

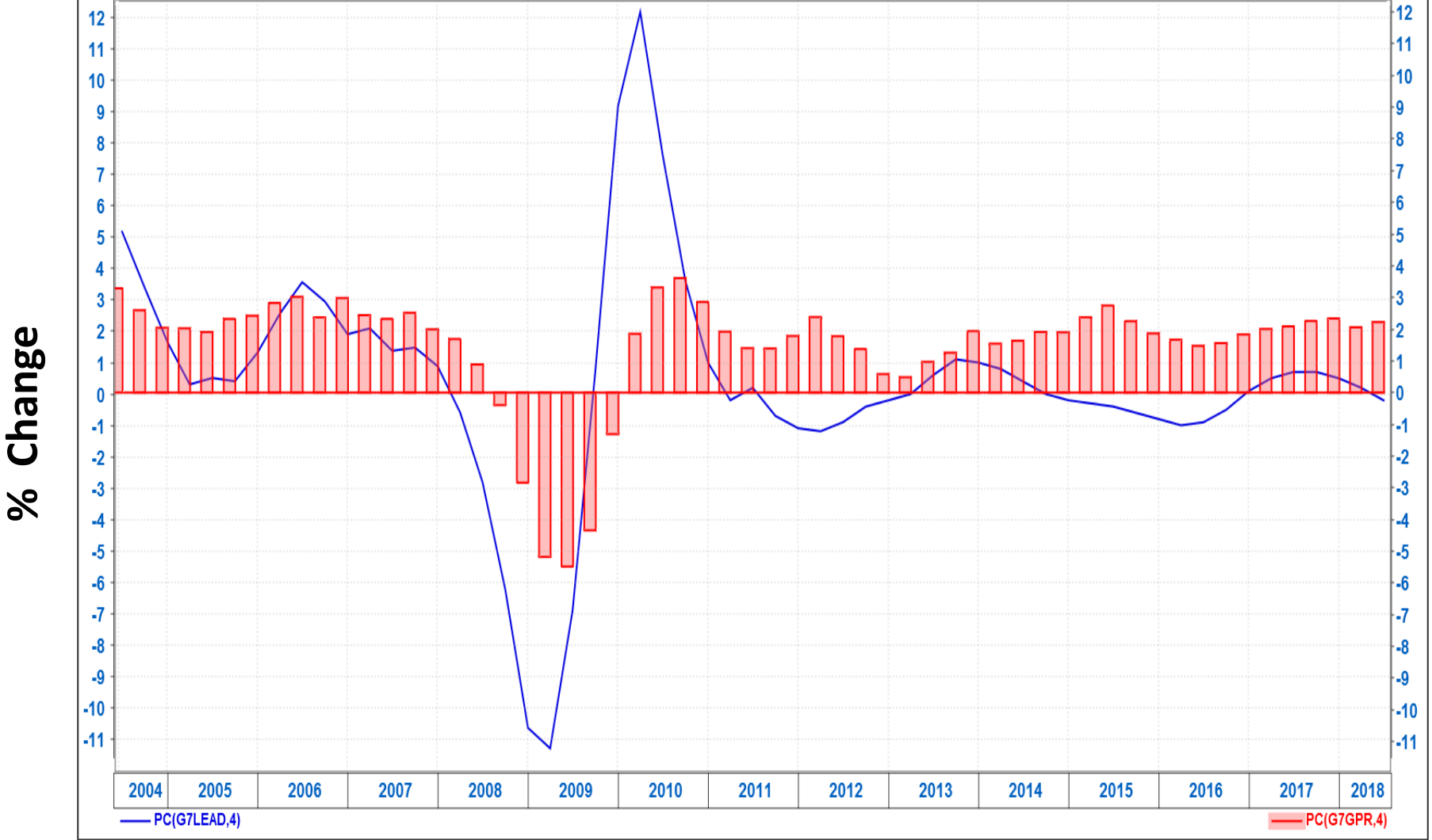
International Economic Indicators

Worldwide: G7

Economic growth improved in Q2 of 2018 for the G7 countries, mainly driven by the growth in the United States. Unemployment rates moved sideways in the second quarter; inflation however remains on the rise, breaking up above the 2.2% level in Q2. 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 (2010=100), Percentage Change 4 of G7 : COMPOSITE LEADING INDICATOR
Quarterly 2004-06-30 to 2018-06-30



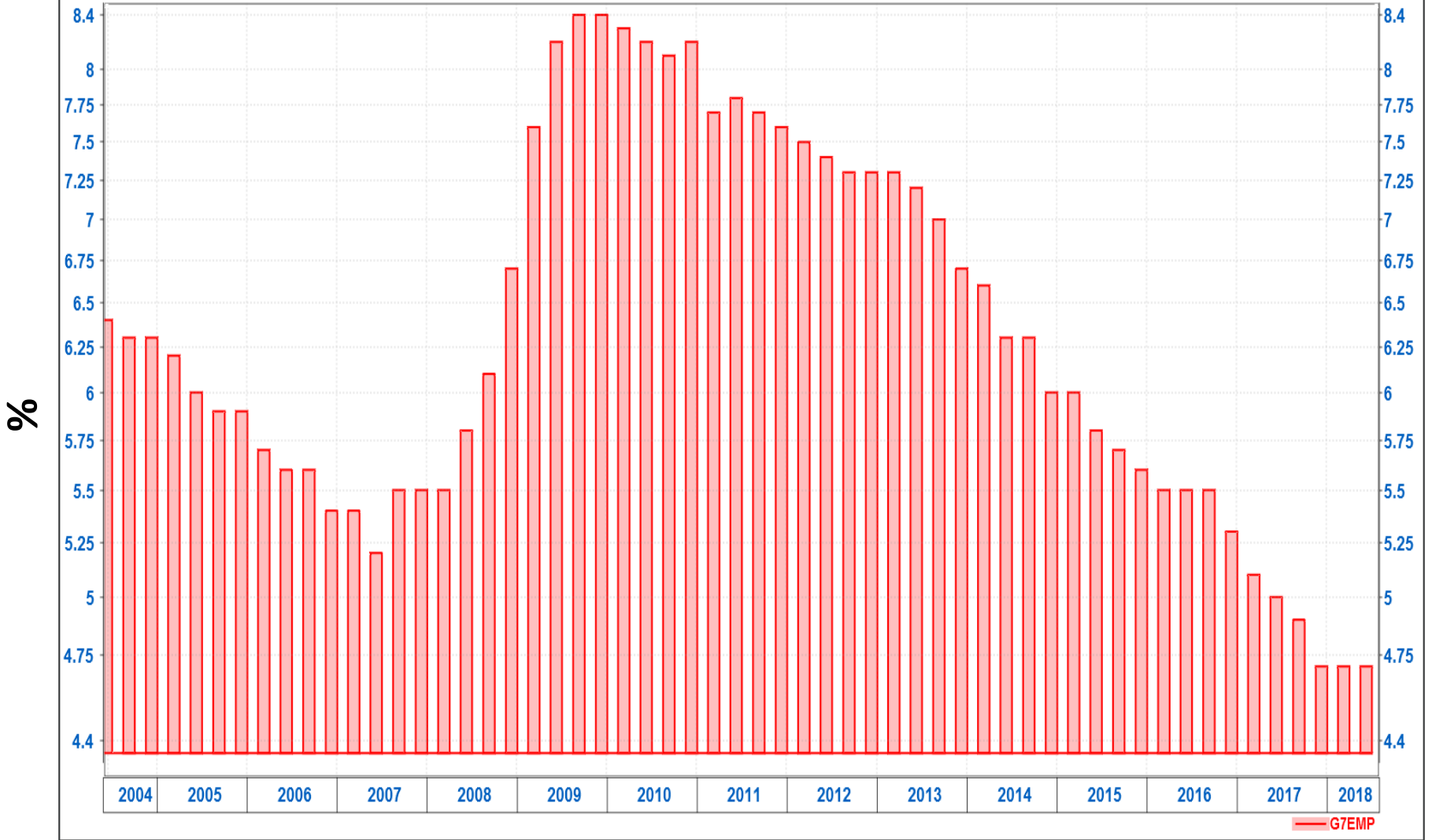
— G7 Leading Indicator

— G7 Growth Rate

Period

G7 – Unemployment

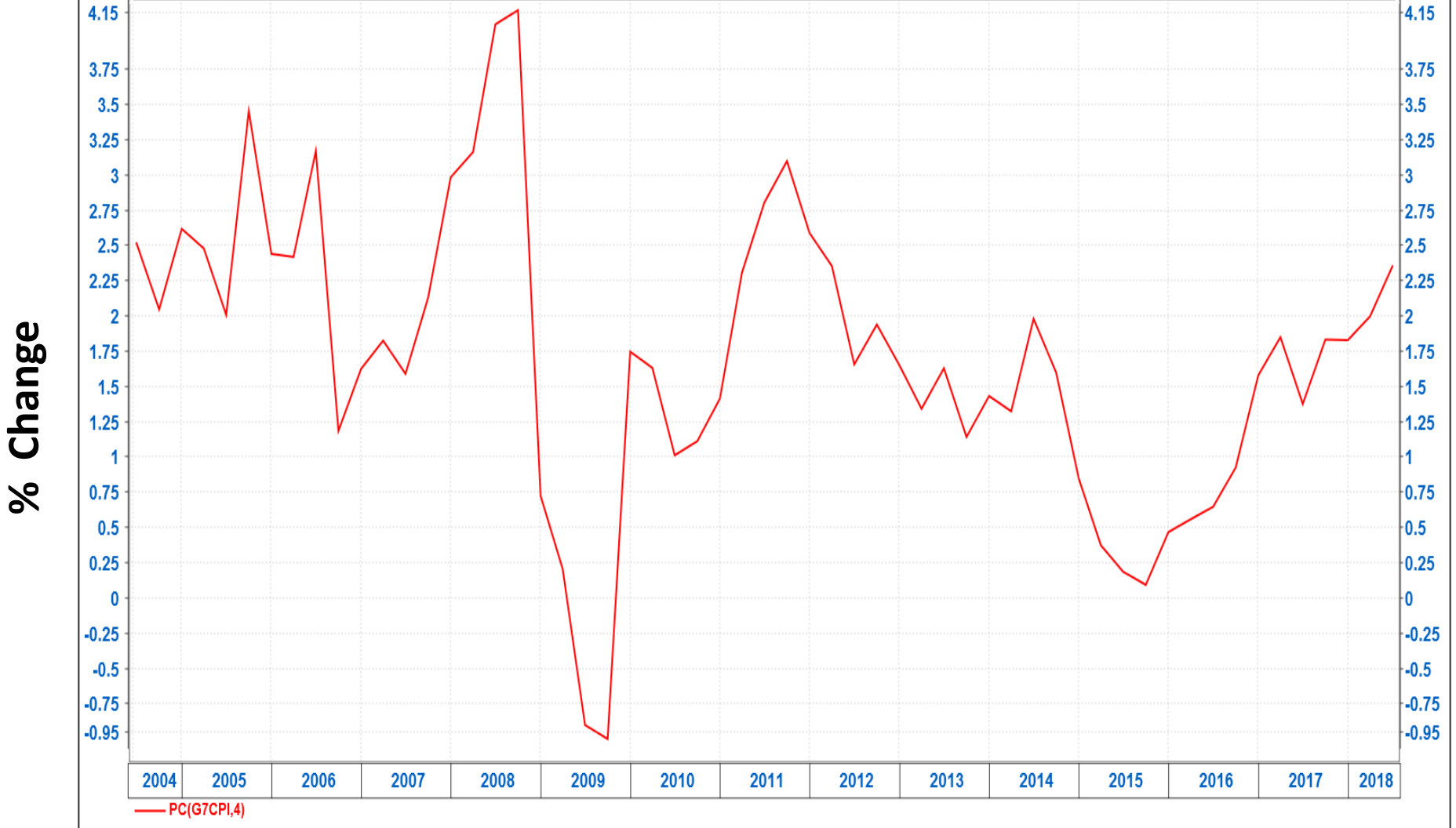
G7 : UNEMPLOYMENT %
Quarterly 2004-06-30 to 2018-06-30



Period

G7 – Inflation

Percentage Change 4 of G7 : CONSUMER PRICE INDEX (2010=100)
Quarterly 2004-06-30 to 2018-06-30



Period

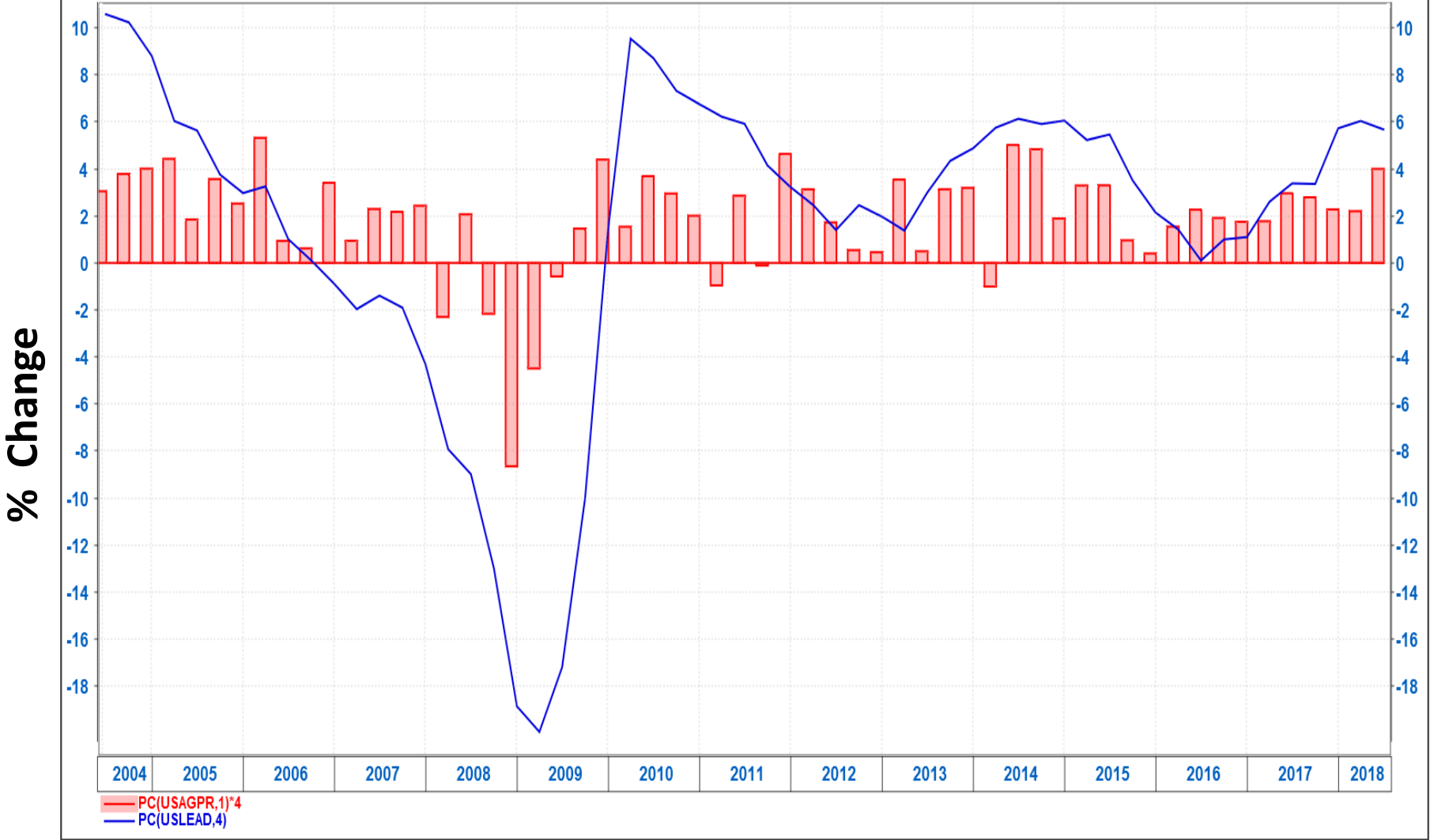
Unites States:

Further anticipated interest rate hikes by the Federal reserve seem unlikely. Inflation seems to be retreating below the 2.5% level. Currently the U.S. is the only country showing strong positive economic growth at 4.1% in Q2 of 2018, with leading indicators showing a possible slowdown in Q3. Unemployment is down to 3.6%.

Earnings growth of companies are expected to remain high, already yielding 24.8% growth in Q1 of 2018, 24.6% in Q2 and expecting 19.2% and 17.1% for Q3 and Q4 in 2018 respectively.

USA – Economic Growth Rate

PC(USAGPR,1)*4 , Percentage Change 4 of USA : COMPOSITE LEADING INDICATOR (2016=100)
Quarterly 2004-06-30 to 2018-06-30



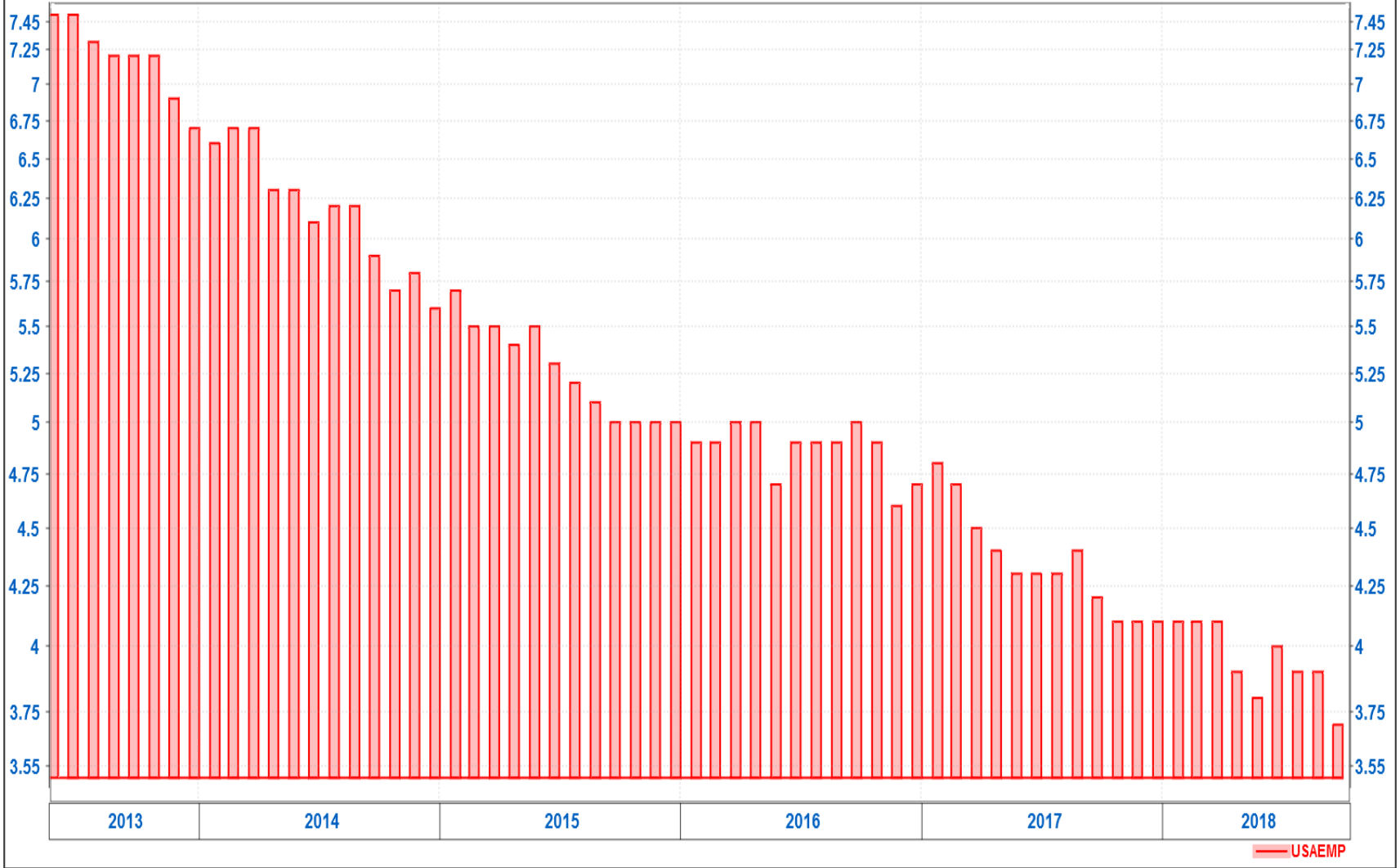
— USA Growth Rate

— USA Leading Indicator

Period

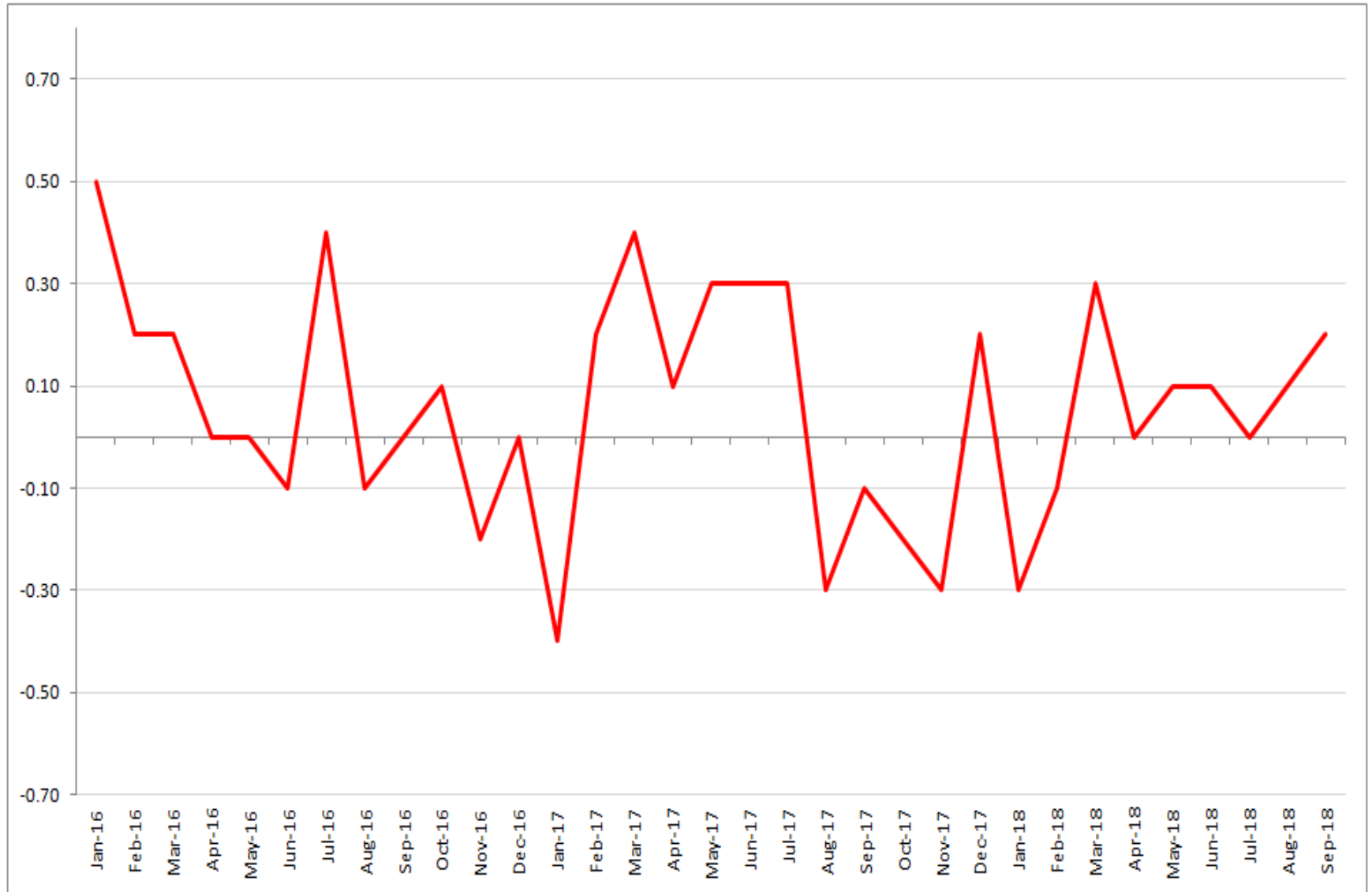
USA – Unemployment

USA : UNEMPLOYMENT % (S/A)
Monthly 2013-05-31 to 2018-09-30



Period

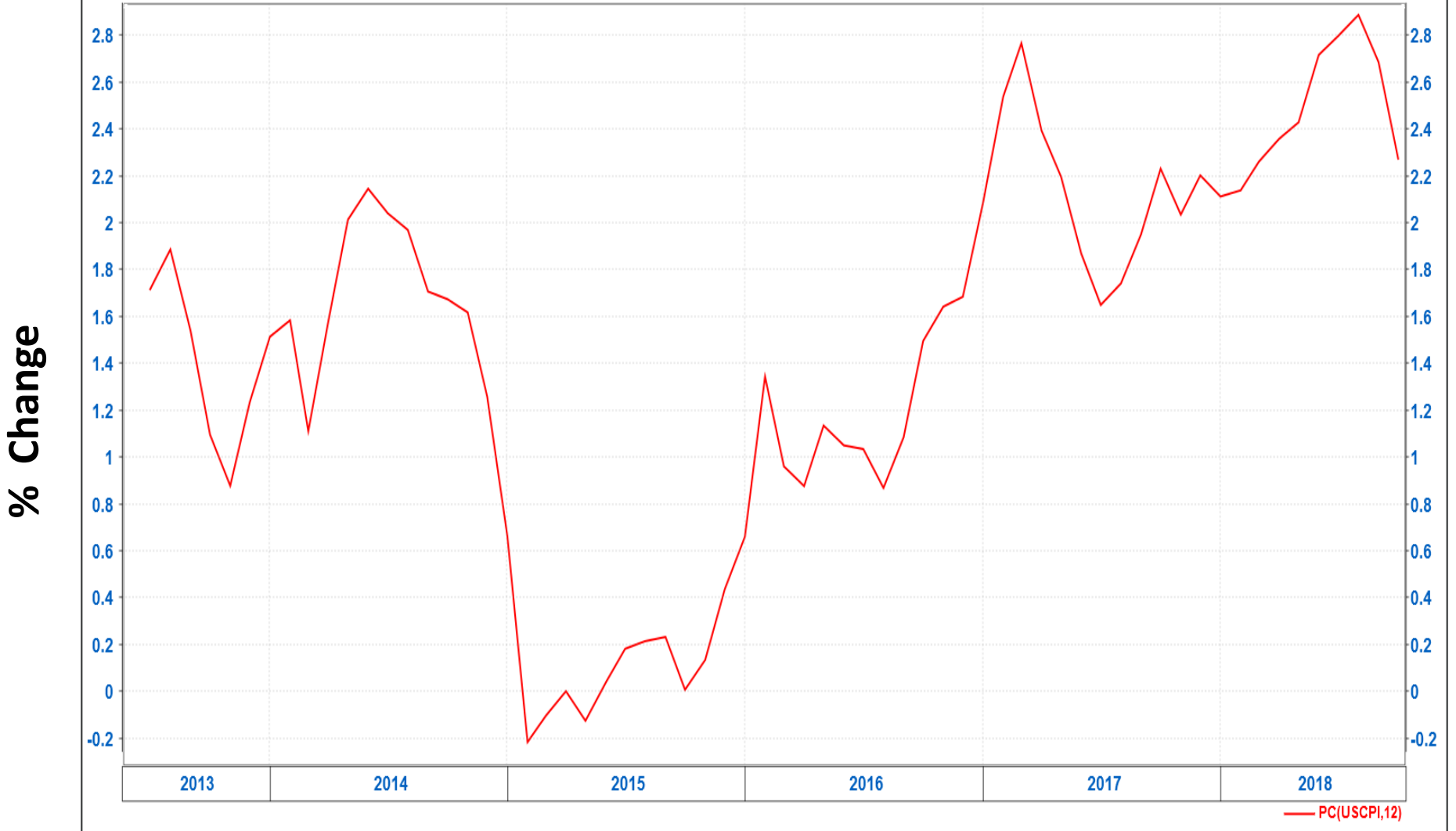
Real US Wages Growth (MoM)



