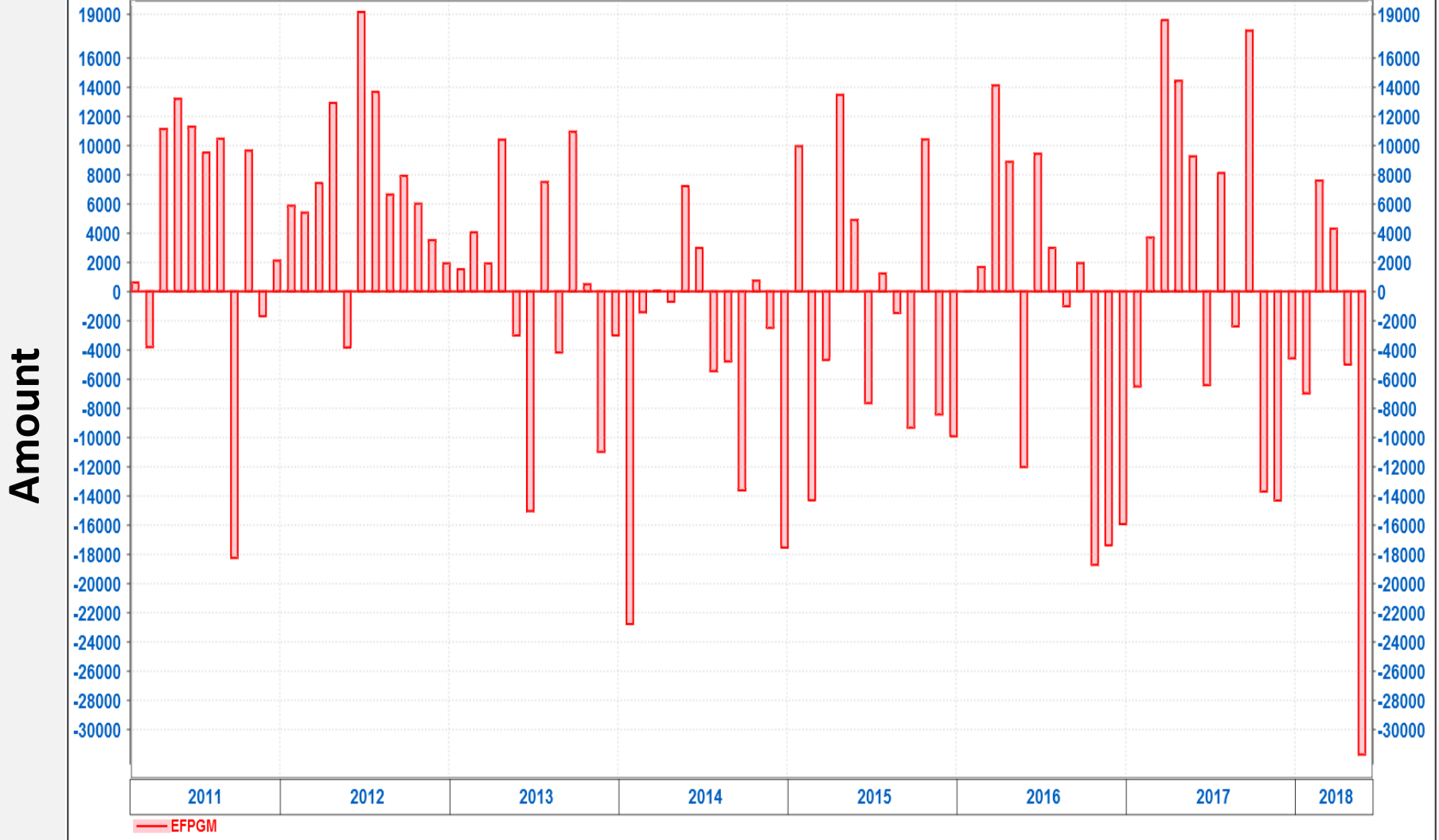
INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2011-02-28 to 2018-05-31



