

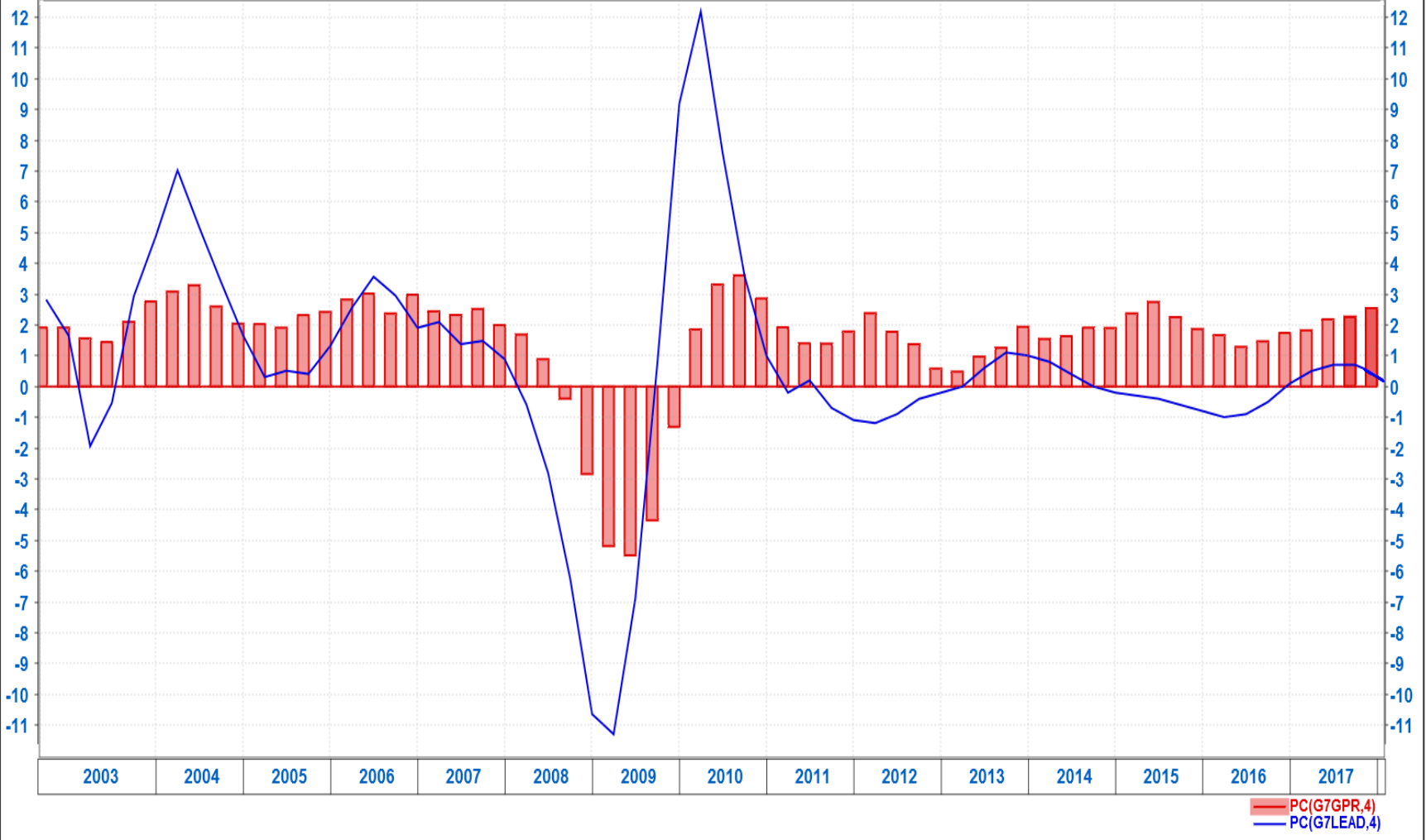
# **International Economic Indicators**

## **Worldwide: G7**

Economic growth seems to be on the upswing with Q4 of 2017 marking the 6<sup>th</sup> consecutive quarter of growth improvement within the G7 countries. Unemployment continues its downward trend and inflation is stabilizing below the 2% level. Leading indicators suggest 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 2002-09-30 to 2017-12-31



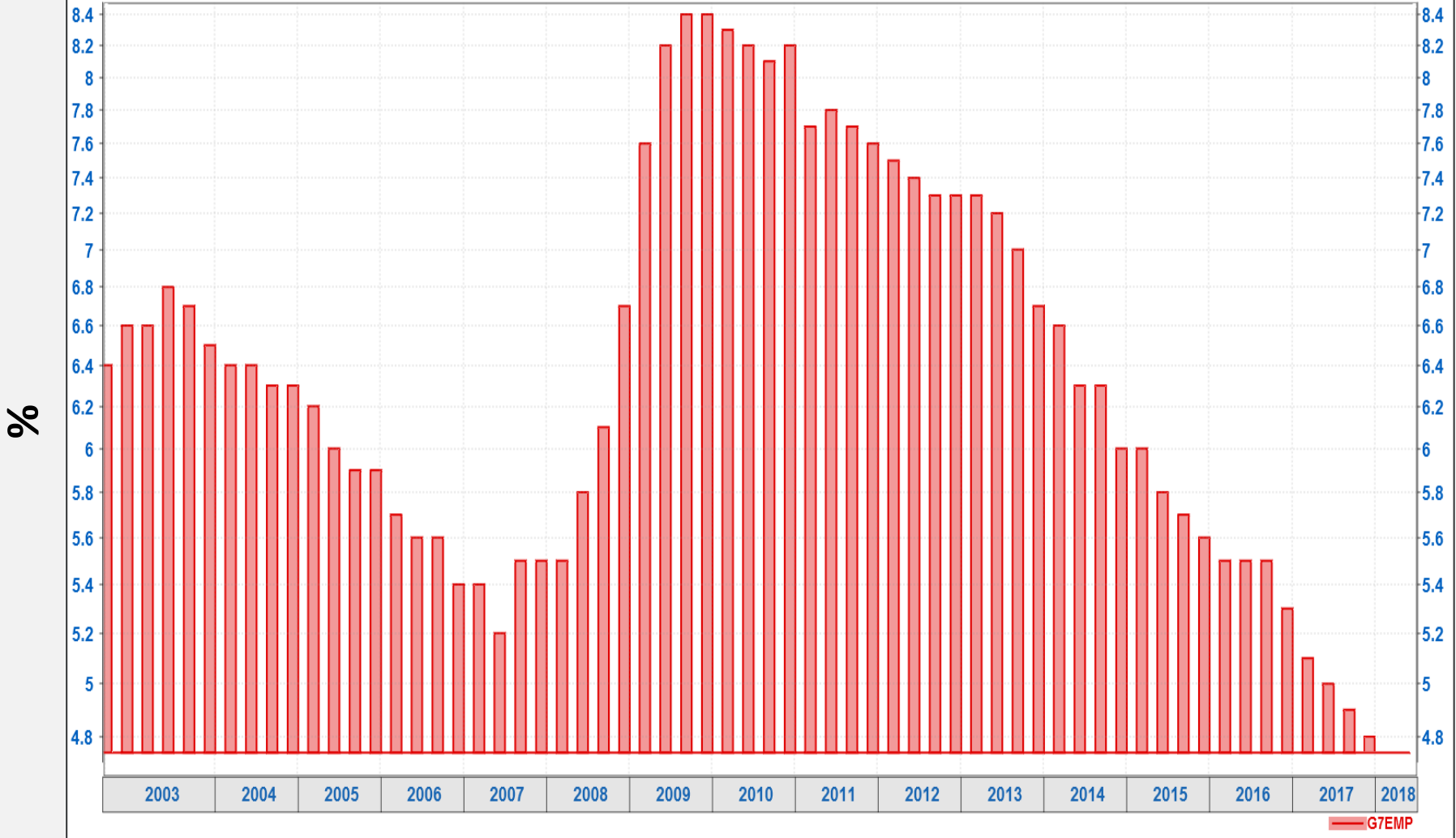
— G7 Leading Indicator

— G7 Growth Rate

Period

# G7 – Unemployment

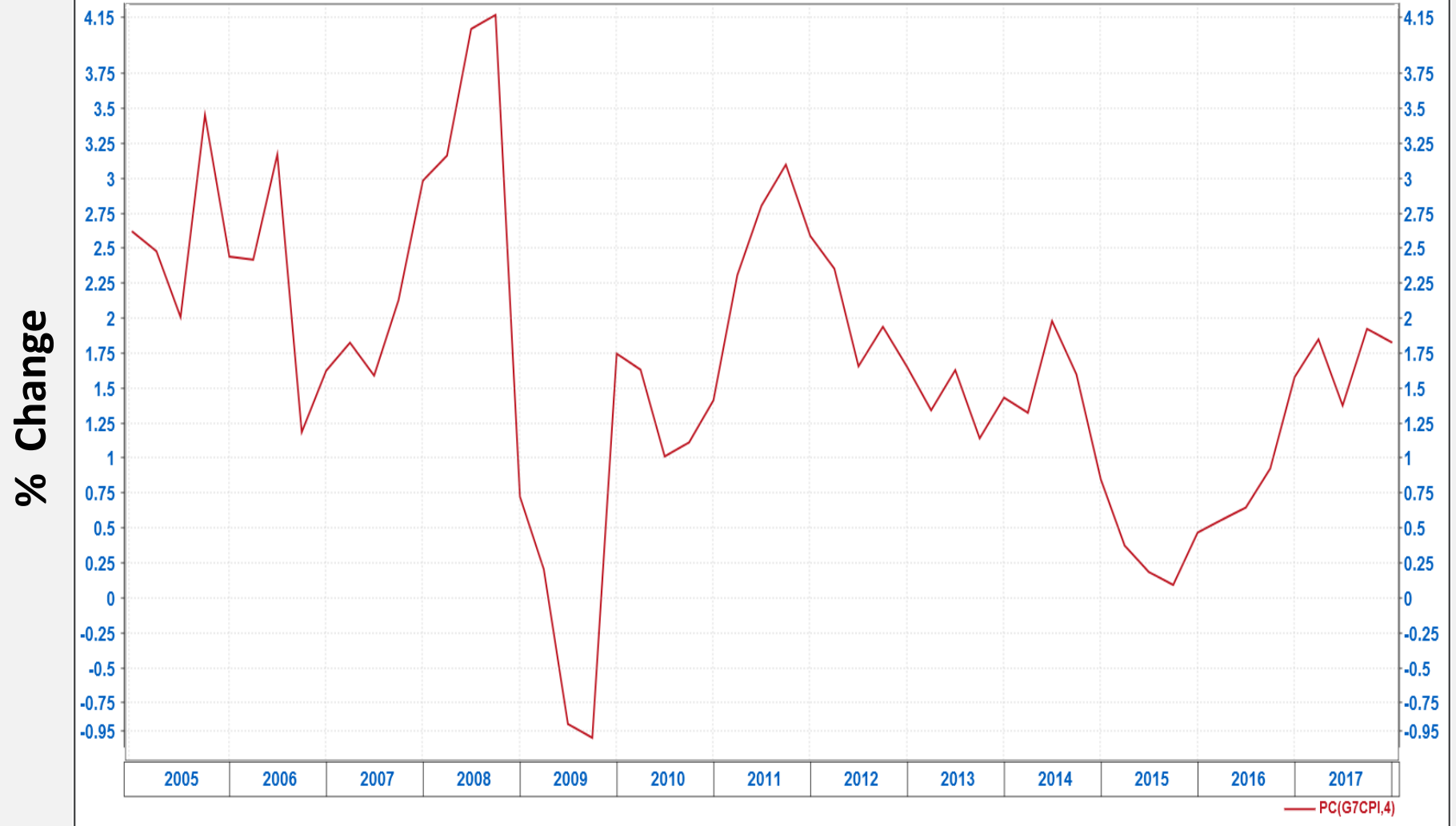
G7 : UNEMPLOYMENT %  
Quarterly 2002-09-30 to 2017-09-30



Period

# G7 – Inflation

Percentage Change 4 of G7 : CONSUMER PRICE INDEX (2010=100)  
Quarterly 2004-12-31 to 2017-12-31



Period

## Unites States:

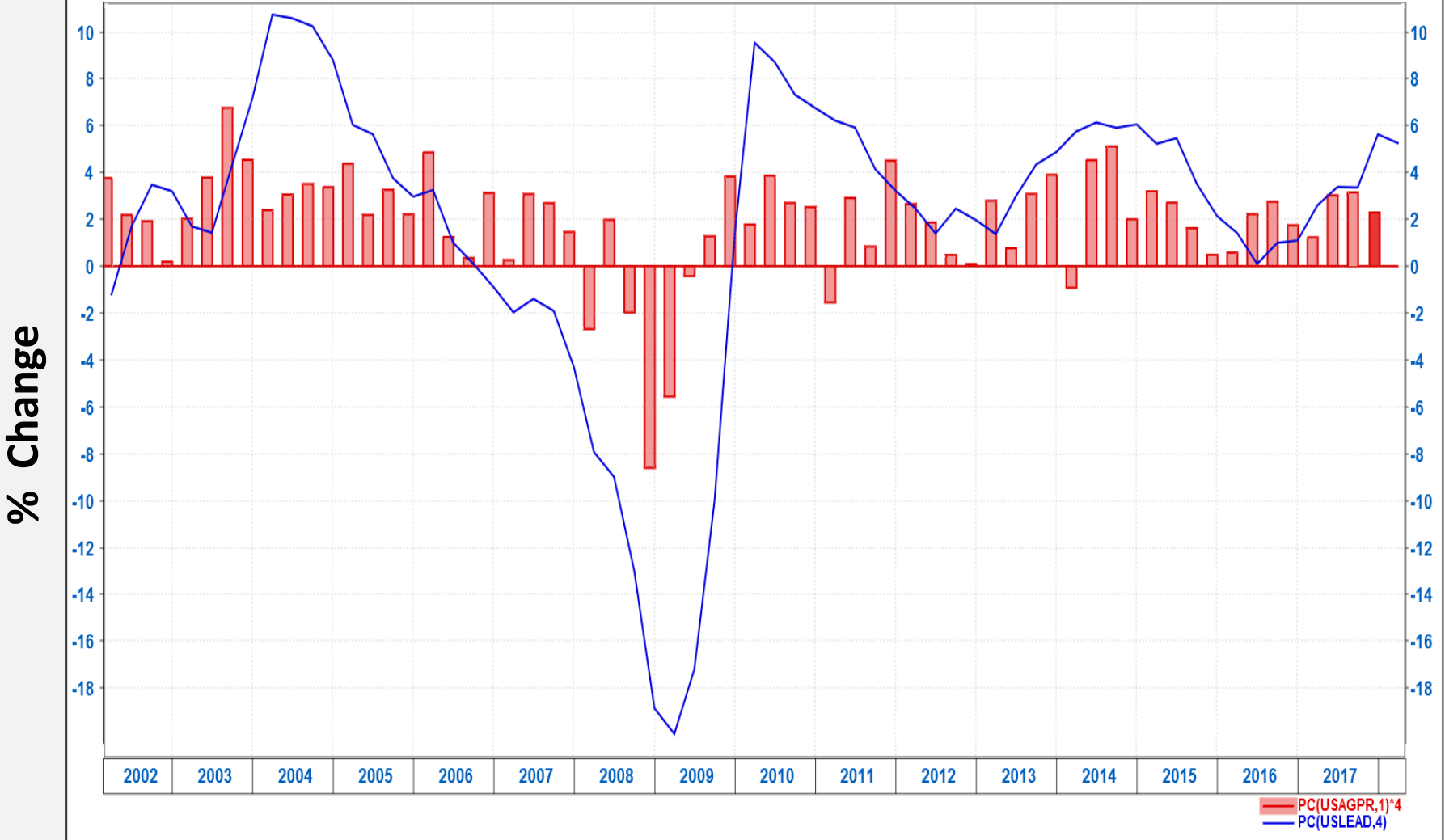
The Federal Reserve raised interest rates by 25 basis points to 1.5% in December. This decision was expected as a result of the boom in economic growth witnessed during 2017 and leading indicators suggest growth to continue. Further anticipated interest rate hikes may be held back as the inflation rate and unemployment rates are steady, with a decline in real wage growth and a consolidation in 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 at 17% and 18% for Q1 and Q2 in 2018 respectively.

# USA – Economic Growth Rate

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



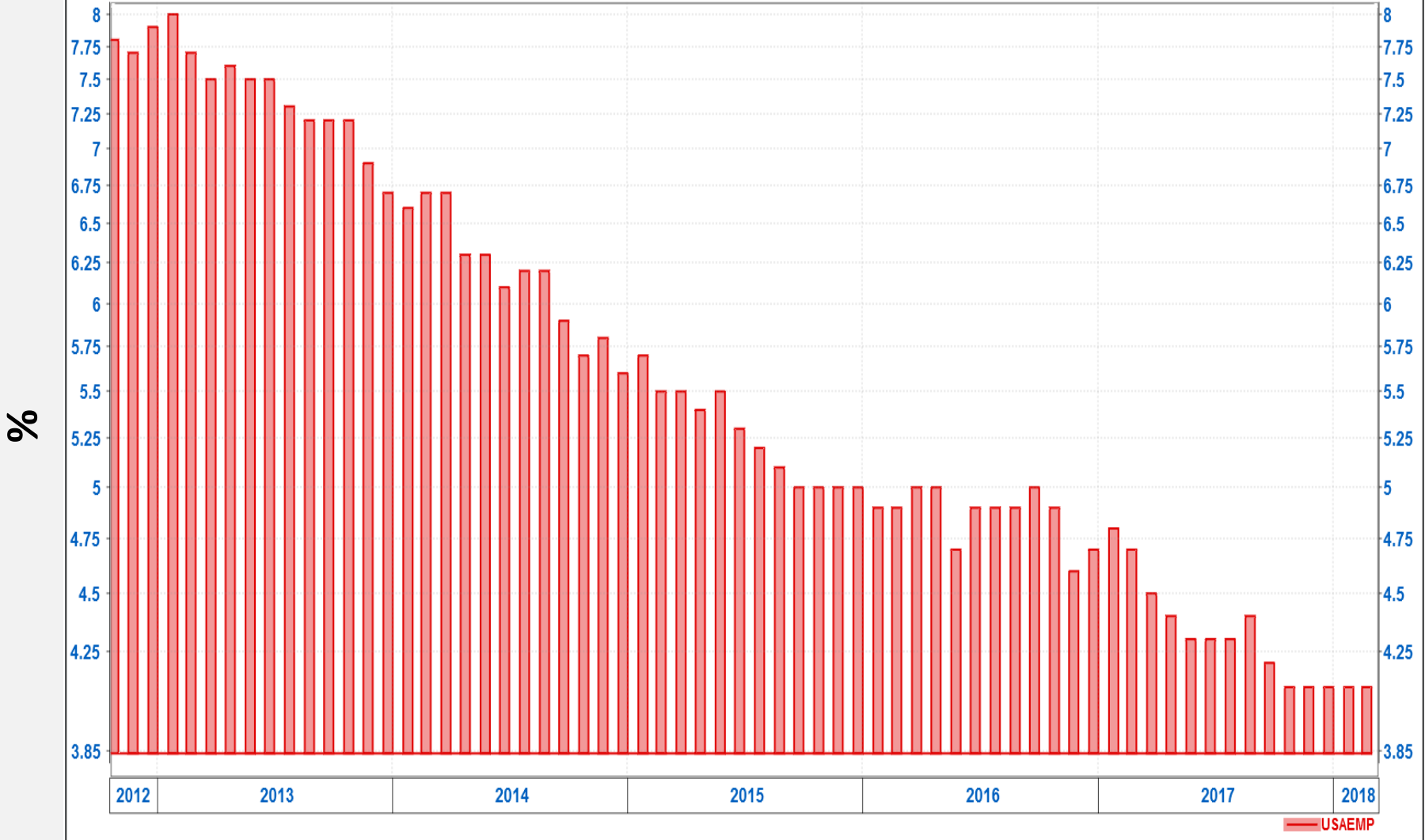
— USA Growth Rate

— USA Leading Indicator

Period

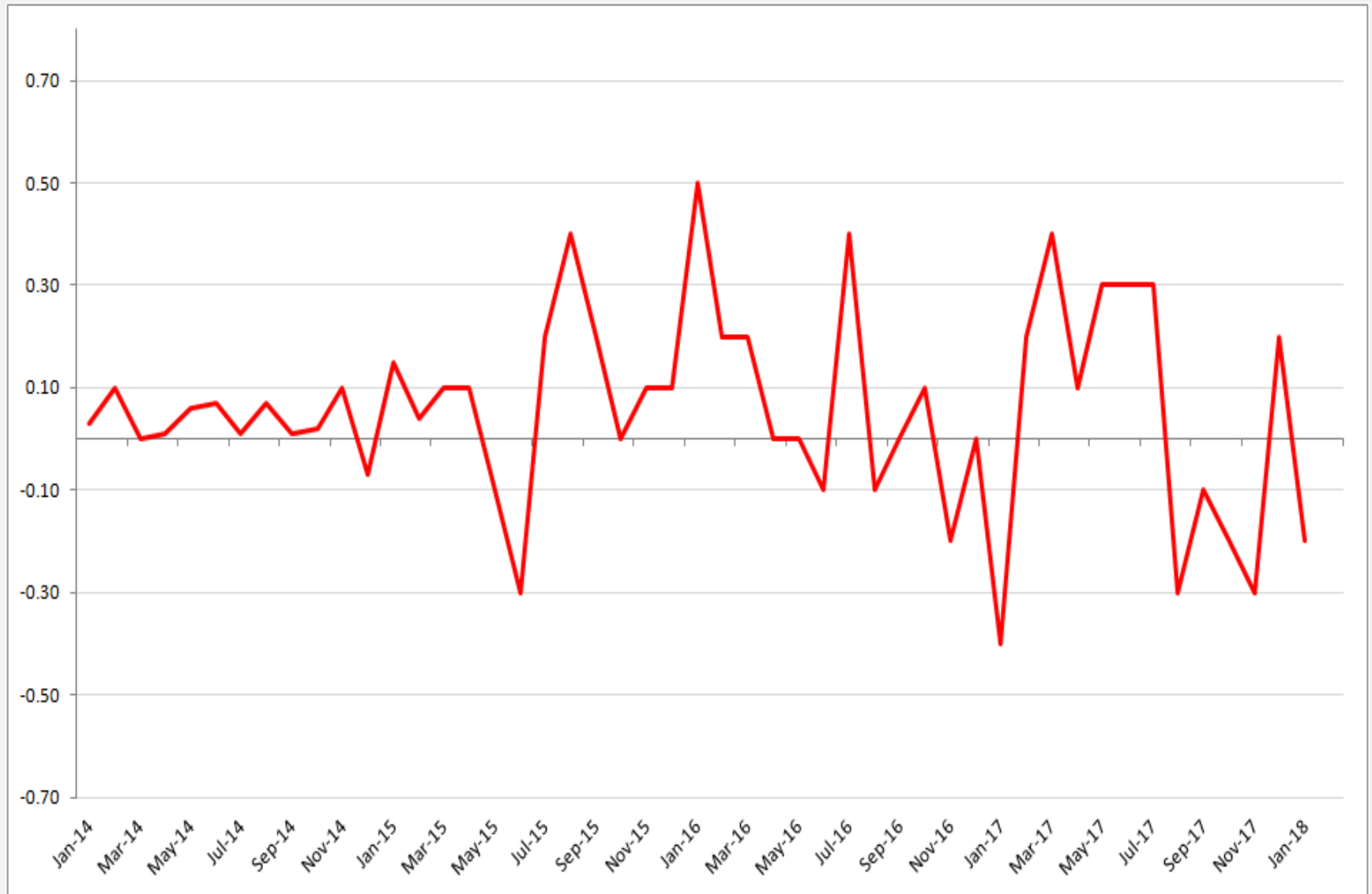
# USA – Unemployment

USA : UNEMPLOYMENT % (S/A)  
Monthly 2012-10-31 to 2018-02-28



Period

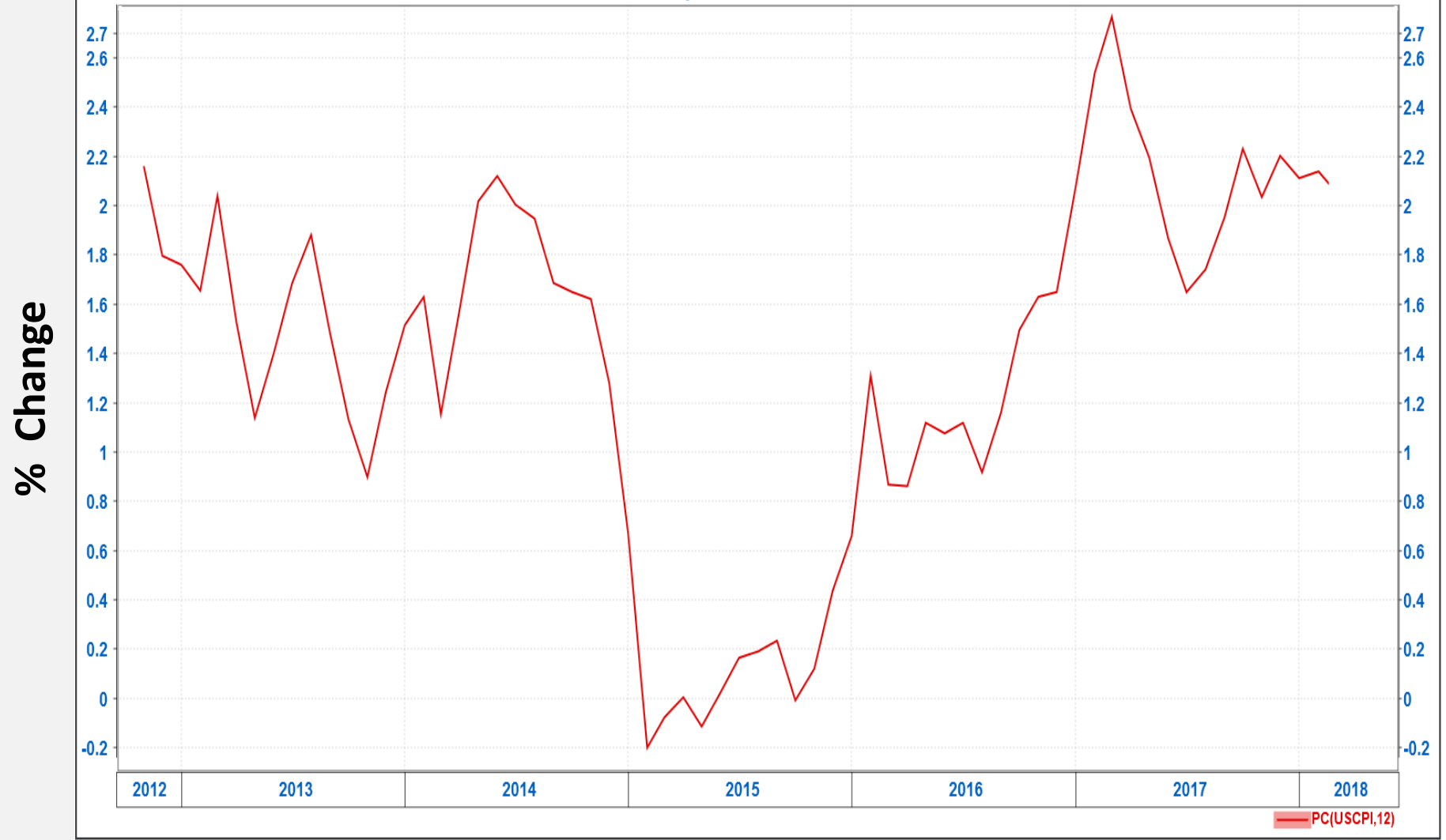
# Real US Wages Growth (MoM)