Period

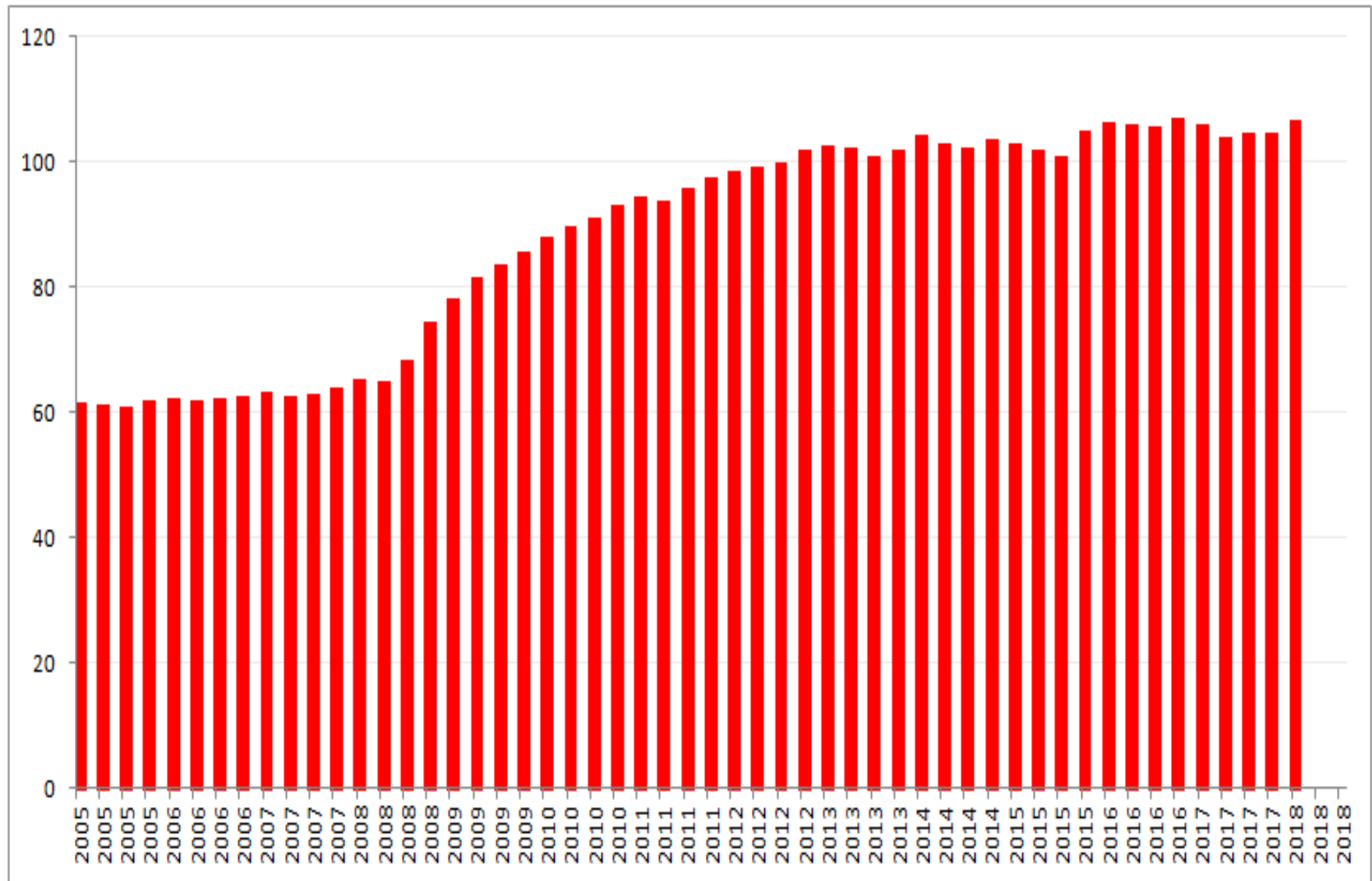
USA – Inflation

Percentage Change 12 of USA : CONSUMER PRICE INDEX - ALL URBAN S/A
Monthly 2013-05-31 to 2018-09-30



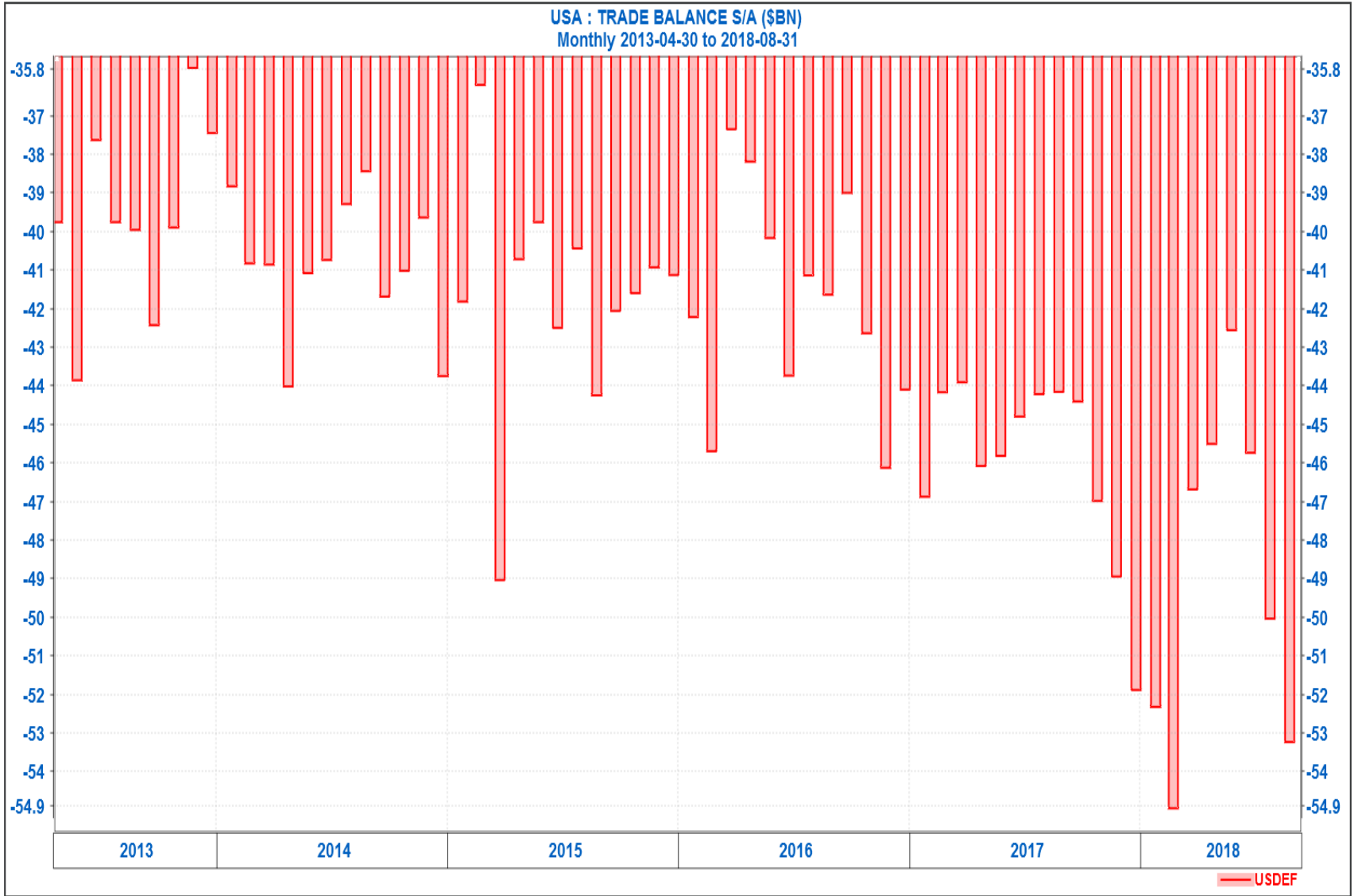
Period

USA – Government Debt %GDP (\$ Million)



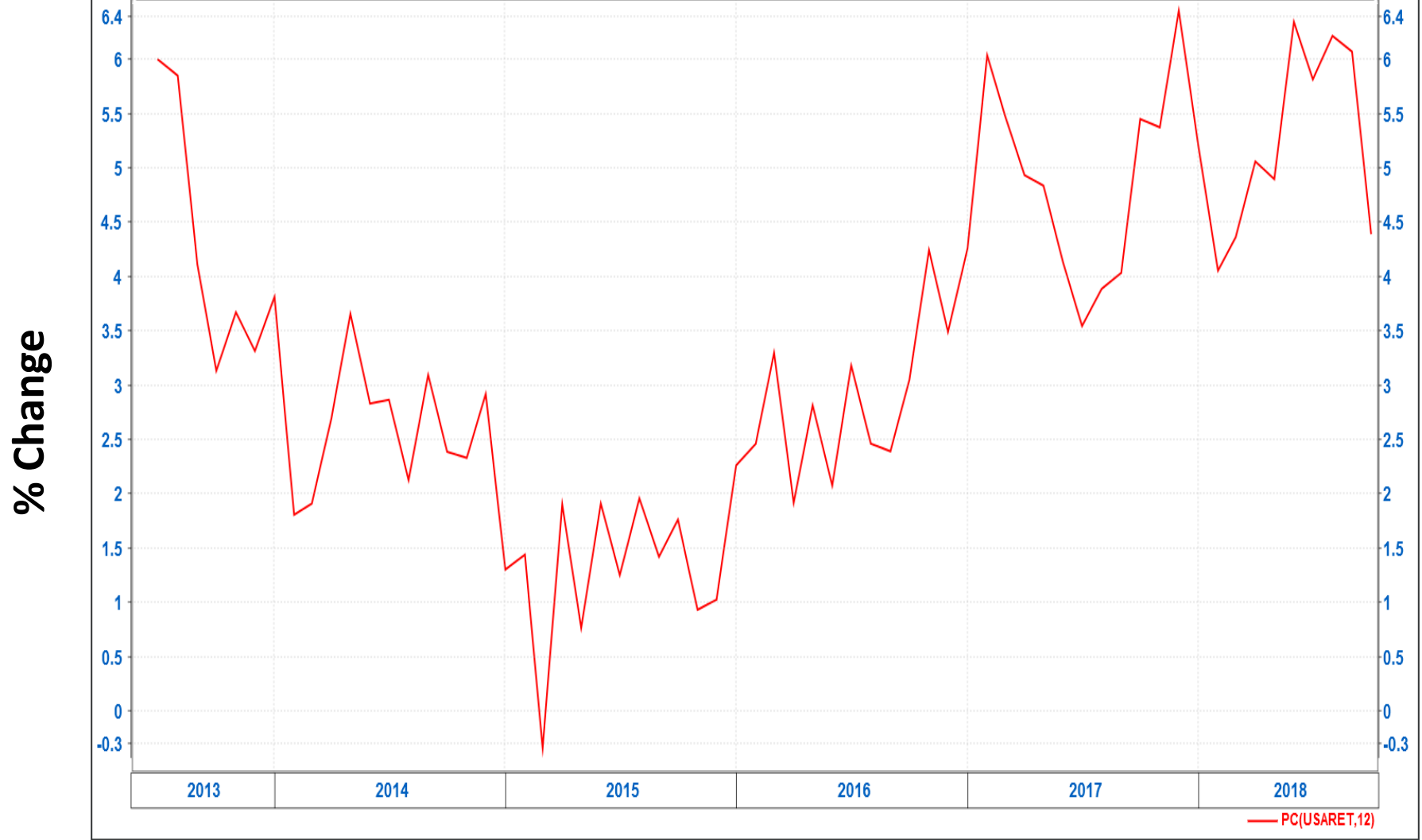
Period

USA - Trade Balance Deficit (\$ Billion)



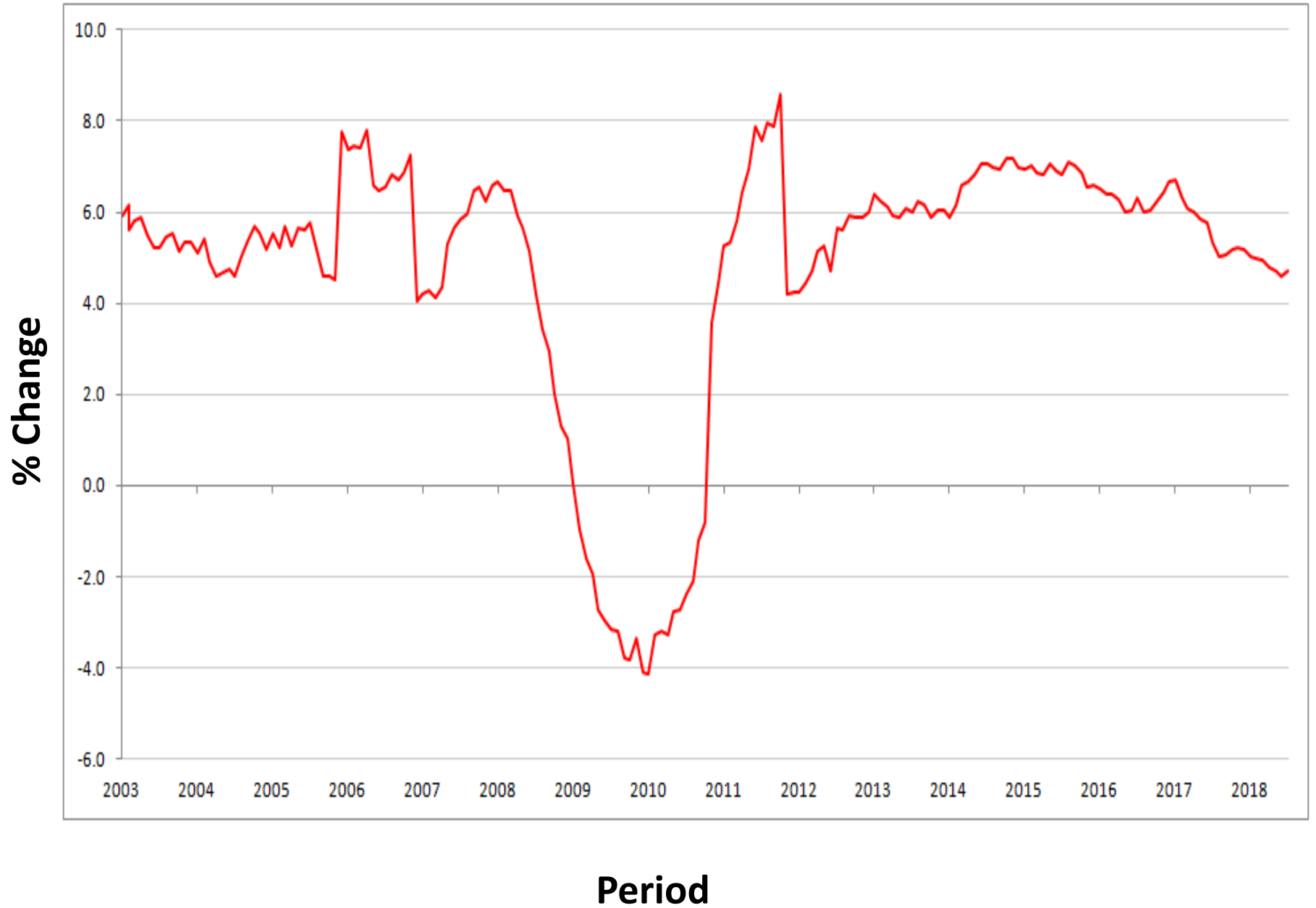
USA - Retail Sales

Percentage Change 12 of USA : RETAIL TRADE - VALUE S/A (US\$BN)
Monthly 2013-05-31 to 2018-09-30

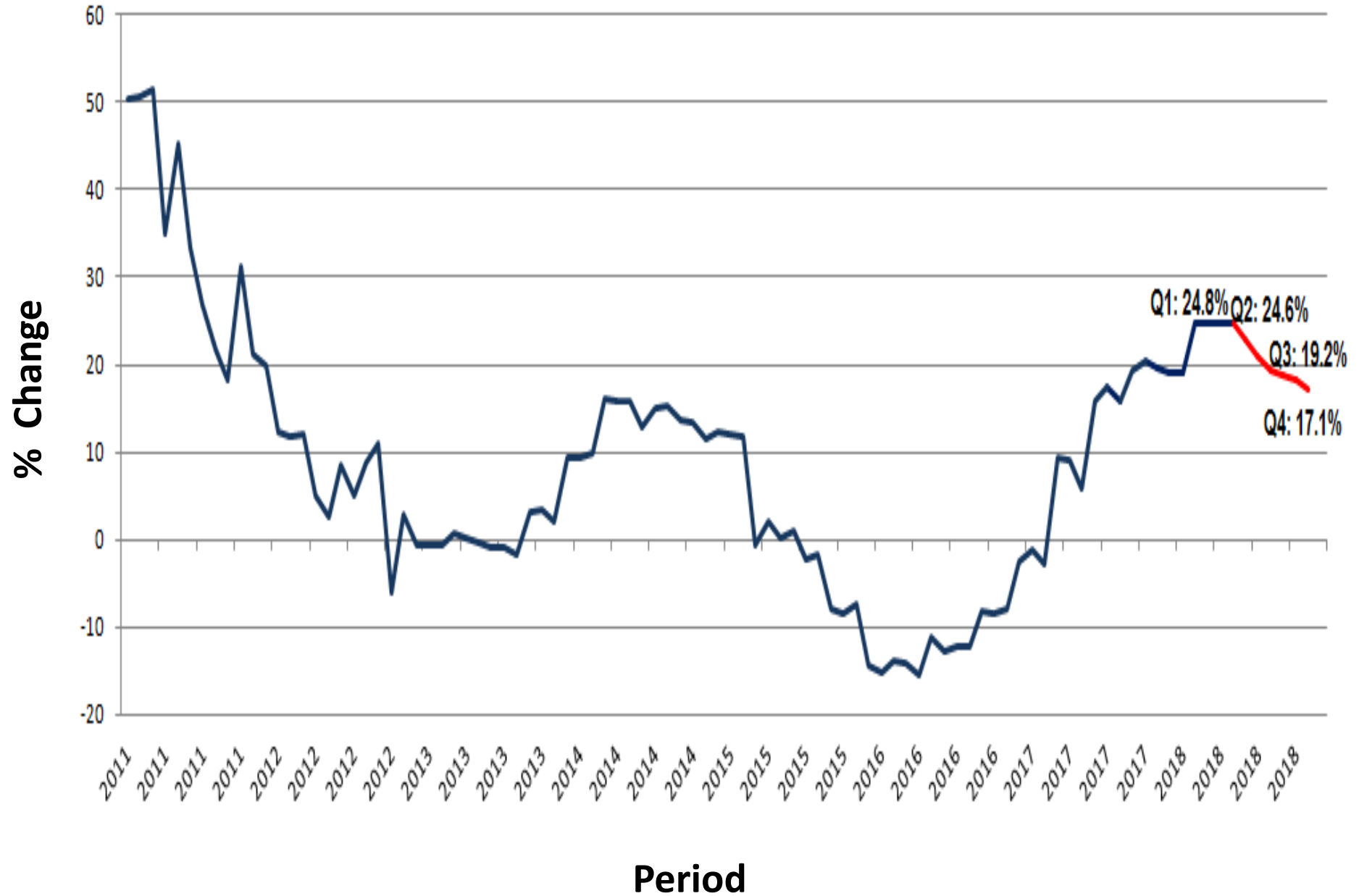


Period

USA – Consumer Credit



USA – S&P 500 Earnings Growth

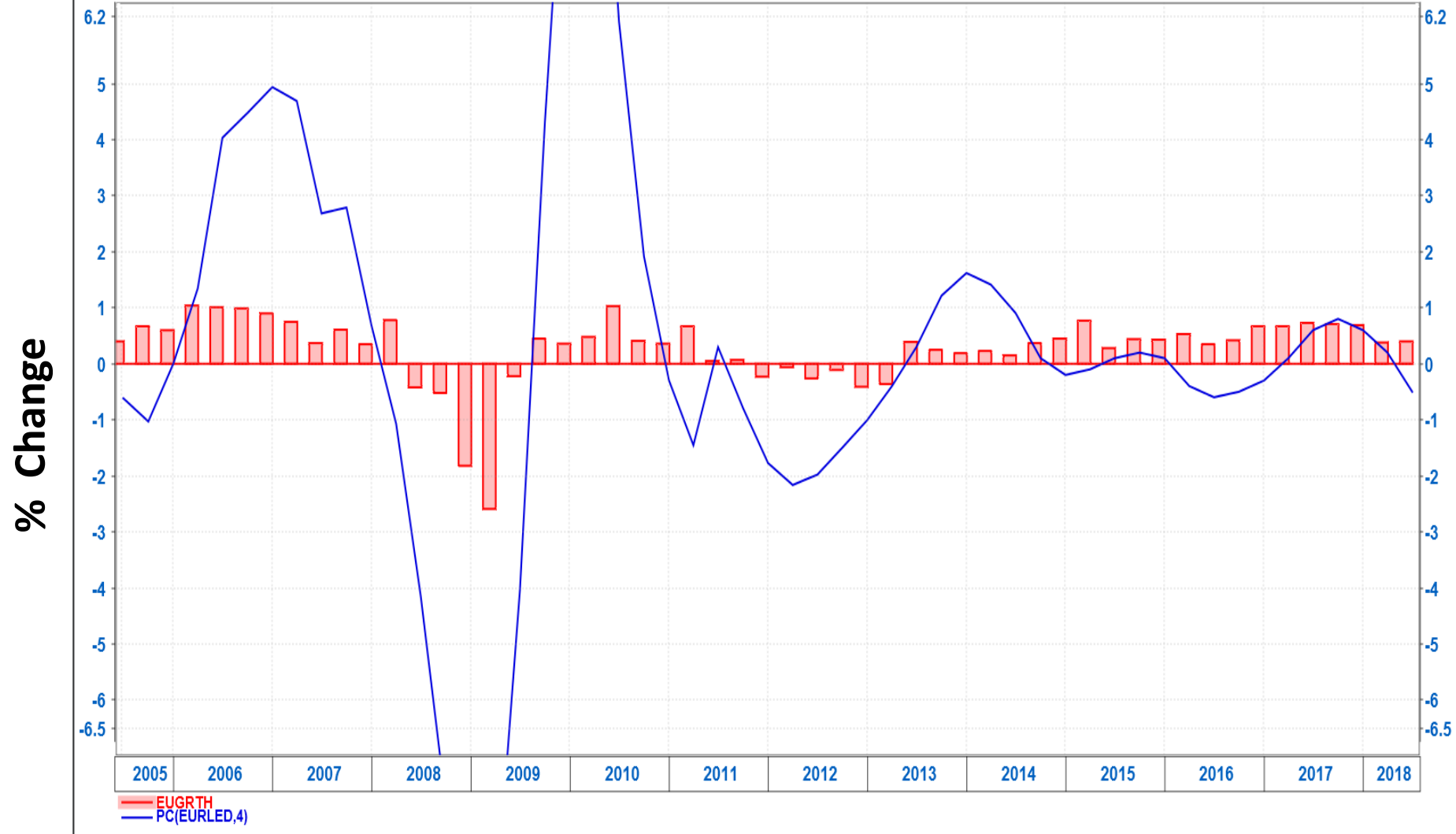


Euro Area:

The ECB is unlikely to implement restrictive monetary policy as GDP growth remains weak. Unemployment continues to be on a downward trend at 8.3% for Q2 of 2018. Inflation rate seems to be stabilizing just above 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 2005-06-30 to 2018-06-30