Period

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

FOREIGN TRANS BESA - NET (RM) - TOTAL CONSIDERATION  
Monthly 2011-02-28 to 2018-05-31



Period

# **Commodities Market**

# Commodity Index

RJ/CRB TOTAL RETURN INDEX  
Weekly 2011-12-11 to 2018-06-10

Index Points

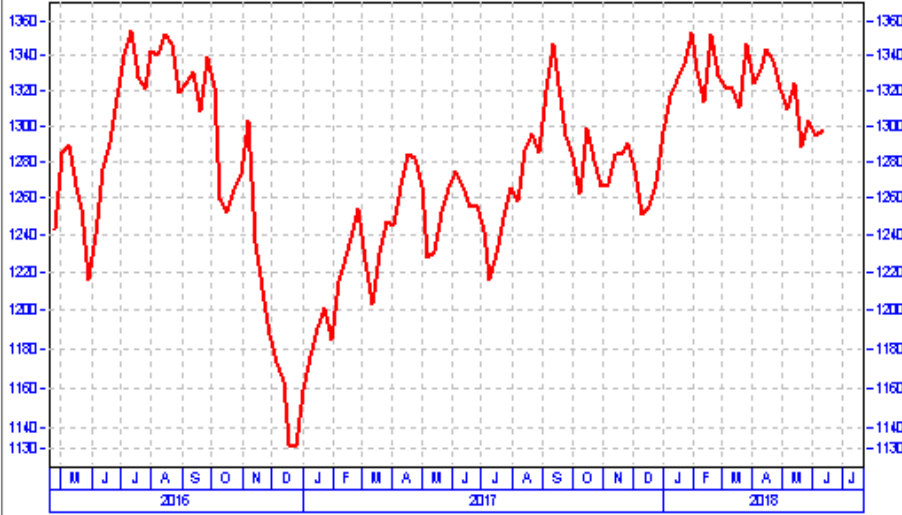


— FCRB

Period

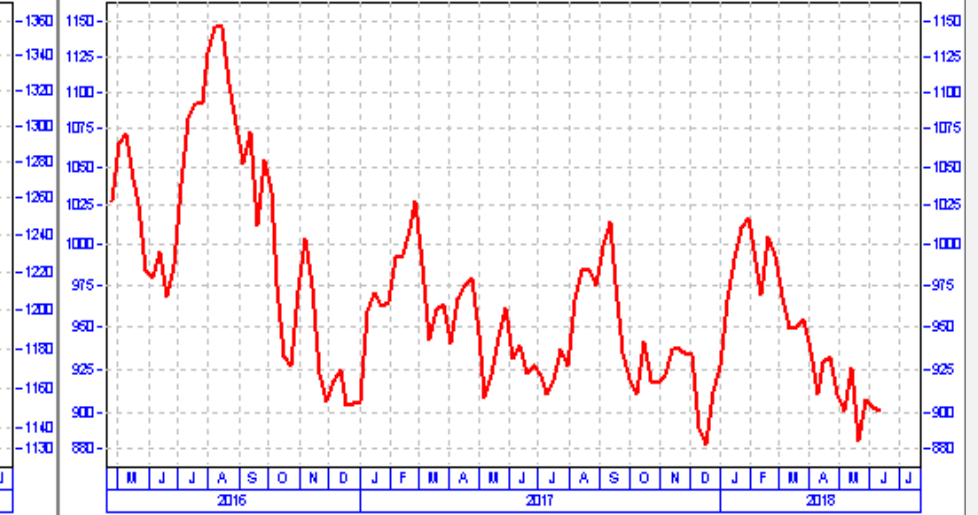
# Commodity Prices

GOLD LONDON - PM FIX  
Unit: 4242016-6/10/2018



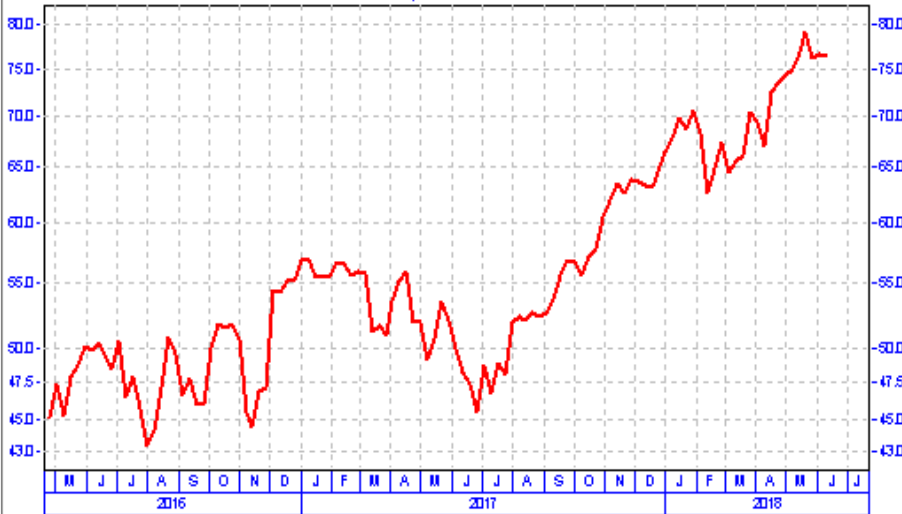
— GOLD LONDON - PM FIX (1298.25)

PLATINUM PM - FIX \$OZ  
Unit: 4242016-6/10/2018



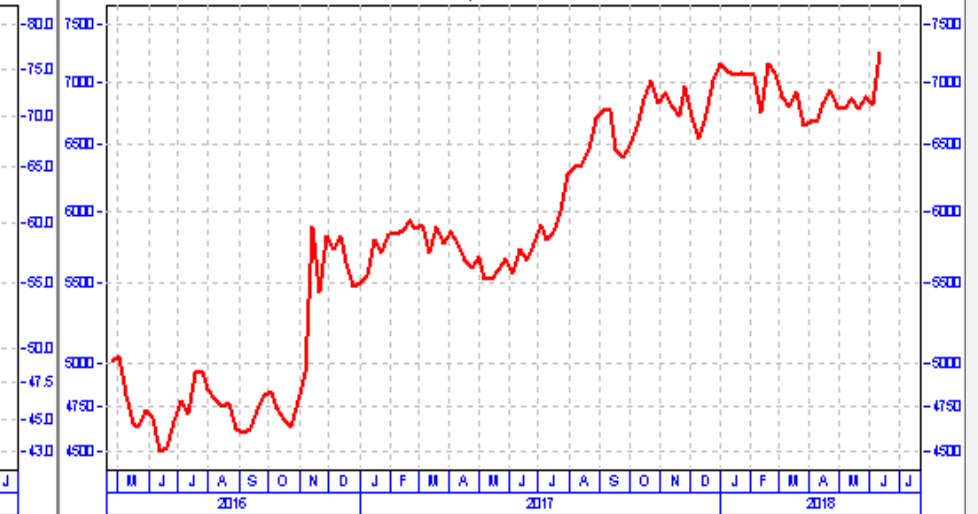
— PLATINUM PM - FIX \$OZ (901)

OIL BRENT CRUDE ICE \$/BARREL  
Unit: 4242016-6/10/2018



— OIL BRENT CRUDE ICE \$/BARREL (76.39)

COPPER CASH LME (\$/TON) - FIX  
Unit: 4242016-6/10/2018



— COPPER CASH LME (\$/TON) - FIX (7262.5)

# Equities Market

## **Equities Market:**

Equities have improved but remain overpriced relative to the Capital Market. Health Care, Consumer Goods and Industrials sectors show value compared to the Financial and Resources sectors.

Lower growth expectations in company's earnings and lower demand of foreign investors for equities due to liquidity restrictions worldwide, may lead to restricted growth in Equity markets.