Period

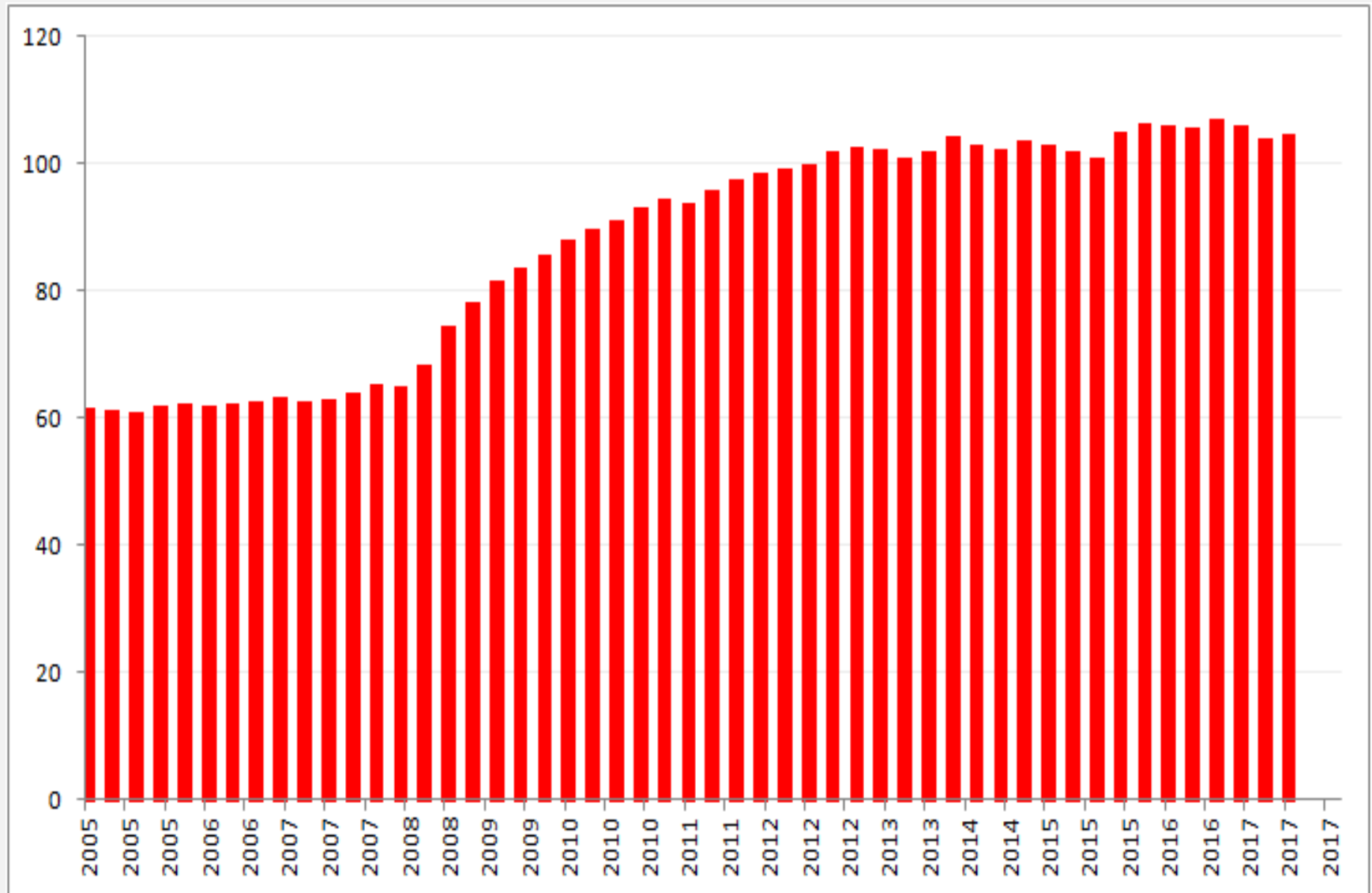
# USA – Inflation

Percentage Change 12 of USA : CONSUMER PRICE INDEX - ALL URBAN S/A  
Monthly 2012-09-30 to 2018-02-28



Period

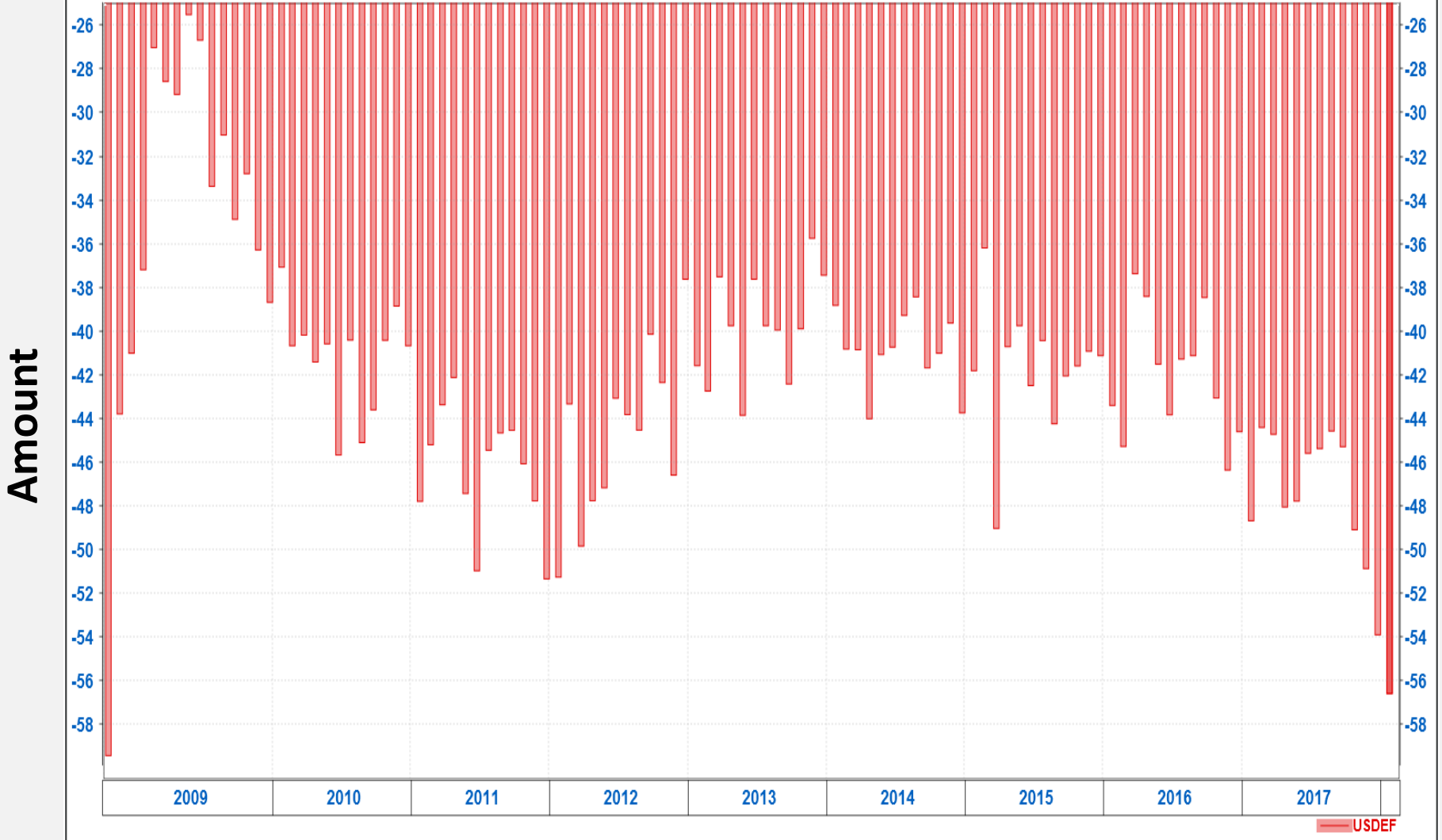
# USA – Government Debt %GDP (\$ Million)



Period

# USA - Trade Balance Deficit (\$ Billion)

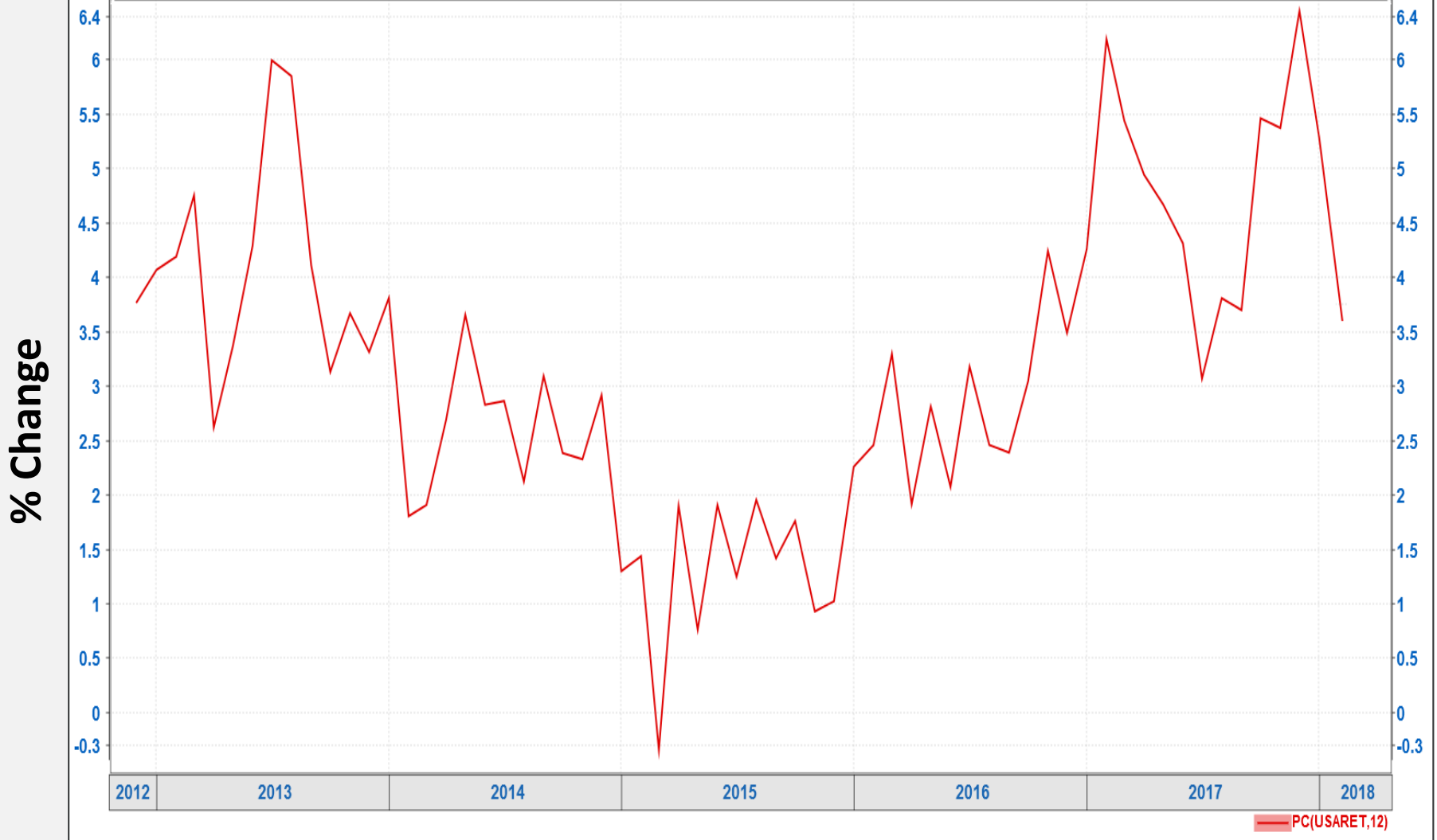
USA : TRADE BALANCE S/A (\$BN)  
Monthly 2008-10-31 to 2018-02-28



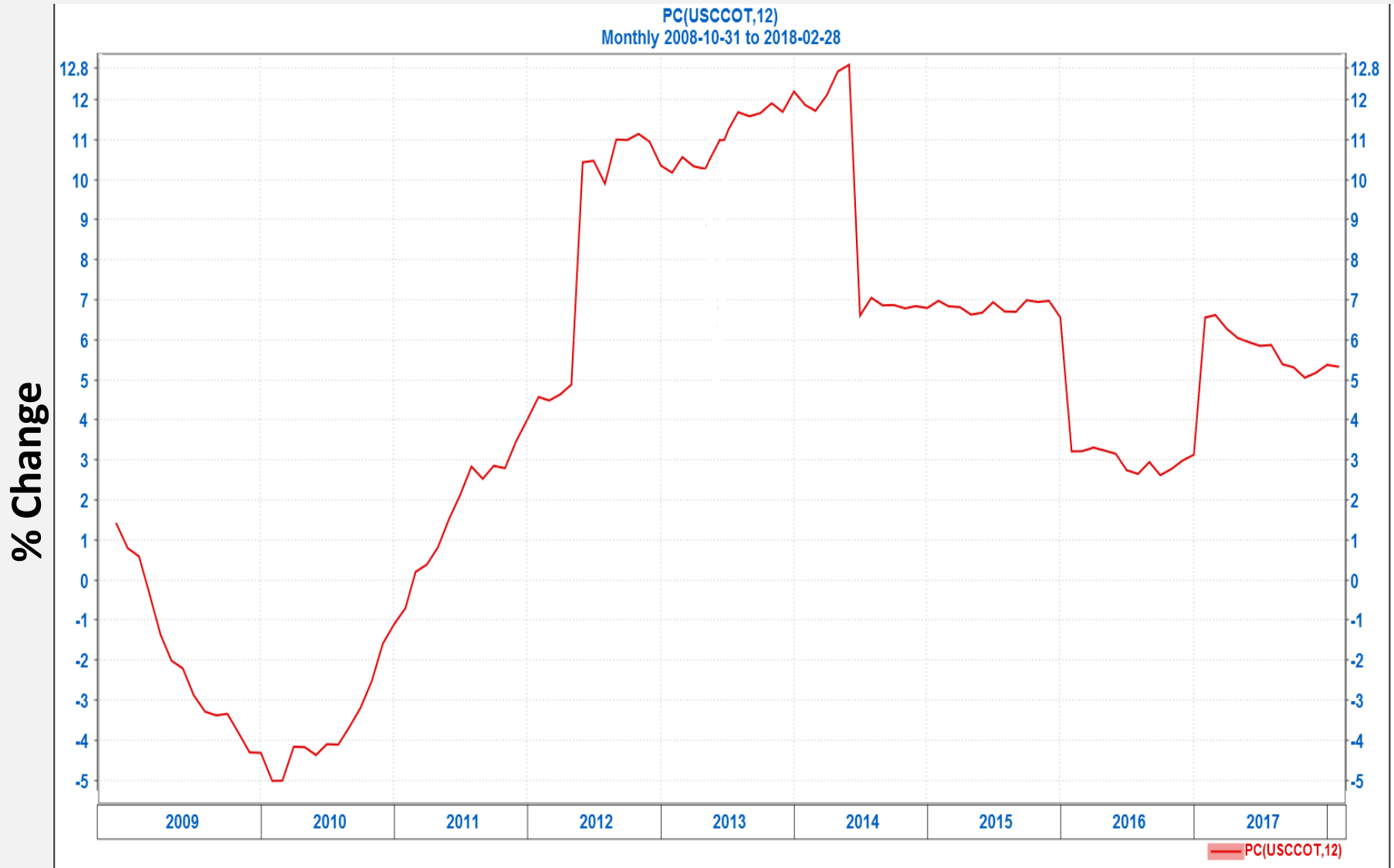
Period

# USA - Retail Sales

PC(USARET,12)  
Monthly 2012-10-31 to 2018-02-28

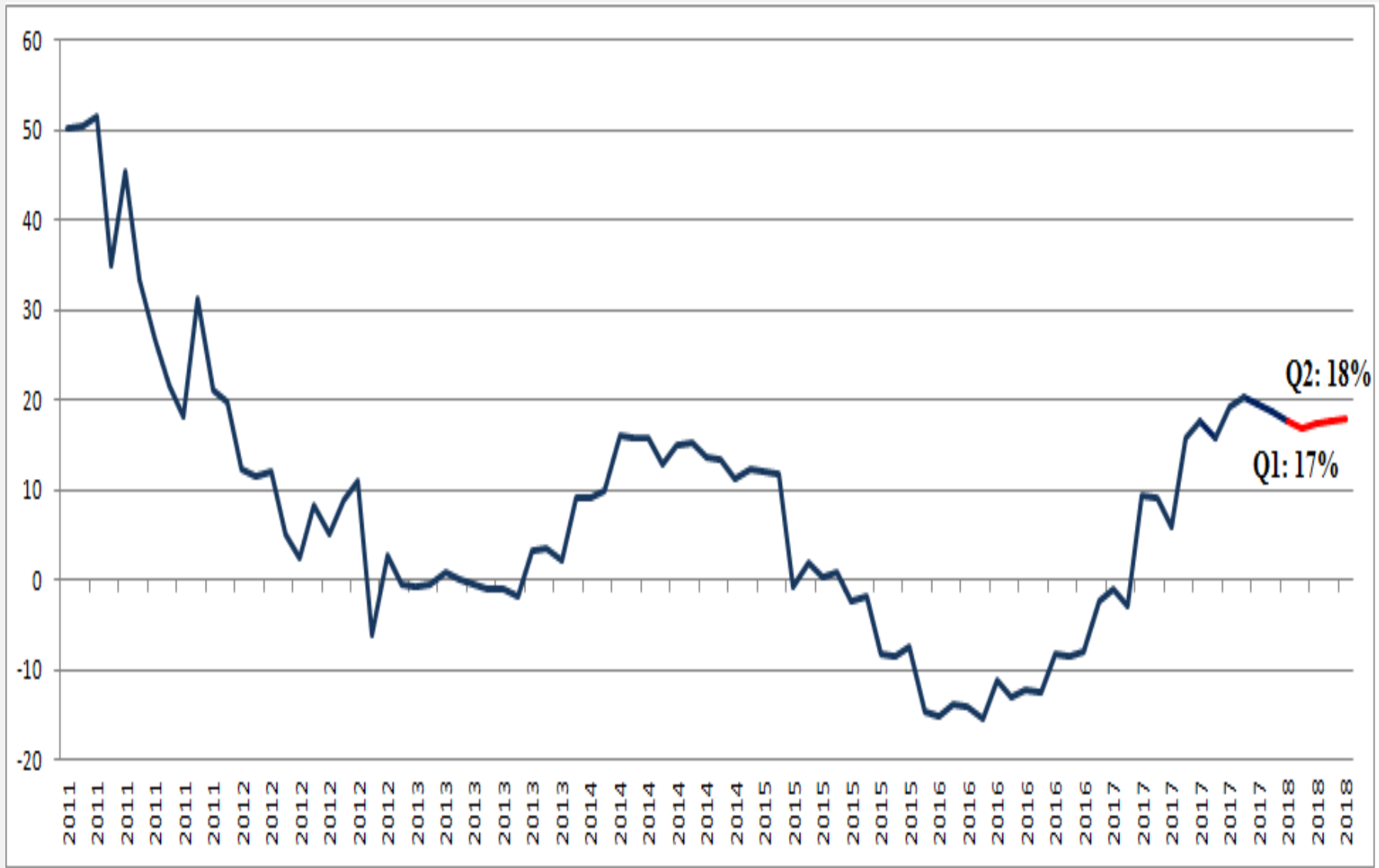


# USA – Consumer Credit



Period

# USA – S&P 500 Earnings Growth



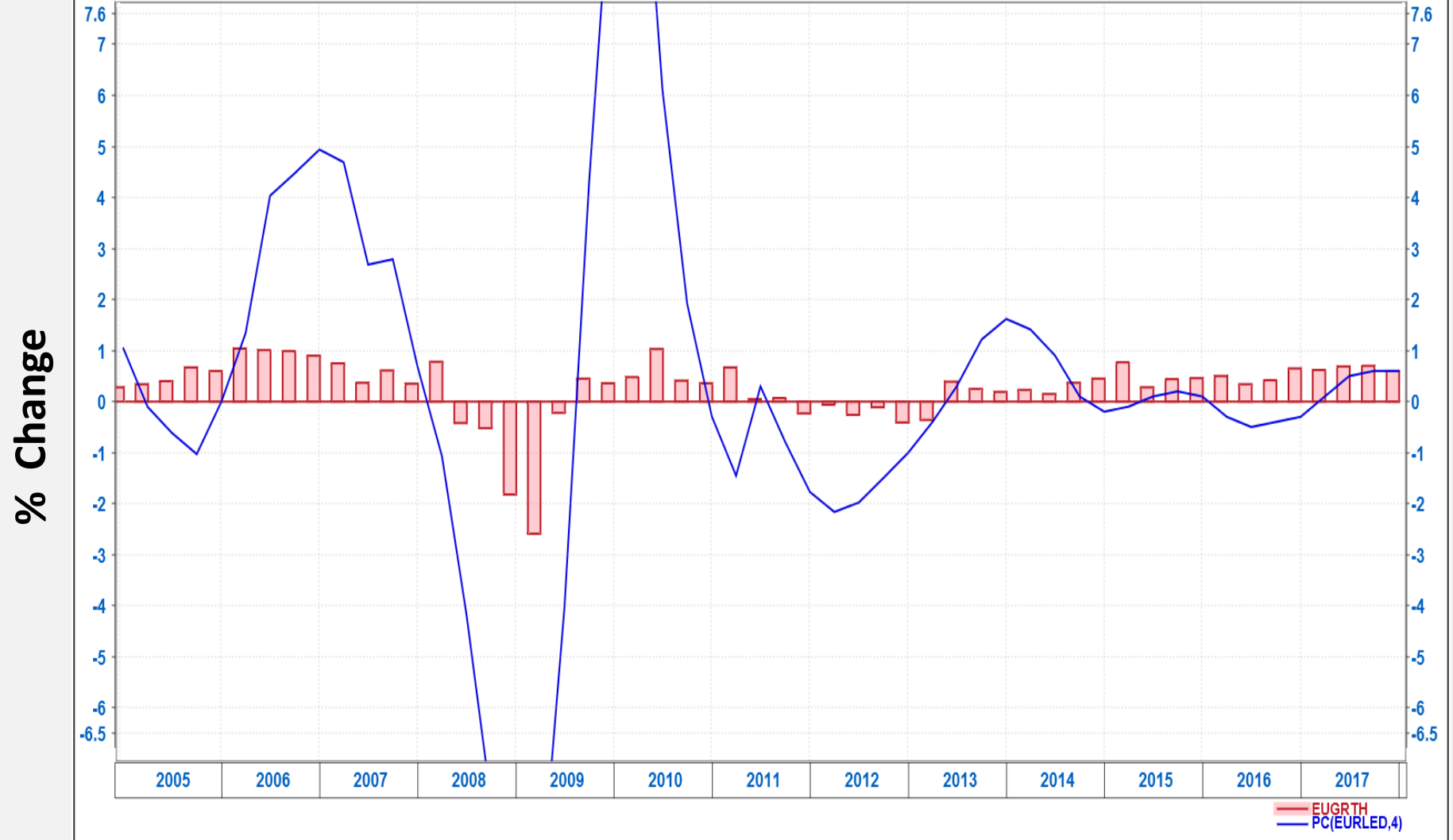
Period

## **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 and Inflation has stabilized at the 1.2% level. 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 2004-12-31 to 2017-12-31