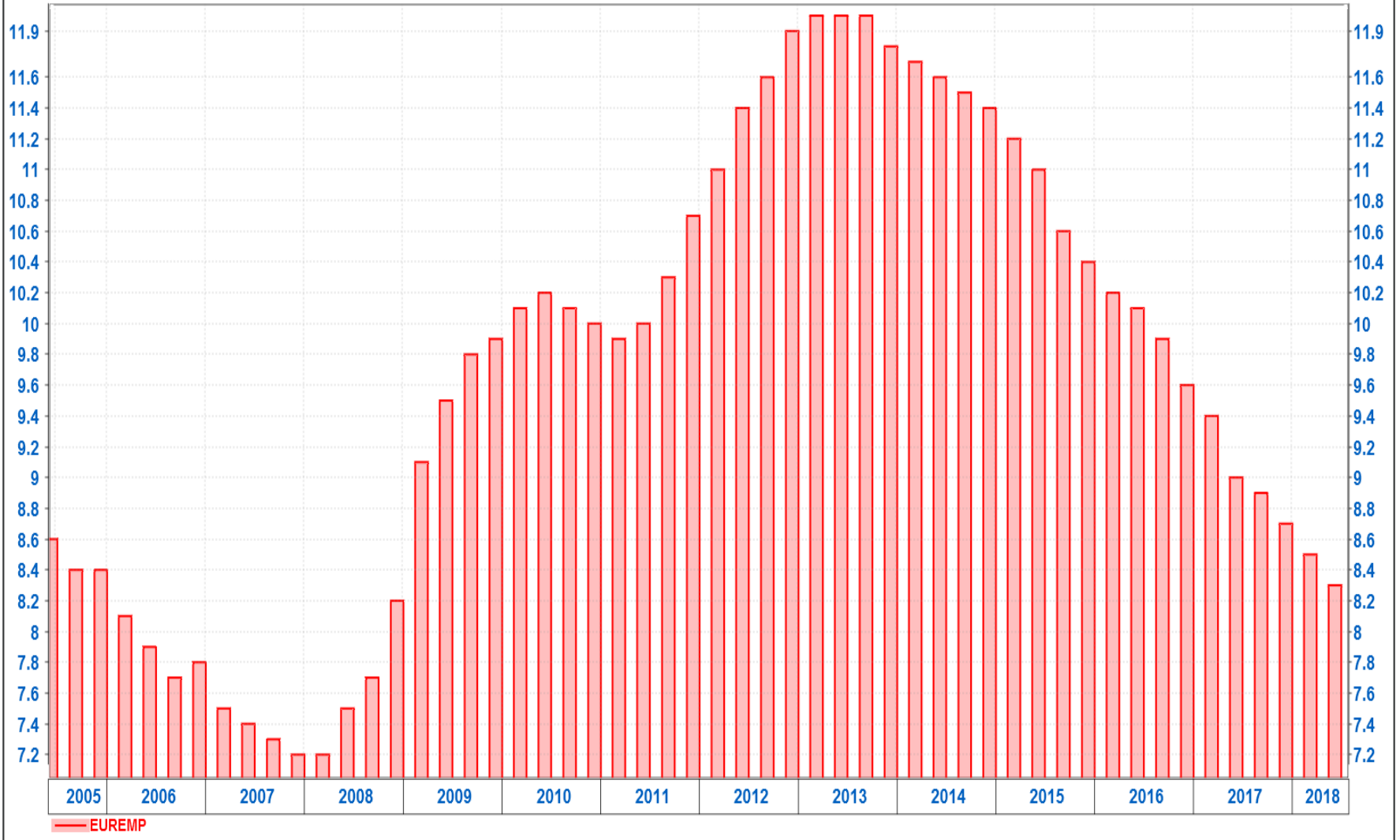
— Europe Growth Rate

— Europe Leading Indicator

Period

Europe – Unemployment

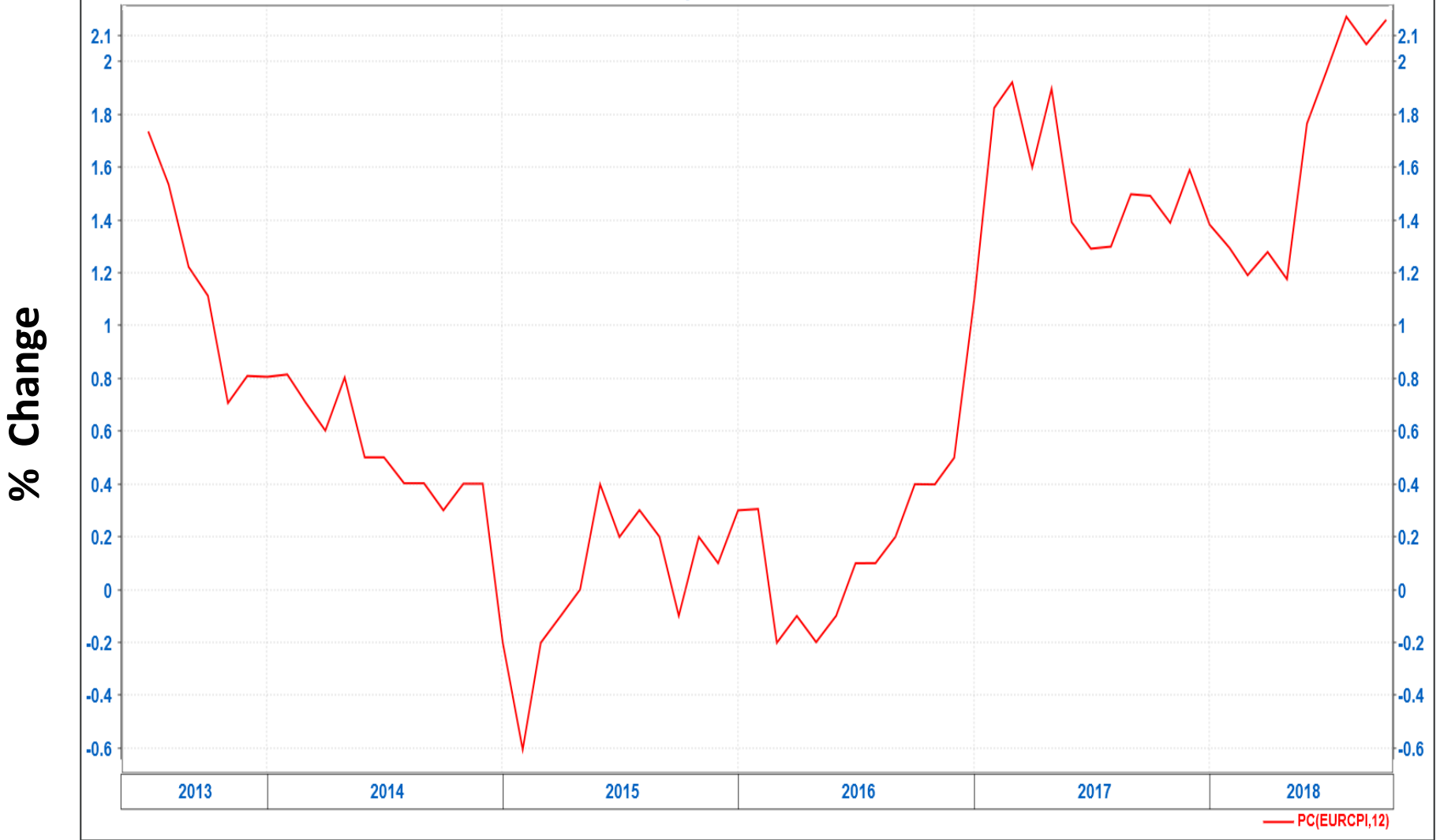
EURO-ZONE : UNEMPLOYMENT RATE %
Quarterly 2005-06-30 to 2018-06-30



Period

Europe – Inflation

Percentage Change 12 of EURO-ZONE : CONSUMER PRICE INDEX (2015=100)
Monthly 2013-05-31 to 2018-09-30



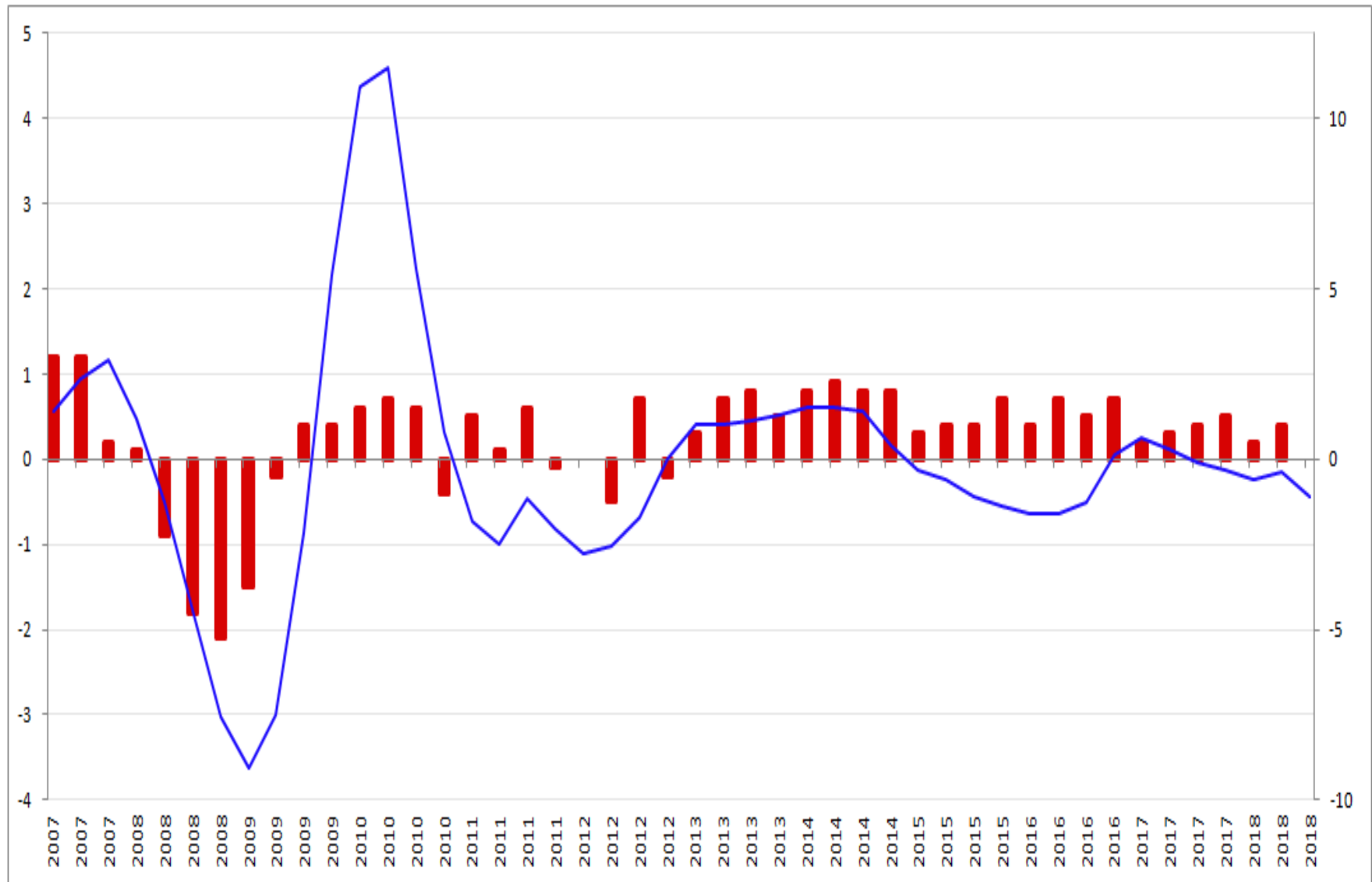
Period

United Kingdom:

Economic growth improved within the UK during Q2 of 2018, and inflation remains below the 3% level. Unemployment rate improved to 4% in Q2. No further interest rate hikes are expected this year by the Bank of England.

Earnings growth forecasts of companies eased slightly, yielding 17% in Q1 of 2018, 9.2% in Q2 and expecting 18% for Q3 in 2018.

UK – Economic Growth Rate Quarterly

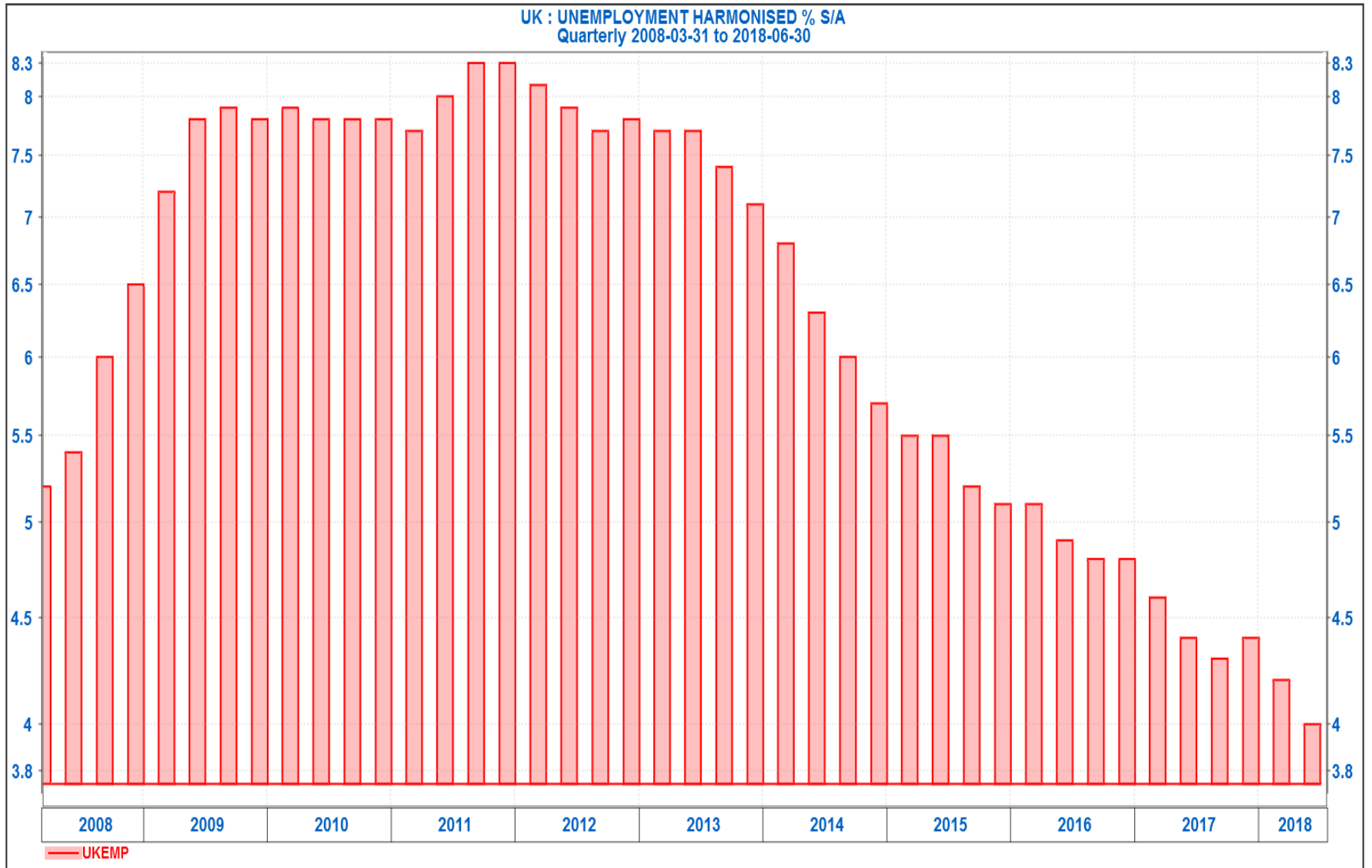


— UK Growth Rate

— UK Leading Indicator

Period

UK – Unemployment



Period

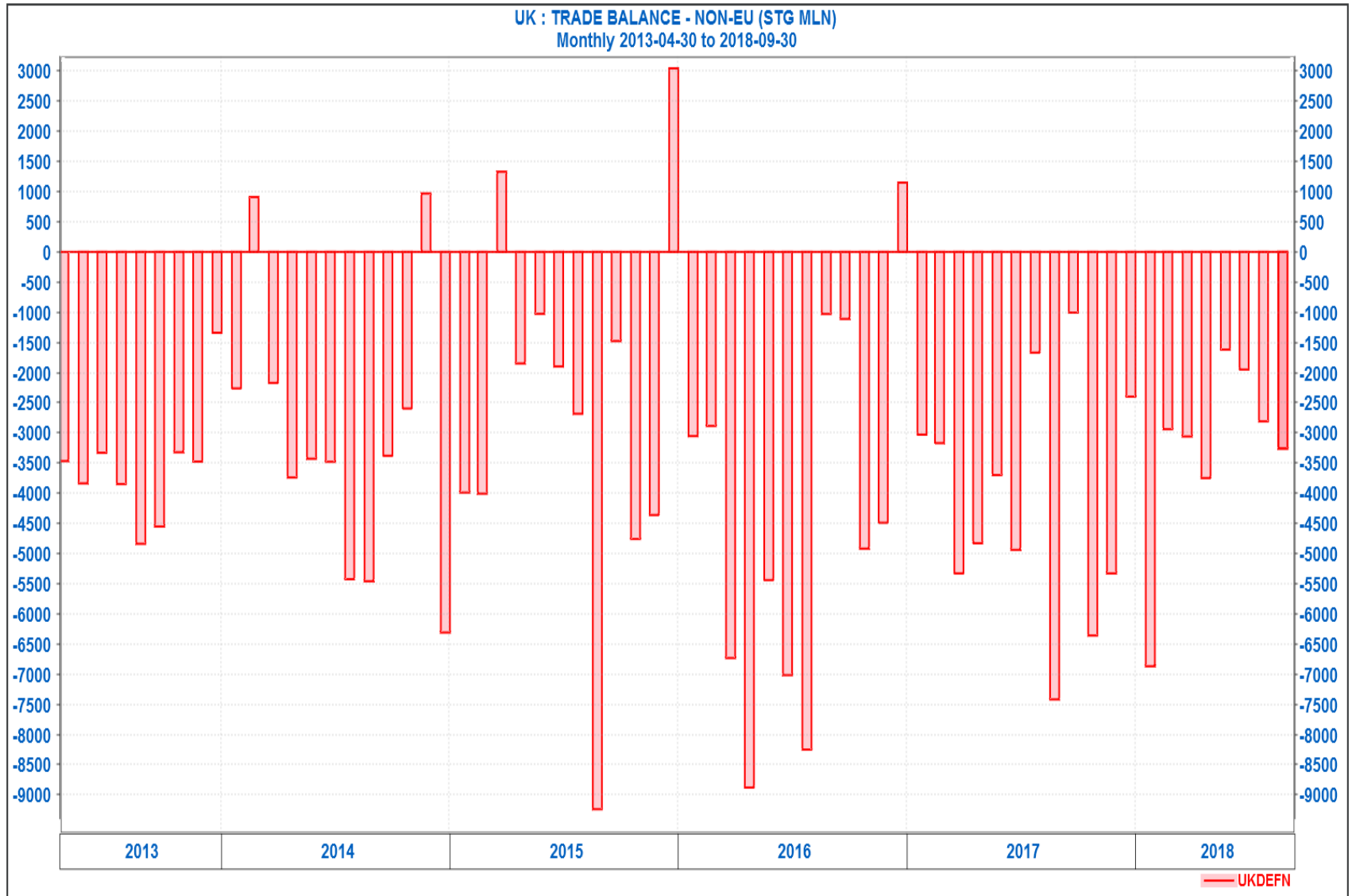
UK – Inflation

Percentage Change 12 of UK : CONSUMER PRICE INDEX-ALL ITEMS (2015=100)
Monthly 2010-04-30 to 2018-08-31

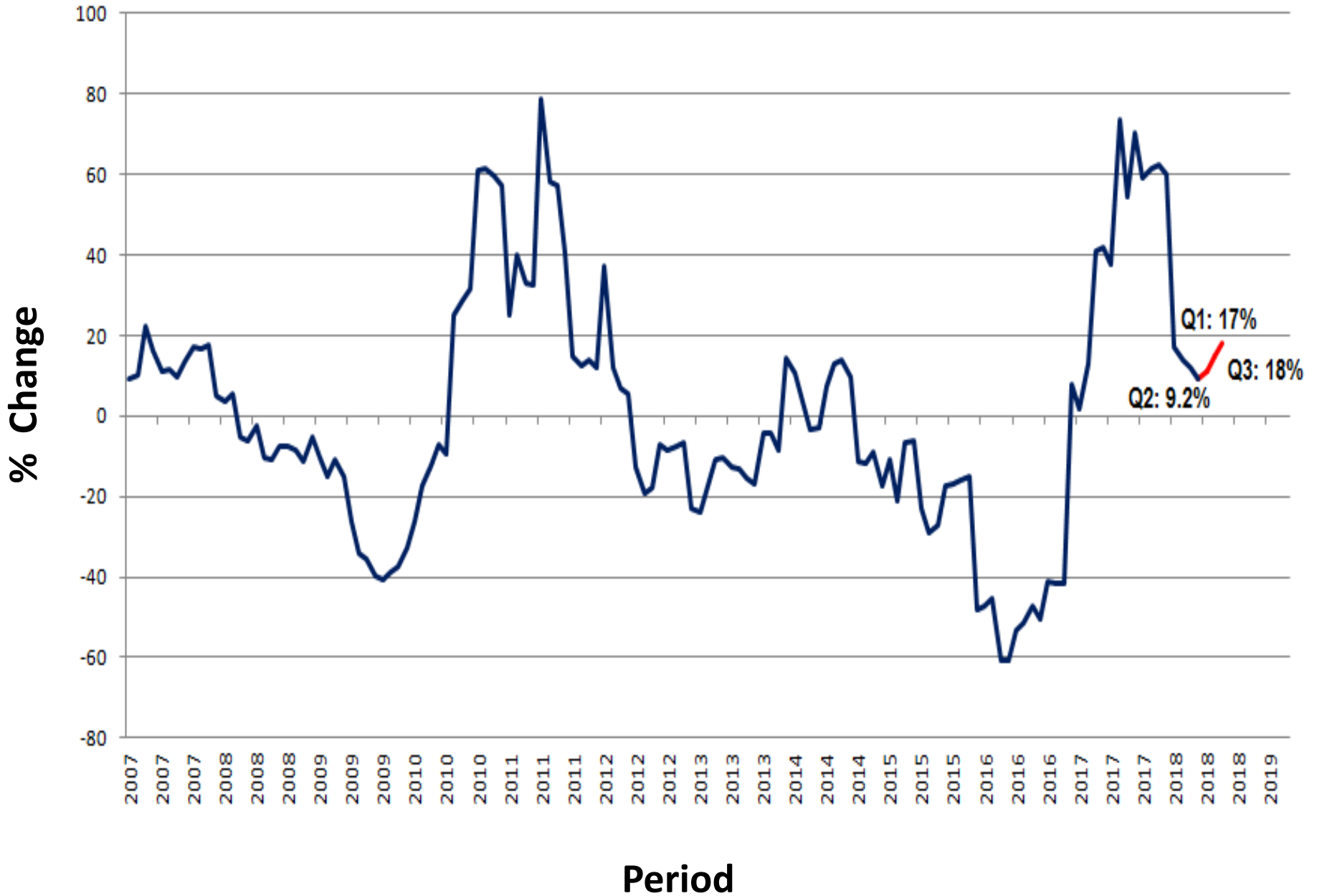


Period

UK – Trade Balance Deficit (£ Millions)



UK – FTSE 100 Earnings Growth



South Africa Economic Indicators

South Africa:

Economic growth disappointed again in Q2 of 2018, showing a second consecutive quarter of negative growth plunging the country into a technical recession. Unemployment remains worryingly high, increasing to over 27% in Q2 of 2018. Inflation seems stable falling below the 5% level.

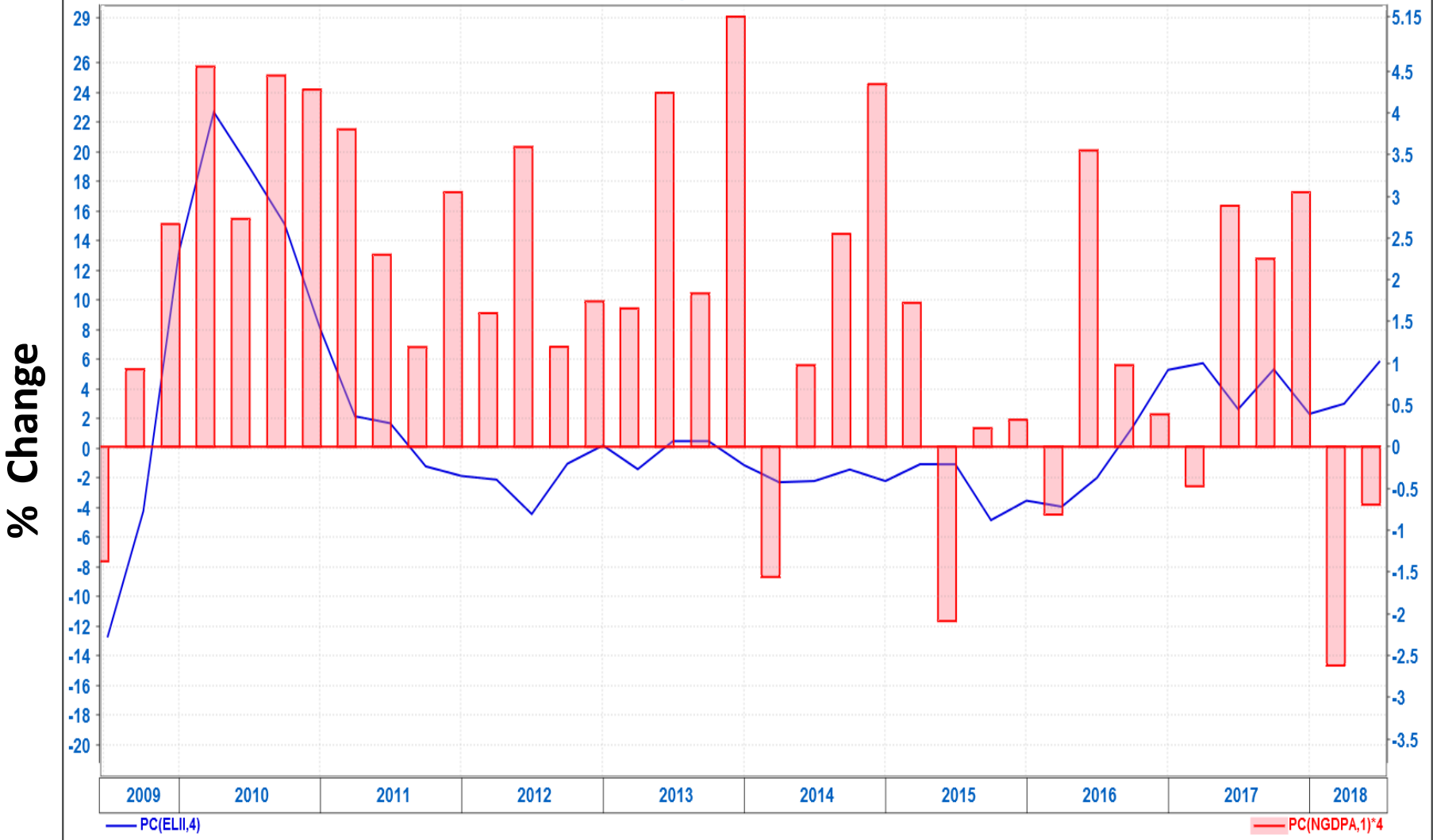
Retail Sales were lower coming in at less than 2%, whilst consumer credit showed a sharp increase to above the 6.5% level.

A further reduction in the interest rates in the near future unlikely, especially with developing markets slowly starting to implement restrictive policies. The overall economic outlook seems to be stable, but very fragile.