# China – Shanghai A Share Index

CHINA : SHANGHAI A SHARE INDEX  
Weekly 2011-12-11 to 2018-06-10

Index Points



— FCHINA

Period

# Japan – Nikkei 225

JAPAN : NIKKEI 225 INDEX  
Weekly 2011-12-11 to 2018-06-10

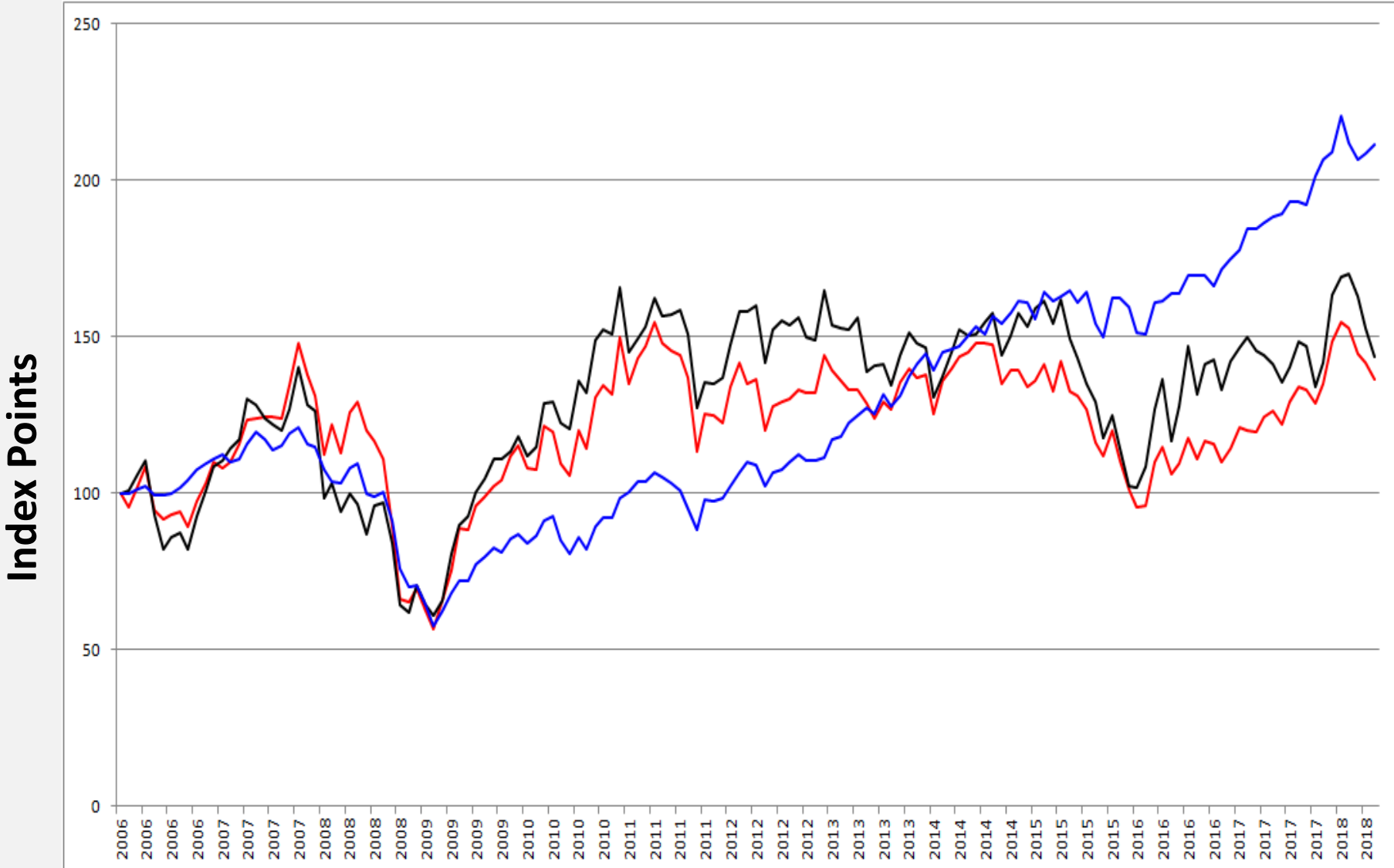
Index Points



— FJNK

Period