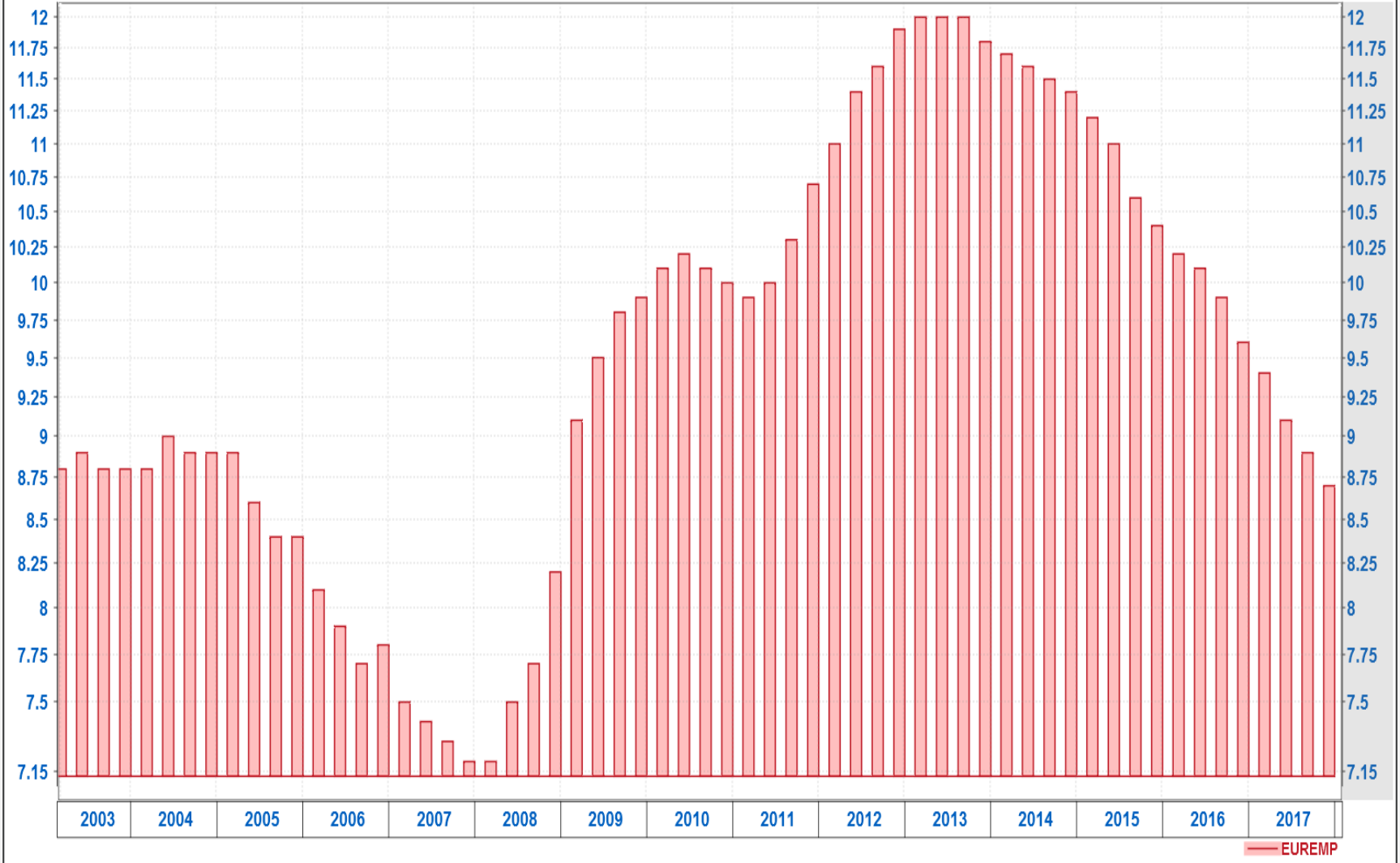
— Europe Growth Rate

— Europe Leading Indicator

Period

# Europe – Unemployment

EURO-ZONE : UNEMPLOYMENT RATE %  
Quarterly 2003-01-31 to 2017-12-31

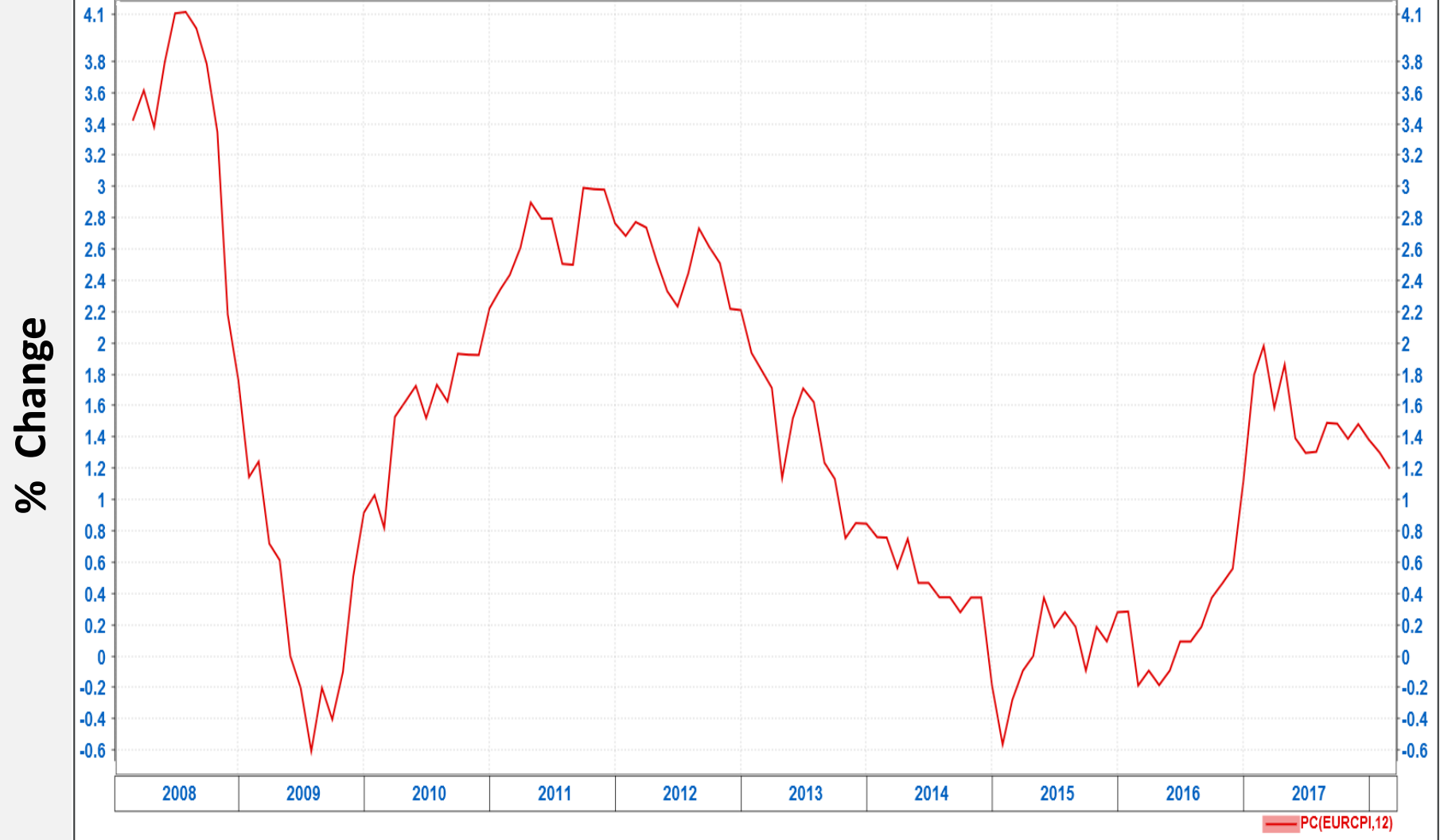


— EUREMP

Period

# Europe – Inflation

PC(EURCPI,12)  
Monthly 2008-01-31 to 2018-02-28



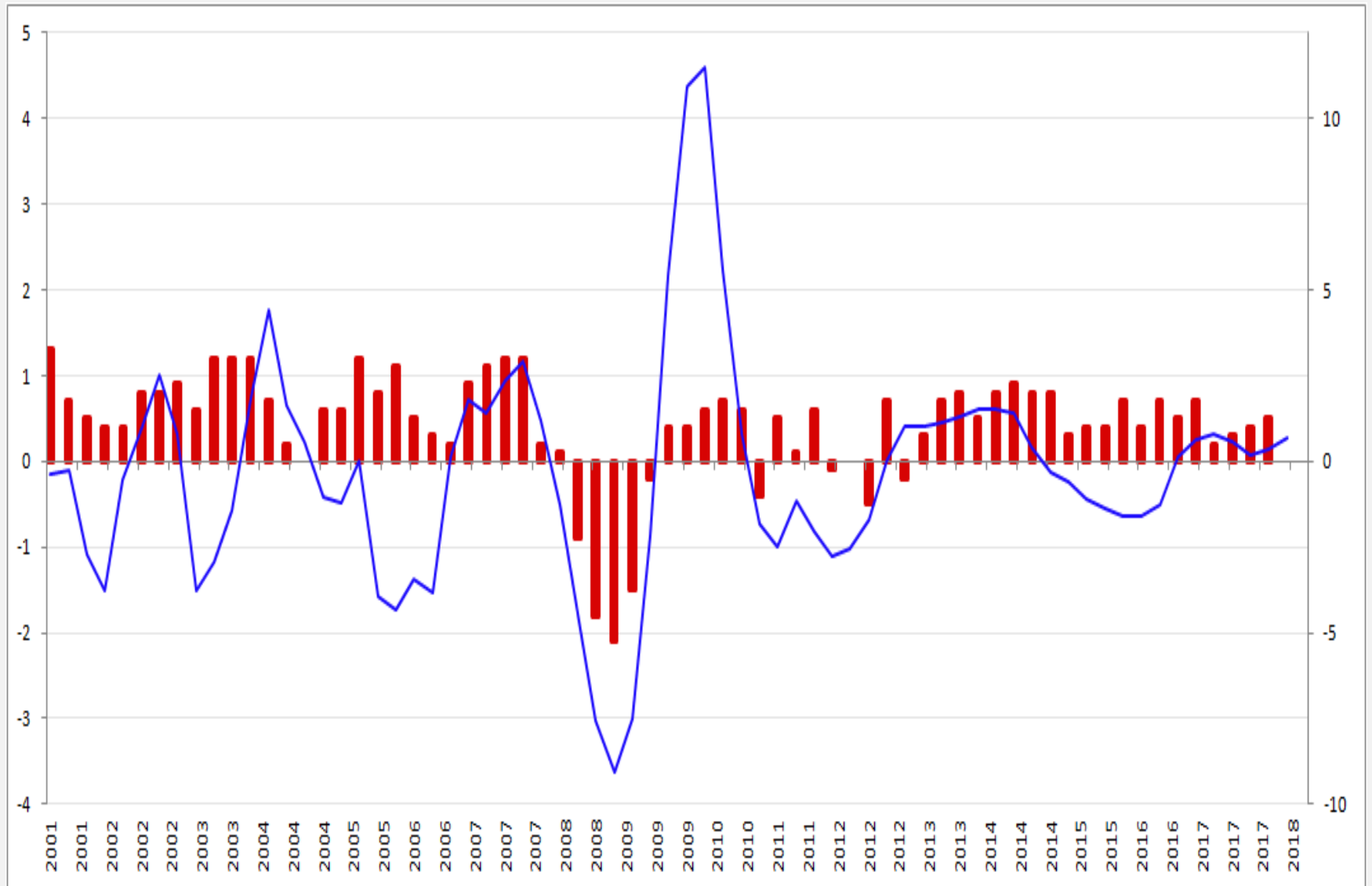
Period

## **United Kingdom:**

Economic growth is improving within the UK, and inflation is back down to the 3% level. Unemployment continues to move sideways. This supports the decision of the Bank of England who raised interest rates by 25 basis points in the beginning of November. But no further rate increases are expected as yet.

Earnings growth forecasts of companies are strong at 17.3% and 13.7% for Q1 and Q2 in 2018 respectively.

# UK – Economic Growth Rate Quarterly



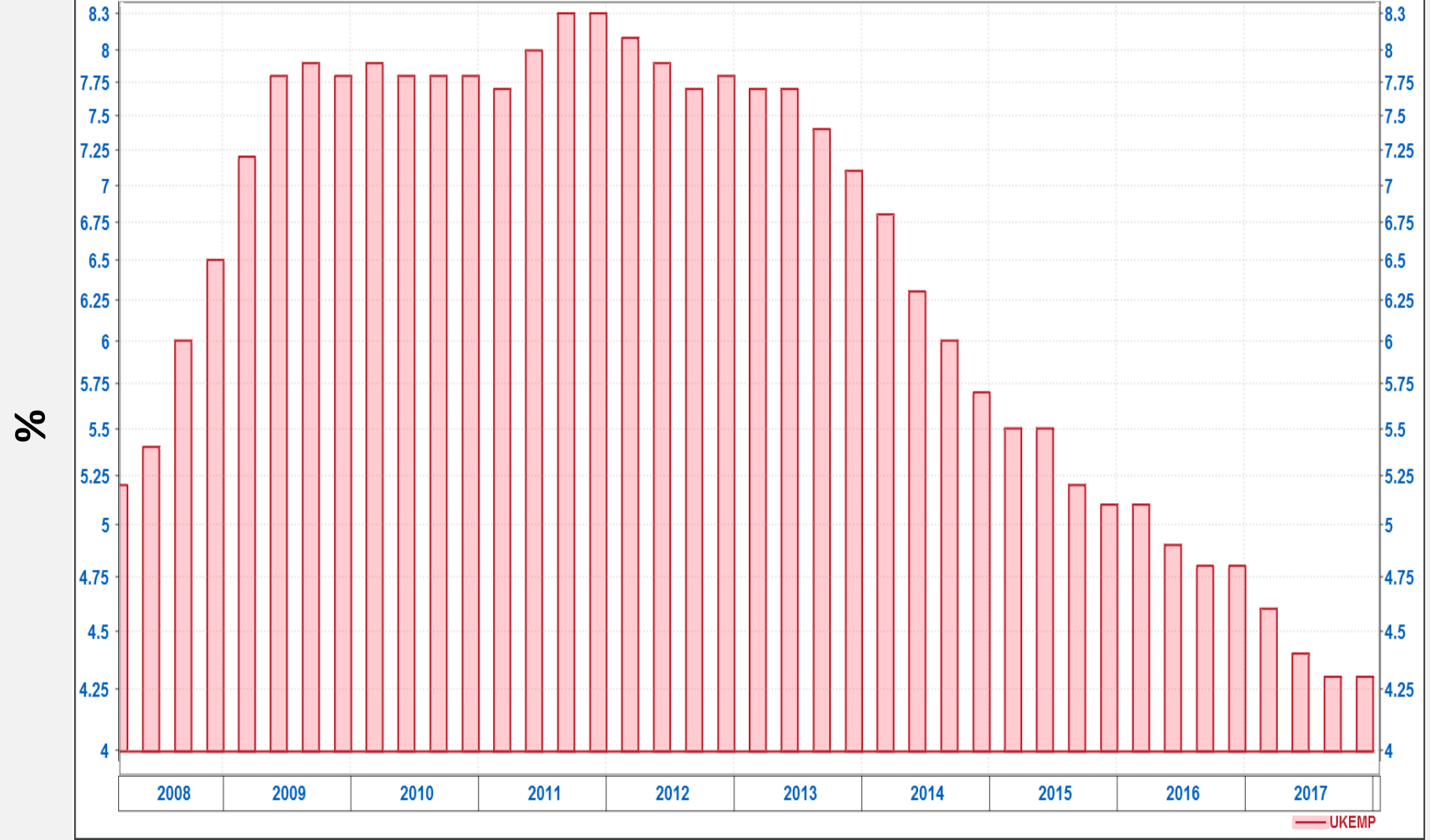
— UK Growth Rate

— UK Leading Indicator

Period

# UK – Unemployment

UK : UNEMPLOYMENT HARMONISED % S/A  
Quarterly 2008-03-31 to 2017-12-31



Period

# UK – Inflation

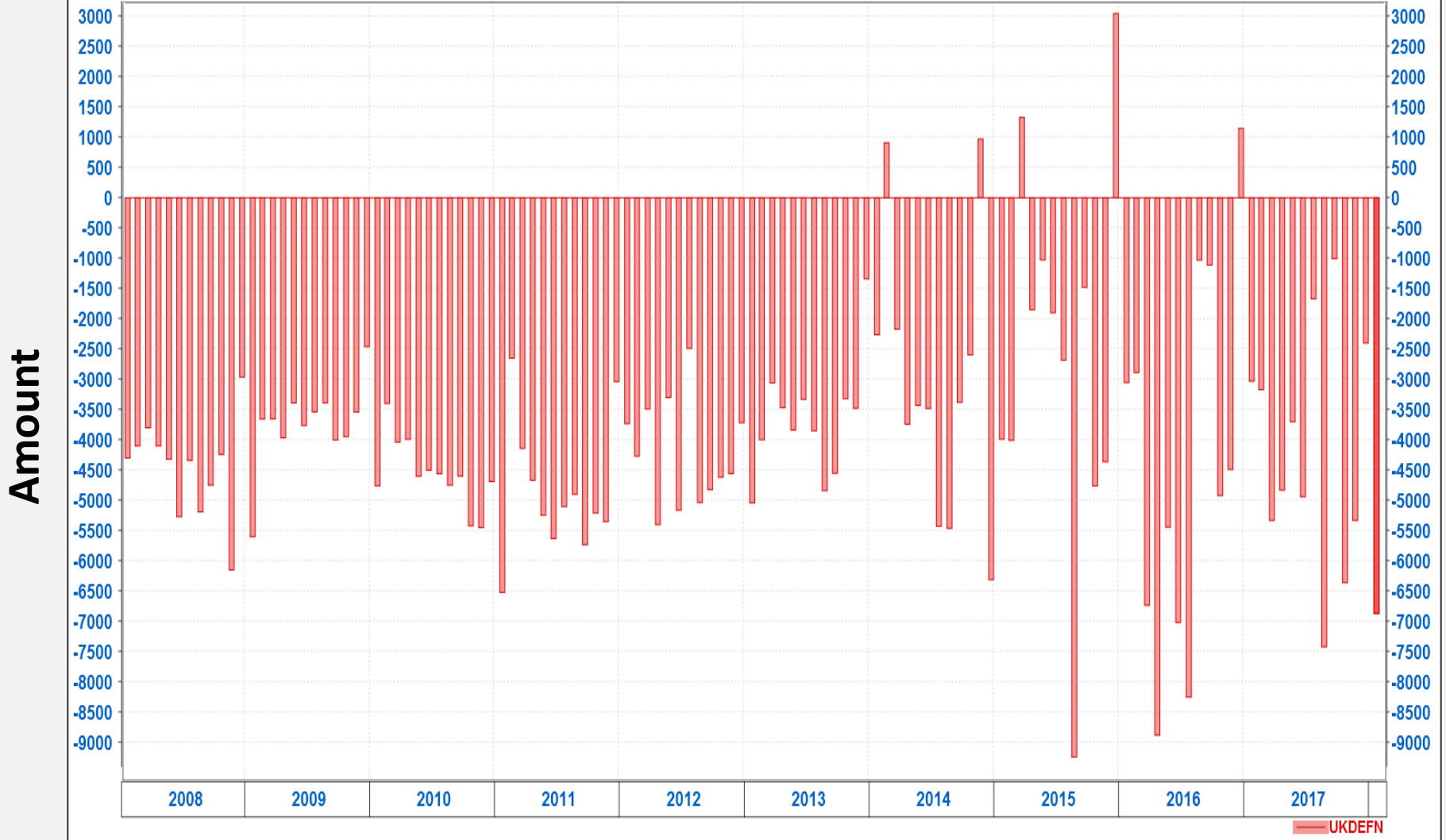
PC(UK CPI,12)  
Monthly 2008-01-31 to 2018-02-28



Period

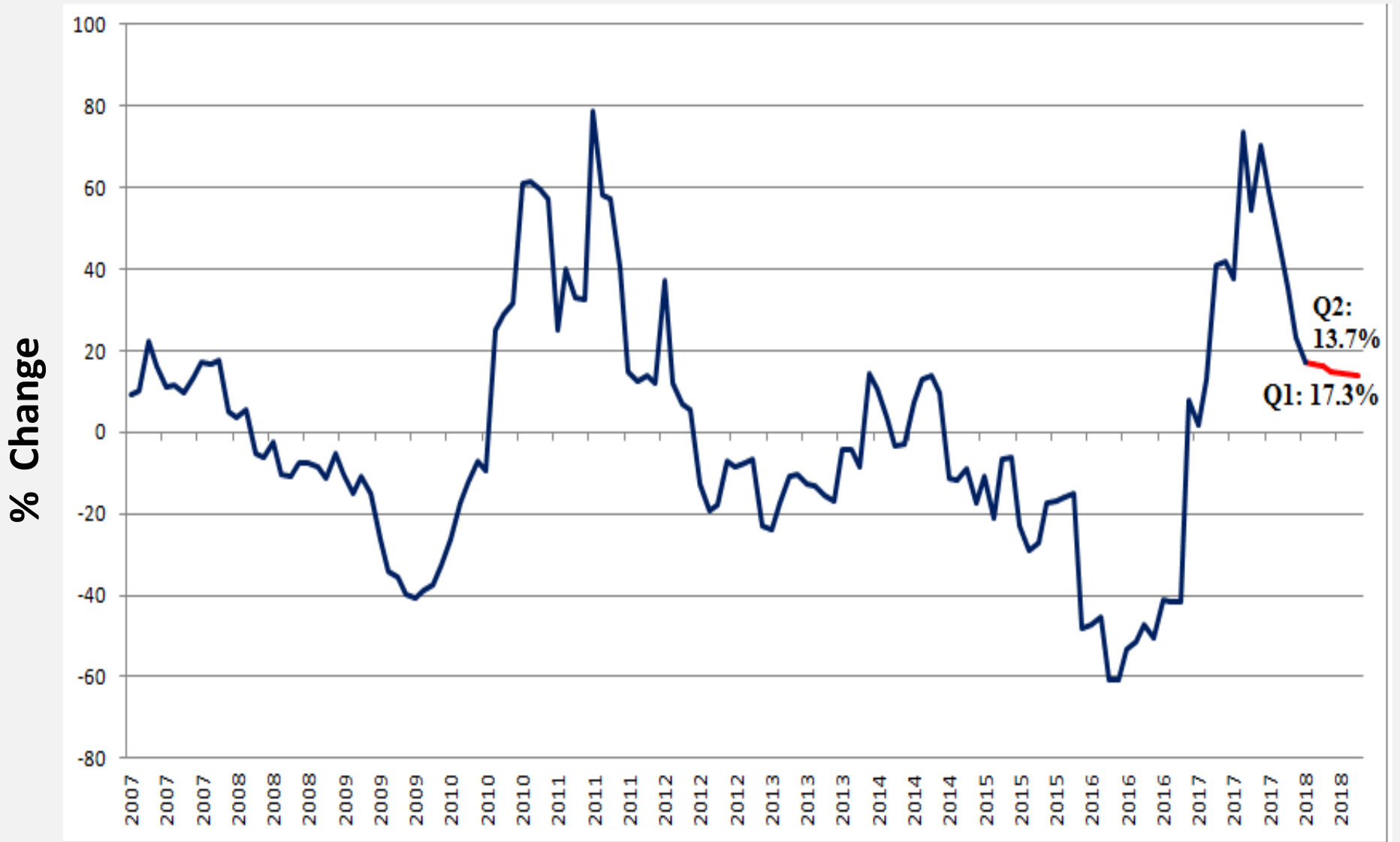
# UK – Trade Balance Deficit (£ Millions)

UK : TRADE BALANCE - NON-EU (STG MLN)  
Monthly 2008-01-31 to 2018-02-28



Period

# UK – FTSE 100 Earnings Growth



Period

# **South Africa Economic Indicators**

## South Africa:

Economic growth seems to be on the upswing within South Africa, although leading indicators suggest this might be short lived. Unemployment remains high, but Q4 of 2017 showed a slight improvement. Inflation remains well below the 5% level, comfortably within the Reserve Bank target. Both Consumer Credit and Retail Sales for January printed lower, after the increases seen in the December period. The Trade Balance Deficit seen in January 2018 was the highest on record, on the back of declining exports, more specifically in the motor industry which declined by 47%.