Earnings growth of SA companies is expected to pick up to 23.48% for 2018

South Africa – Economic Growth Rate Quarterly

PC(NGDPA,1)*4 , Percentage Change 4 of LEADING INDICATOR (2015=100)
 Quarterly 2009-06-30 to 2018-06-30



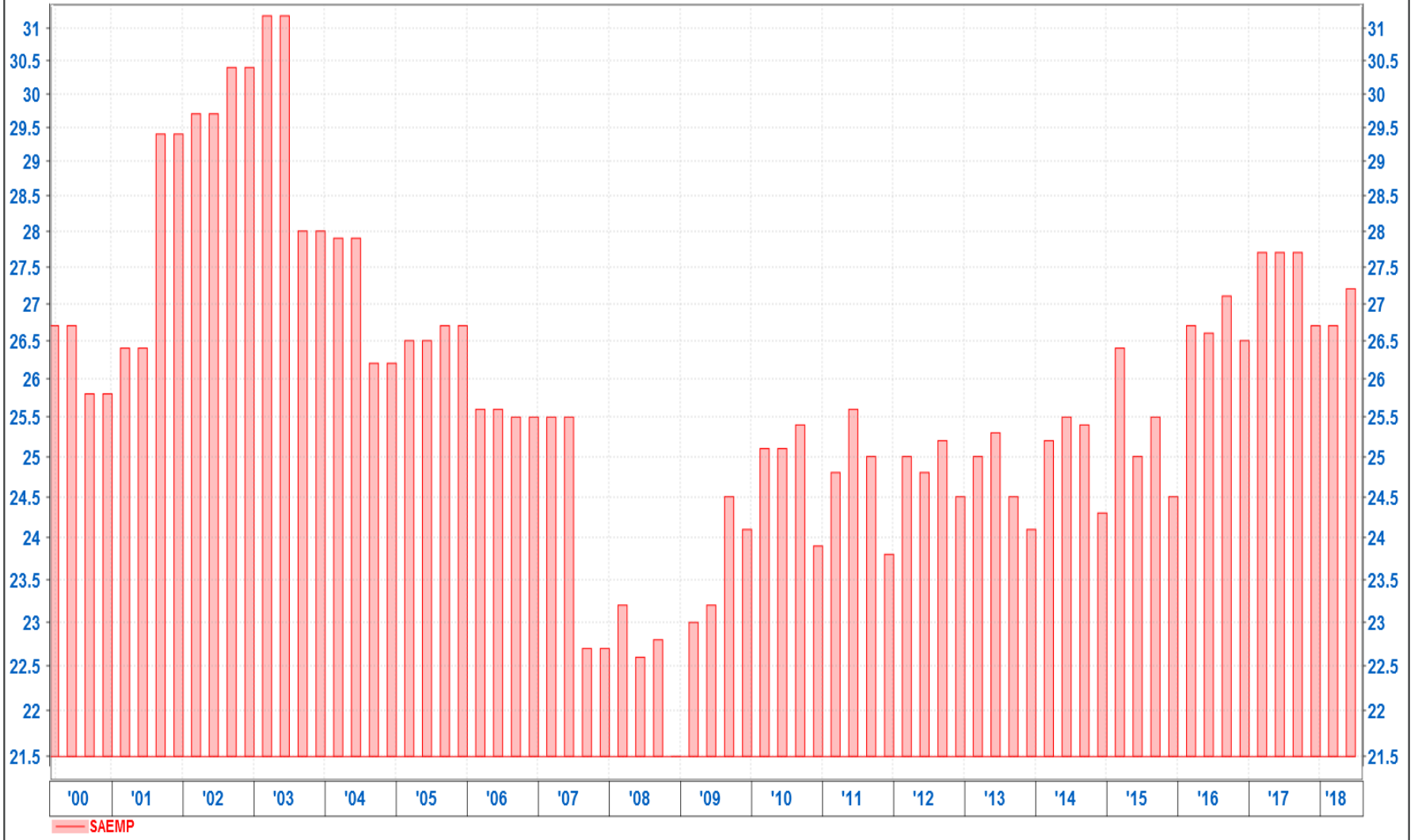
— South Africa Growth Rate

— South Africa Leading Indicator

Period

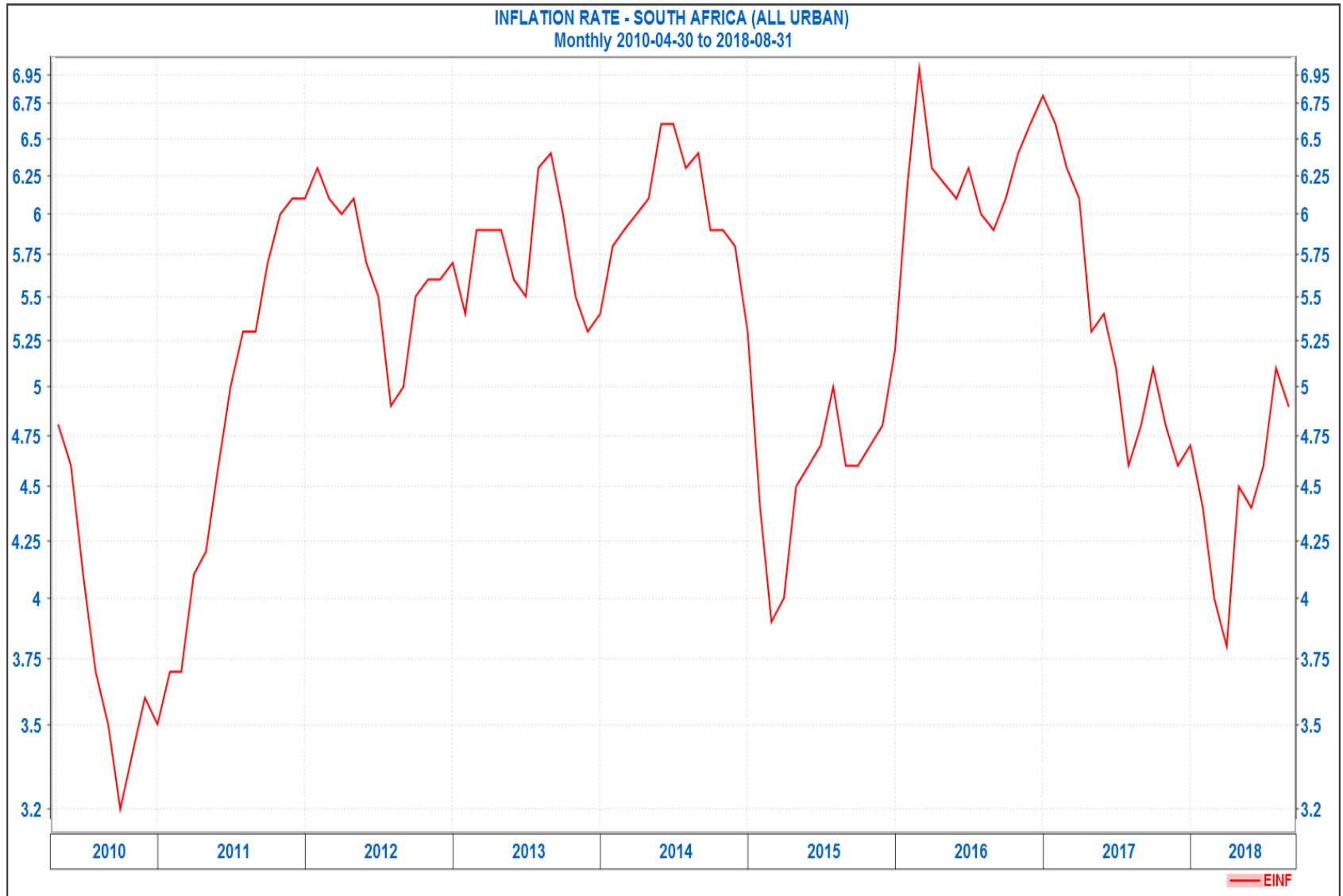
South Africa – Unemployment

EMPLOYMENT : OFFICIAL UNEMPLOYMENT RATE (ILO)
Quarterly 2000-03-31 to 2018-06-30



Period

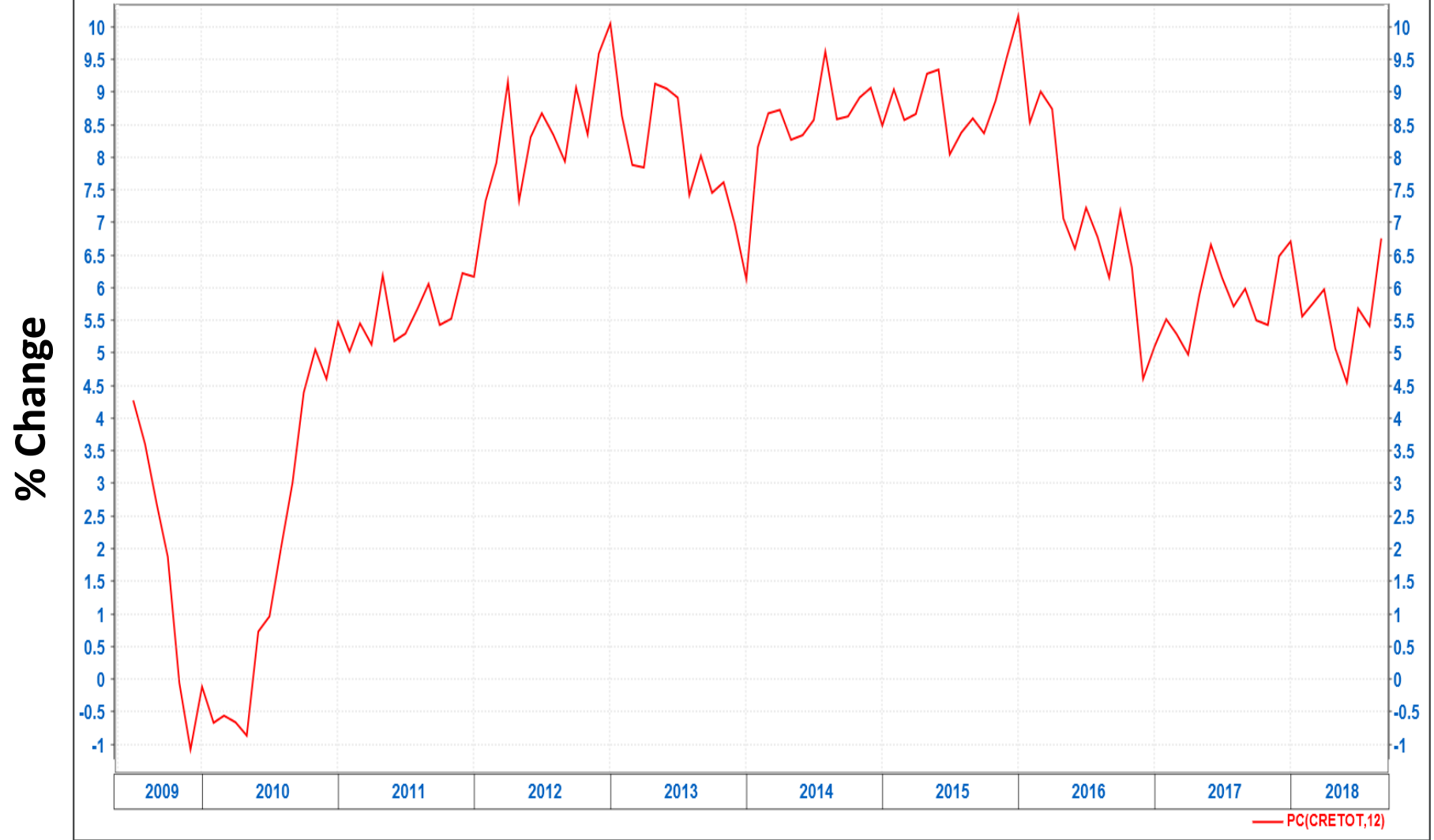
South Africa – Inflation Rate



Period

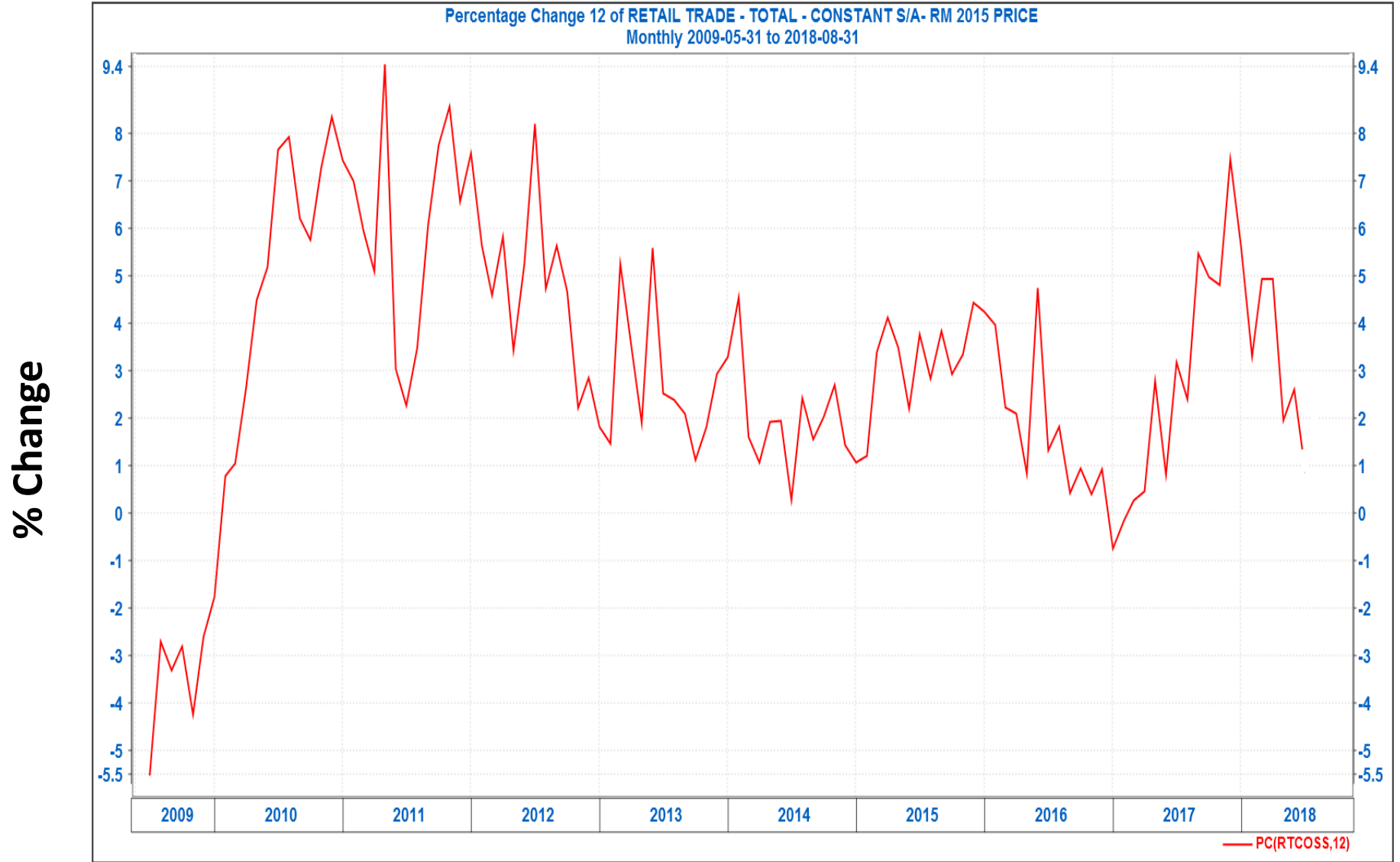
South Africa – Consumer Credit

Percentage Change 12 of CREDIT: TOTAL EXTENDED BY PRIVATE SECTOR (RM)
Monthly 2009-05-31 to 2018-08-31



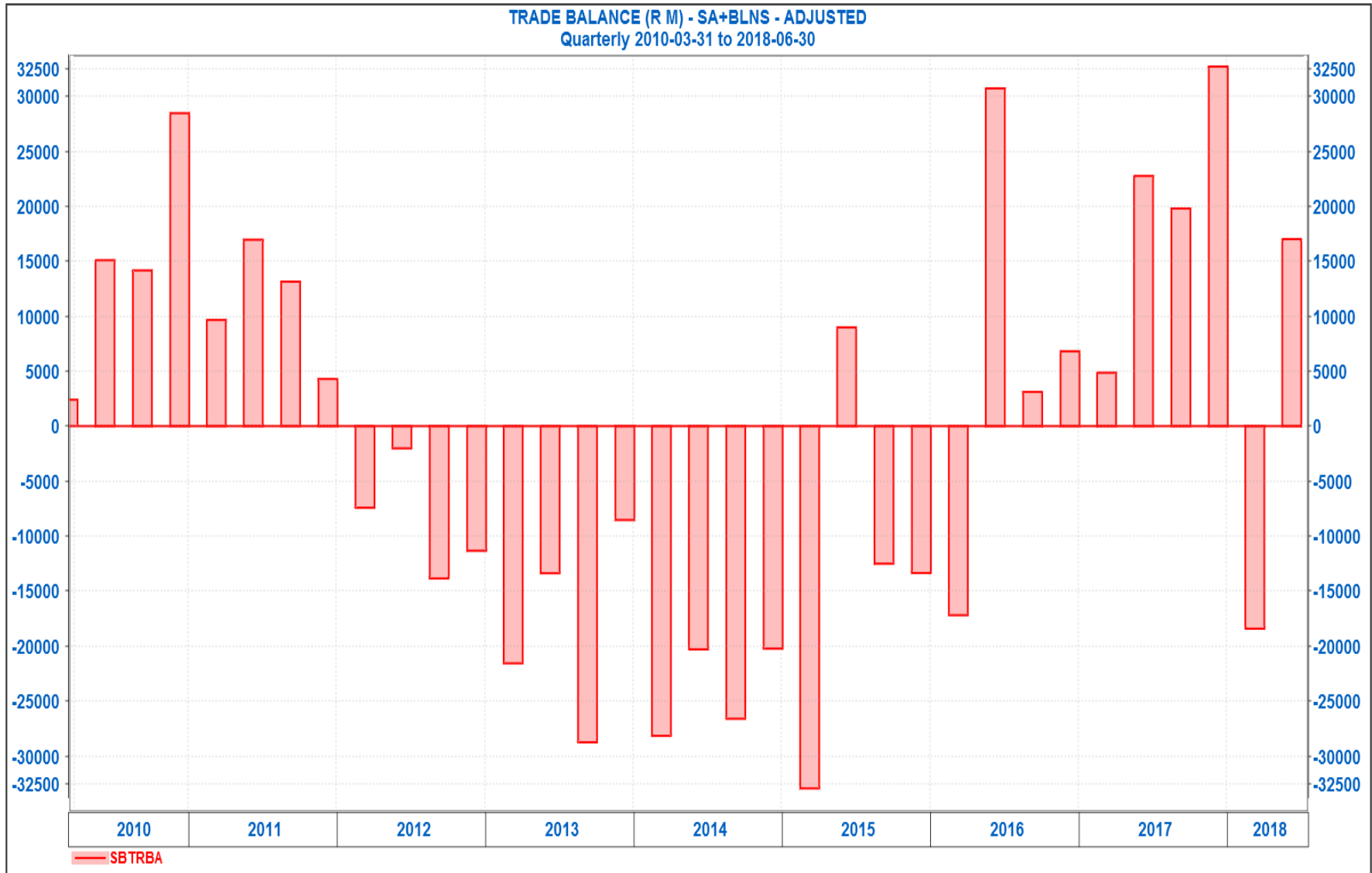
Period

South Africa – Retail Sales

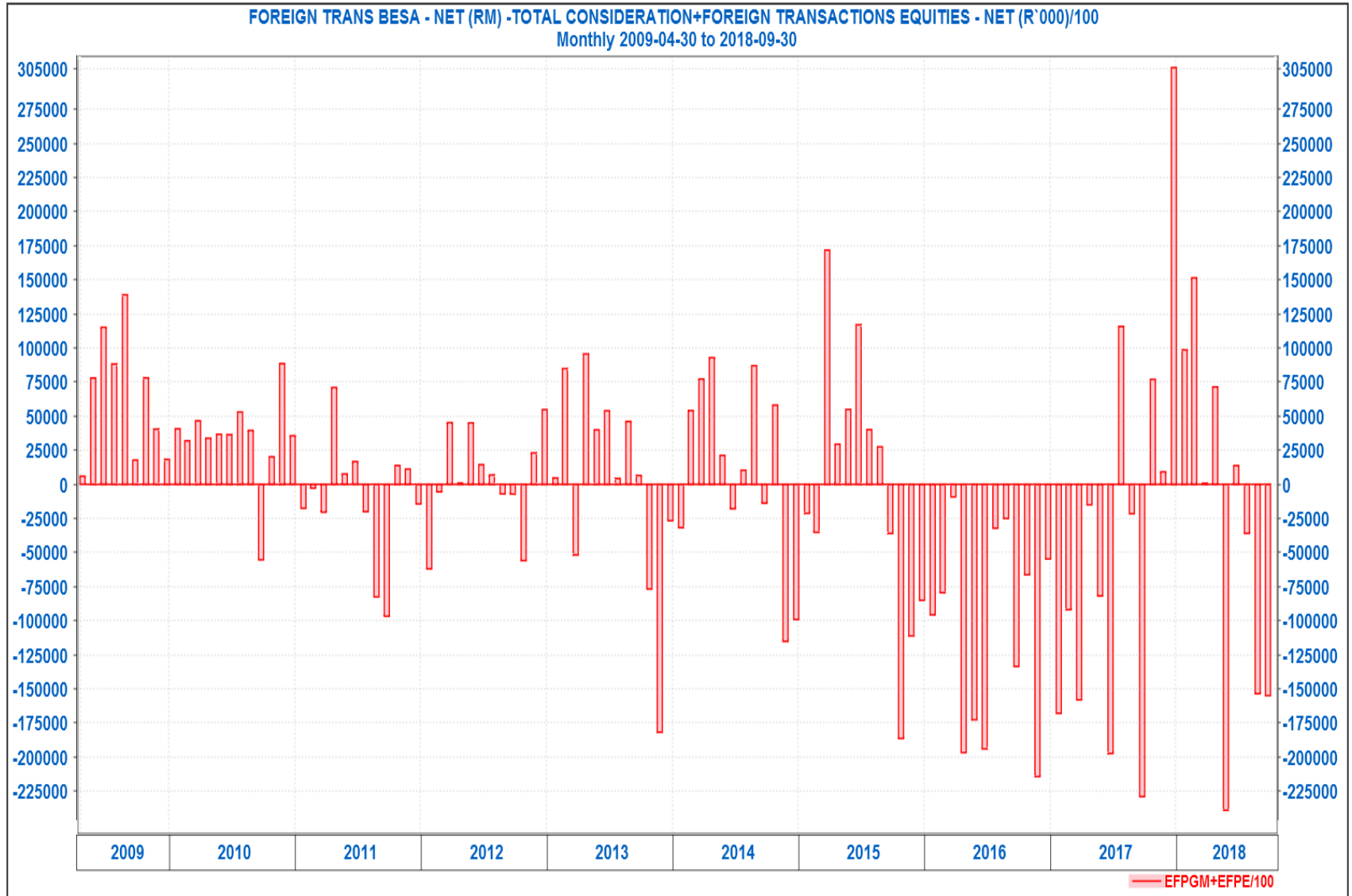


Period

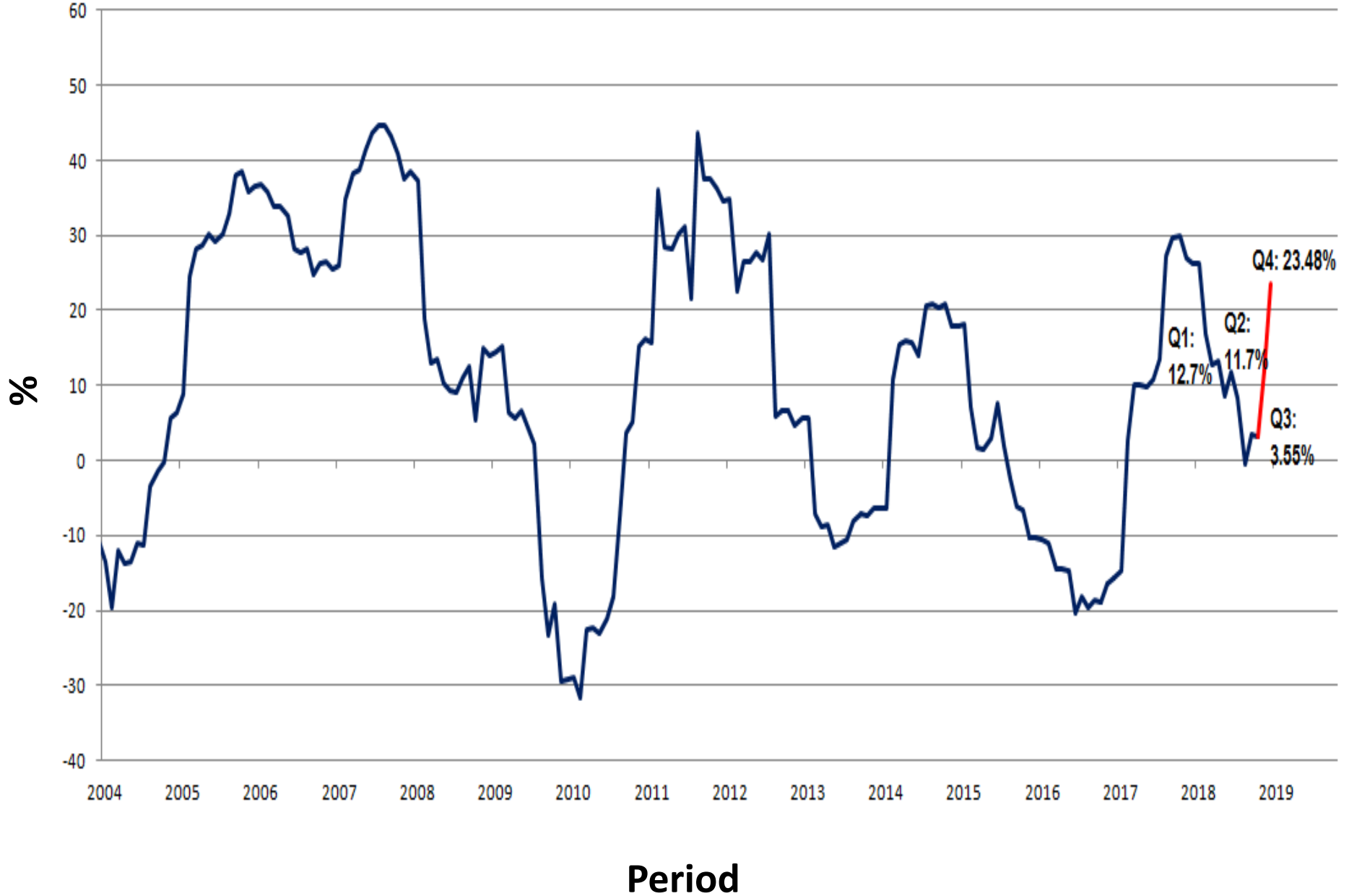
South Africa – Trade Balance Surplus(ZAR Million)



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



S.A. All Share Earnings Forecast



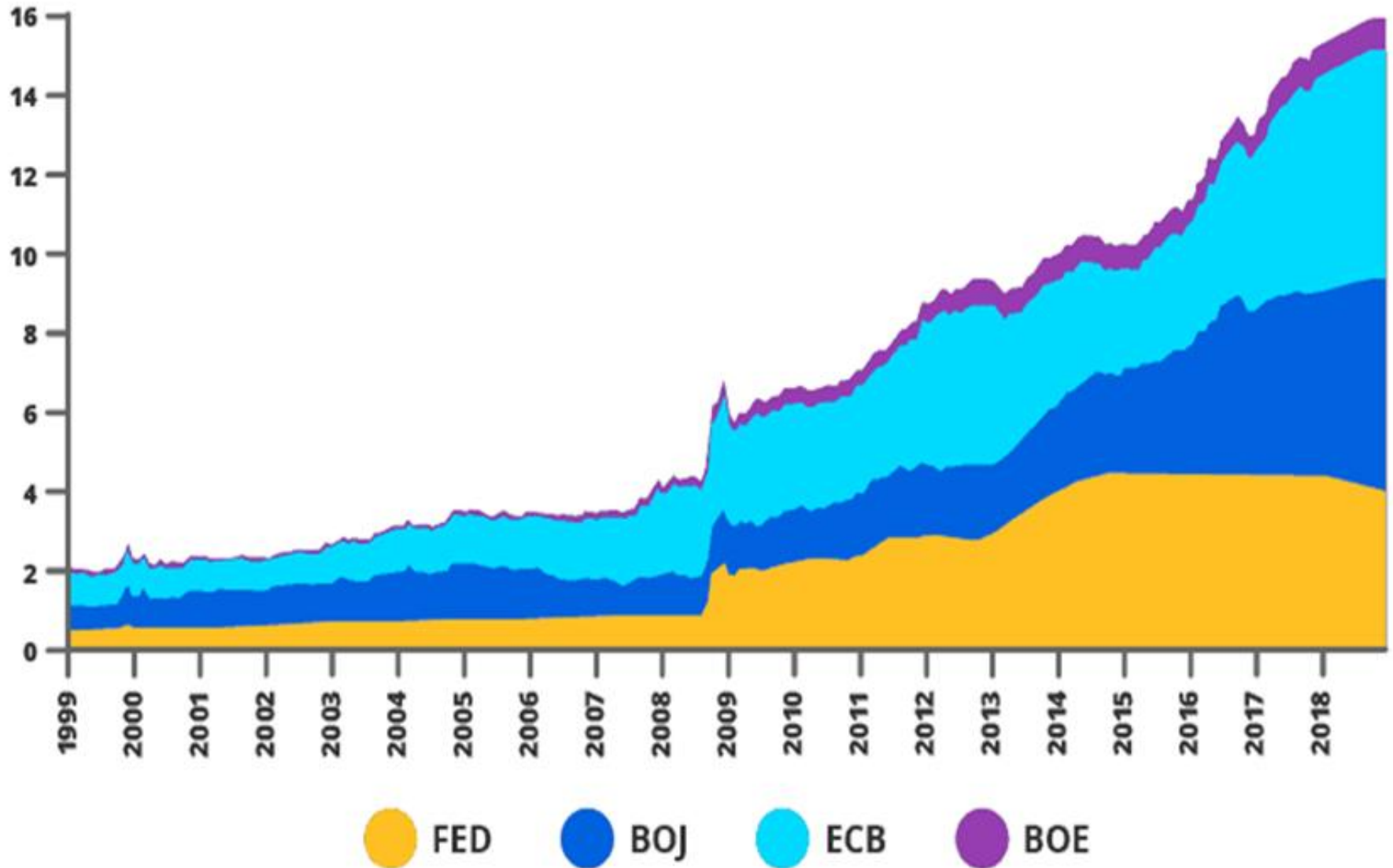
Central Bank Policies

Central Bank Policies:

