

Weekly Economic Update

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IMF (International Monetary Fund)
SARB (South African Reserve Bank)
Absa PMI (Purchasing Managers' Index)

Global wrap

Red October across all major asset classes

Global expectations downwardly revised



IMF downwardly revised from **3.9%** to **3.7%** for 2018 and 2019



Continued capital flight from emerging markets



Increased volatility and **negative returns** in all major asset classes



Oil prices

October **US\$80/bbl**
then 14.2% decline to **US\$73/bbl**
YTD remain at **8.7%** higher

| | |
|--------------------------------------|----------------------------------|
| MSCI World Index | ▼ -7.3% (-1.9% YTD in USD) |
| MSCI ACWI Index | ▼ -7.5% (-3.5% YTD in USD) |
| MSCI Emerging Market Index | ▼ -8.7% (-15.5% YTD) |
| Citi World Government Bond Index | ▼ -1.1% on the month (-3.6% YTD) |
| JP Morgan Emerging Market Bond Index | ▼ -1.2% (-10.4% YTD) |

These numbers highlight a slightly worse outlook than what we've been emphasising over the past couple of months – we are in a low-return environment. The likelihood of negative returns for 2018, if we don't see a rebound in markets as we move into year-end, has increased. Even if we see a rebound into year-end, it will most likely be temporary given the risks of increasing interest rates, ongoing trade tensions, the beginning of sanctions on Iran's oil exports, and the impact these will have on global growth.

South Africa

Weak data underscore poor growth recovery

Money supply



beat expectations, growing by **7.0% y/y** September

Private sector credit



moderated to **6.2% y/y** (below expectations)

Trade balance



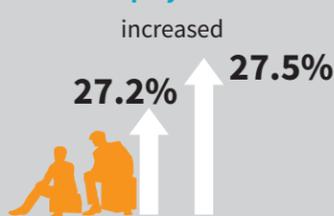
from surplus of **R8.8bn** in the previous month to **R3.0bn deficit**

Absa PMI index



(implies 60% of manufacturing purchasing managers are dissatisfied with prevailing business conditions)

Unemployment rate



2Q18 3Q18 (economy still in a technical recession)

Tradable property index



returned **0.1%** (rand terms)

Cash

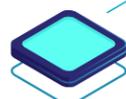


returned **0.6%** (rand terms)

| | |
|---------------|---------|
| JSE All Share | ▼ -5.8% |
| Top 40 | ▼ -6.7% |
| Capped SWIX | ▼ -4.6% |
| Industrials | ▼ -8.0% |
| Resources | ▼ -4.0% |
| Financials | ▼ -3.2% |

October recorded the second worst returns in 23 years. The stage looks set for a relief rally in local equities: outflows have been significant, technicals are supportive, valuations are cheap and the policy measures in China indirectly support South Africa via the resource sector and China-exposed stocks. The 10 largest active fund managers have reduced their global holdings by 3.9%, rotating into local equities, cash and bonds. 2019 still looks to be a challenge for South African assets as global growth slows and monetary policy tightens.

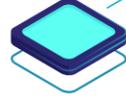
This week:



US sanctions on Iran's oil exports kicked in from Monday, 5 November. Market expectations are that oil prices will likely rise once sanctions take effect.



The Fed is expected to keep rates unchanged in November and to hike rates by 25bp at the December meeting.



US mid-term elections are likely to have a significant impact on markets depending on changes in who leads the House and Senate, both currently led by the Republican Party.

[Click here](#) to watch the video or to listen to the podcast.

This information has been sourced from Bloomberg and interpreted by Isaah Mhlanga.

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