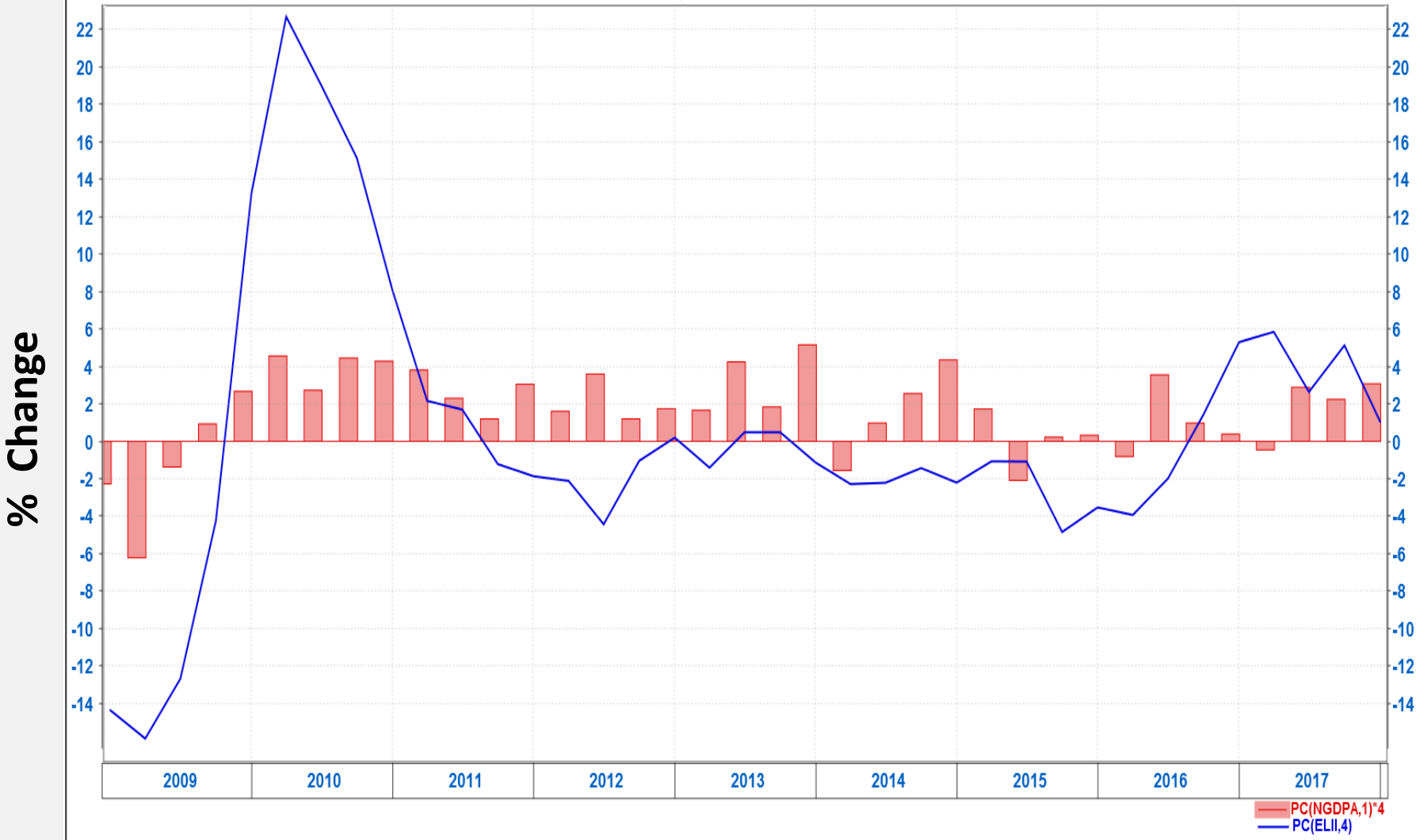
A further reduction in the interest rate in the near term is still likely. The increase in VAT and implementation of Sugar Tax may put upward pressure on inflation. Government is working on improving Public sector credit to avoid further Credit Downgrades.

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

Earnings growth of SA companies is expected to pick up to 26.27% for Q1 of 2018.

# South Africa – Economic Growth Rate Quarterly

PC(NGDPA,1)\*4 , Percentage Change 4 of LEADING INDICATOR (2010=100)  
Quarterly 2008-12-31 to 2017-12-31



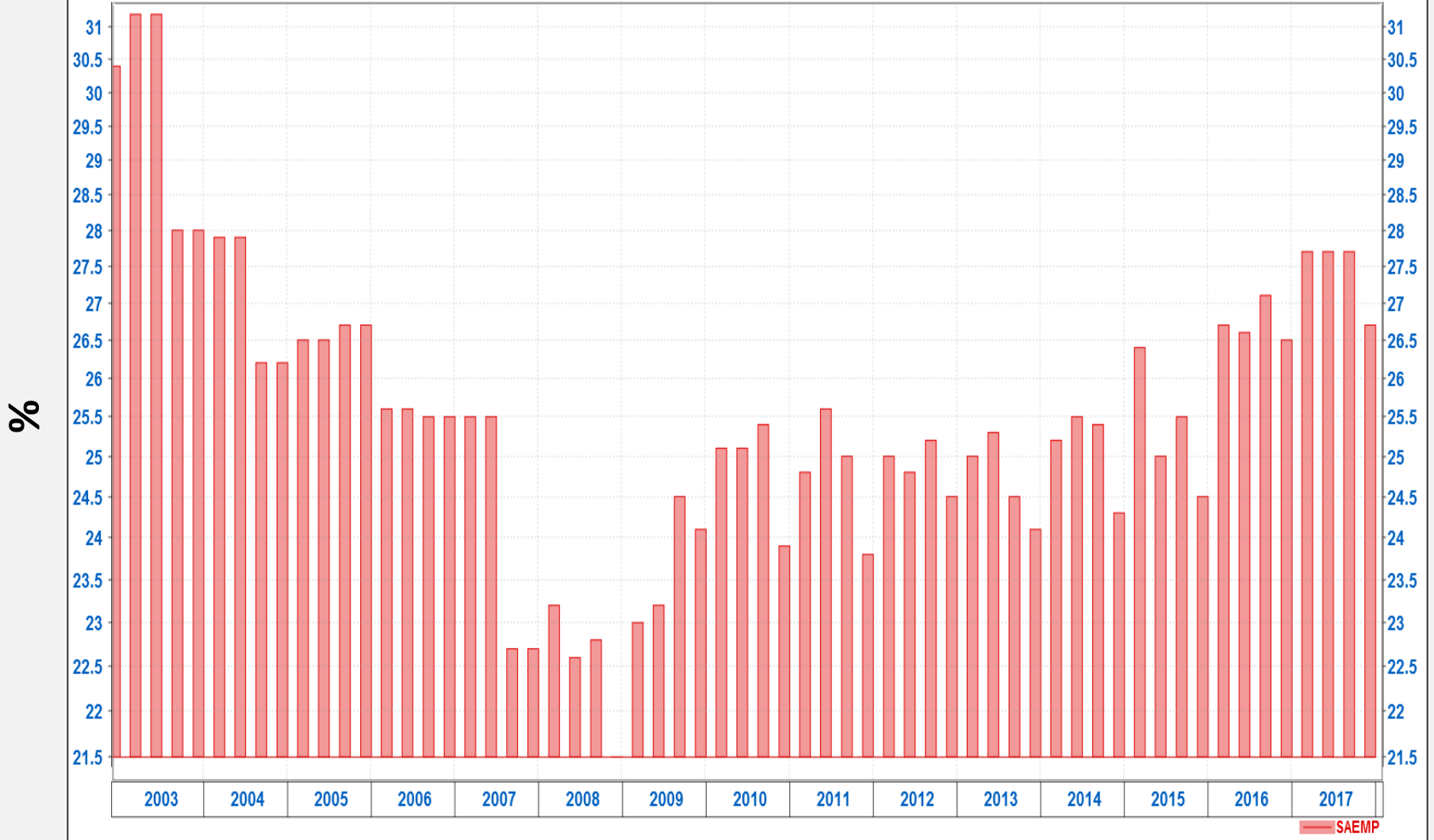
— South Africa Growth Rate

— South Africa Leading Indicator

Period

# South Africa – Unemployment

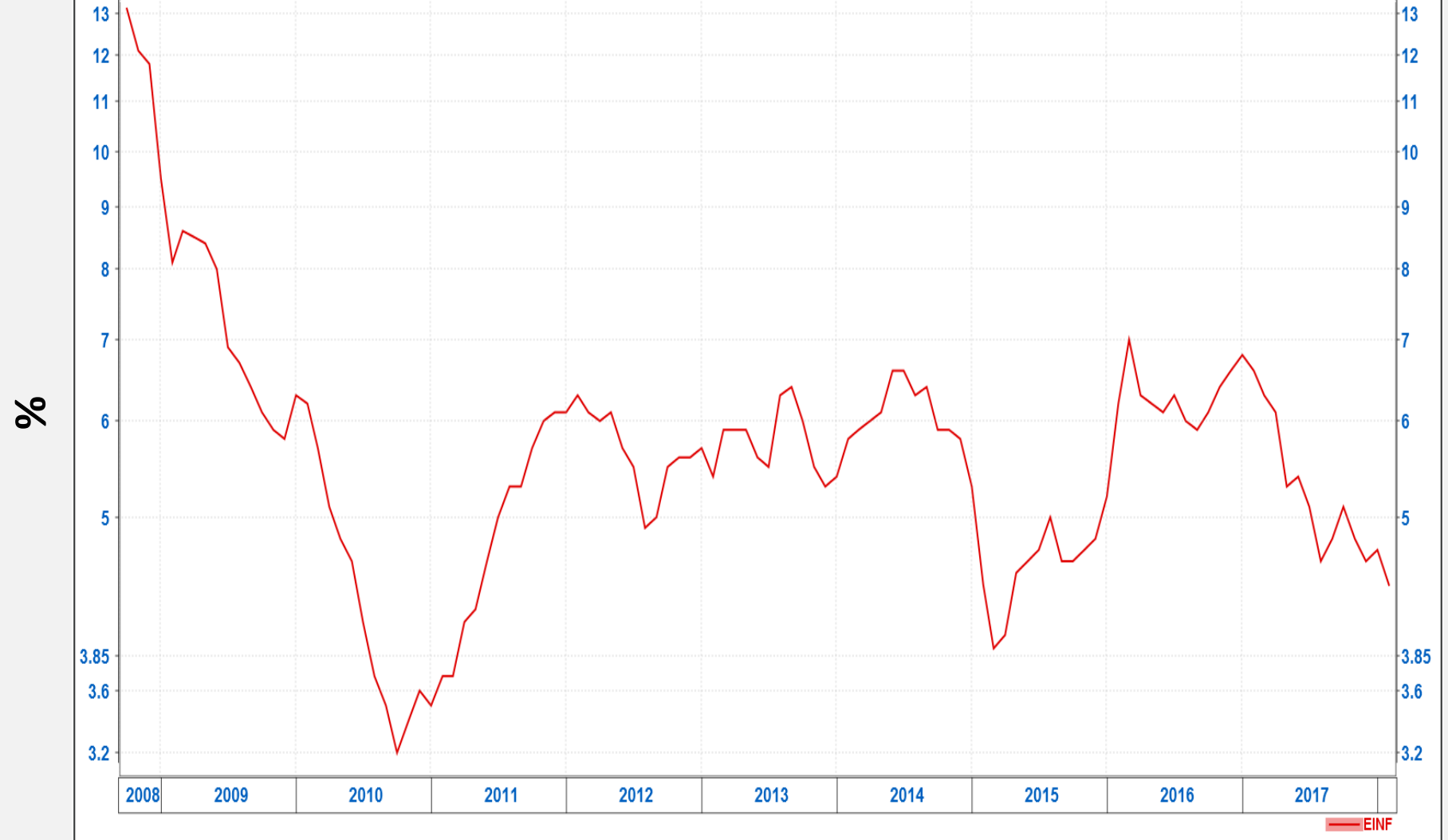
EMPLOYMENT : OFFICIAL UNEMPLOYMENT RATE (ILO)  
Quarterly 2002-12-31 to 2017-12-31



Period

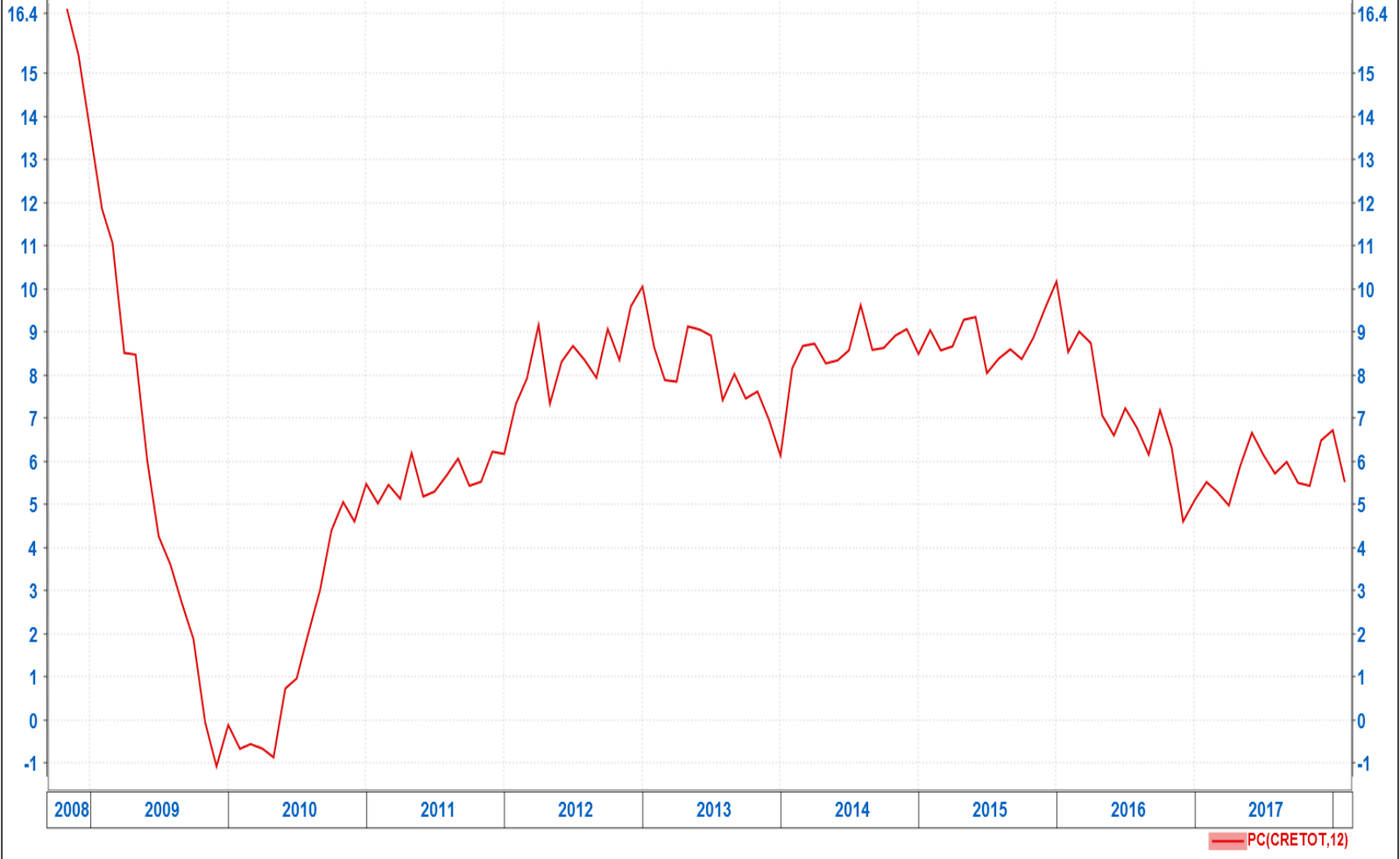
# South Africa – Inflation Rate

INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2008-09-30 to 2018-01-31



# South Africa – Consumer Credit

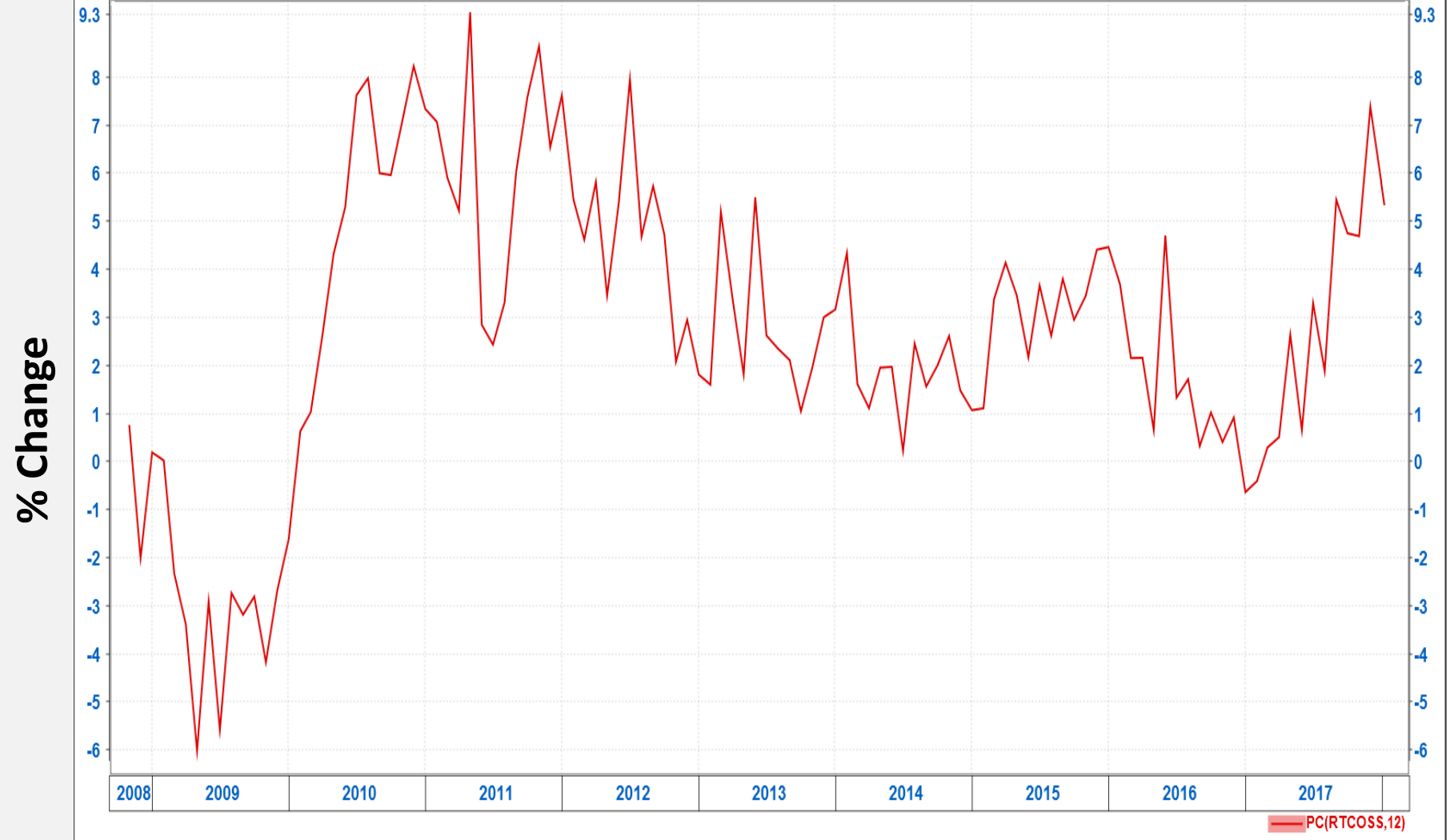
PC(CRETOT,12)  
Monthly 2008-09-30 to 2018-01-31



Period

# South Africa – Retail Sales

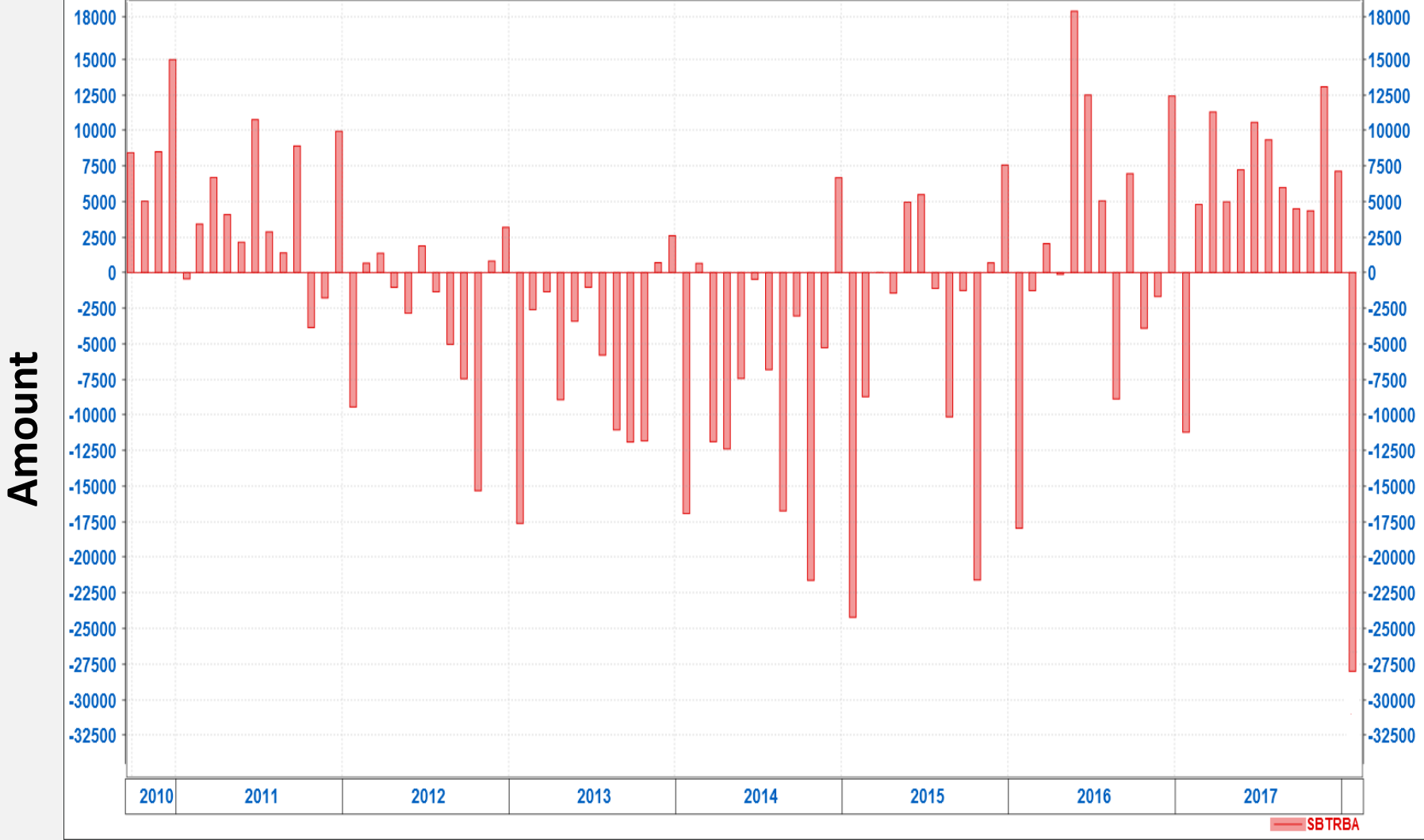
PC(RTCOSS,12)  
Monthly 2008-09-30 to 2018-01-31