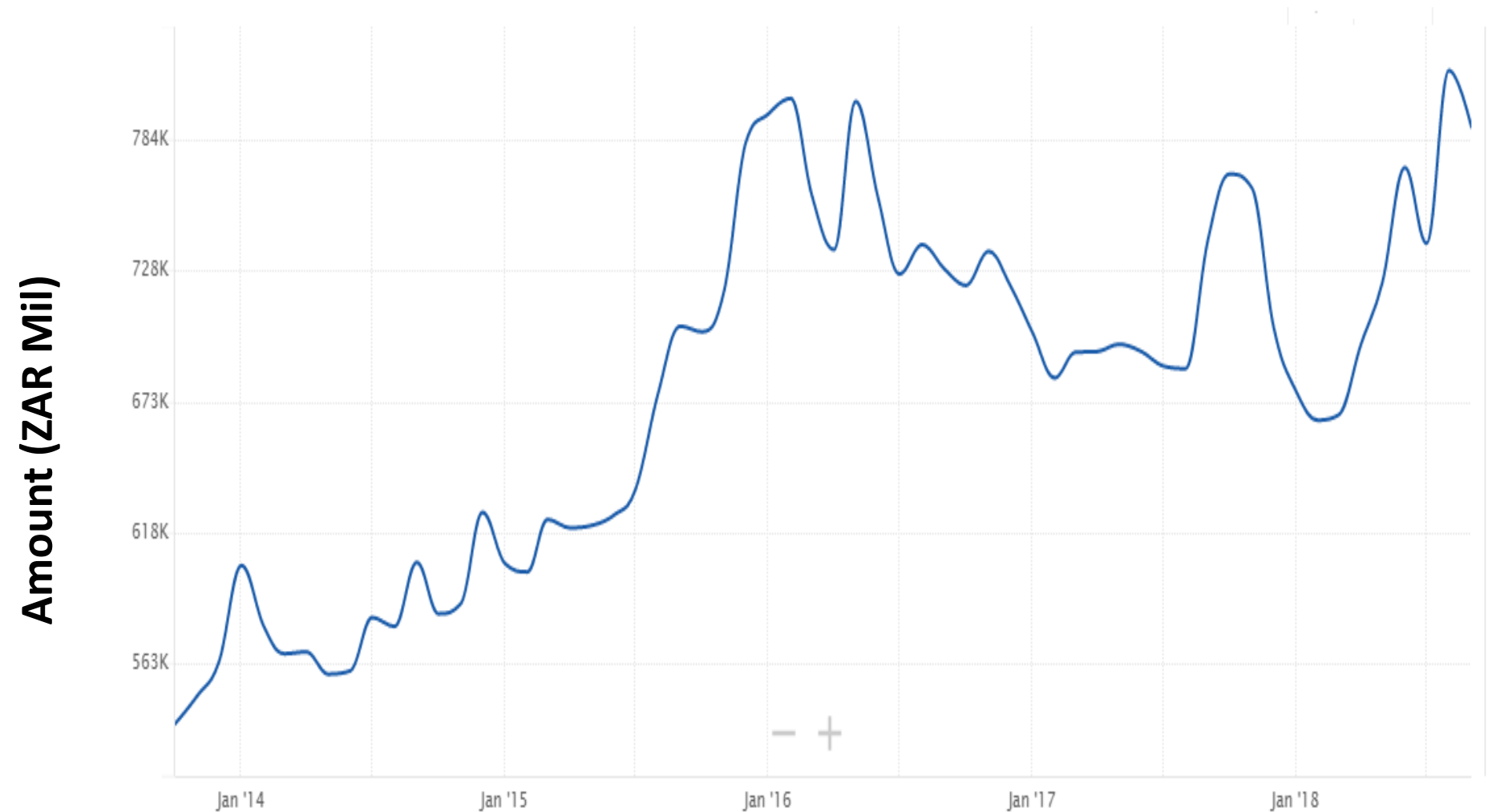
Central Banks have begun cutting back their expansionary policies, with the Federal Reserve and the Bank of England already starting to implement restrictive Policies, followed closely by the emerging markets Russia, Turkey and India.

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

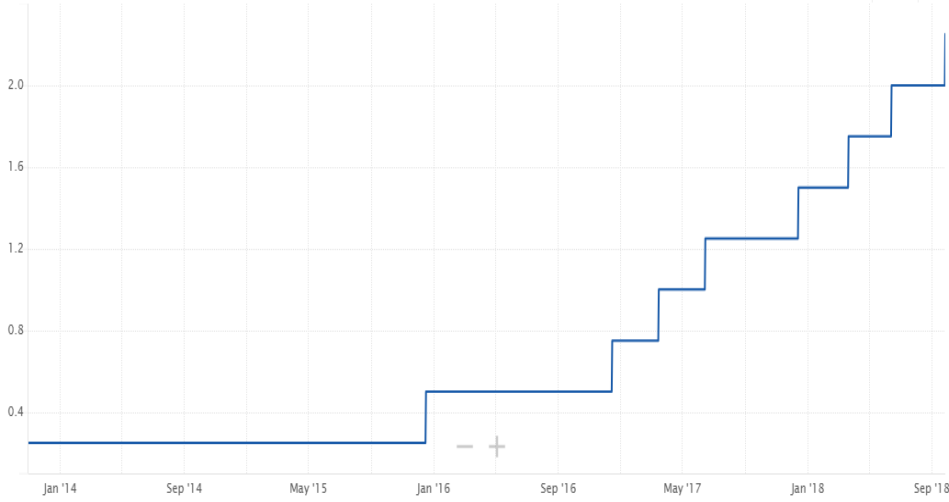


■ ZA Central Bank Balance Sheet 789151 ZAR Million

Period

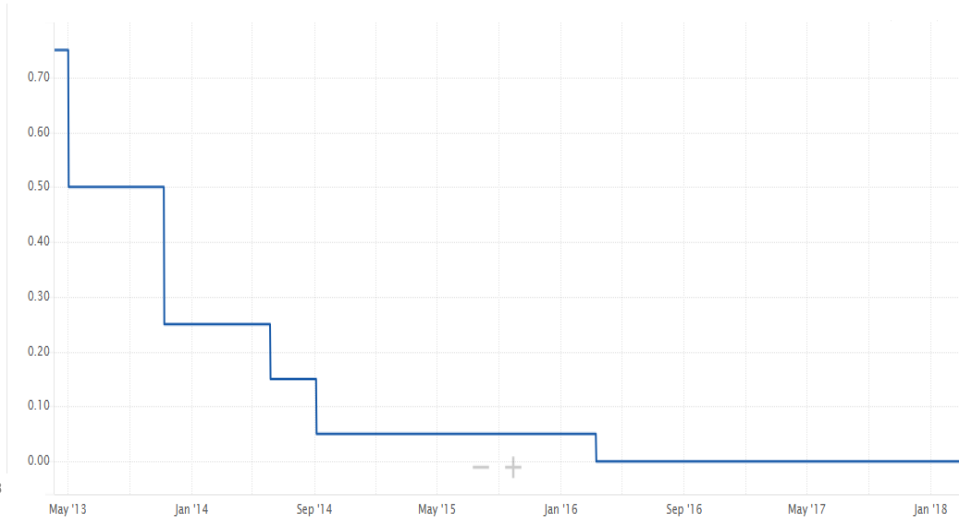
Central Bank Interest Rate

Federal Reserve Interest Rate



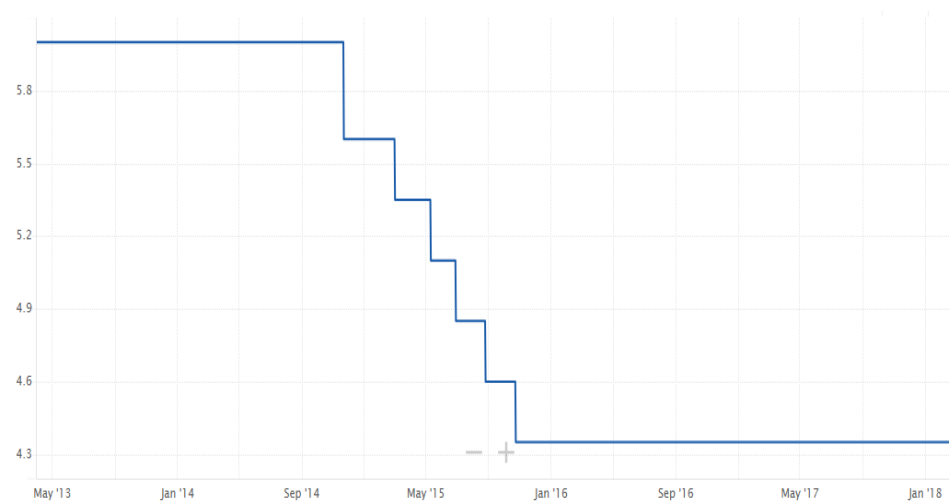
■ US Interest Rate 2.25 percent

European Central Bank Interest Rate



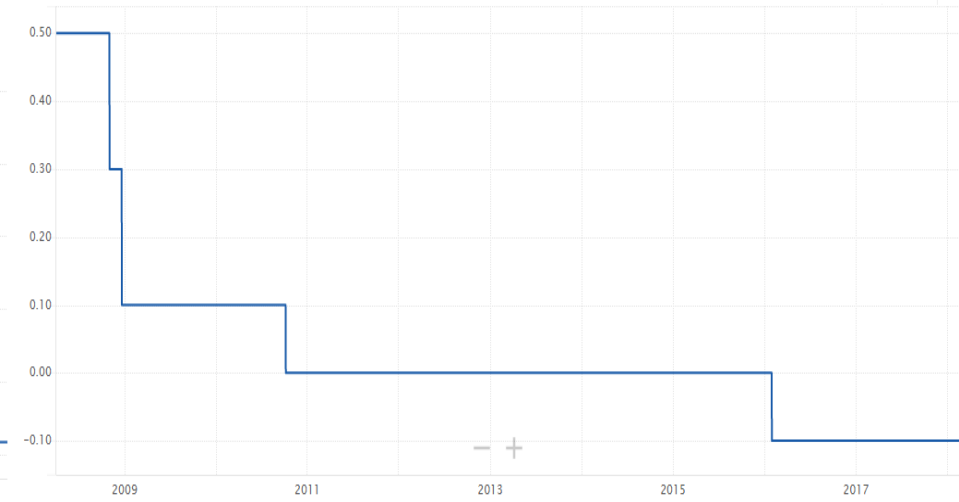
■ EA Interest Rate 0 percent

China Central Bank Interest Rate



■ CN Interest Rate 4.35 percent

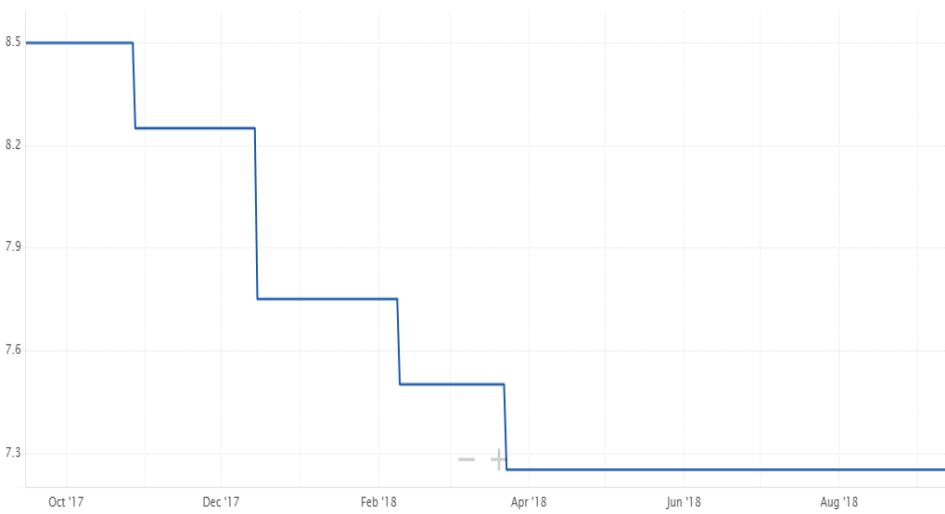
Japan Central Bank Interest Rate



■ JP Interest Rate -0.1 percent

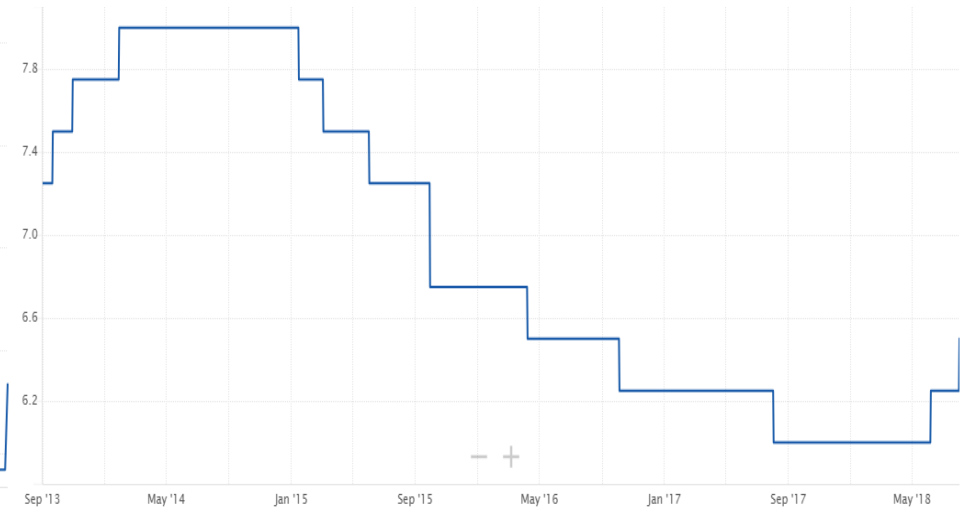
Central Bank Interest Rate

Russia Interest Rate



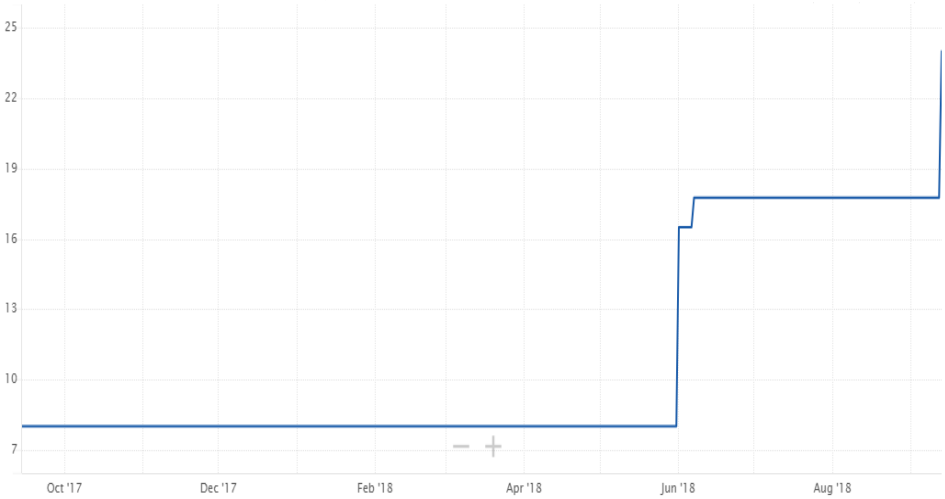
RU Interest Rate 7.5 percent

Indian Central Bank Interest Rate



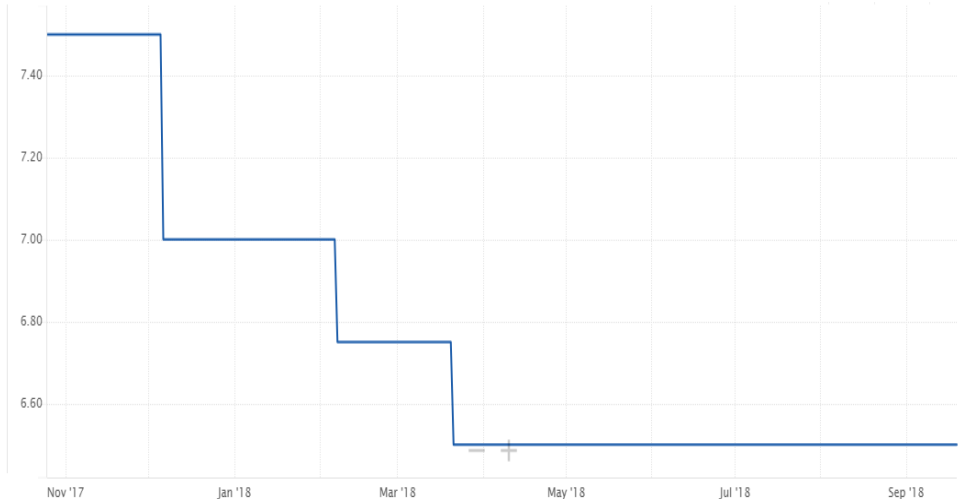
IN Interest Rate 6.5 percent

Turkey Central Bank Interest Rate



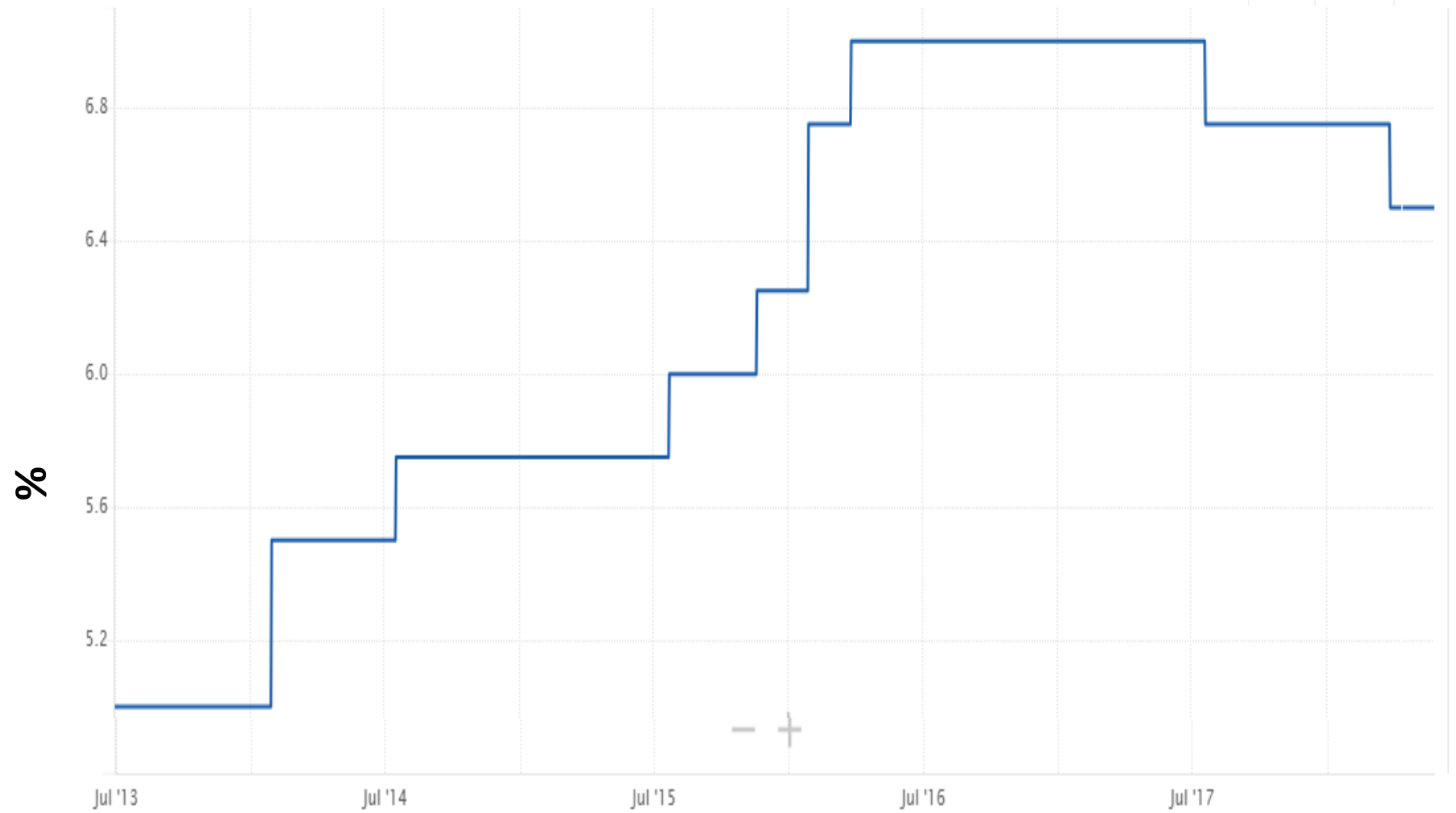
TR Interest Rate 24 percent

Brazil Central Bank Interest Rate



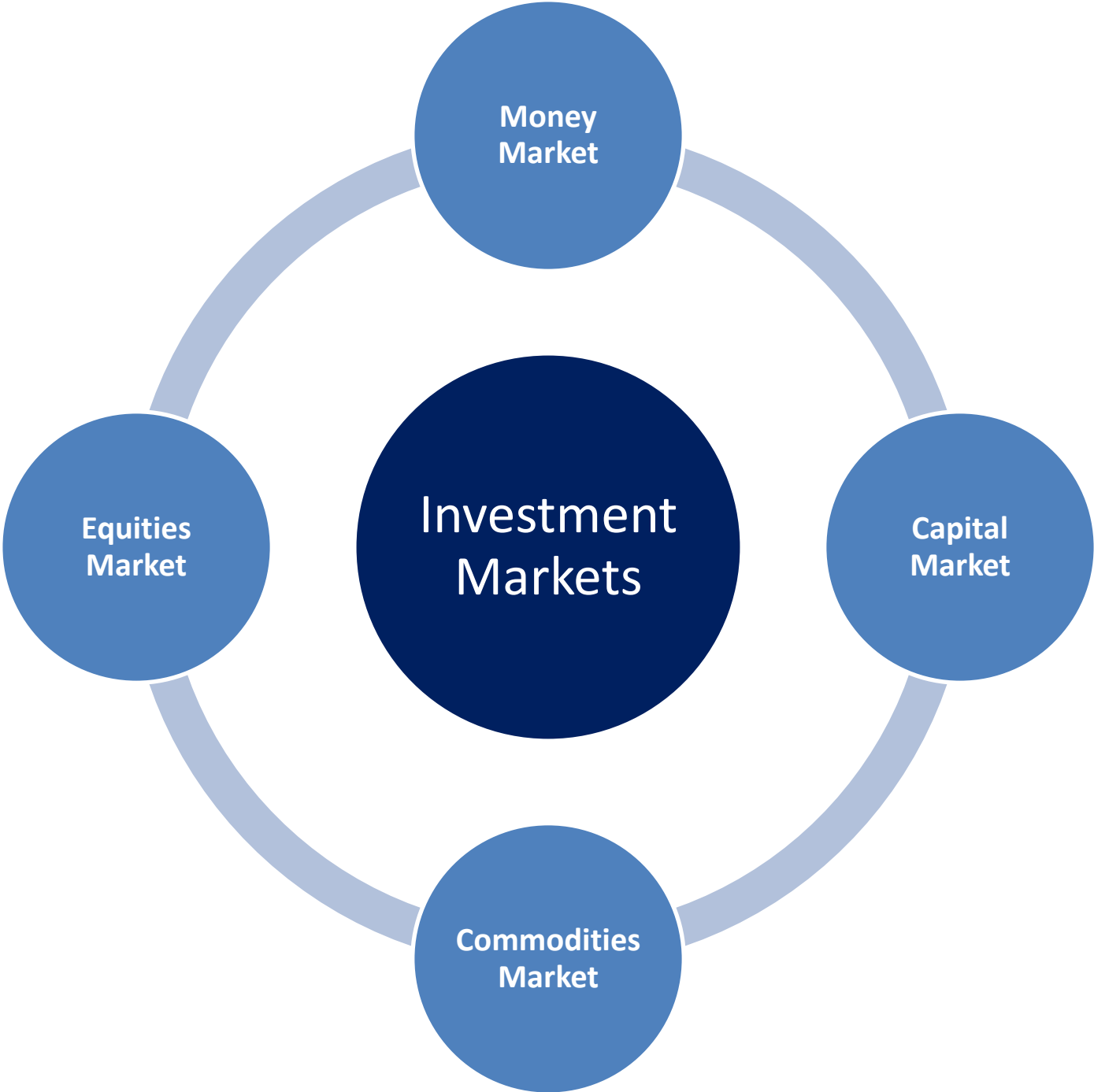
BR Interest Rate 6.5 percent

SARB Interest Rate



■ ZA Interest Rate 6.5 percent

Period



Money Market

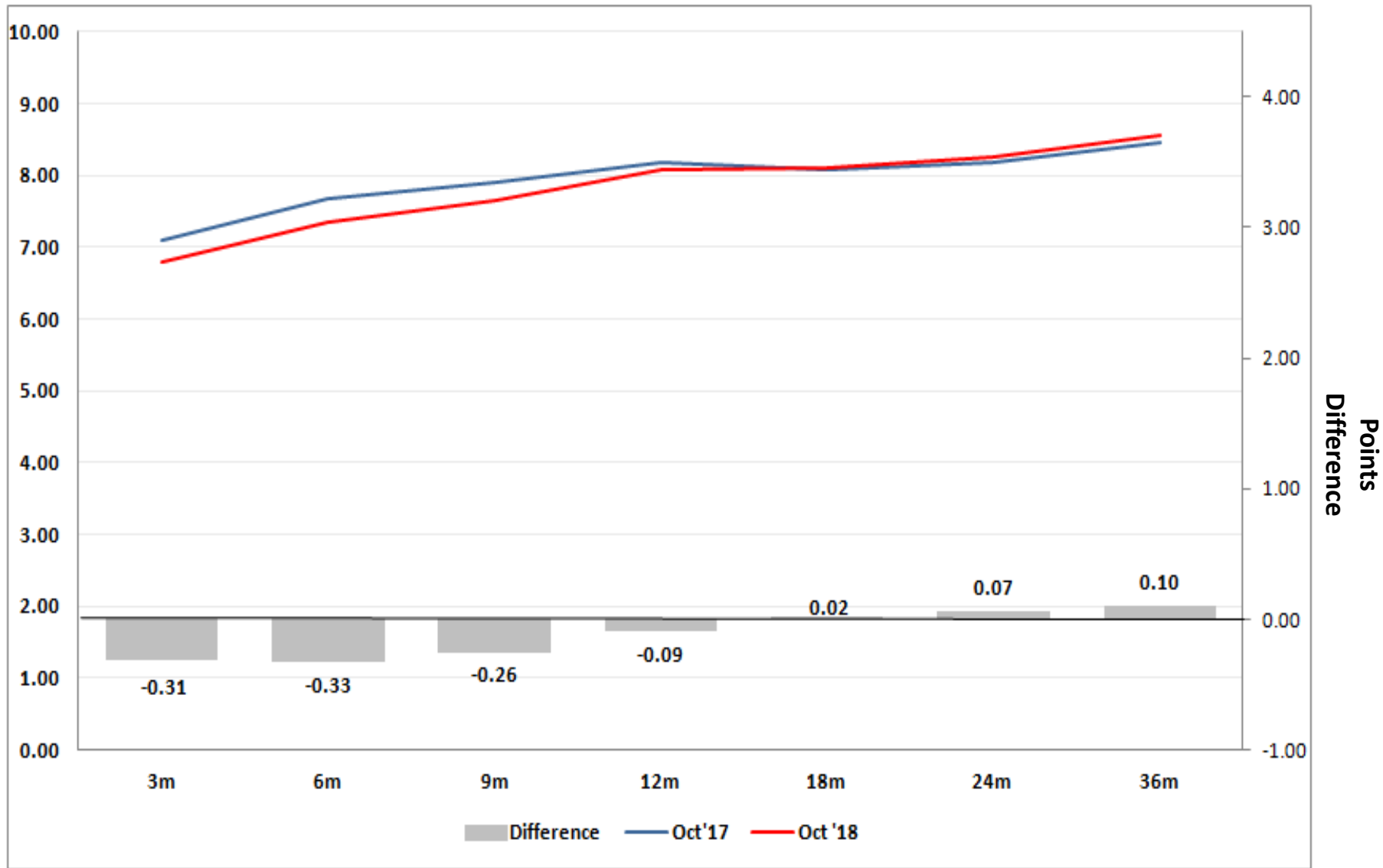
Money Market:

Money Market rates are higher year on year on the long side, and lower year on year on the short side of the curve, but are likely to move sideways in the next 6 months.