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

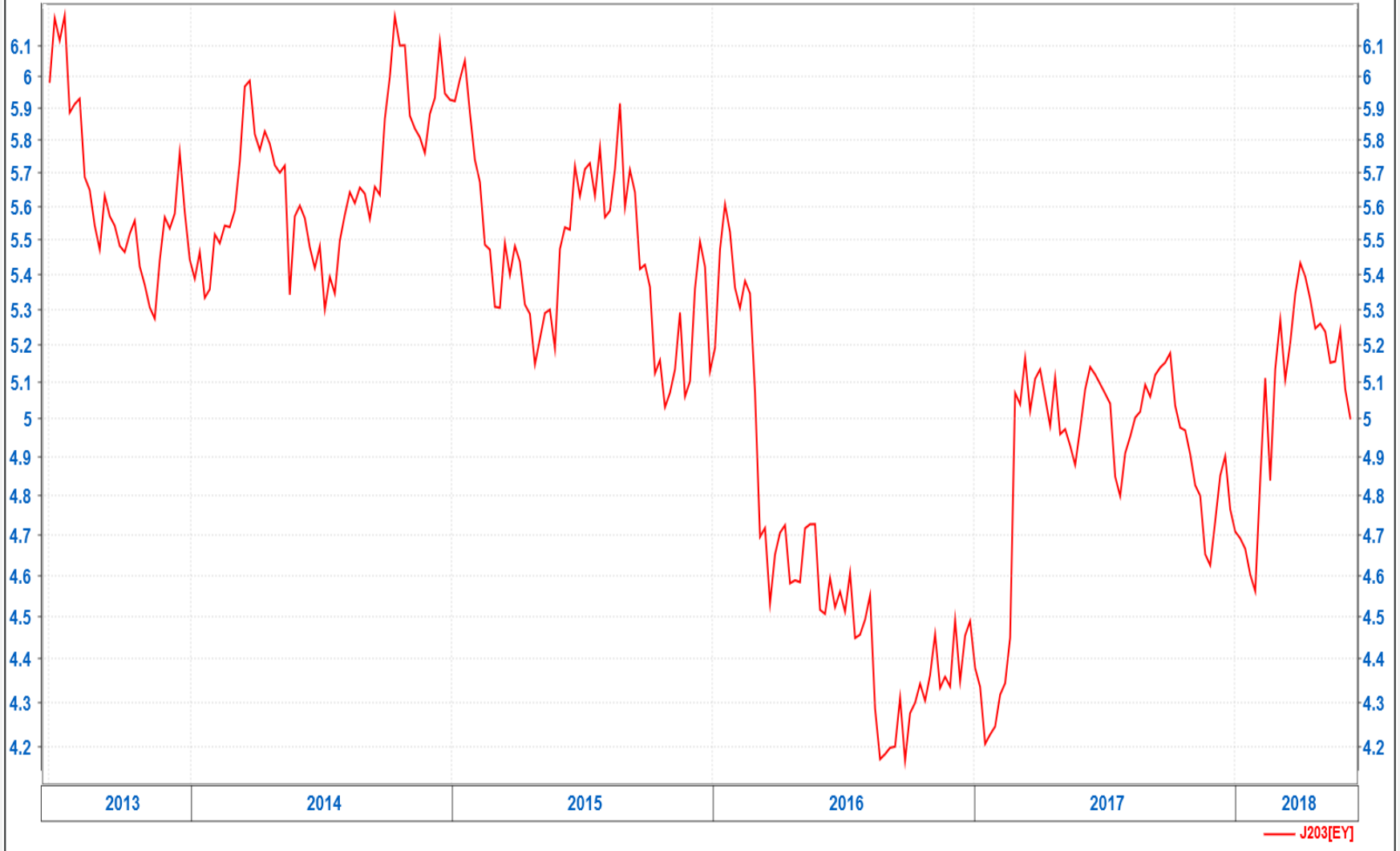


**— FTSE/JSE All Share Index**      **— USA S&P 500 Index**      **— FTSE/JSE Mid Cap Index**

**Period**

# SA All Share Index – Earnings Yield

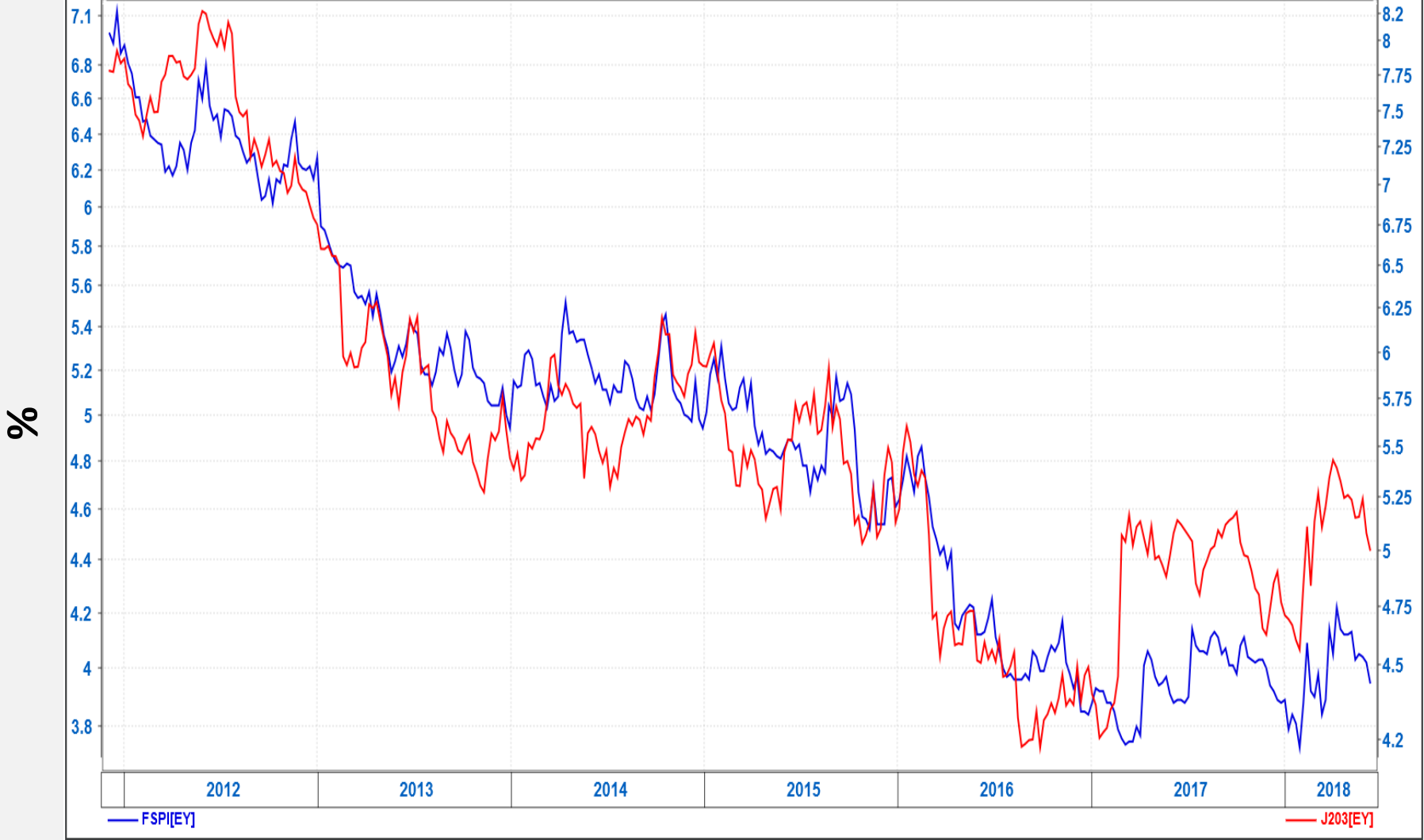
FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield)  
Weekly 2013-06-10 to 2018-06-10



Period

# Earnings Yield- SA vs. USA

FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield) , USA : S & P 500 COMPOSITE INDEX (Earnings Yield)  
Weekly 2011-12-04 to 2018-06-10