Period

# South Africa – Trade Balance Surplus(ZAR Million)

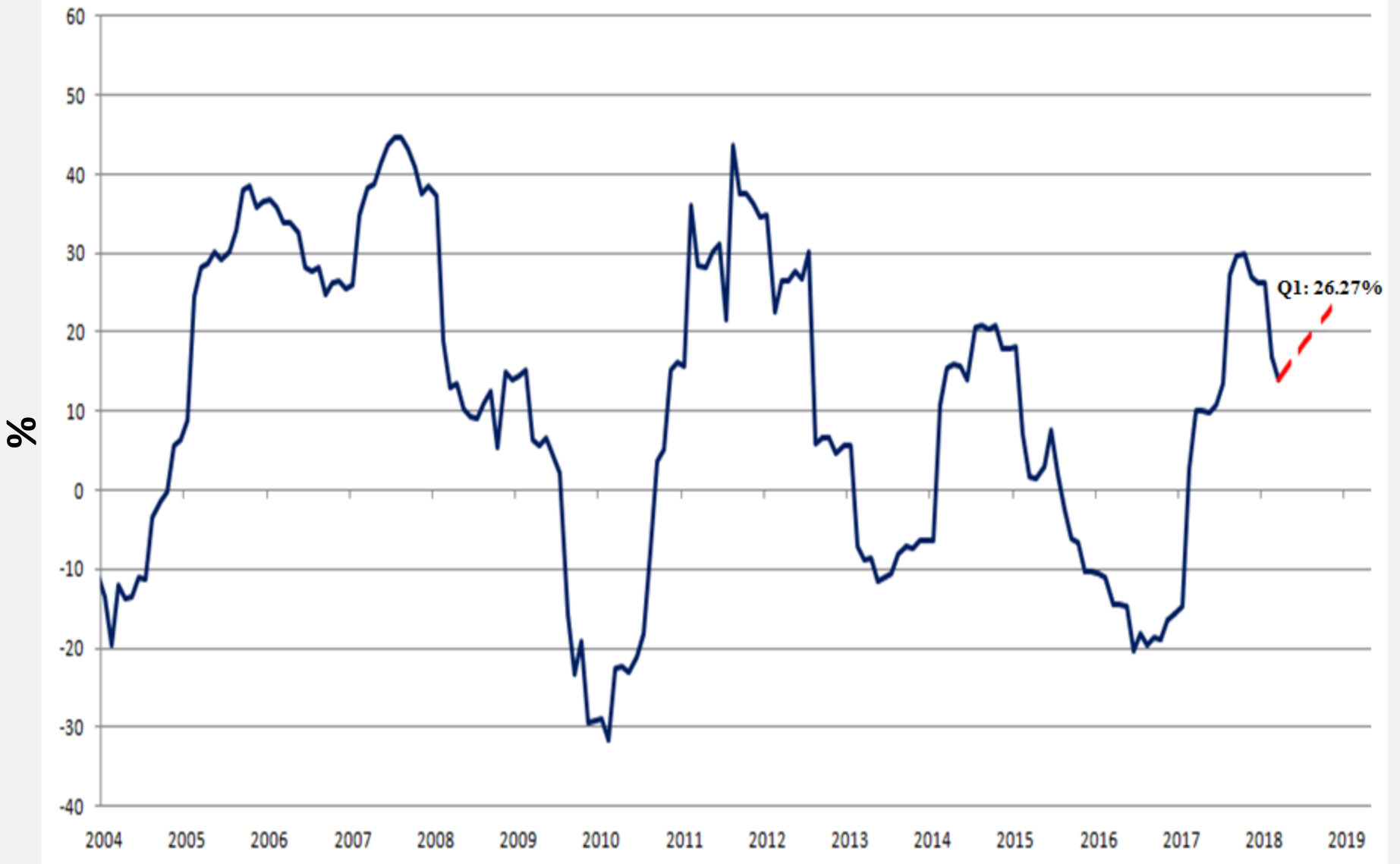
TRADE BALANCE (R M) - SA+BLNS - ADJUSTED  
Monthly 2010-09-30 to 2018-01-31



Period



# S.A. All Share Earnings Forecast



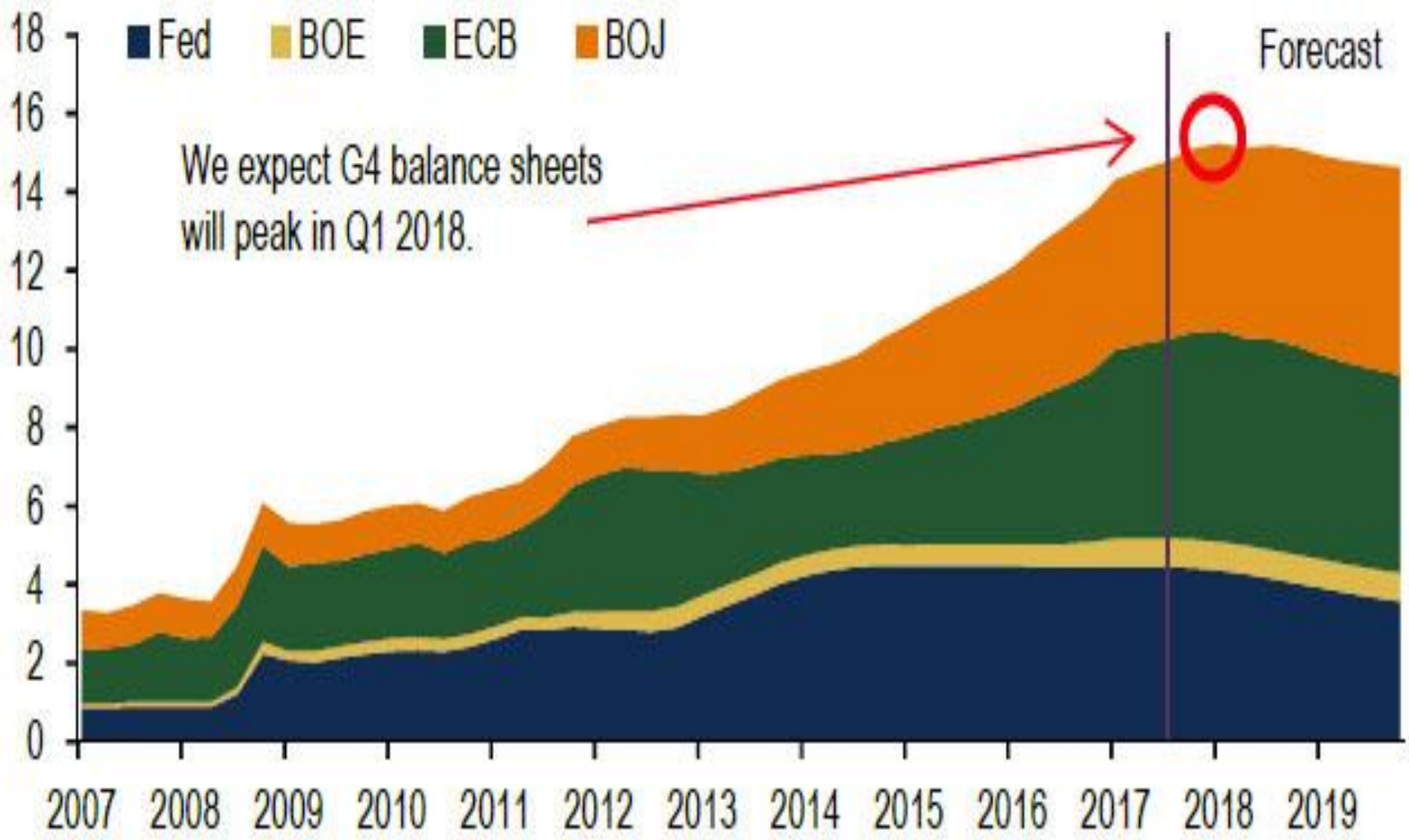
Period

# **Central Bank Policies**

## **Central Bank Policies:**

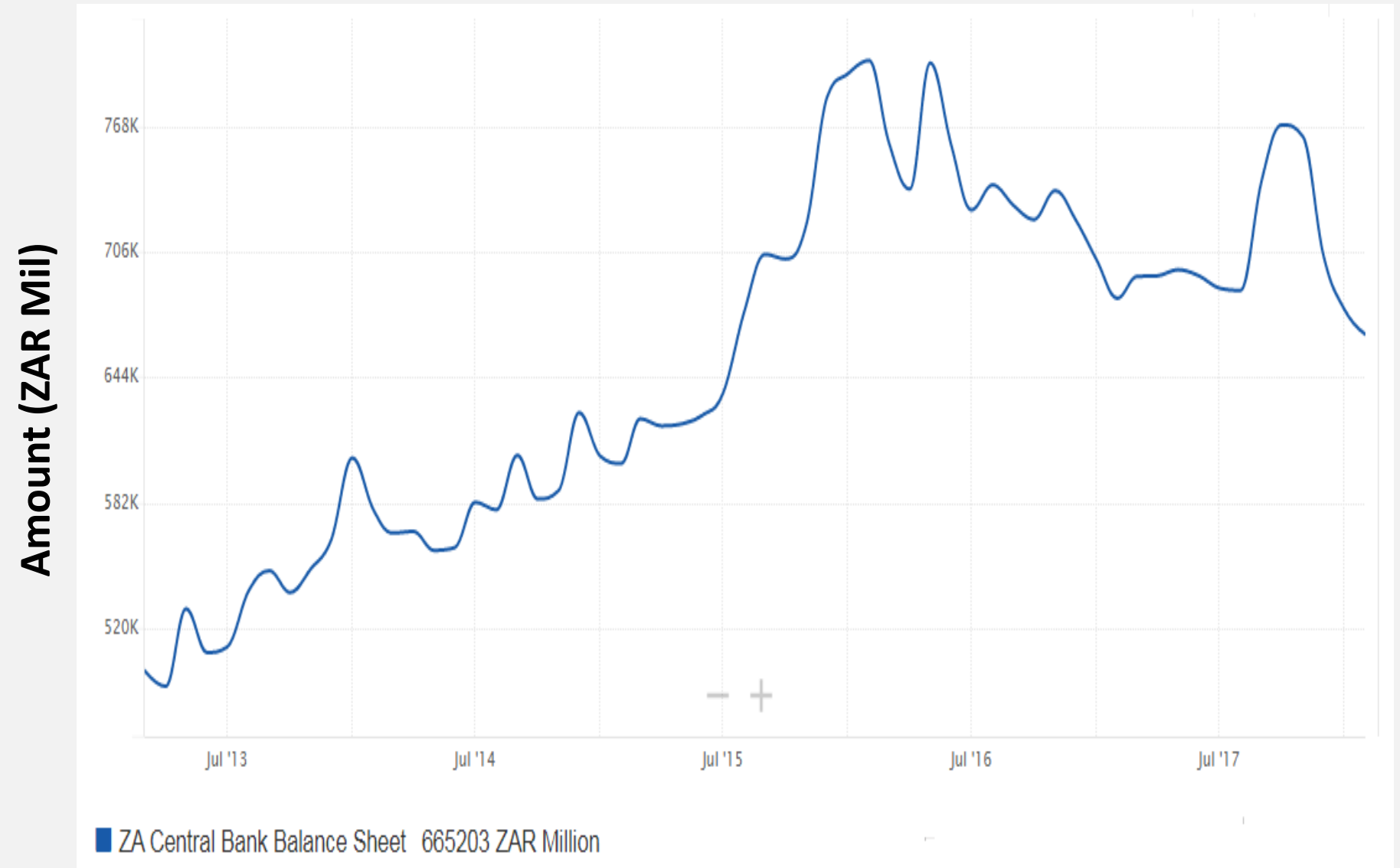
Central Banks have begun cutting back their expansionary policies, which has been in place since the financial crisis of 2008. This can lead to higher interest rates and a slowdown in the increase of share prices.

Chart 8: We forecast G4 balance sheets will peak and finally begin to decline in Q1 2018, further evidence that central bank support for markets is shifting



Source: BofA Merrill Lynch Global Research, Haver Analytics

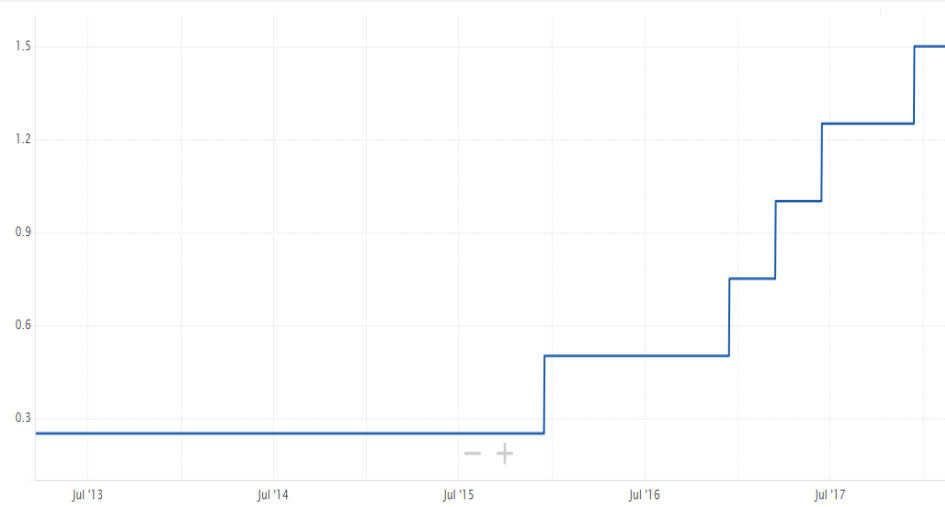
# South Africa Central Bank Balance Sheet



Period

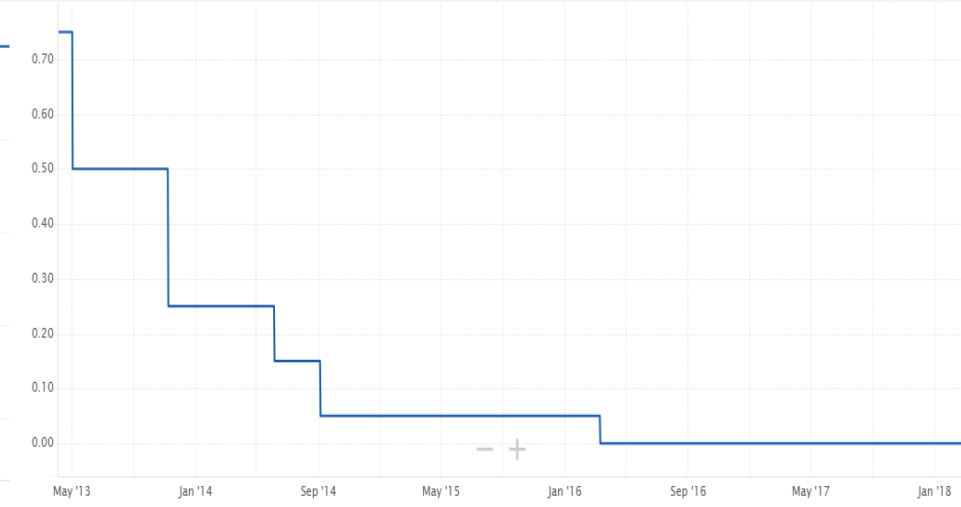
# Central Bank Interest Rate

## Federal Reserve Interest Rate



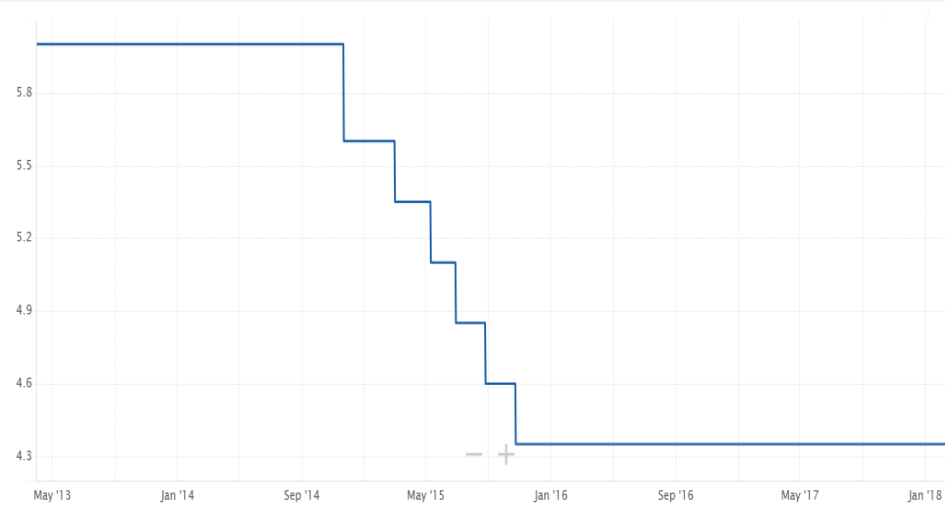
■ US Interest Rate 1.5 percent

## European Central Bank Interest Rate



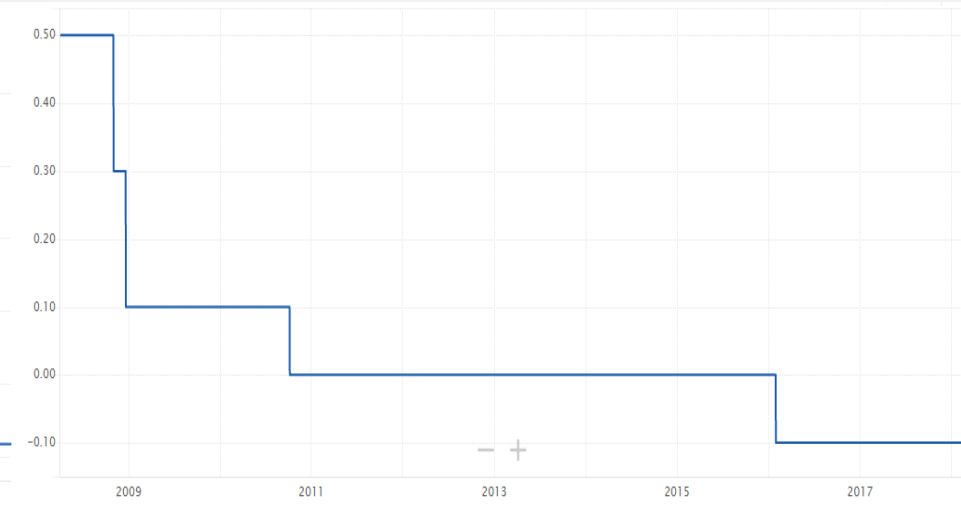
■ EA Interest Rate 0.00 percent

## China Central Bank Interest Rate



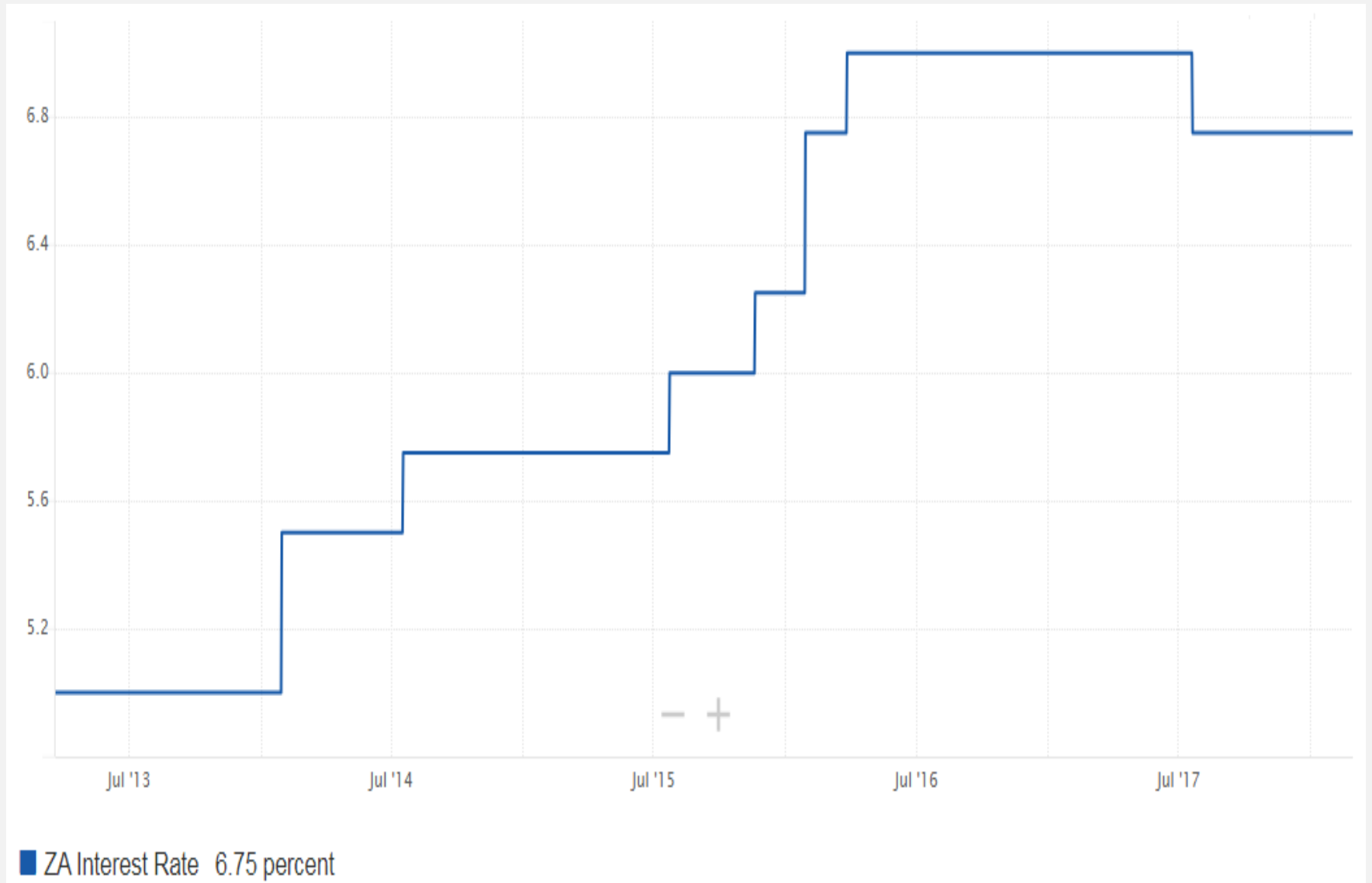
■ CN Interest Rate 4.35 percent

## Japan Central Bank Interest Rate



■ JP Interest Rate -0.10 percent

# SARB Interest Rate



Period



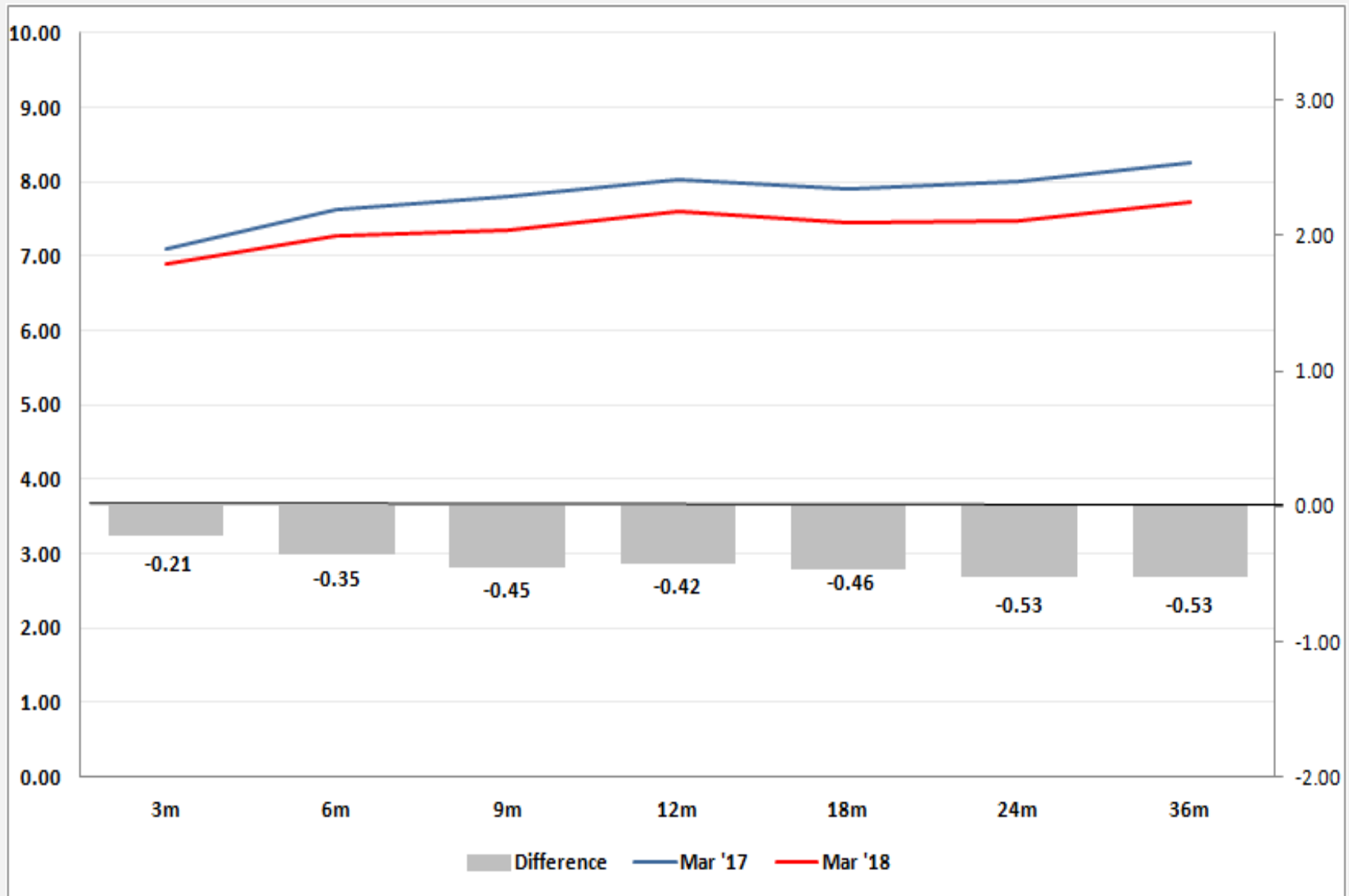
# Money Market

## **Money Market:**

The total yield curve has moved lower year on year, with FRA's indicating a further decline in rates in the short term. However, rates are still more likely to move sideways in the long term as there is too much uncertainty in the economy.