Exchange rate volatility and higher inflation expectations may place further upward pressure on rates.

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

South Africa – Money Market Rates

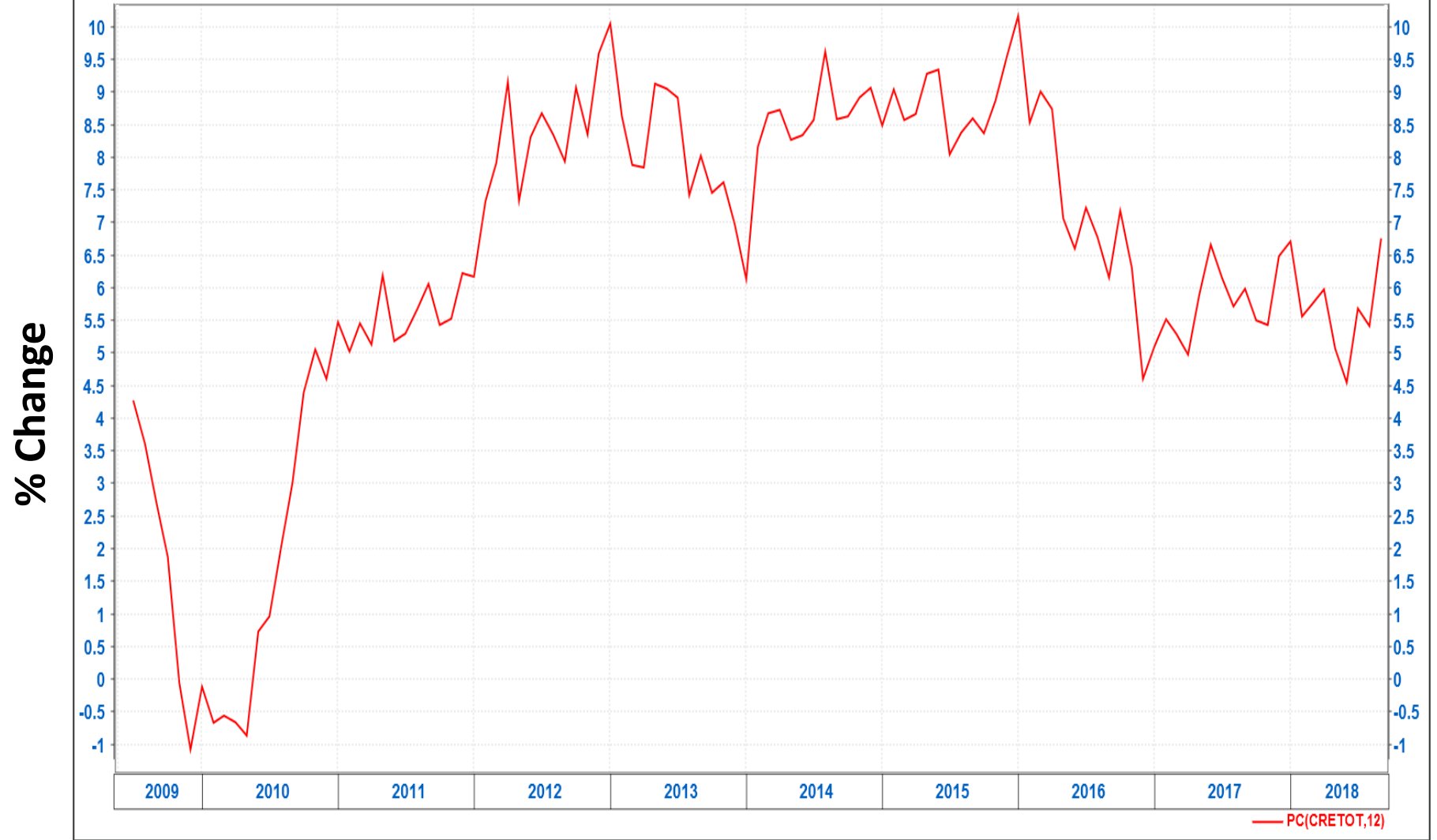


Difference
 Oct 2017
 Oct 2018

Period

South Africa – Consumer Credit

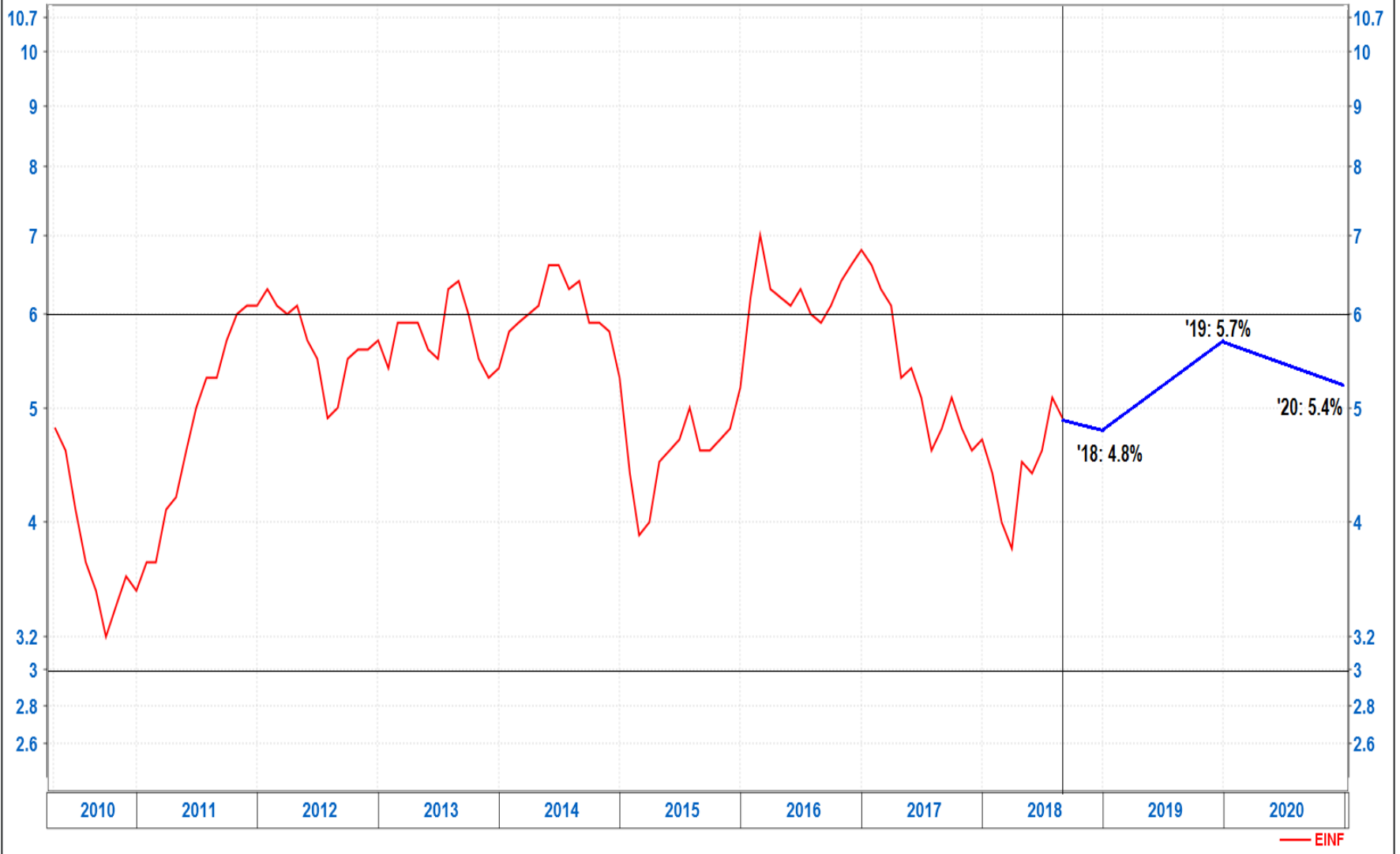
Percentage Change 12 of CREDIT: TOTAL EXTENDED BY PRIVATE SECTOR (RM)
Monthly 2009-05-31 to 2018-08-31



Period

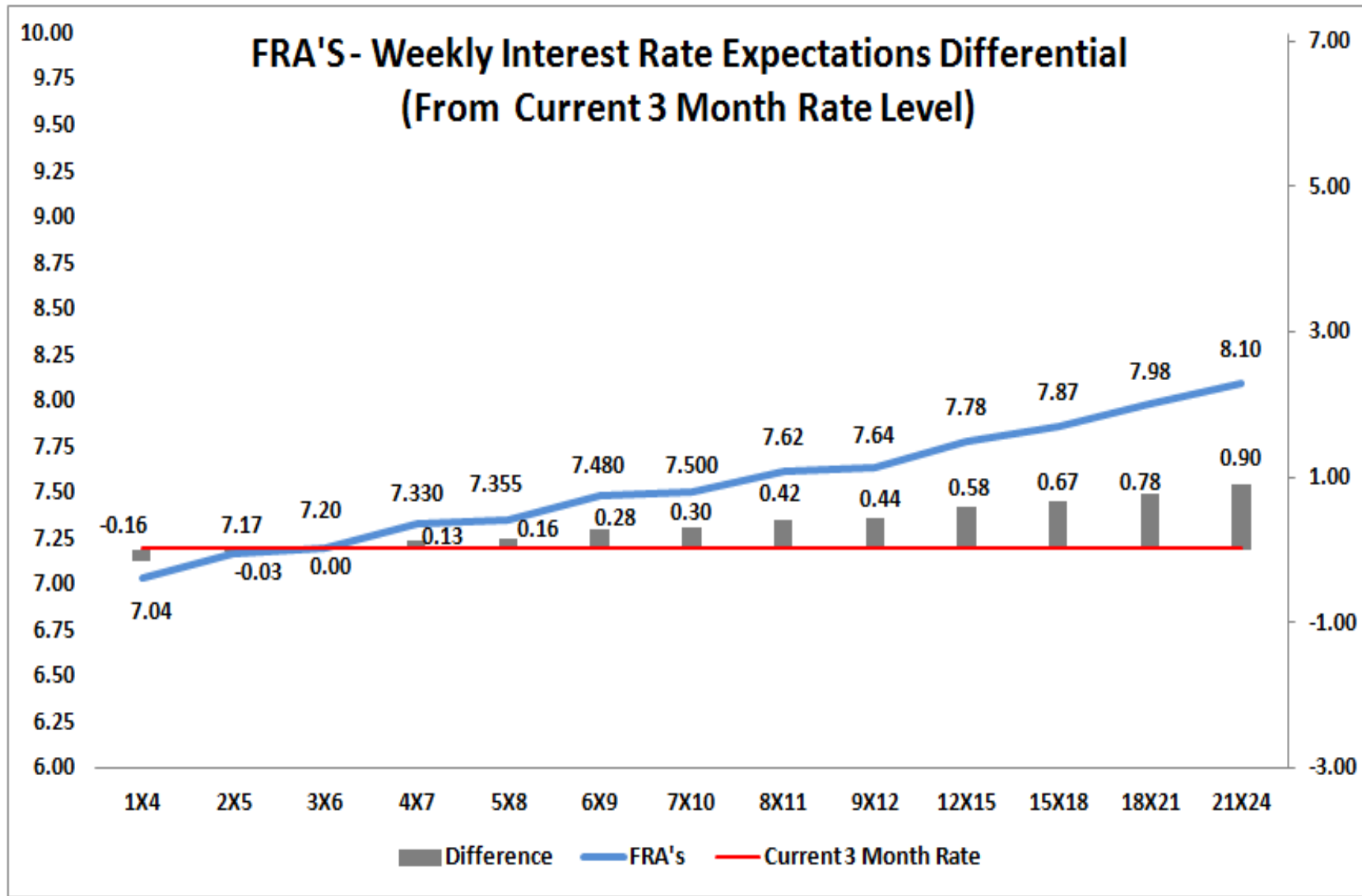
SARB Inflation Expectation

INFLATION RATE - SOUTH AFRICA (ALL URBAN)
Monthly 2010-04-30 to 2018-08-31



Period

Interest Rate Expectations



— Difference — FRA's — Current 3 Month Rate

Period

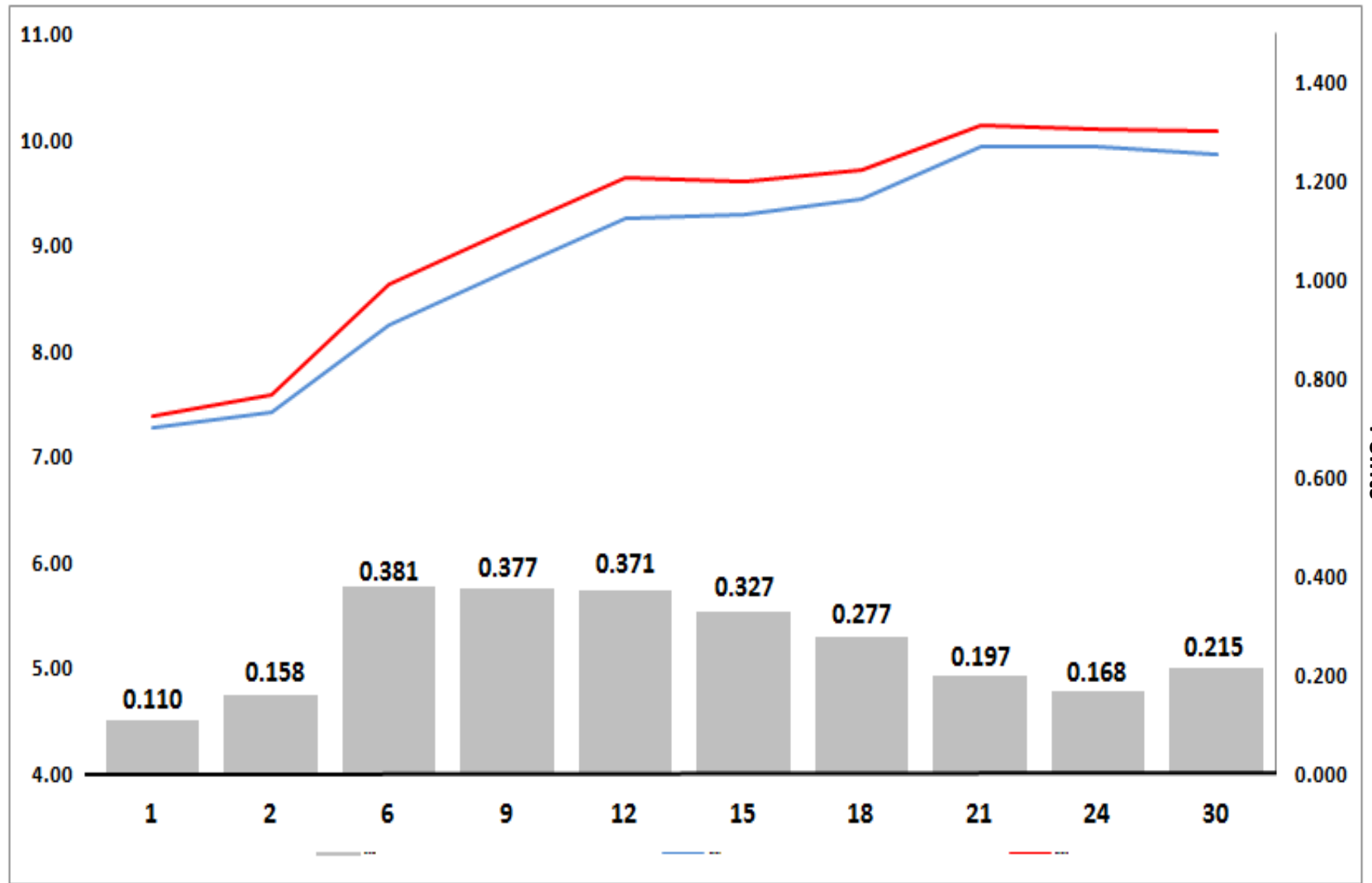
Capital Market

Capital Market:

Capital Market Rates are showing value and is fairly priced relative to the Equity market. Real rates remain high, however flow of capital seems to be lacking. Foreigners were sellers during September, placing further upward pressure on rates.

We maintain a hold recommendation

South Africa –Yield Curve



— Difference

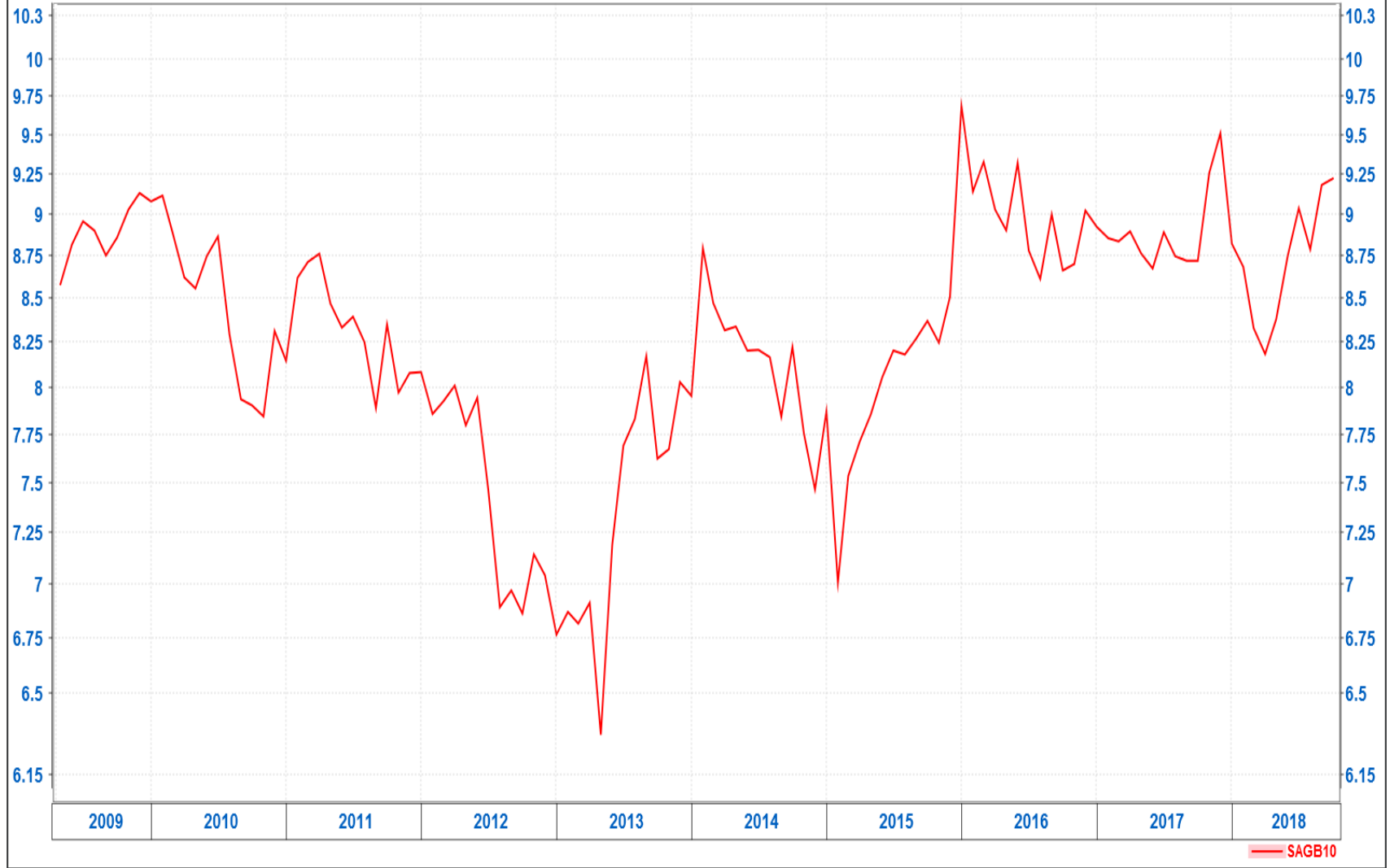
— Oct 2017

— Oct 2018

Period

SA 10Year Bond Rate

SA : GOVT 10 YEAR BOND
Monthly 2009-04-30 to 2018-09-30

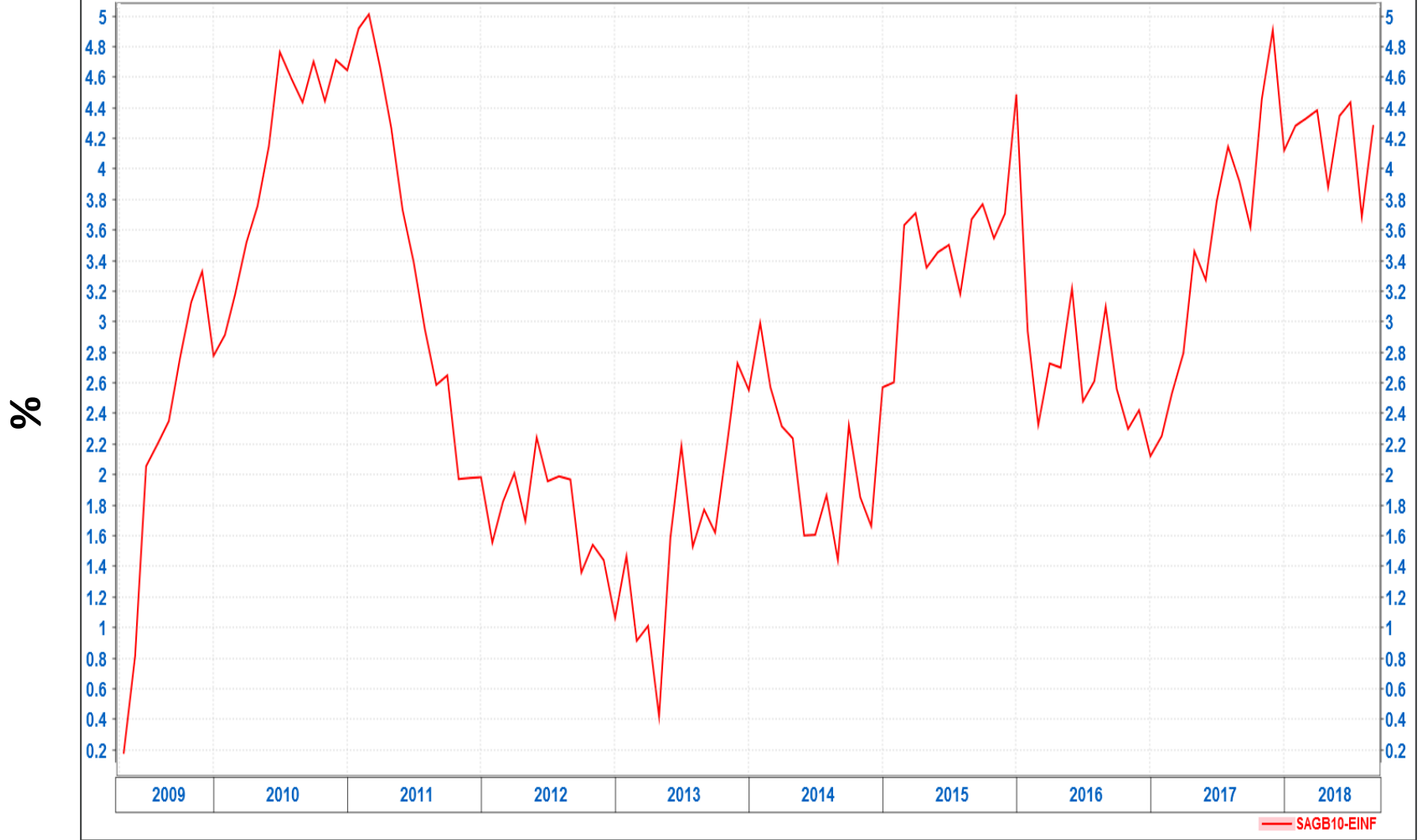


SAGB10

Period

SA Real Interest Rate

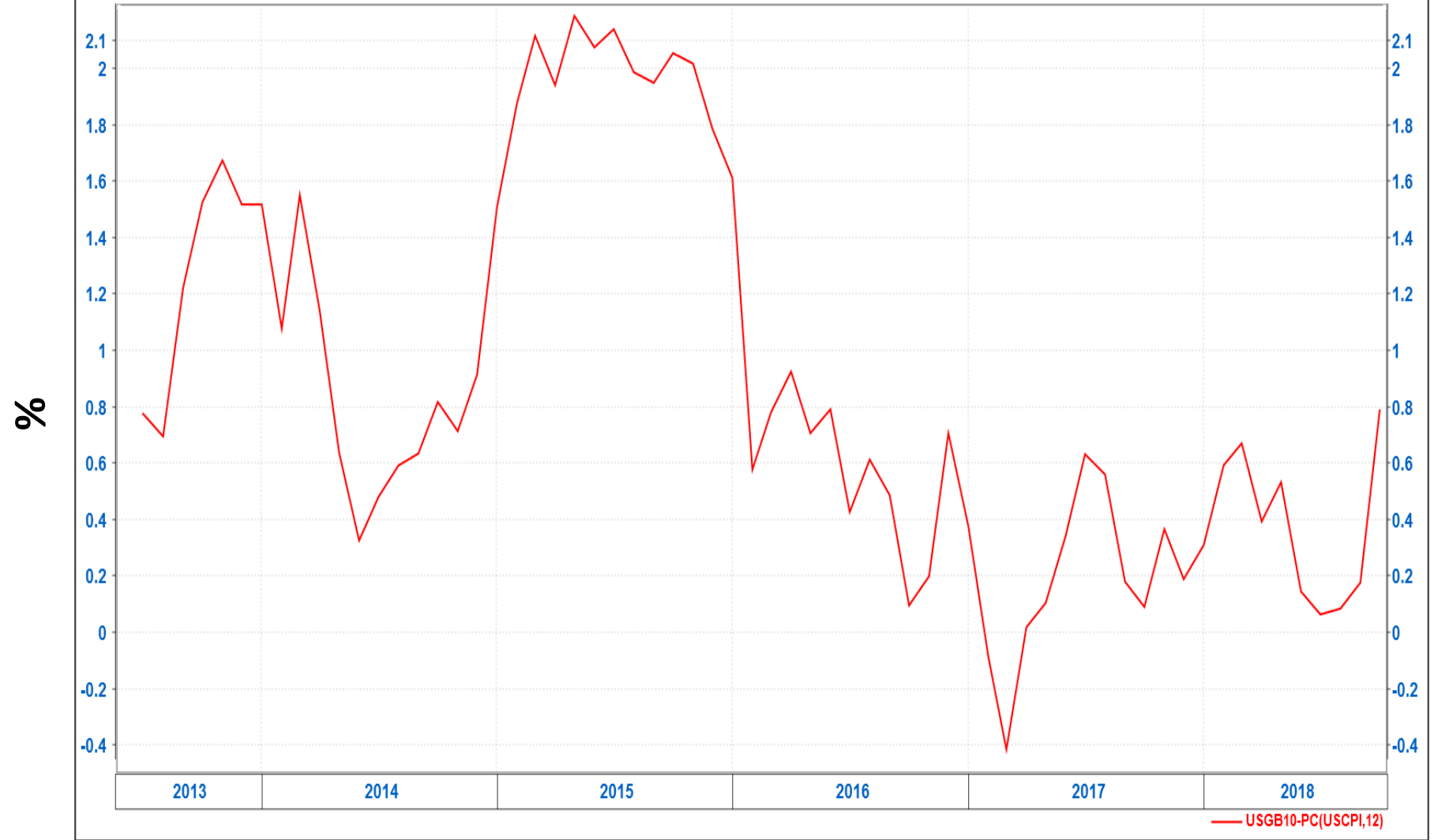
SA : GOVT 10 YEAR BOND-INFLATION RATE - SOUTH AFRICA (ALL URBAN)
Monthly 2009-04-30 to 2018-08-31