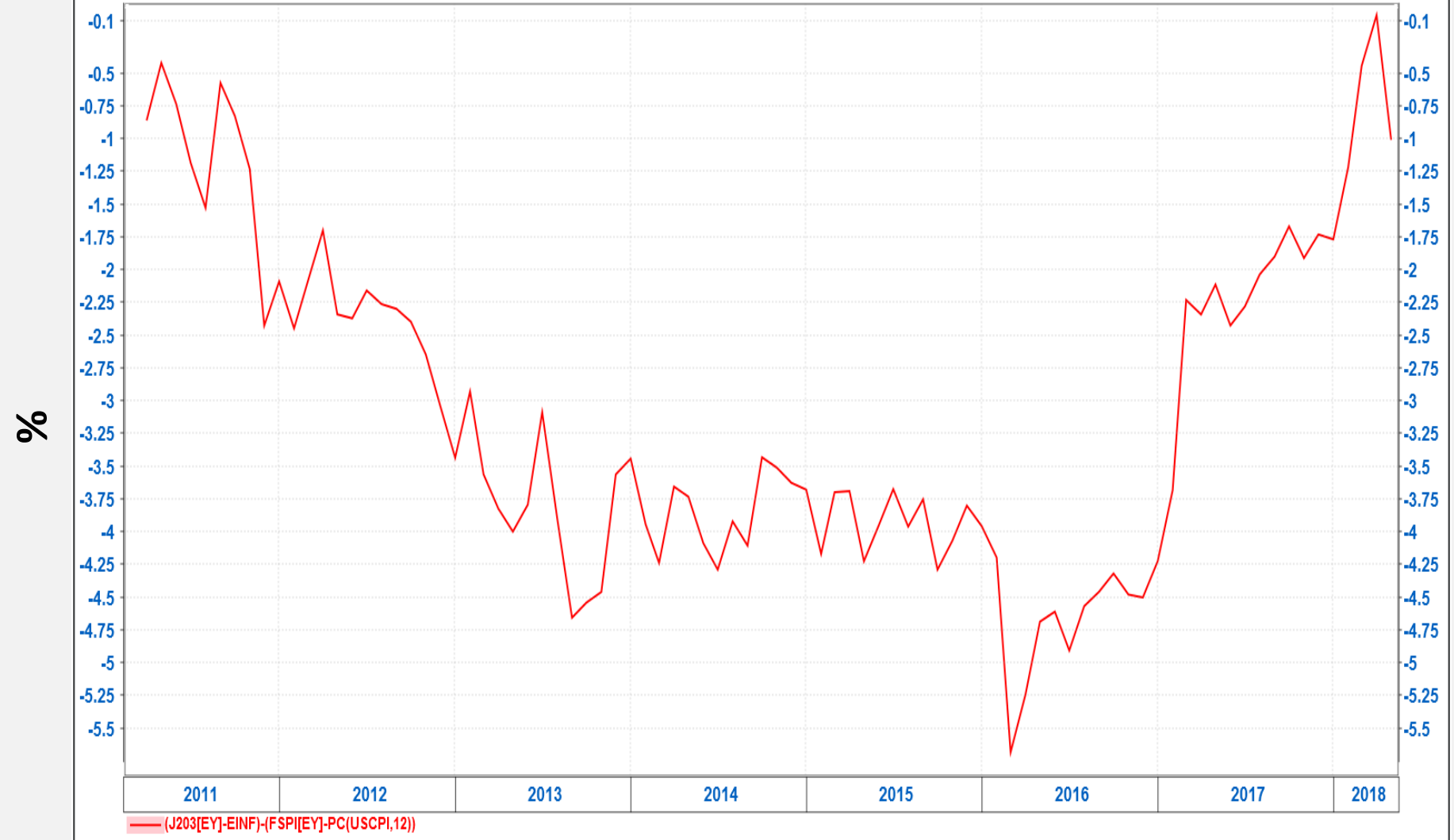
— S.A. All Share Earnings Yield

— USA S&P 500 Shares Earnings Yield

Period

# Real EY- SA vs. USA

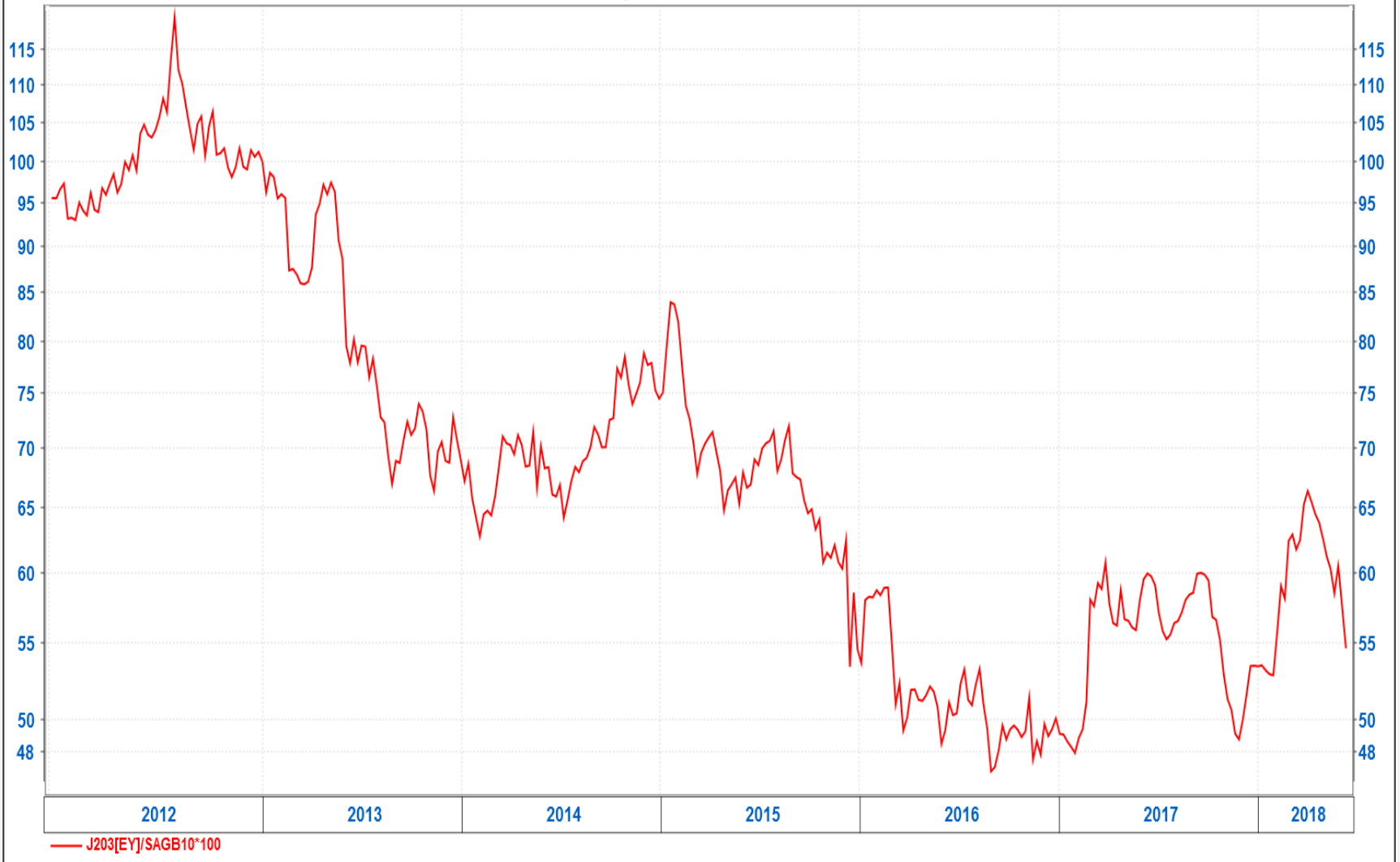
Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), USA : S & P 500 COMPOSITE INDEX (EY), FTSE/JSE : AFRICA ALL SHARE INDEX (EY), USA : CONSUMER PRICE INDEX - ALL URBAN S/A  
Monthly 2011-02-28 to 2018-04-30



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 2011-12-11 to 2018-06-10



Period