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

# South Africa – Money Market Rates



— Difference

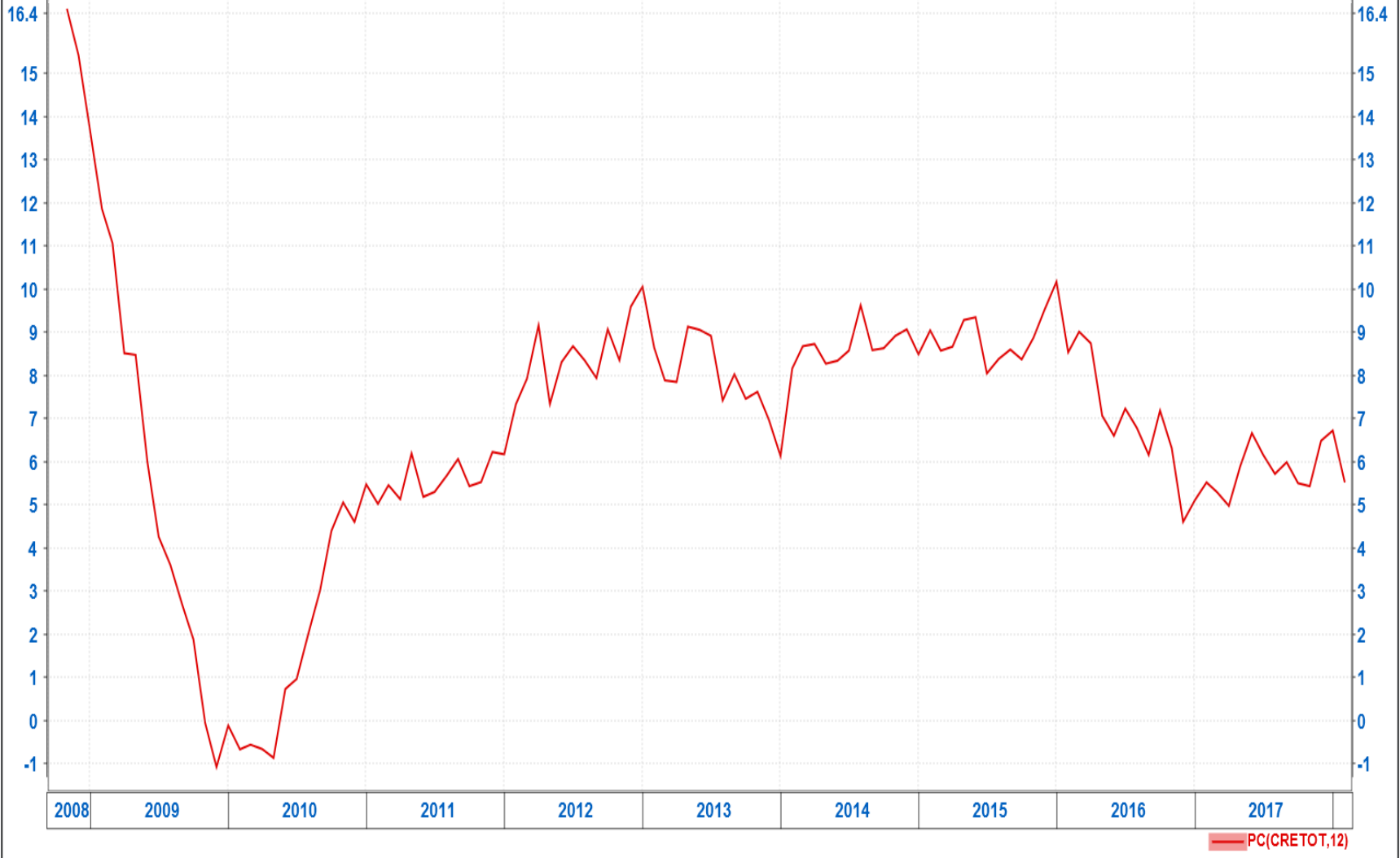
— Mar 2017

— Mar 2018

Period

# South Africa – Consumer Credit

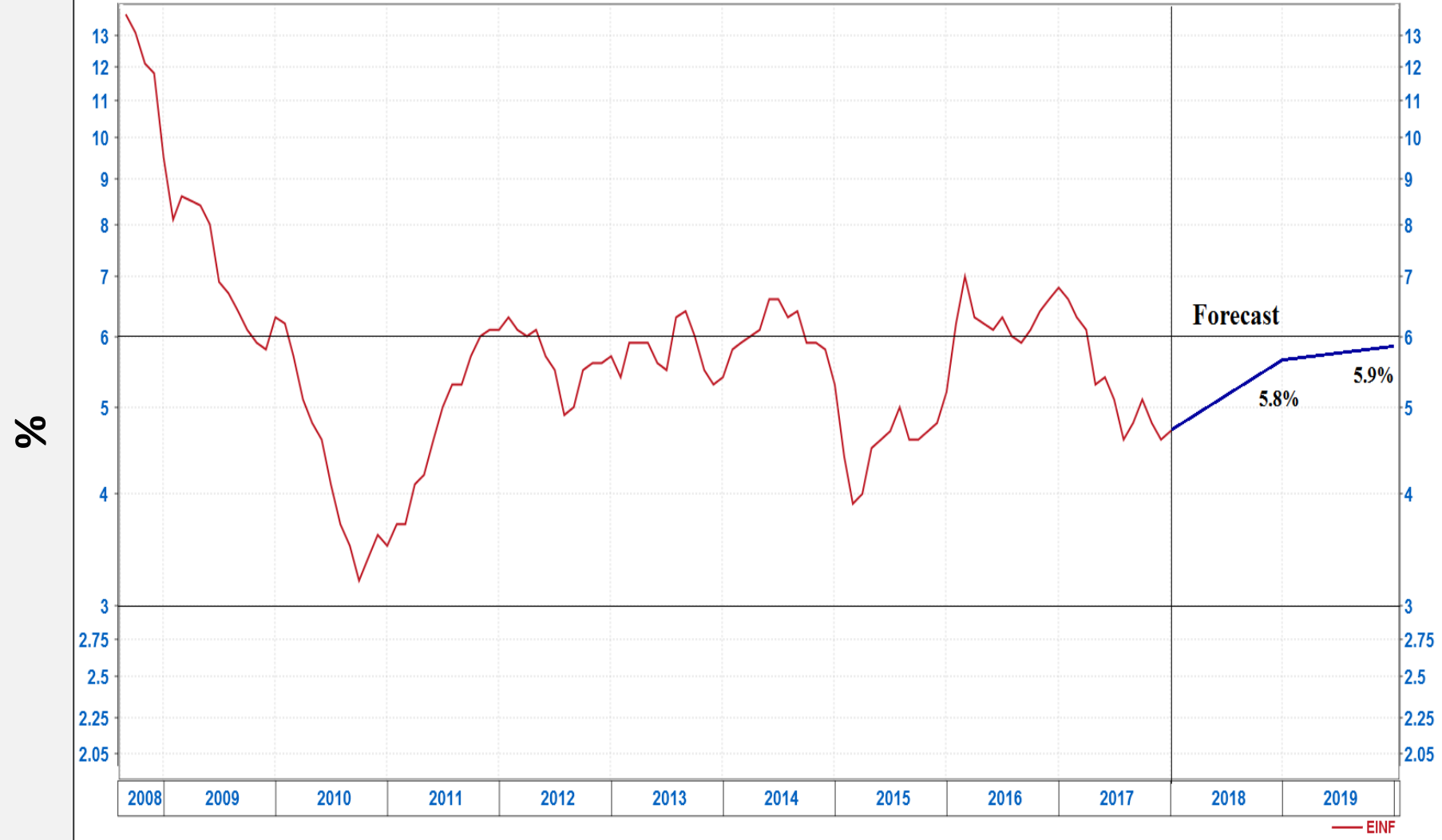
PC(CRETOT,12)  
Monthly 2008-09-30 to 2018-01-31



Period

# SARB Inflation Expectation

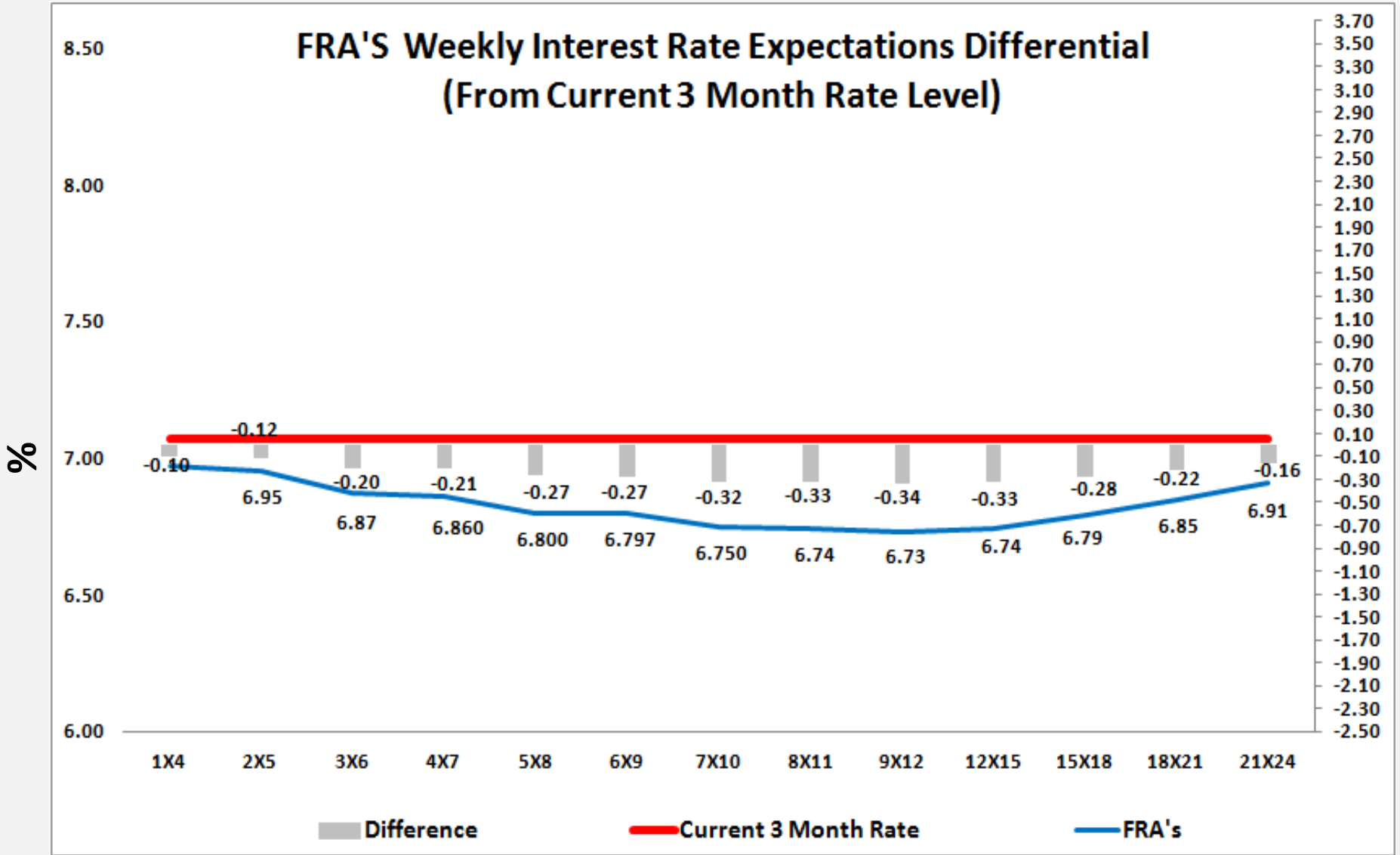
INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2008-08-31 to 2019-12-31



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

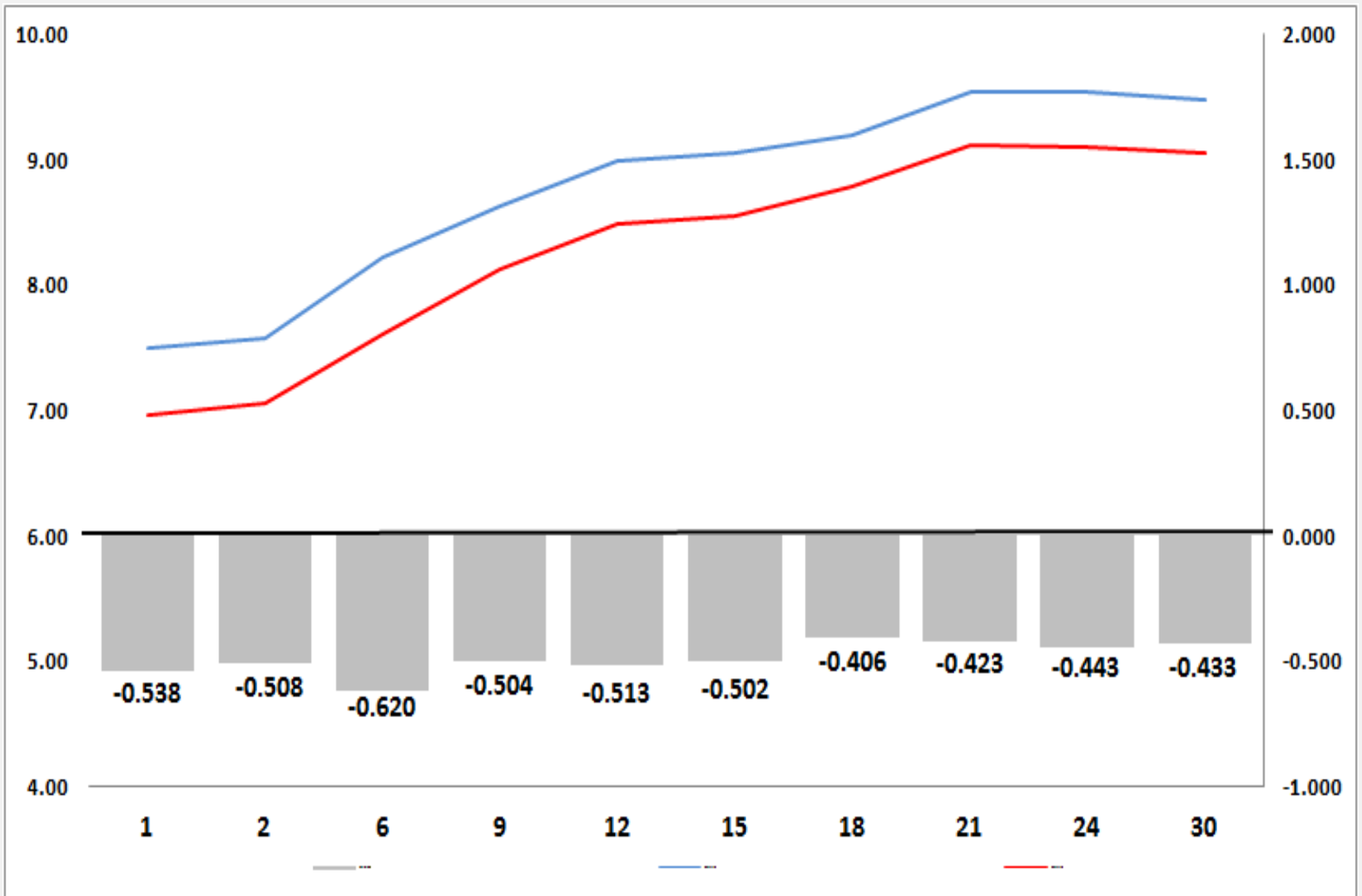
# Capital Market

## **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 buyers during the month of February on the back of President Cyril Ramaposa's election as the new leader of the ANC. Current benchmark rates continue to strengthen, but is unlikely to go below the 8% level.

We maintain a hold recommendation.

# South Africa –Yield Curve



— Difference

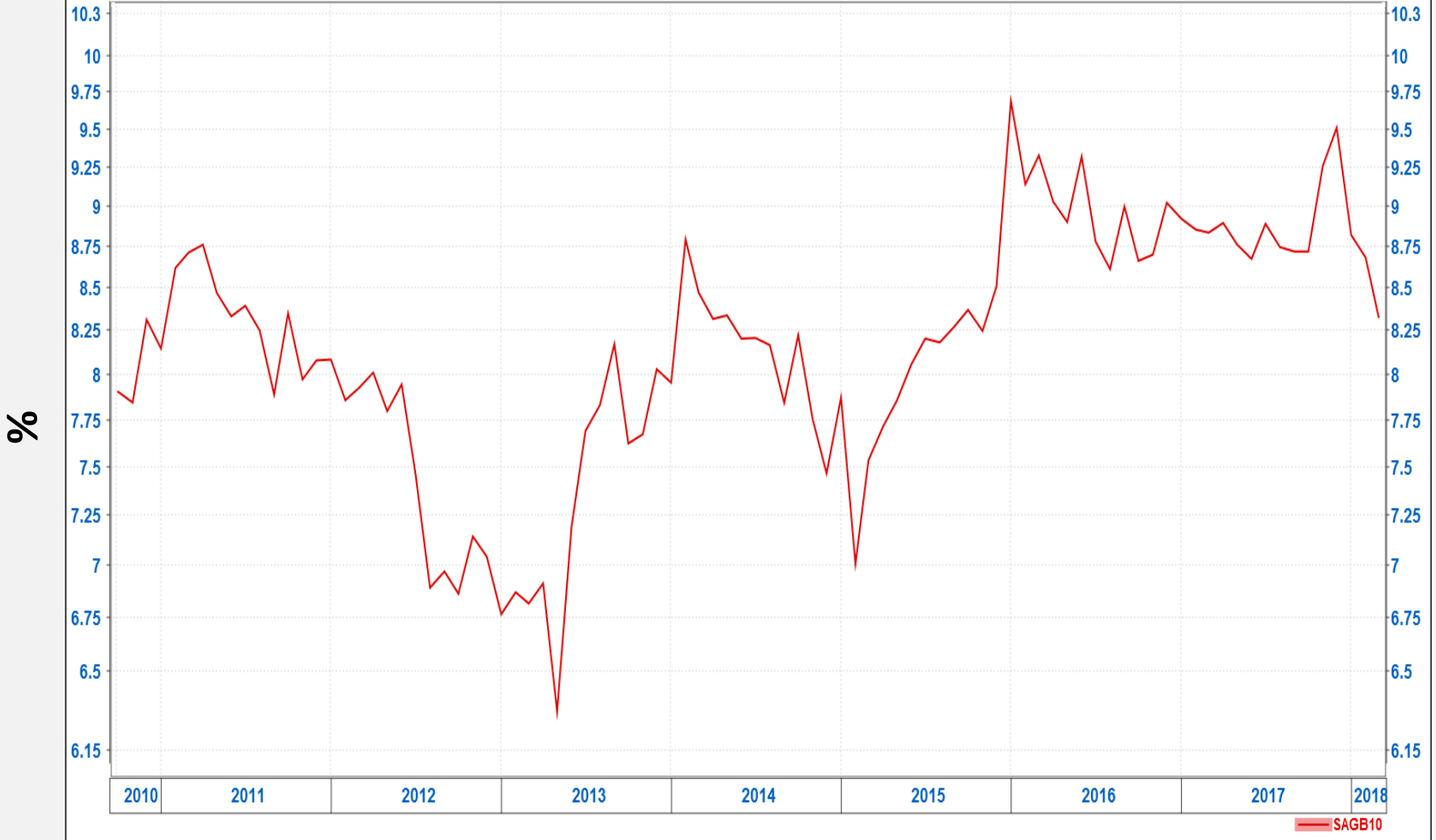
— Mar 2017

— Mar 2018

Period

# SA 10Year Bond Rate

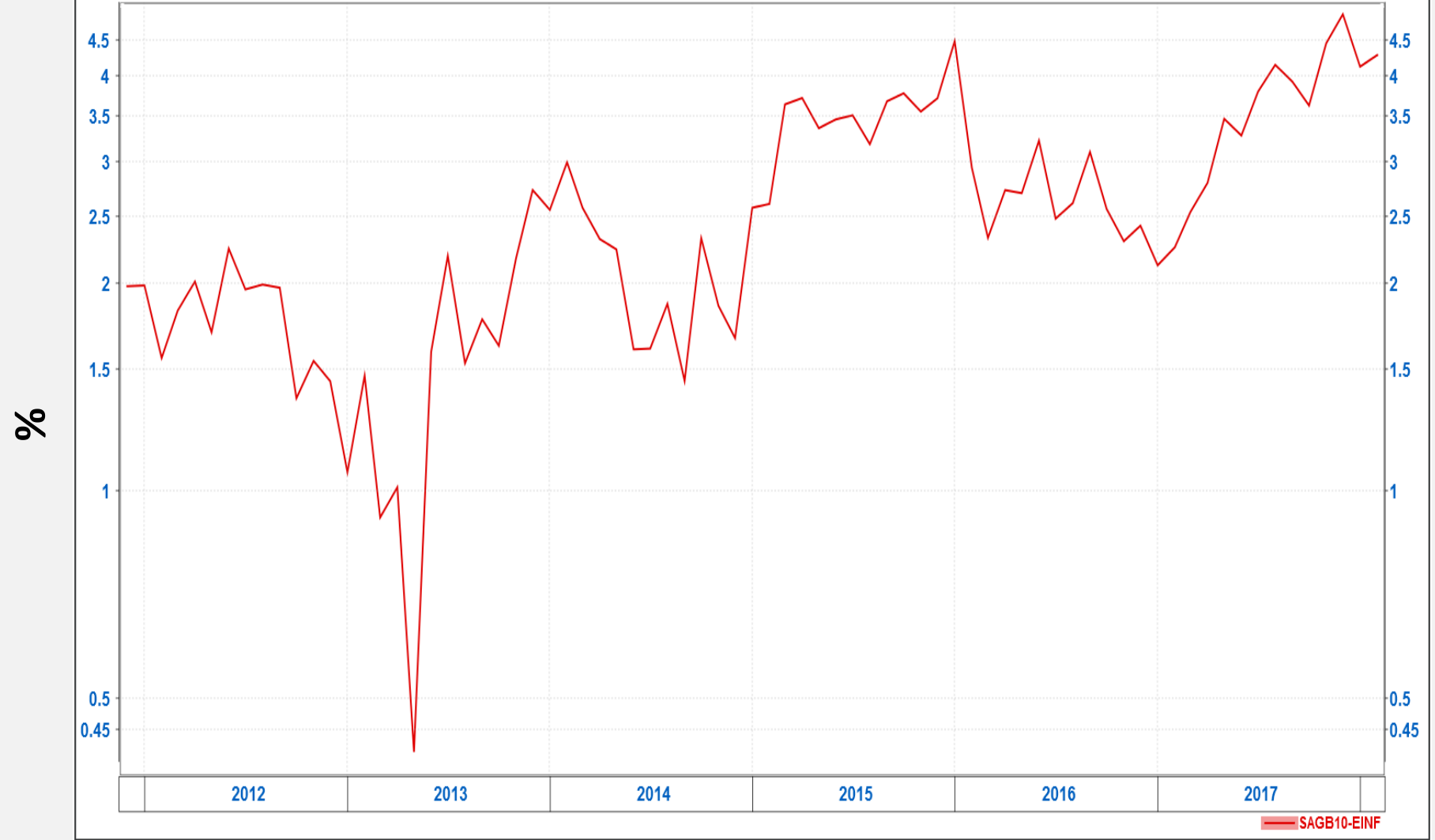
SA : GOVT 10 YEAR BOND  
Monthly 2010-09-30 to 2018-02-28