Period

USA Real Interest Rate

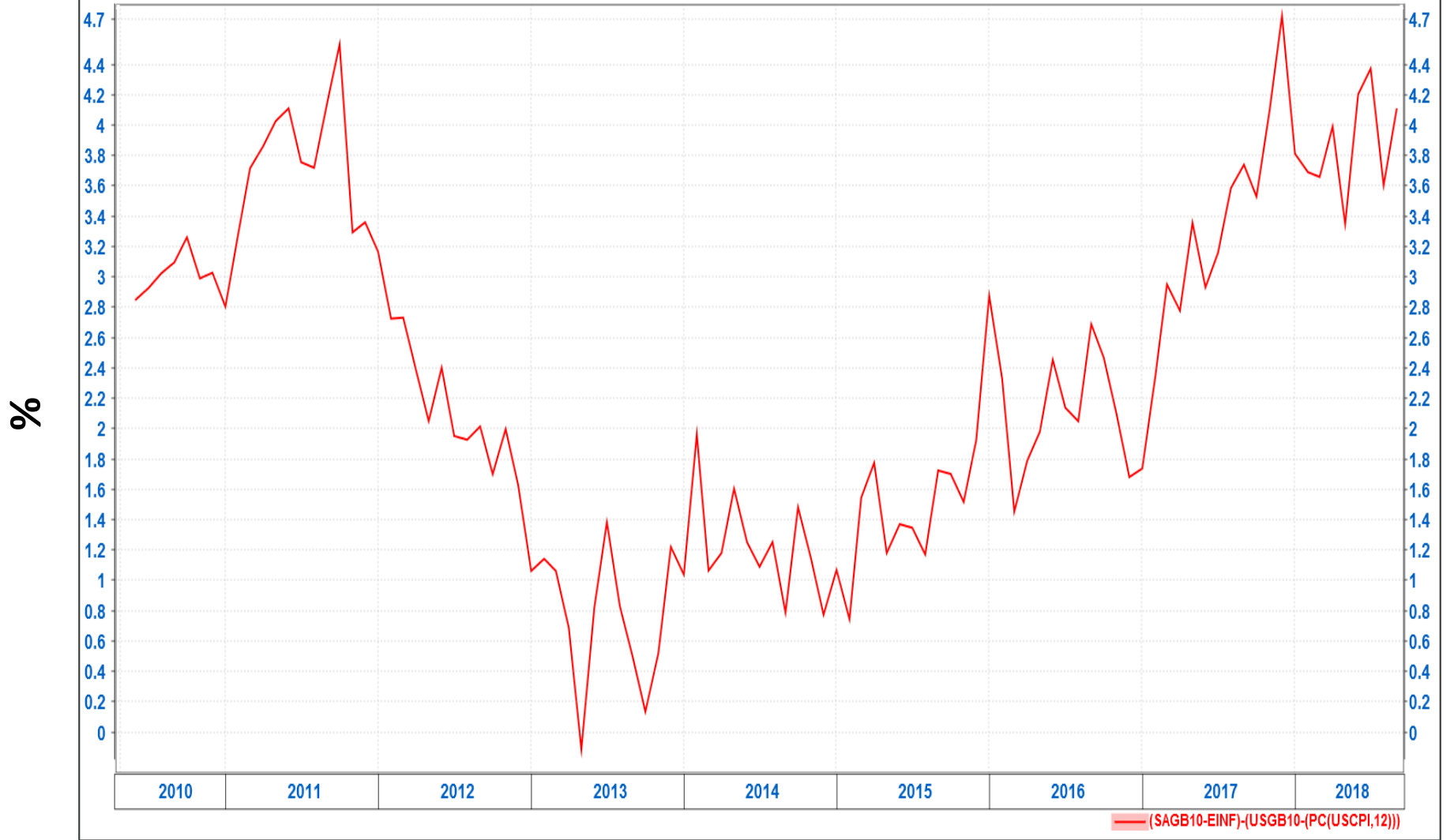
USGB10-PC(USCPI,12)
Monthly 2013-05-31 to 2018-09-30



Period

Real Interest Rate - SA vs. USA

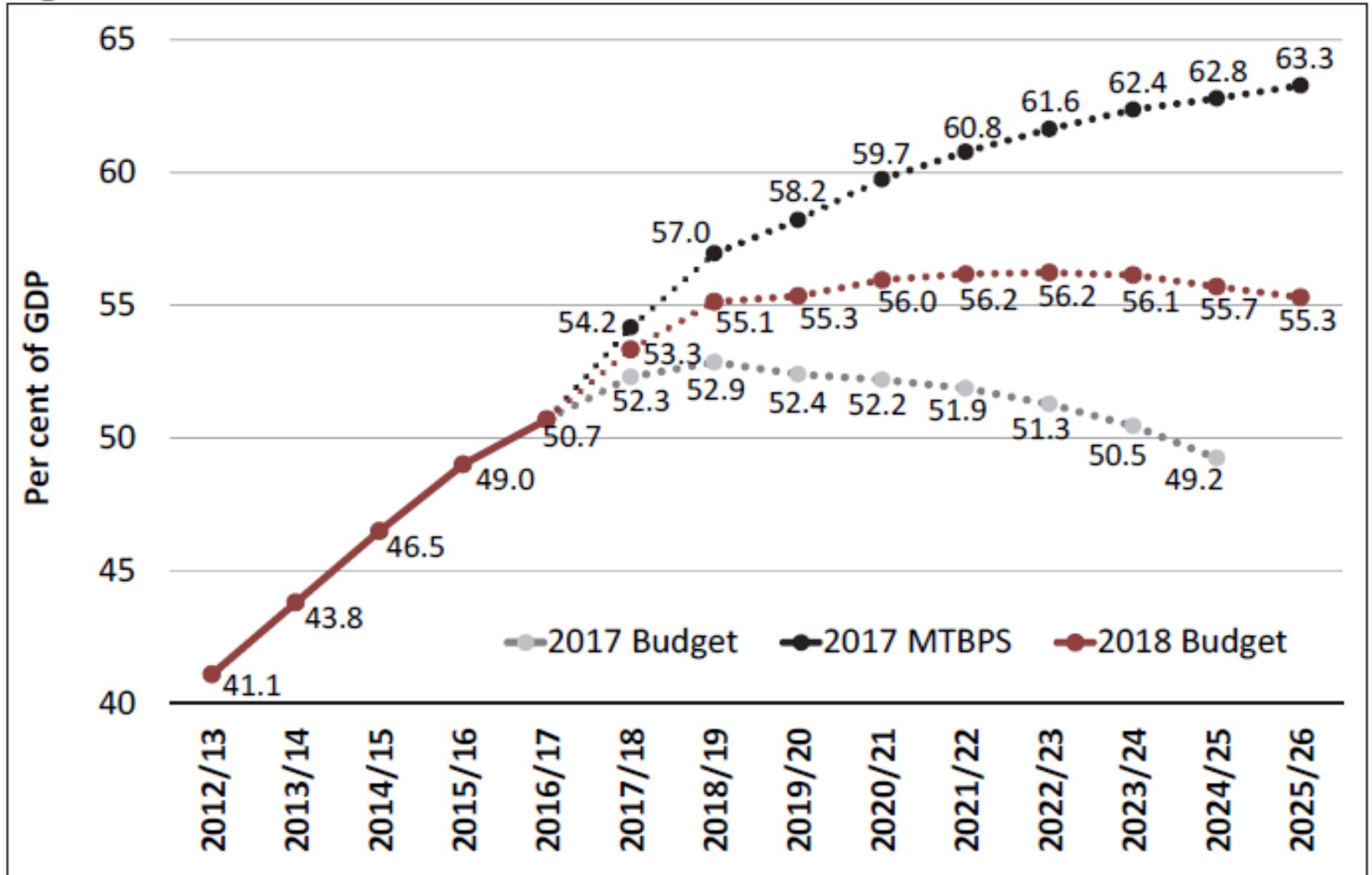
Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), SA : GOVT 10 YEAR BOND, USA : CONSUMER PRICE INDEX - ALL URBAN S/A, USA : GOVT 10 YEAR BOND
Monthly 2010-04-30 to 2018-08-31



Period

SA Government Debt %GDP

Figure 1.1 Gross debt-to-GDP outlook

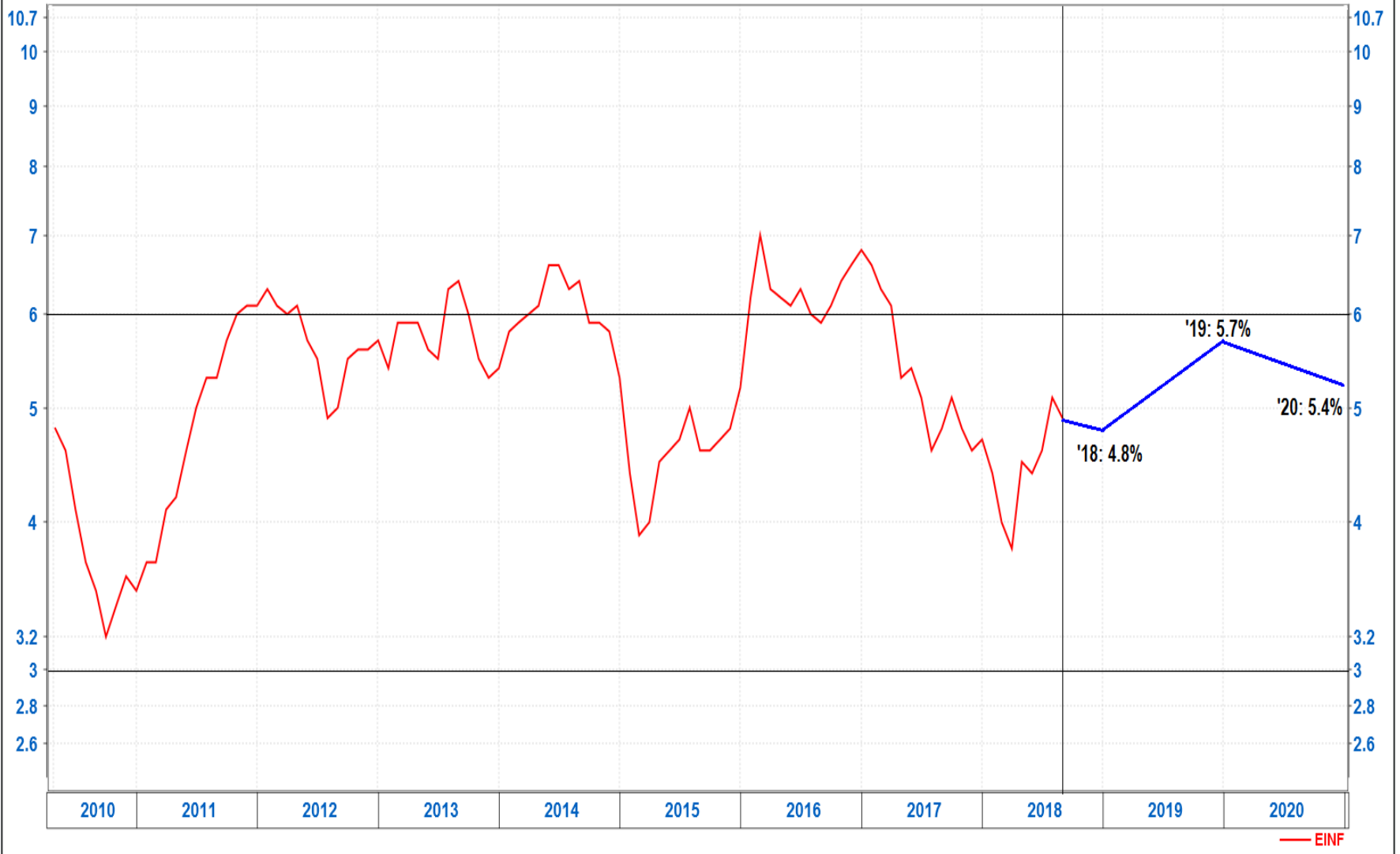


Source: National Treasury

Period

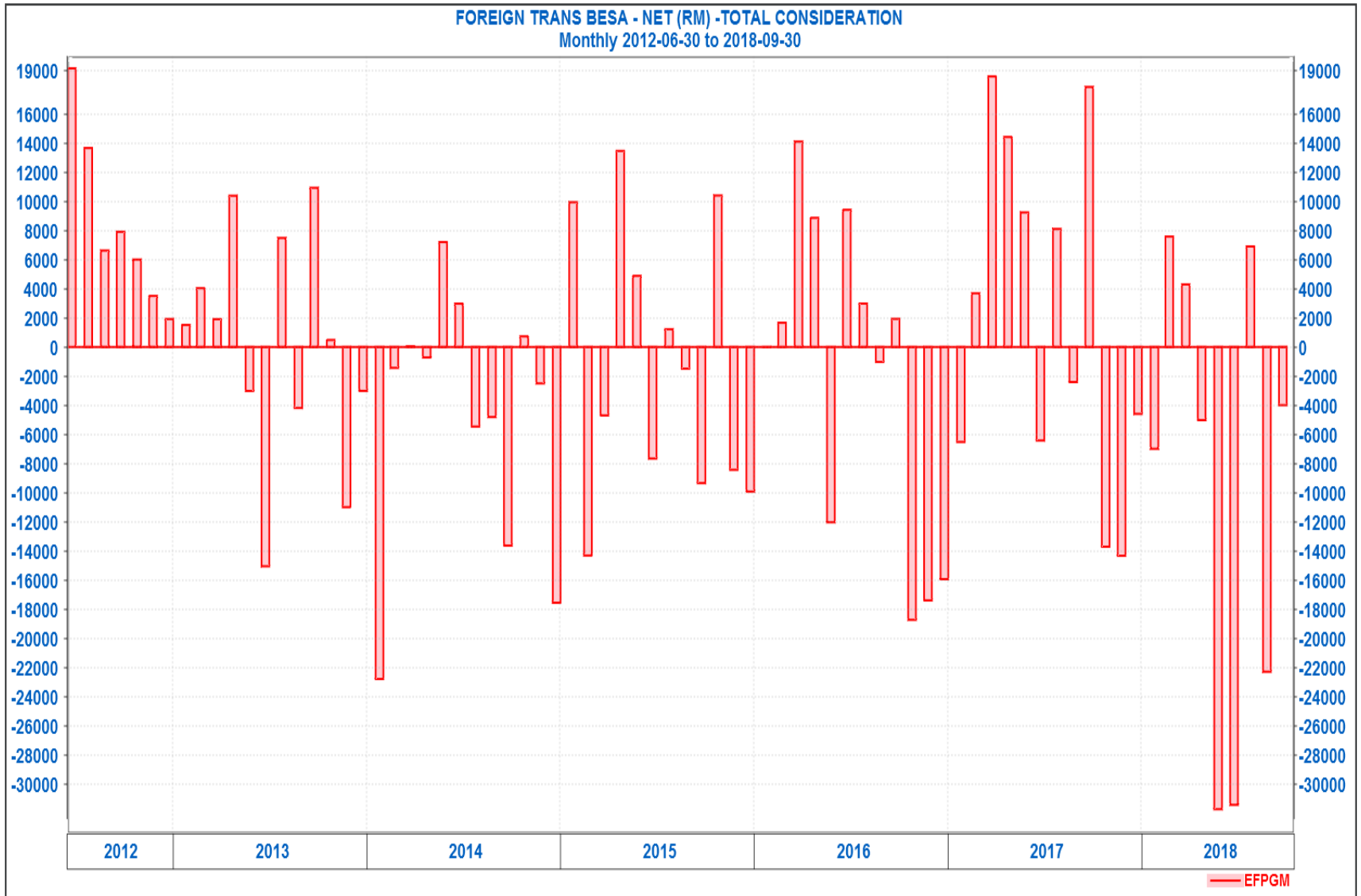
SARB Inflation Expectation

INFLATION RATE - SOUTH AFRICA (ALL URBAN)
Monthly 2010-04-30 to 2018-08-31



Period

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



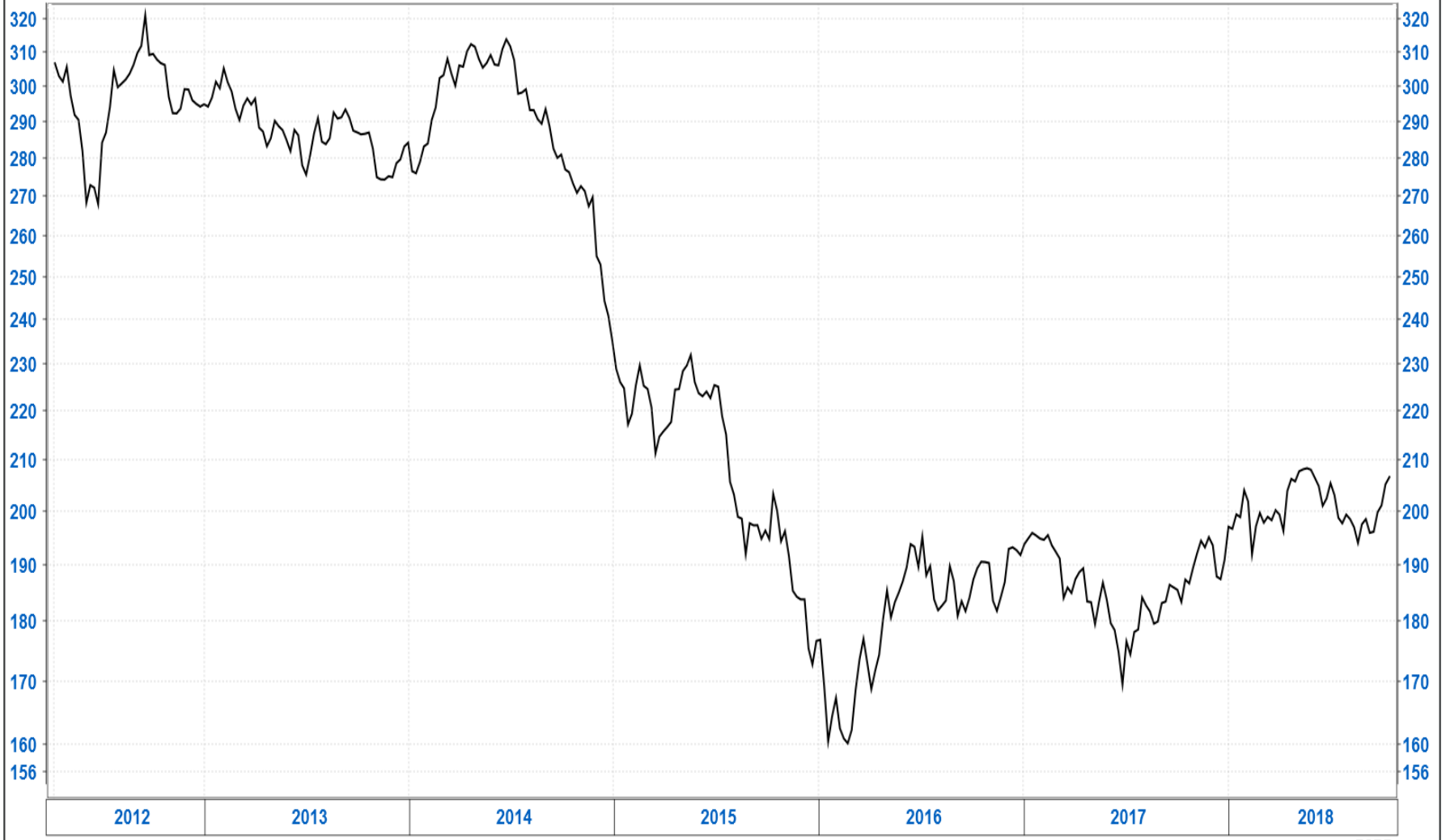
Period

Commodities Market

Commodity Index

RJ/CRB TOTAL RETURN INDEX
Weekly 2012-04-08 to 2018-10-14

Index Points

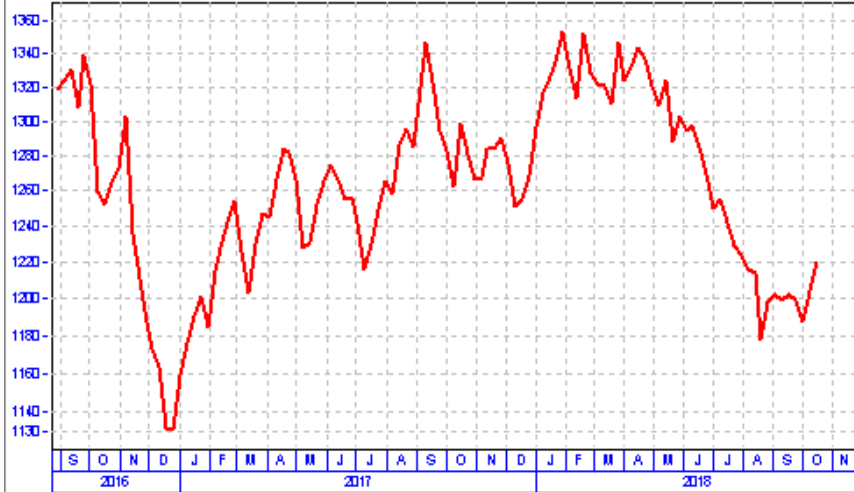


— FCRB

Period

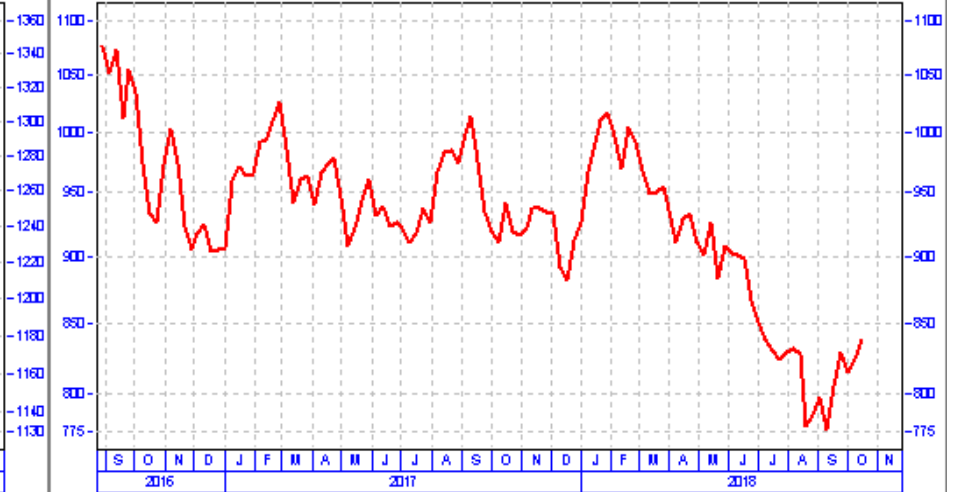
Commodity Prices

GOLD LONDON - PM FIX
/Week/: 5/23/2016-10/14/2018



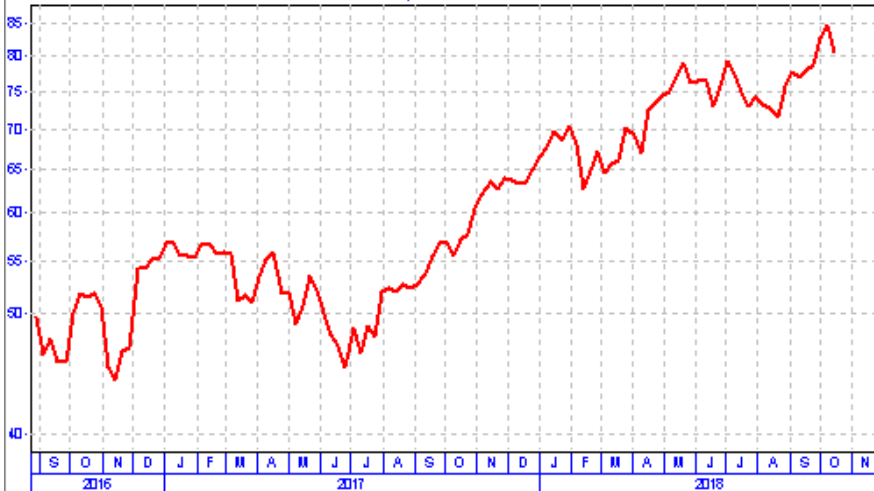
— GOLD LONDON - PM FIX (1219.75)

PLATINUM PM - FIX \$OZ
/Week/: 5/23/2016-10/14/2018



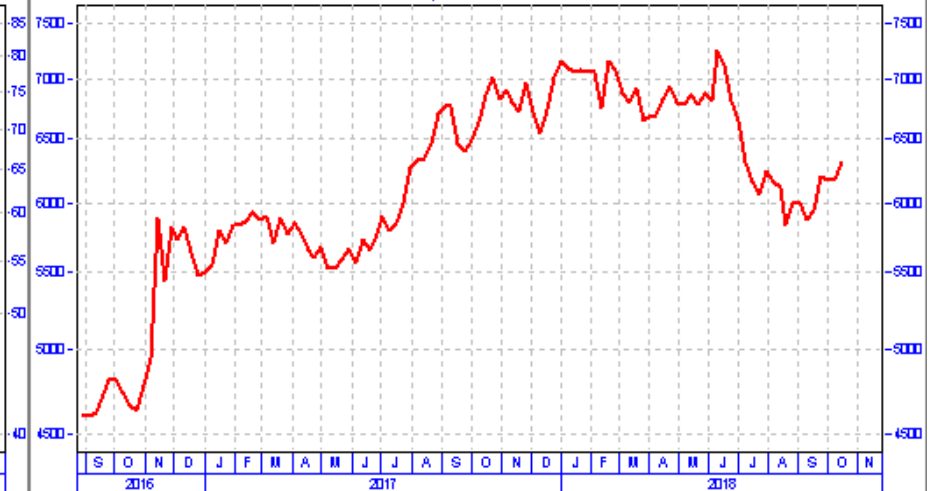
— PLATINUM PM - FIX \$OZ (636)

OIL BRENT CRUDE ICE\$/BARREL
/Week/: 5/23/2016-10/14/2018



— OIL BRENT CRUDE ICE\$/BARREL (20.57)

COPPER CASH LME (\$/TON) - FIX
/Week/: 5/23/2016-10/14/2018



— COPPER CASH LME (\$/TON) - FIX (6325)

Equities Market

Equities Market:

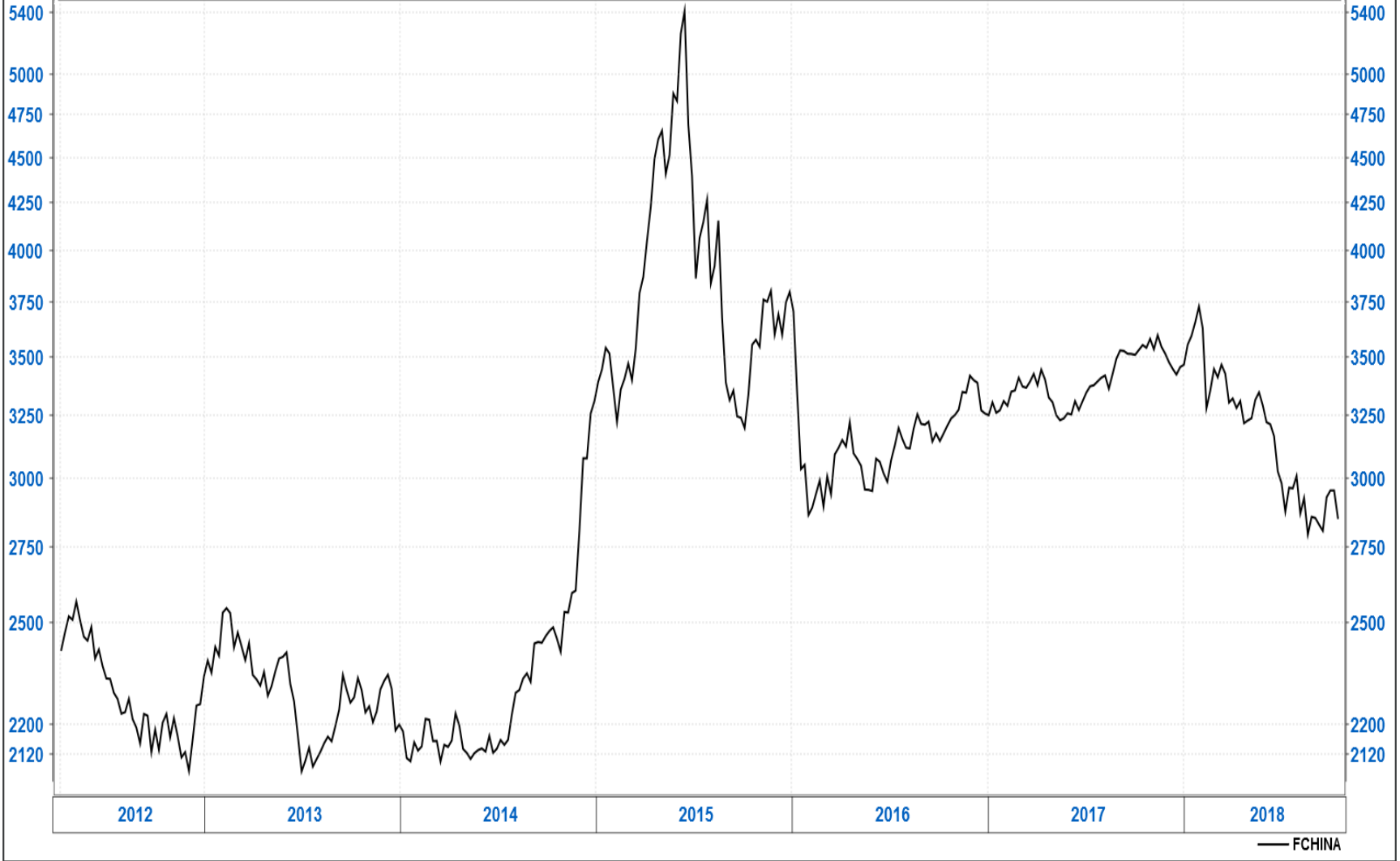
Although Equity prices have improved, it remains overpriced relative to the Capital Market. With selected shares in Financials, Resources and General Retailer's sectors currently are showing value.