Period

# SA Real Interest Rate

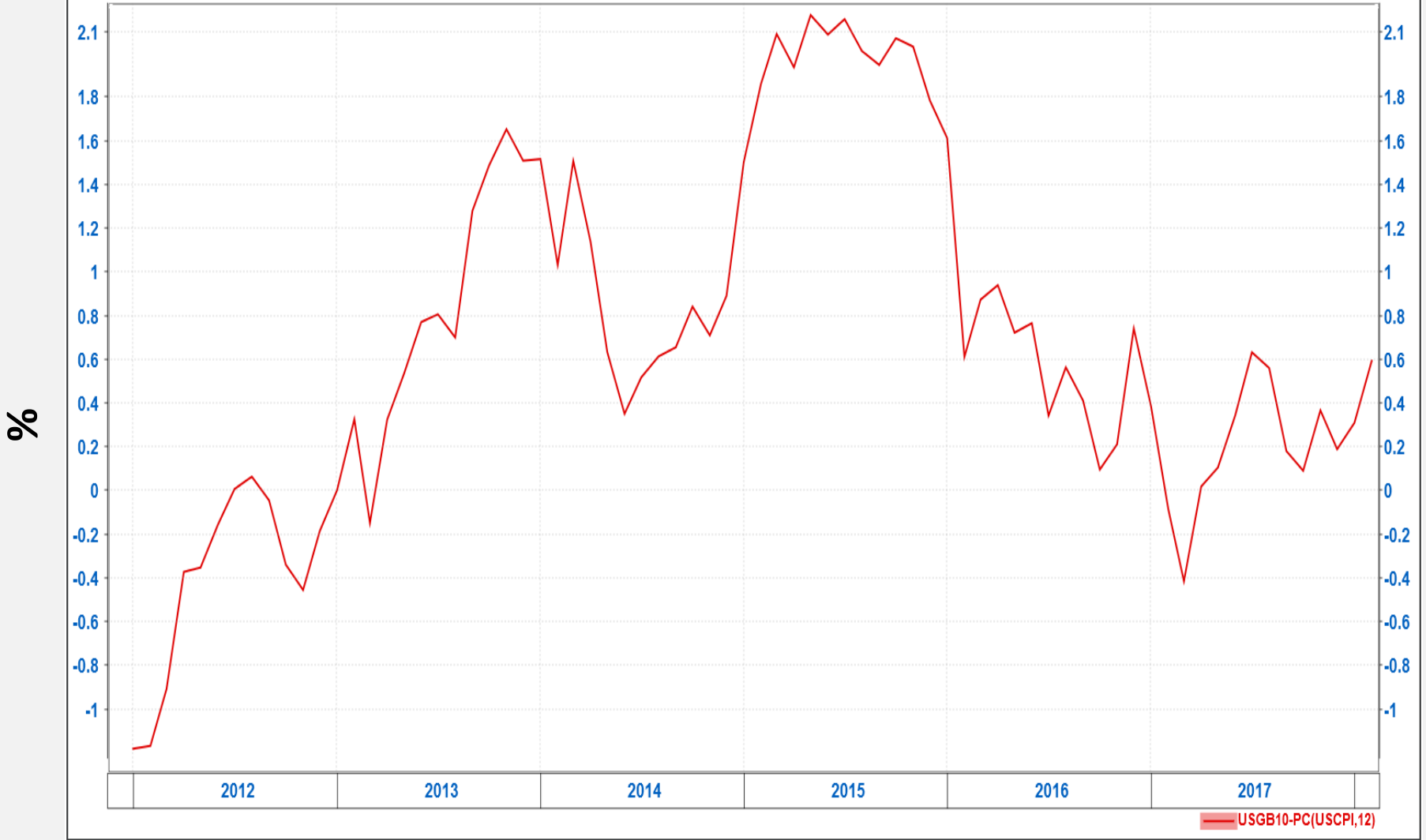
SA : GOVT 10 YEAR BOND-INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2011-11-30 to 2018-01-31



Period

# USA Real Interest Rate

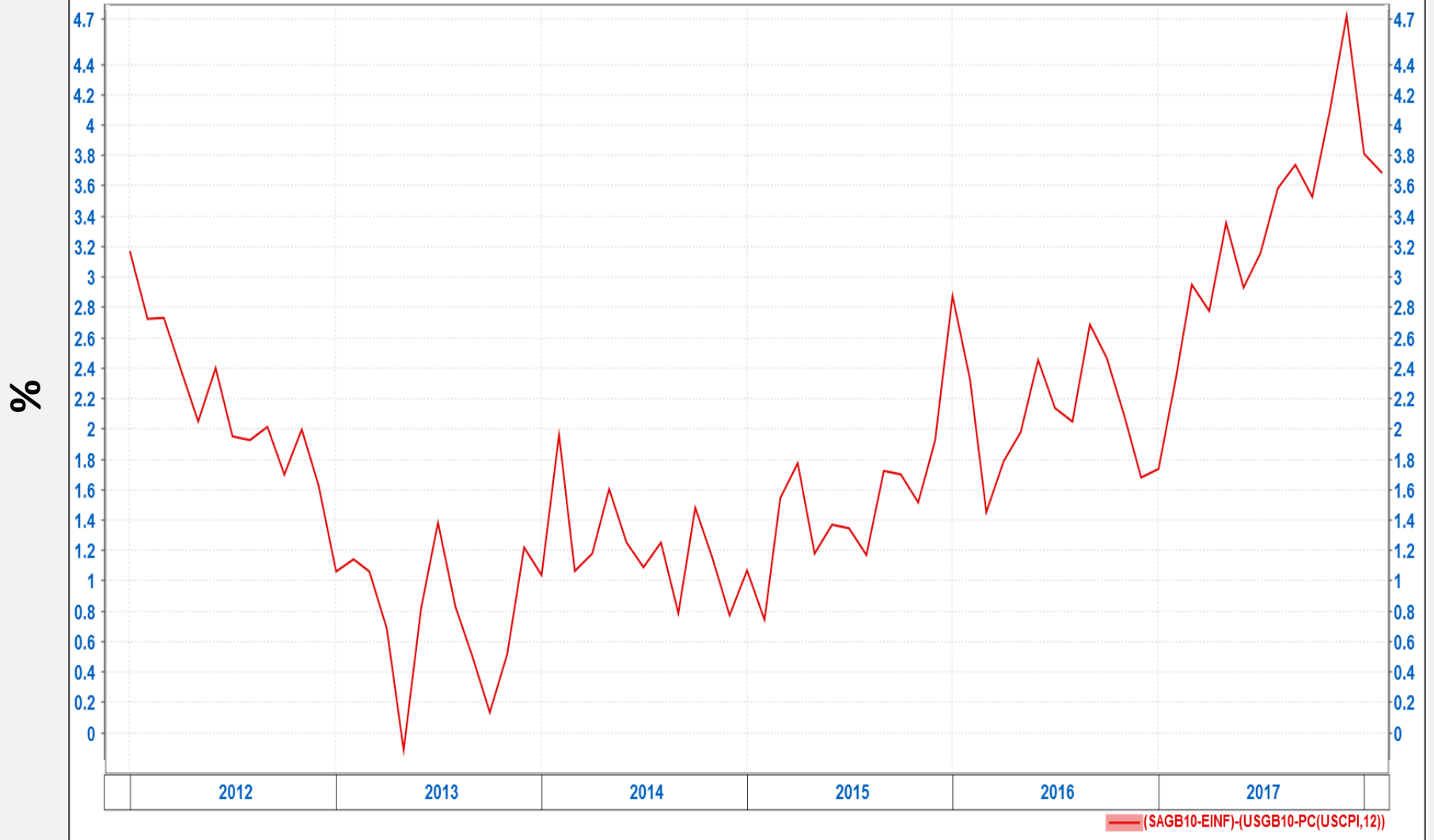
USGB10-PC(USCPI,12)  
Monthly 2011-11-30 to 2018-01-31



Period

# Real Interest Rate - SA vs. USA

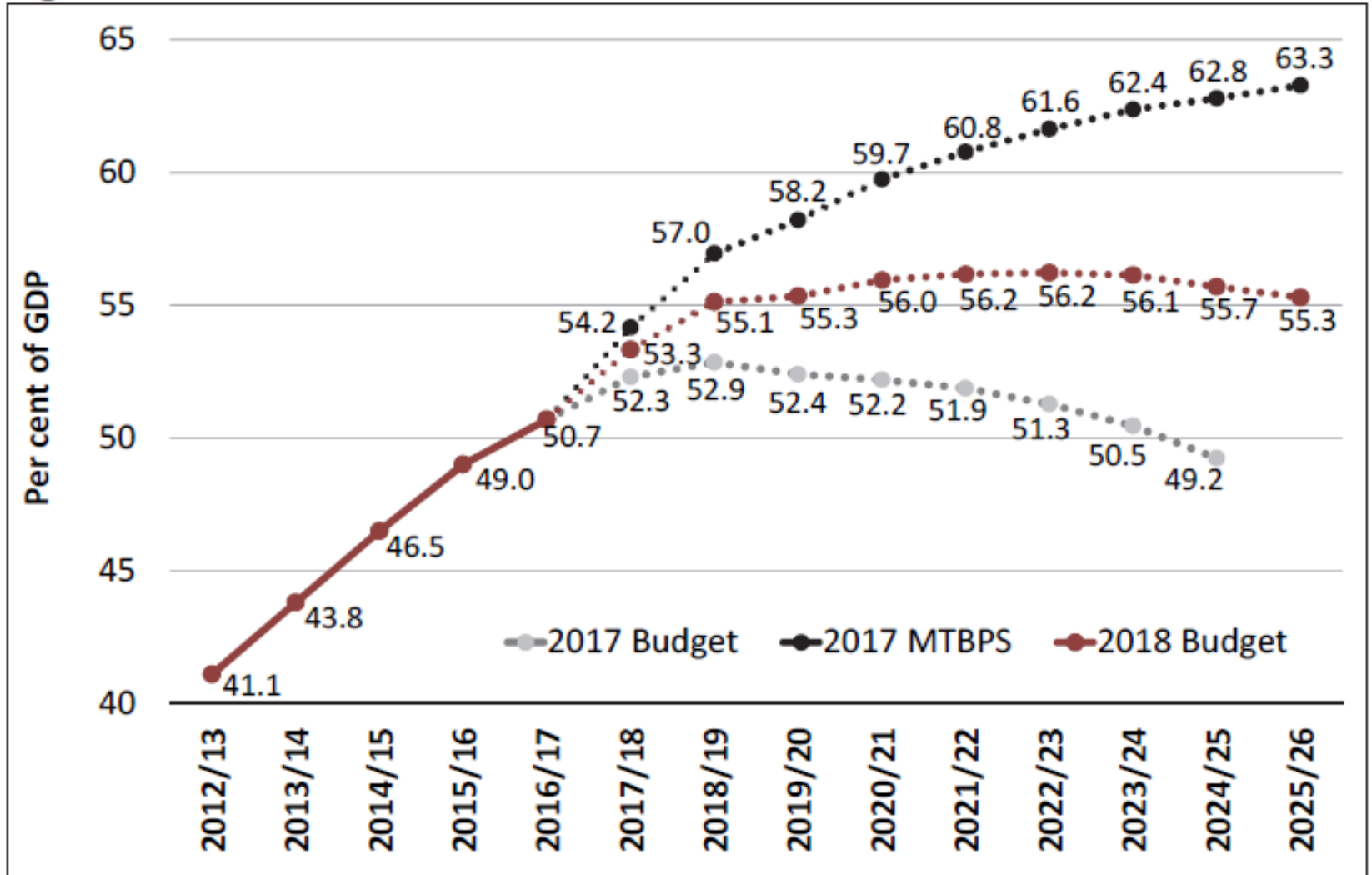
Percentage Change 12 of INFLATION RATE - SOUTH AFRICA (ALL URBAN), SA : GOVT 10 YEAR BOND, USA : CONSUMER PRICE INDEX - ALL URBAN S/A, USA : GOVT 10 YEAR BOND  
Monthly 2011-11-30 to 2018-01-31



Period

# SA Government Debt %GDP

Figure 1.1 Gross debt-to-GDP outlook

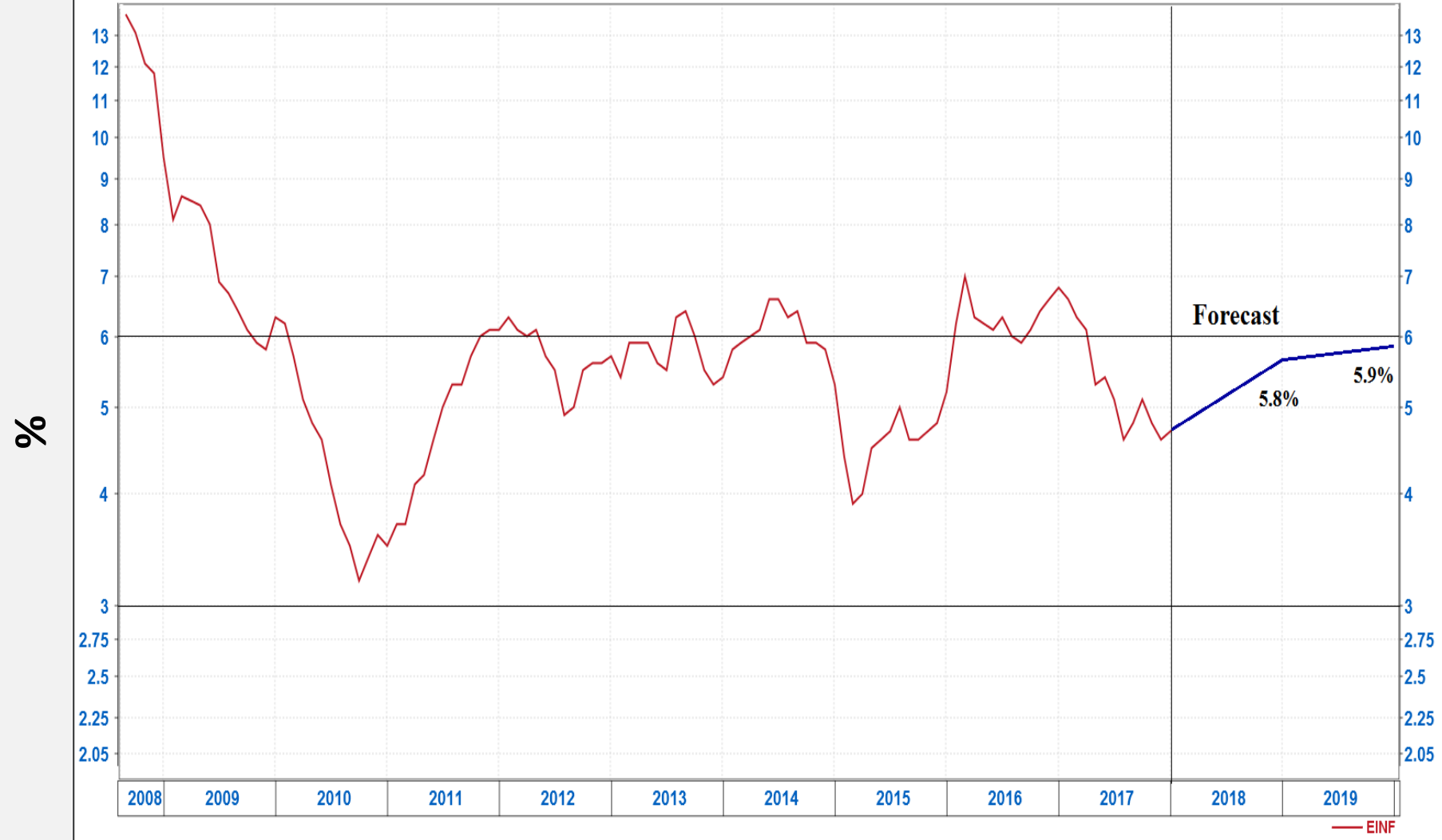


Source: National Treasury

Period

# SARB Inflation Expectation

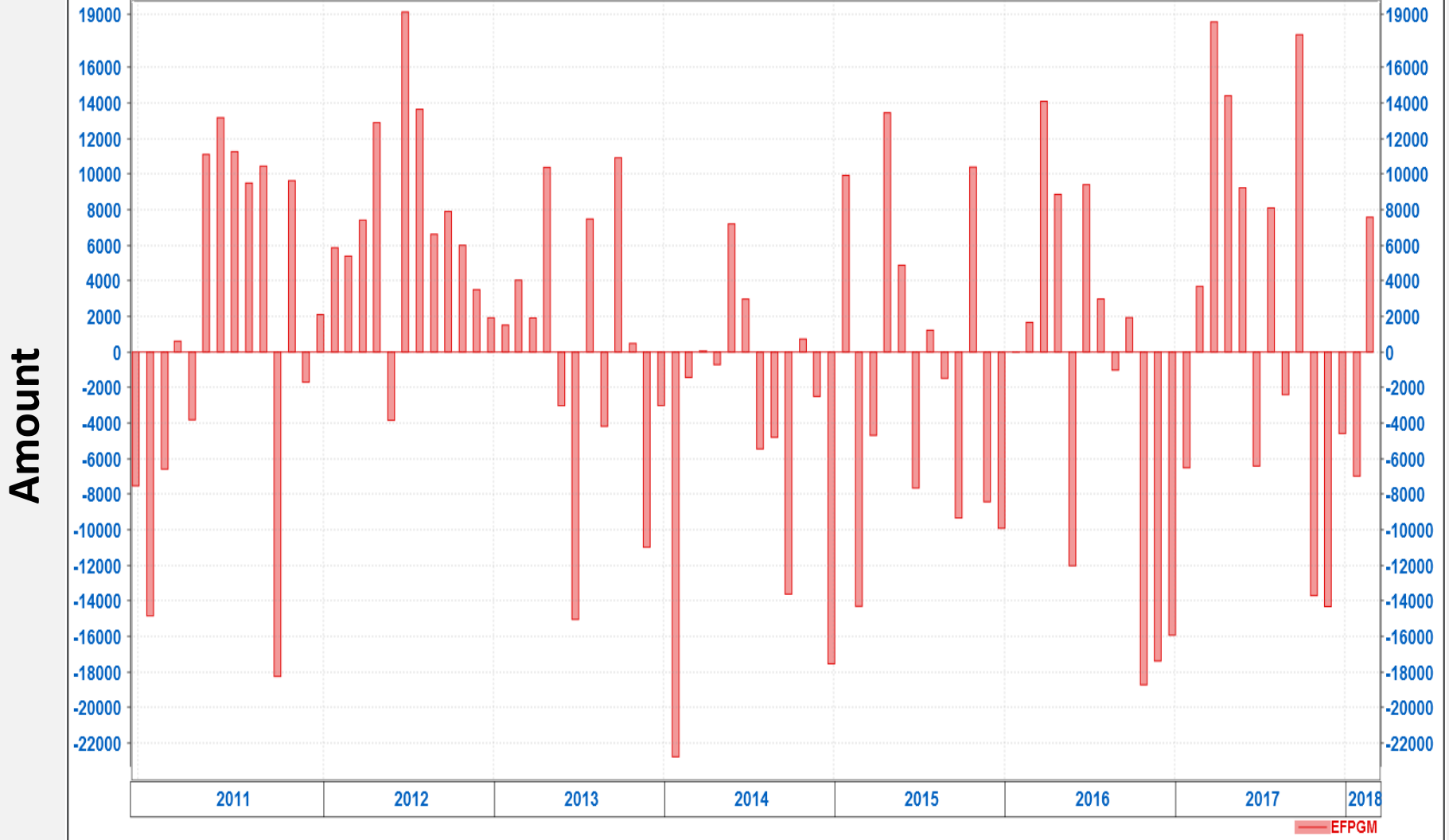
INFLATION RATE - SOUTH AFRICA (ALL URBAN)  
Monthly 2008-08-31 to 2019-12-31



Period

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

FOREIGN TRANS BESA - NET (RM) -TOTAL CONSIDERATION  
Monthly 2010-11-30 to 2018-02-28



Period

# **Commodities Market**

# Commodity Index

RJ/CRB TOTAL RETURN INDEX  
Weekly 2011-09-04 to 2018-03-11

Index Points

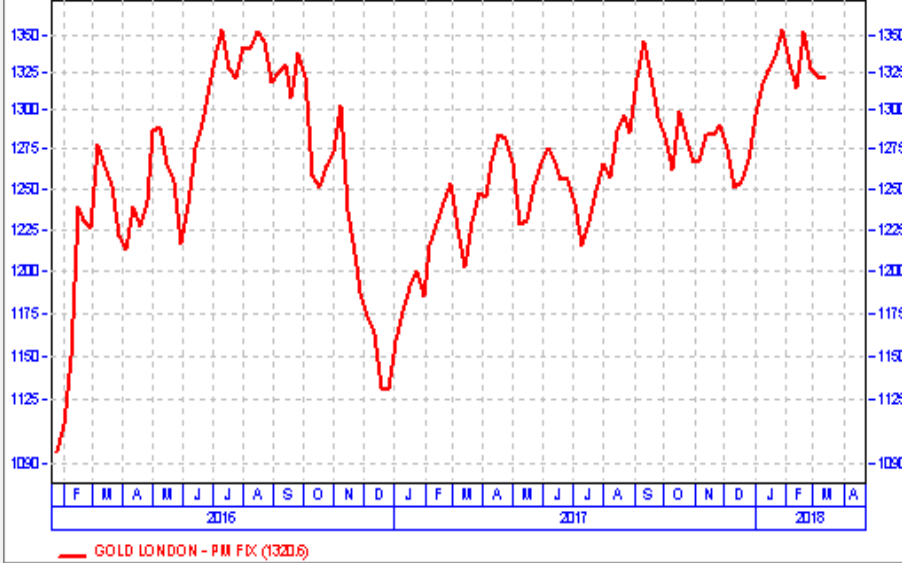


— FCRB

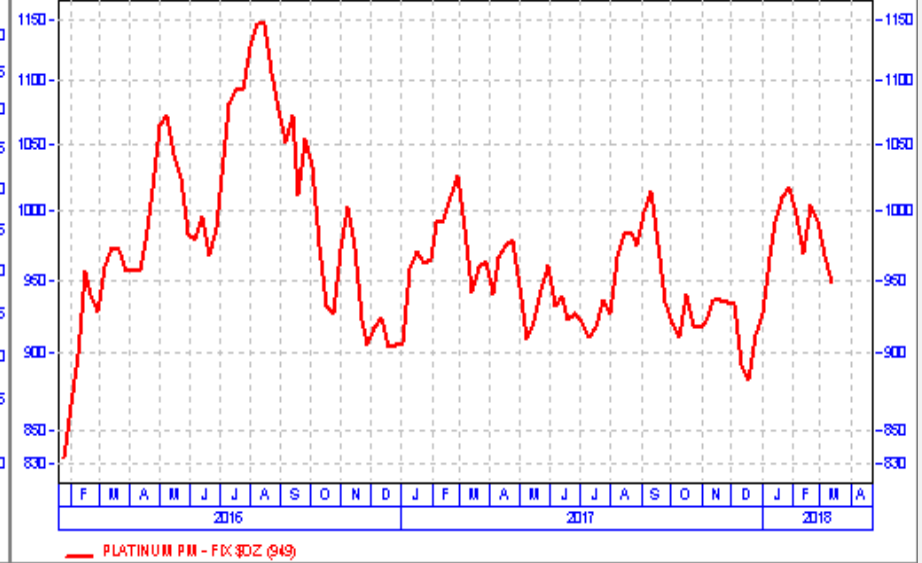
Period

# Commodity Prices

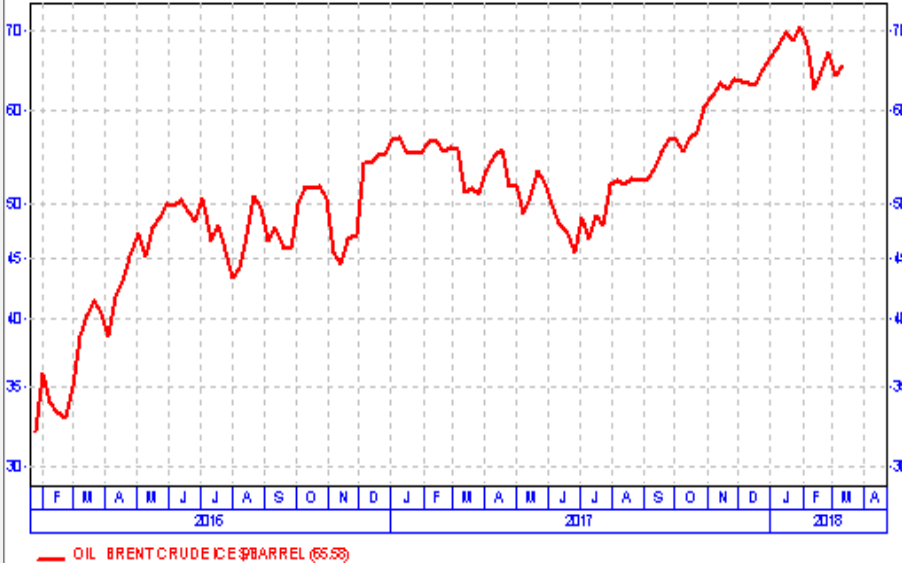
GOLD LONDON - PM FIX  
Week: 1/24/2016-3/11/2018



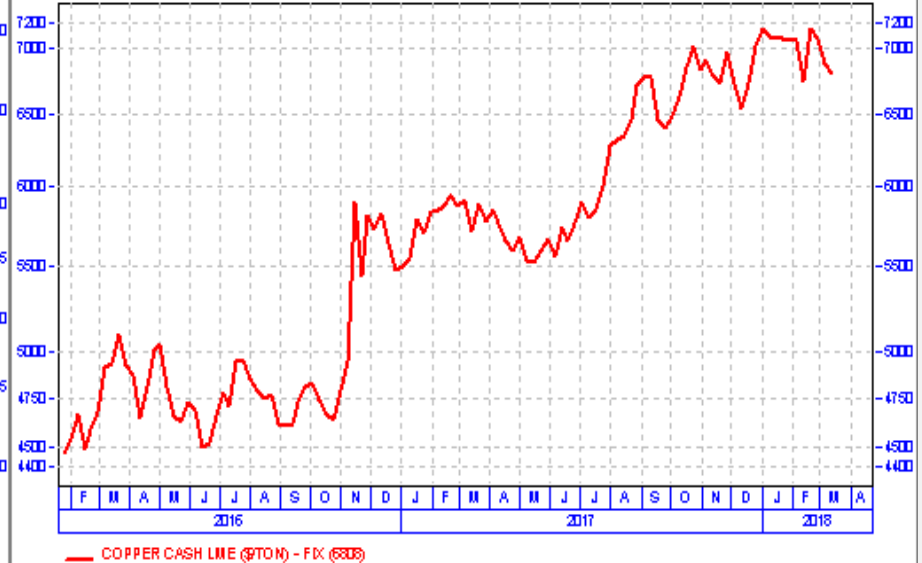
PLATINUM PM - FIX \$OZ  
Week: 1/24/2016-3/11/2018



OIL BRENT CRUDE ICE \$/BARREL  
Week: 1/24/2016-3/11/2018



COPPER CASH LME (\$/TON) - FIX  
Week: 1/24/2016-3/11/2018



# Equities Market

## **Equities Market:**

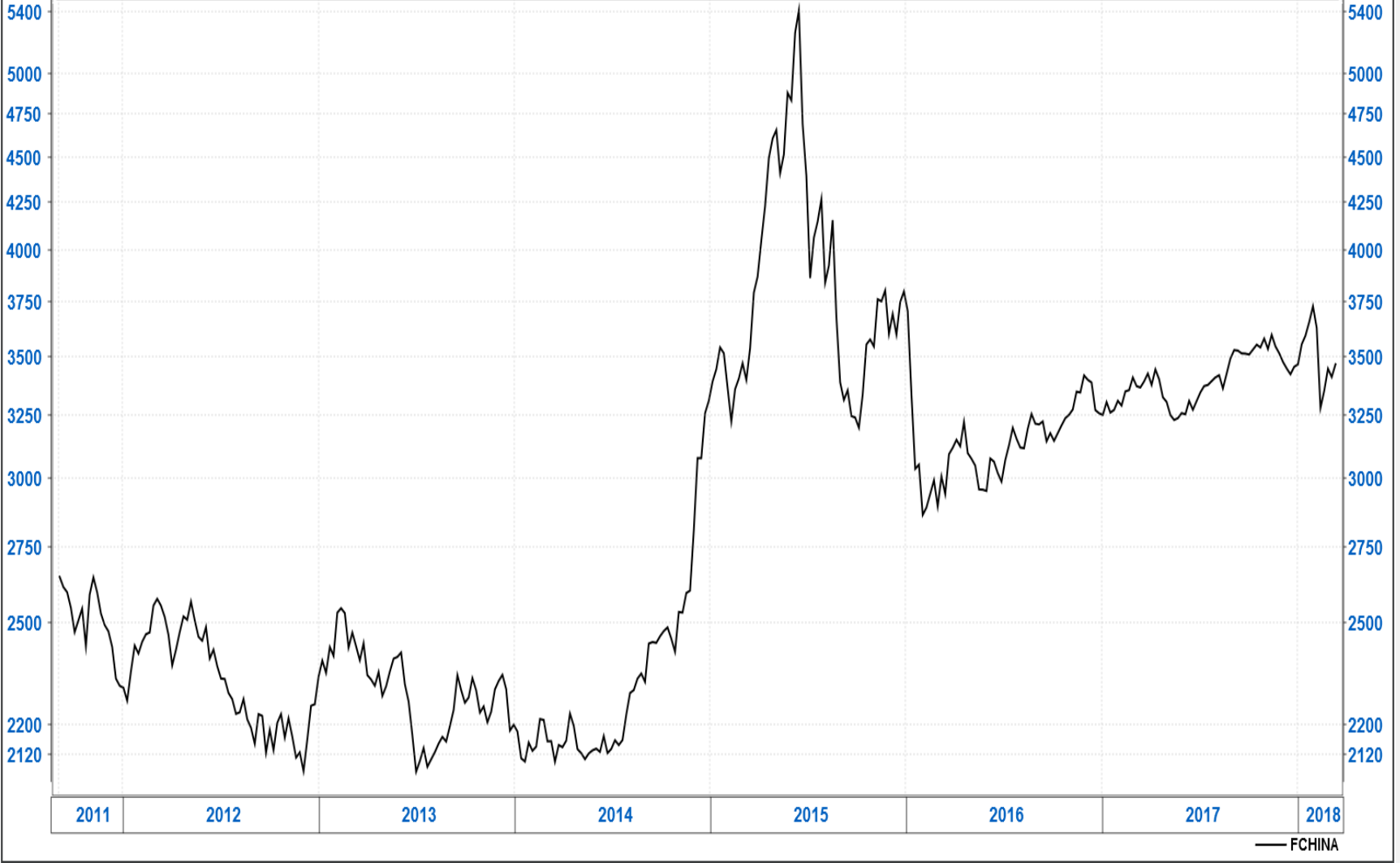
Equities have improved but remain overpriced relative to the Capital Market. Health Care, Consumer Goods and Industrials sectors show value compared to the Financial and Resources sectors.

Forecasted company's earnings are supportive of a further upward trend in Equities.

# China – Shanghai A Share Index

CHINA : SHANGHAI A SHARE INDEX  
Weekly 2011-09-04 to 2018-03-11

Index Points



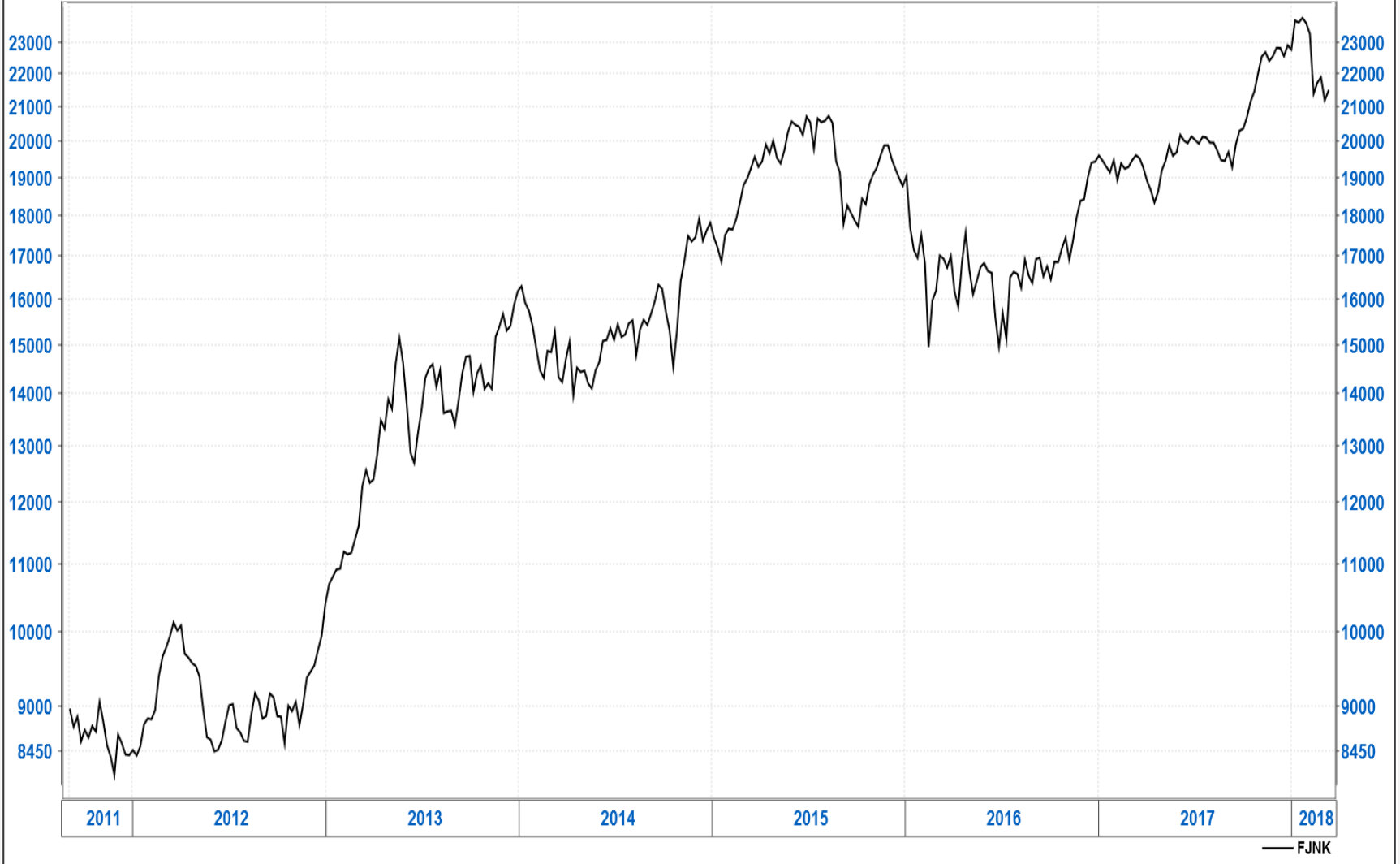
— FCHINA

Period

# Japan – Nikkei 225

JAPAN : NIKKEI 225 INDEX  
Weekly 2011-09-04 to 2018-03-11

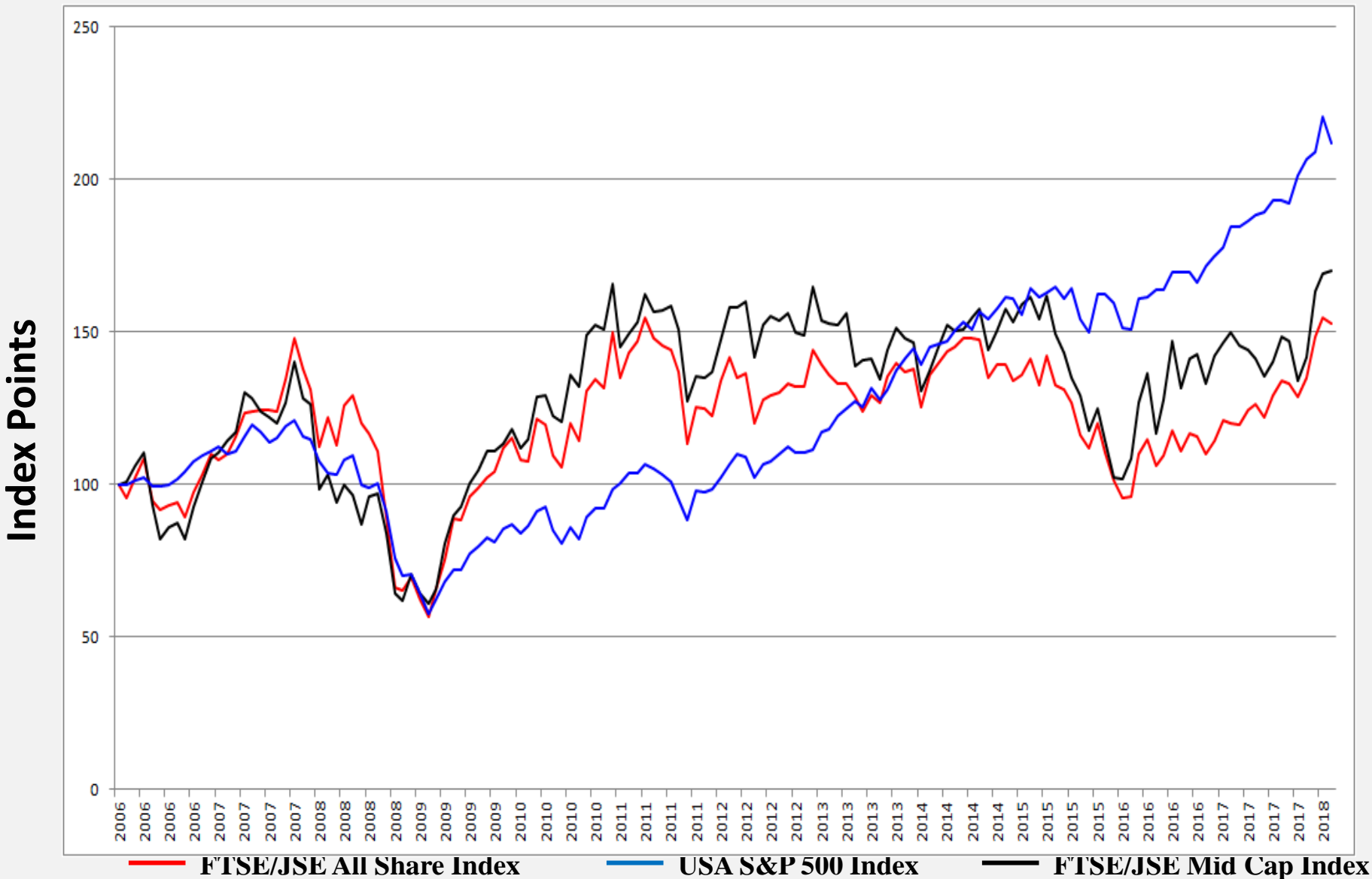
Index Points



— FJNK

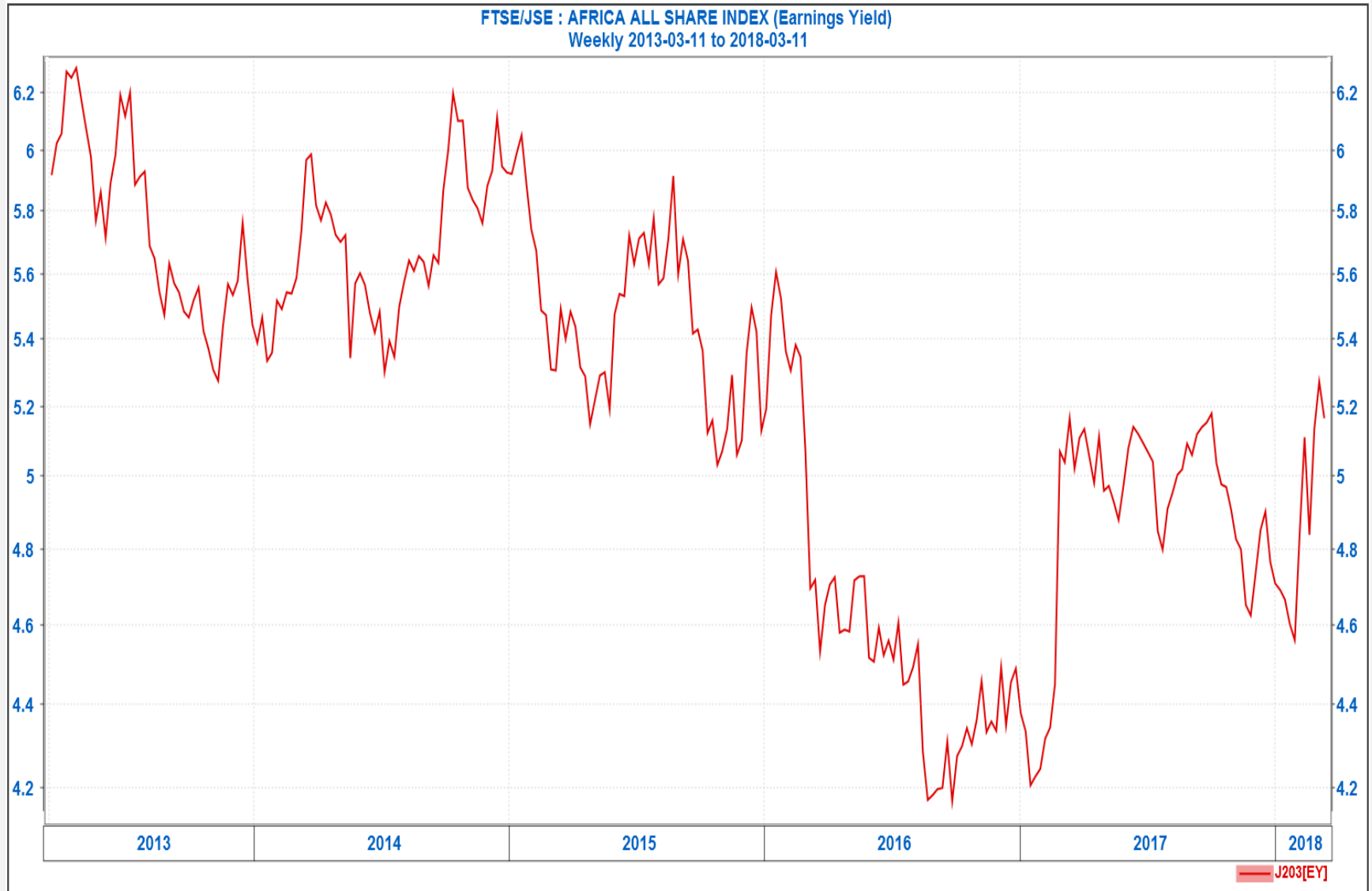
Period

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



**Period**

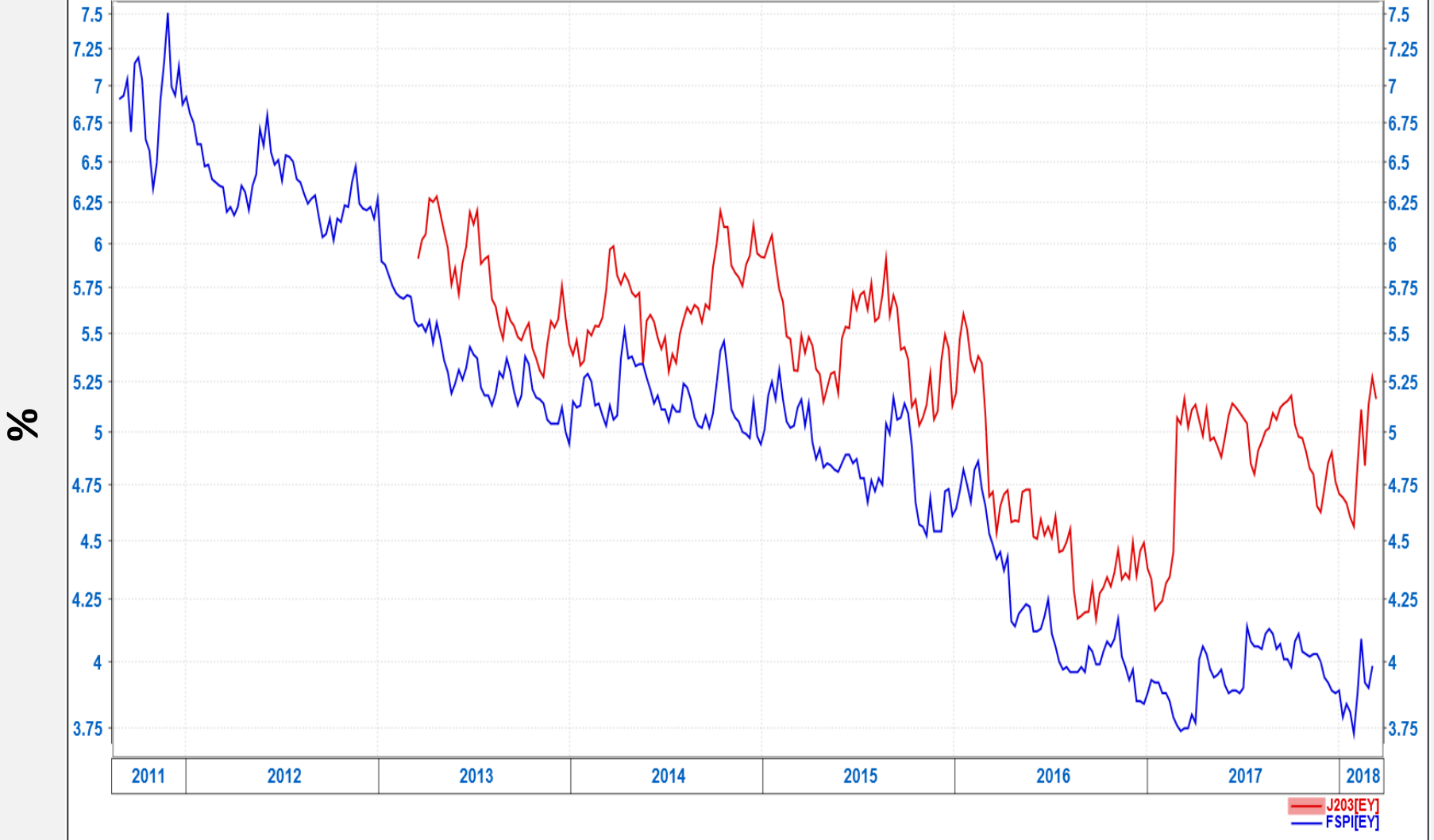
# SA All Share Index – Earnings Yield



Period

# Earnings Yield- SA vs. USA

FTSE/JSE : AFRICA ALL SHARE INDEX (Earnings Yield) , USA : S & P 500 COMPOSITE INDEX (Earnings Yield)  
Weekly 2011-08-28 to 2018-03-04



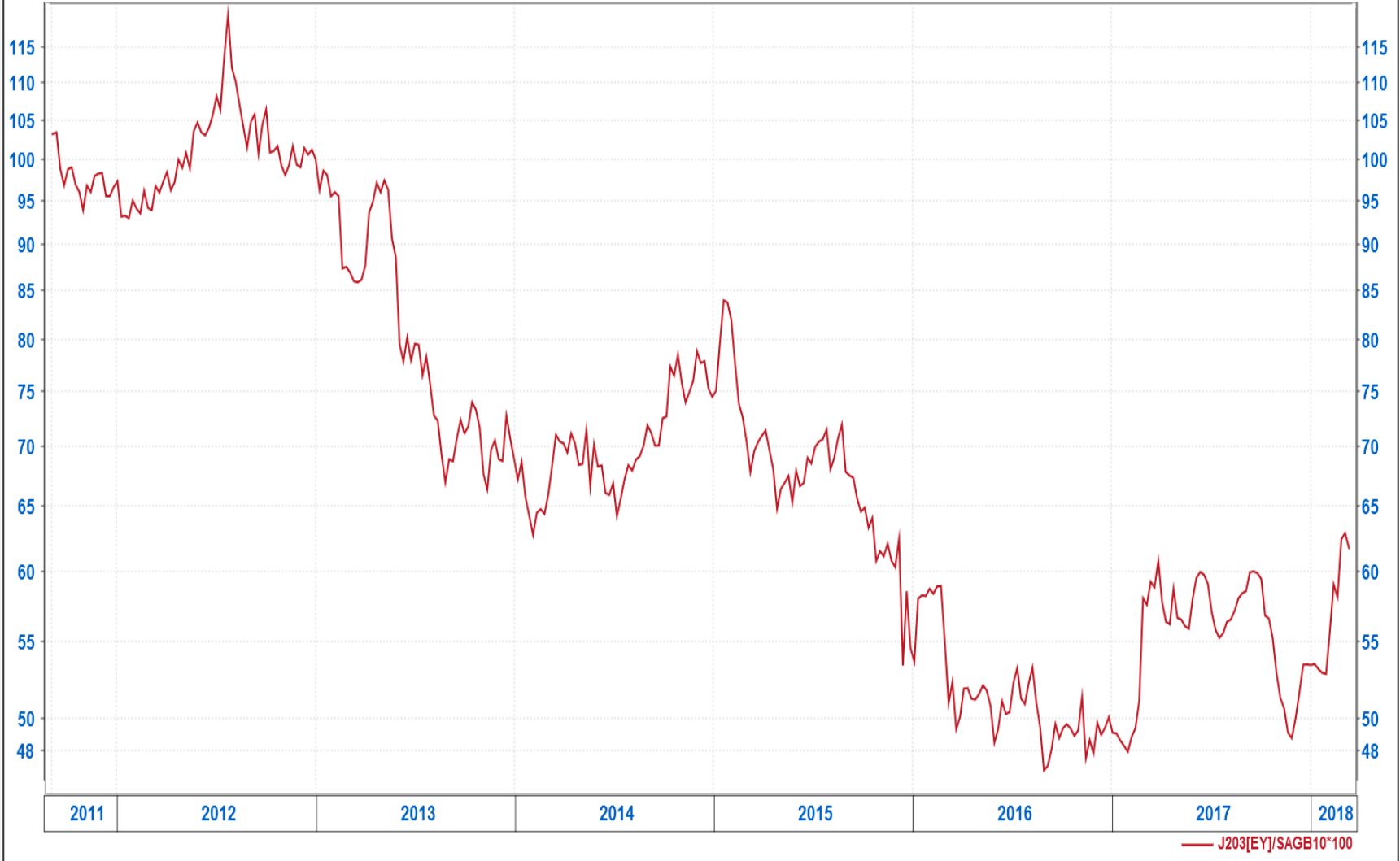
— S.A. All Share Earnings Yield

— USA S&P 500 Shares Earnings Yield

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 2011-09-04 to 2018-03-11



Period