Liquidity restrictions worldwide is lowering demand for equities by foreign investors, which would restrict growth in Equity markets.

China – Shanghai A Share Index

CHINA : SHANGHAI A SHARE INDEX
Weekly 2012-04-08 to 2018-10-14

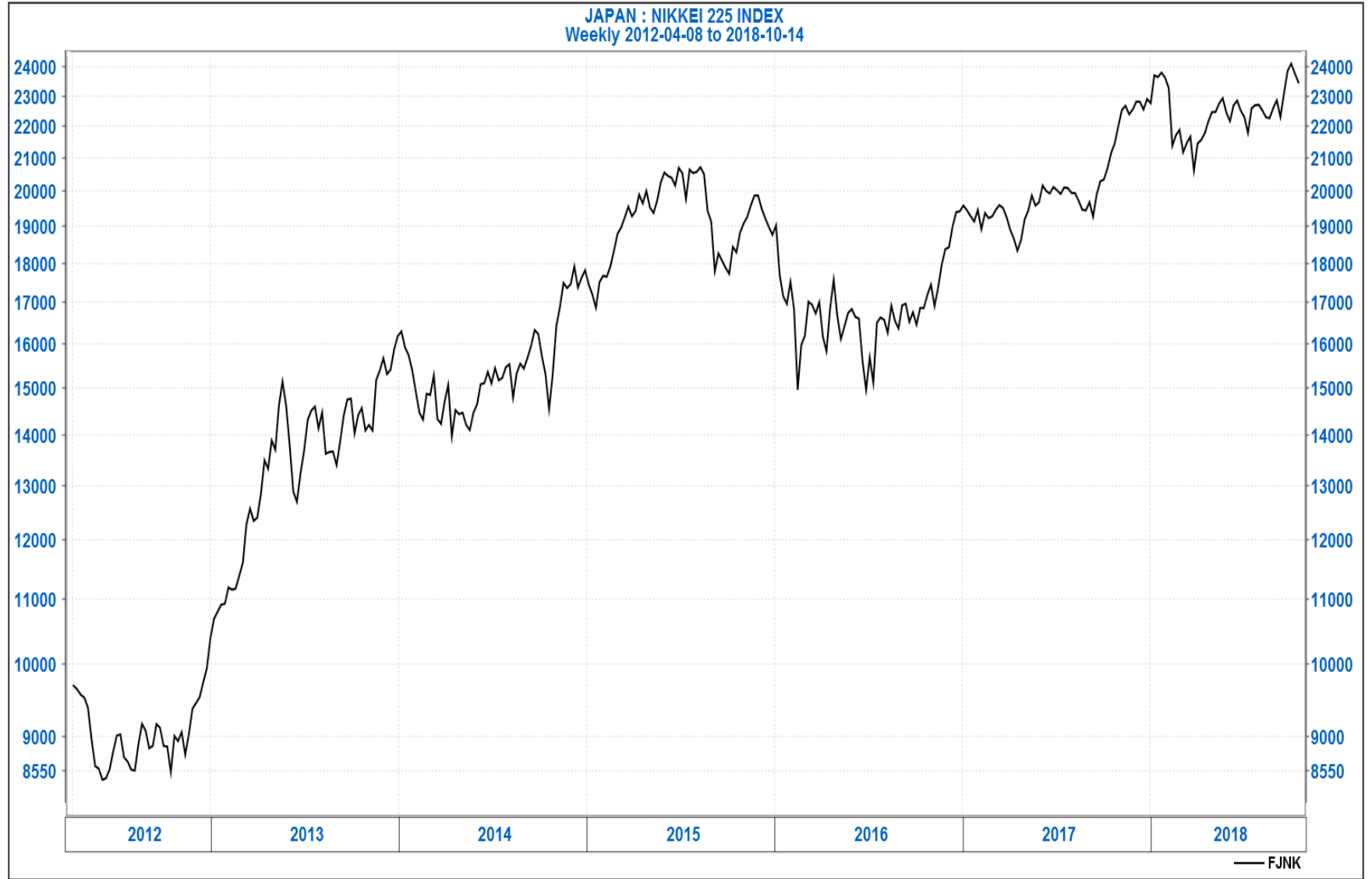
Index Points



— FCHINA

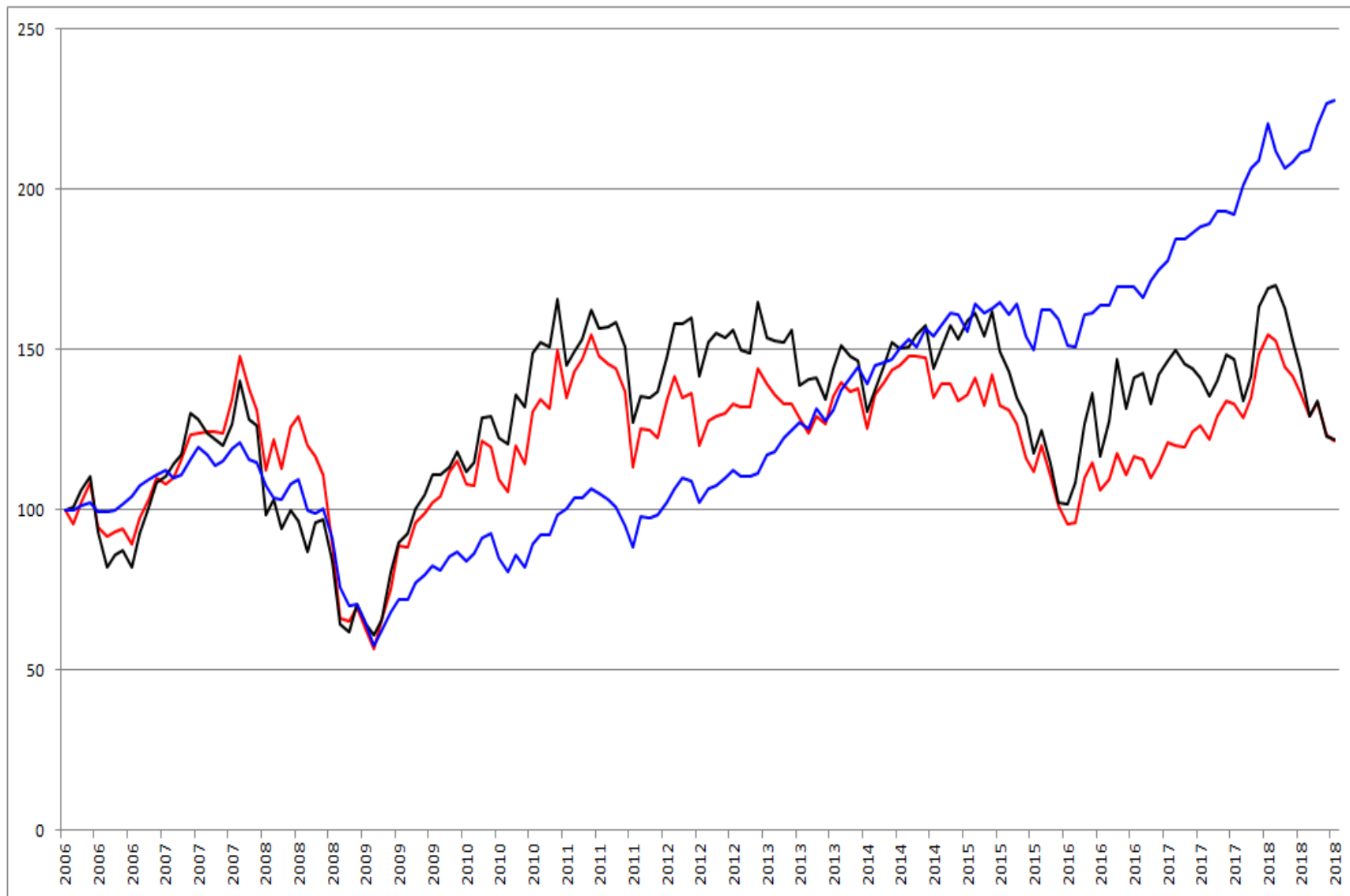
Period

Japan – Nikkei 225



Period

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



— FTSE/JSE All Share Index

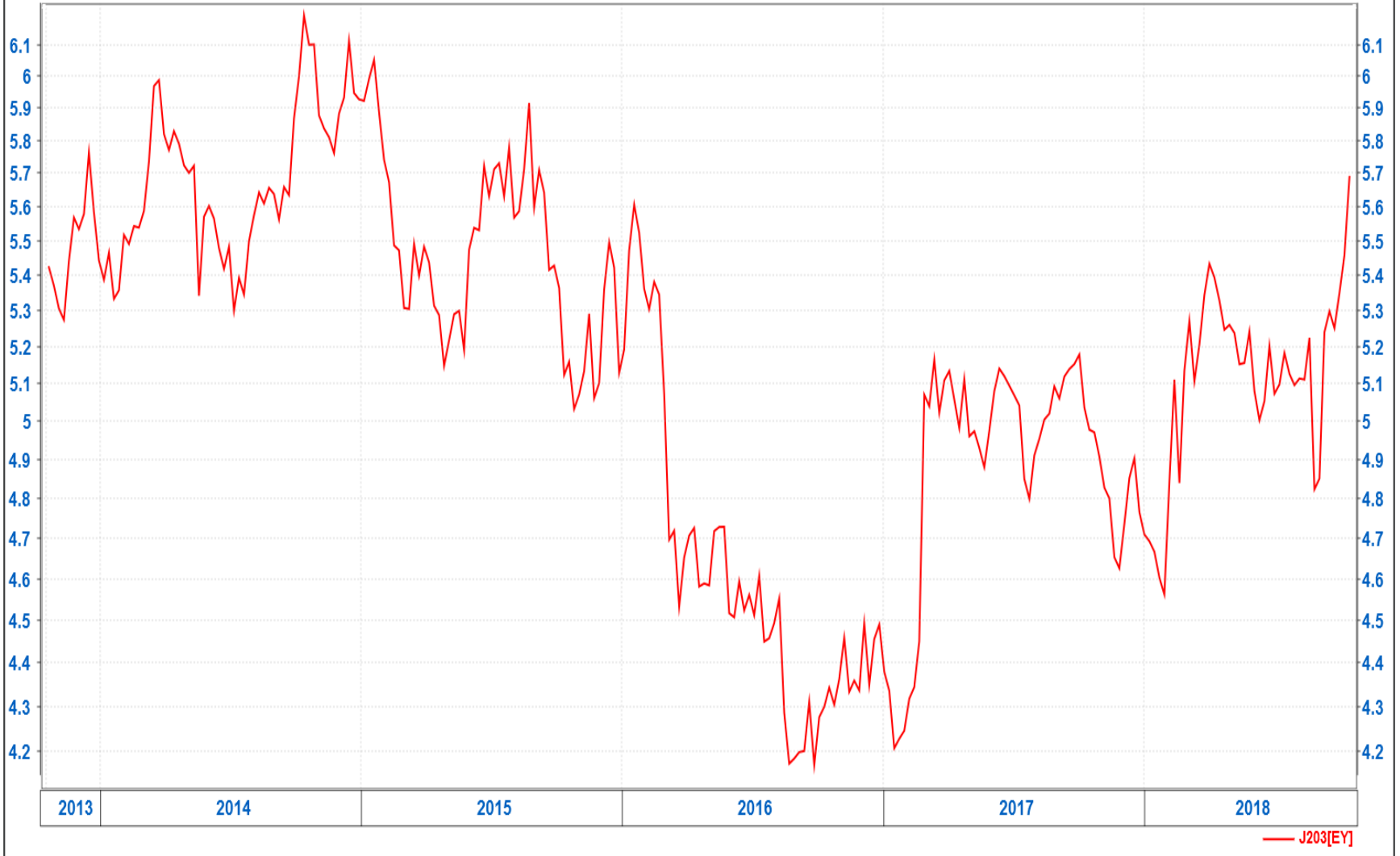
— USA S&P 500 Index

— FTSE/JSE Mid Cap Index

Period

SA All Share Index – Earnings Yield

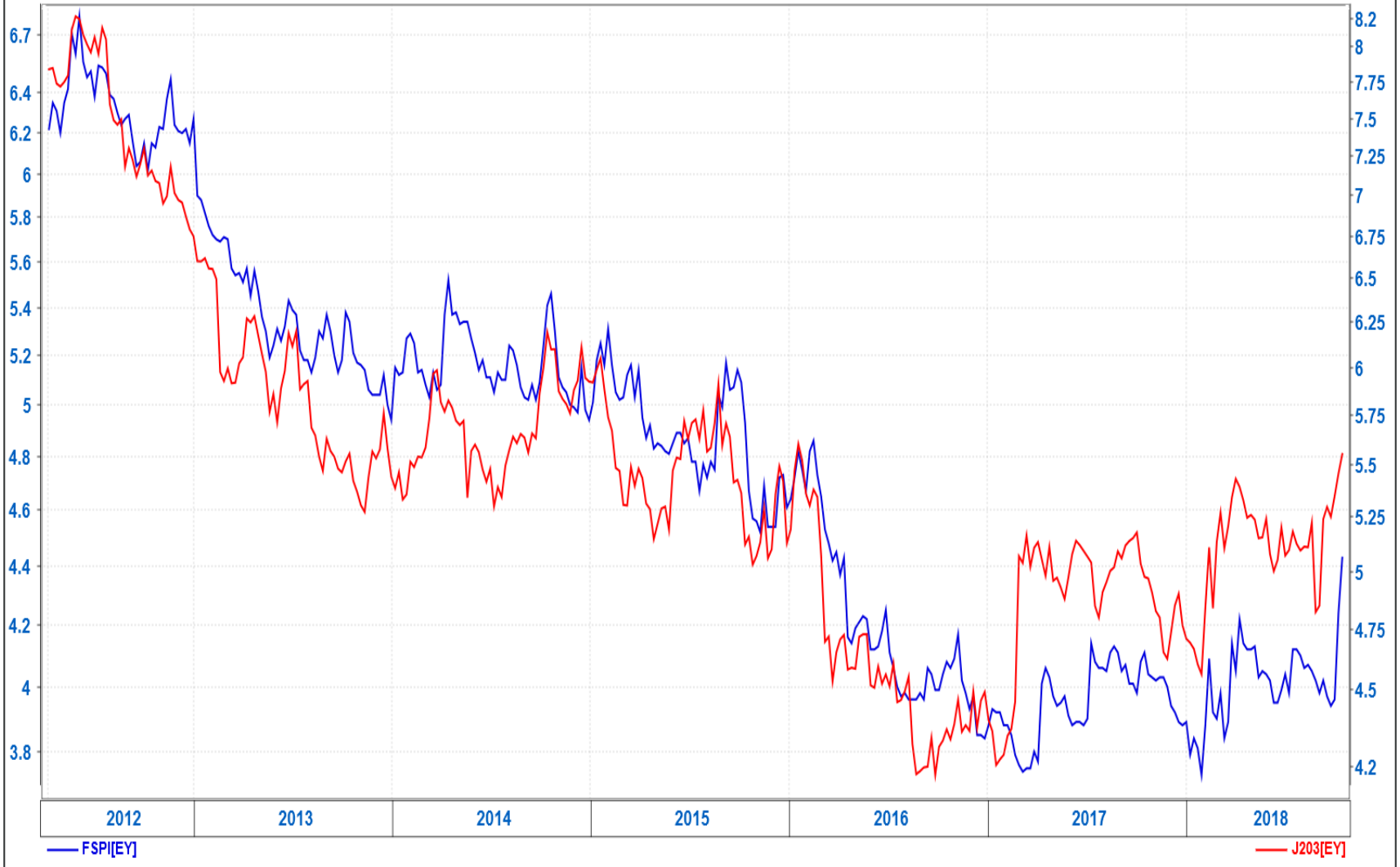
FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield)
Weekly 2013-10-14 to 2018-10-14



Period

Earnings Yield- SA vs. USA

FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield) , USA : S & P 500 COMPOSITE INDEX (Earnings Yield)
Weekly 2012-04-08 to 2018-10-14



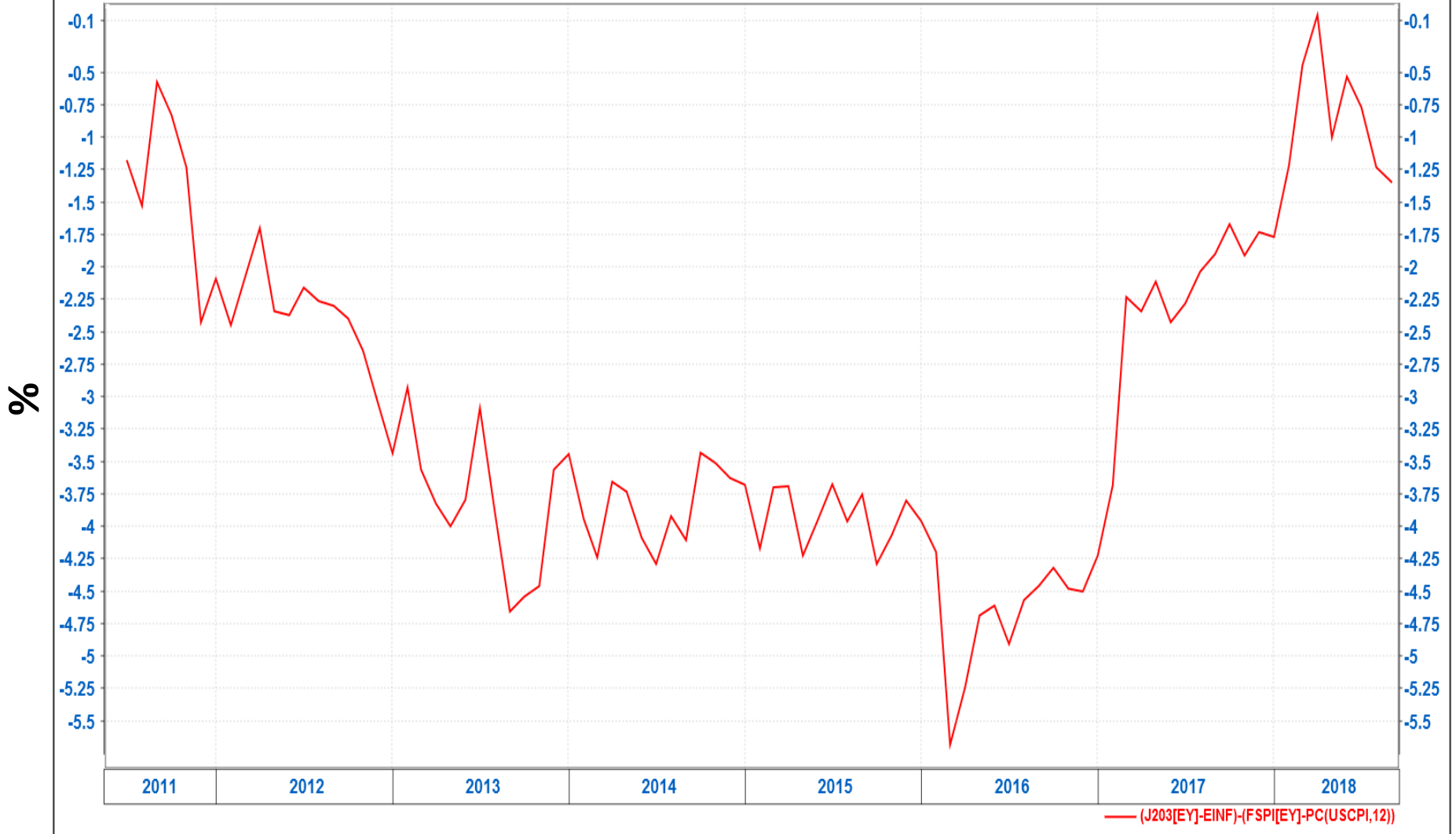
— S.A. All Share Earnings Yield

— USA S&P 500 Shares Earnings Yield

Period

Real EY- SA vs. USA

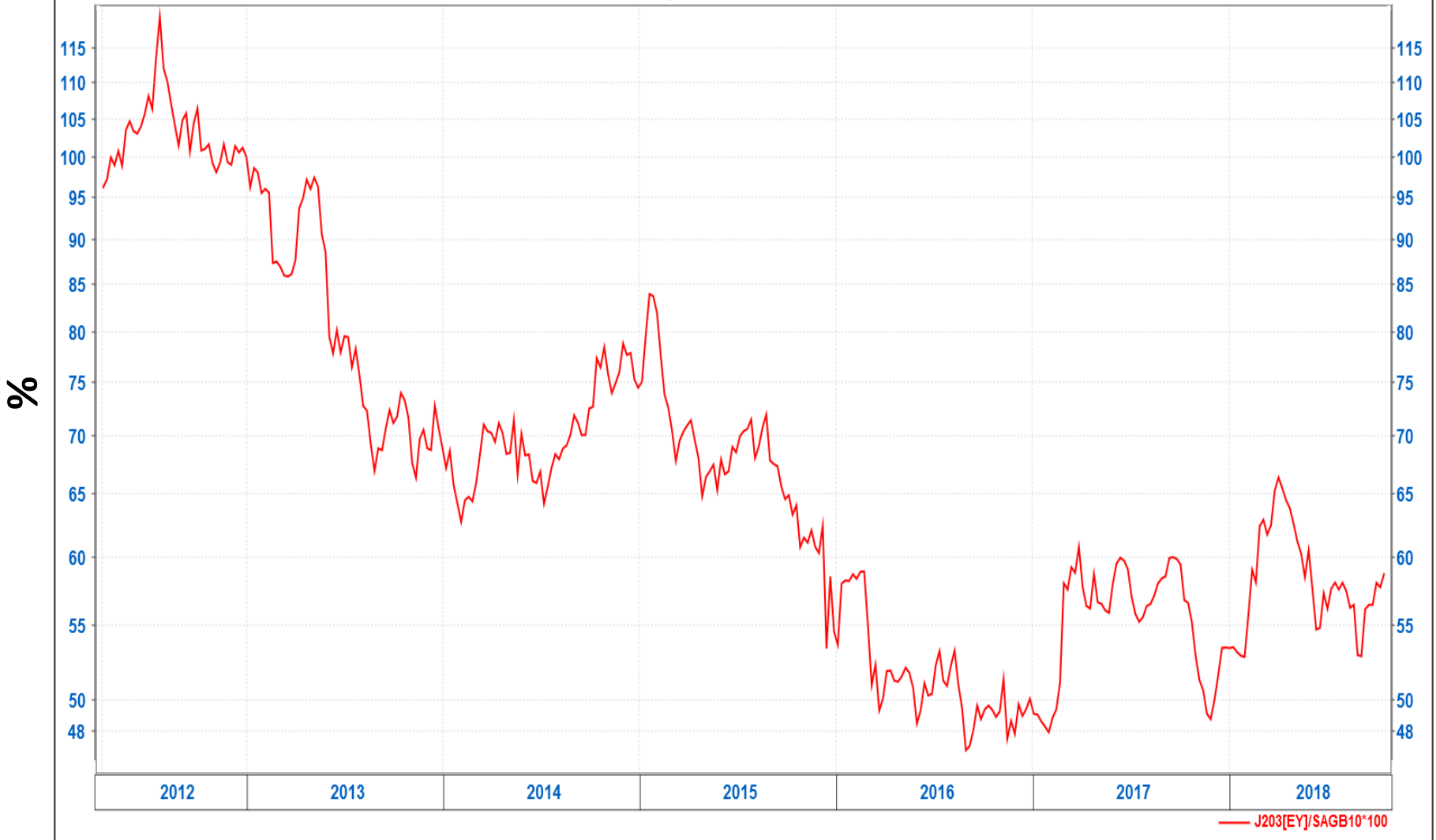
Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), USA : S & P 500 COMPOSITE INDEX (EY), FTSE/JSE : AFRICA ALL SHARE INDEX (EY), USA : CONSUMER PRICE INDEX - ALL URBAN S/A
Monthly 2011-05-31 to 2018-08-31



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 2012-04-08 to 2018-10-14



Period