

Monthly News Letter
Investment & Economic Matters



08 September 2018, Volume 70

Economic Indicators

	USD	Euro	Move
Rand	14.68	17.04	10.56%
Pula	10.78	12.50	5.39%
Kenya	100.61	116.85	0.20%
Kwacha	10.21	11.84	2.61%
Naira	362.58	419.92	0.20%
	Jul	Aug	Move
Gold (\$)	1224.15	1201.15	-1.88%
Oil (\$)	74.25	77.42	4.27%

Move is % change monthly against USD

Top 10 JSE Equity Buys 2017

	Share Code	Entry Price	Target Price
1	TKG	74	82
2	EXX	91	130
3	FSR	54	59
4	OML	35	43
5	BIL	223	290
6	SOL	407	450
7	BAW	118	118
8	BVT	180	182
9	IPL	185	192
10	INL	91	107

Prices in SA Rands

JM BUSHHA Funds Returns

Fund Name	5 years
CashPlus	7.42%
BondPlus	8.45%
Real Return	7.42%
Absolute AllClass	8.09%
Absolute Aggressive	8.46%
Diversified Equity	7.53%**
Communities Fund	8.94%
Global Investor	
Afro Fund	7.42%*

* Same as Real Return
** 4 years return

Research Team

Quants Research
Justice Ndou

Investment Research
Farai Mapfinya
Patrick Serere
Cleopatra Mtembu
Simba Chimanzi

Contact Details

Tel: +0027 11 325-2027/8
Fax: +0027 11 325-2047
invest@jmbusha.com
www.jmbusha.com

South African Economy

Momentum continued to wane into the second quarter as the anticipated “Ramaphoria”-driven lift-off of the domestic economy failed to materialize. Although economy-wide sentiment got a boost from Cyril Ramaphosa’s appointment to the country’s top post earlier in the year, employment gains have been muted since, while consumer-spending metrics have deteriorated. Moreover, manufacturing output has stumbled in recent months and survey-based data points to sluggishness across the private sector. On the external front, the ongoing global risk-off sent the rand into a freefall in early August and looks bound to fan inflationary pressures over the coming months. Meanwhile, a quarter-on-quarter contraction in the first quarter—held back by a fall in investment and moderating household spending—highlights the economic hurdles facing Ramaphosa as next year’s general election looms.

Investment Markets – Major indices on the up

The market ended in slightly positive with major indices including the JSE All Share ending in the green at 2.15%. Financials being the only decreasing with the FINI 15 ending the month at -0.29%. Industrials increased with the INDI25 closing the month at 1.98% and resources increased as well for the month of August with the RESI Index at 5.23%. On company side Woolworths reported that adjusted diluted HEPS declined by 12.8% in FY18, SA clothing had a terrible year, with operating profit reducing by 21.3%, Sales declined post year end, with sales growth down 1.7% post year end and reduced its dividend pay-out from 75% in FY17 to 69% in FY18. Cash build reported revenue for the year increased by 5% to R10.2 billion, operating profit down 12% to R543 million, headline earnings decreased by 9% to R424 million and total dividend per share decreased by 9% to 842 cents. South32 reported a 4% increase in FY18 underlying EBITDA to \$2.5bn, FCF of \$1,363mn and closing net cash of \$2,041 and South32’s underlying basic EPS grew 19% YoY to USc25,7.

Regional Economic Updates – Zimbabwe’s Inflation

Zimbabwe announced a new cabinet that includes Professor Mthuli Ncube, previously Chief Economist and Vice President of the African Development Bank as the Finance Minister. The new government must walk a tight rope towards policy reform, seeking reengagement and economic recovery. Foremost solutions are required to address the deteriorating forex crisis, a widening budget deficit and spiralling government debt. Recent data from the Central bank indicate that broad money supply increased by 40.81% over last year stoking fears of a continued rise in inflationary pressures. Against a background of capped low interest rates it’s expected that inflationary pressures will cause asset price inflation, including pushing up equities, properties as well as the parallel rate for US dollar.

Social and Political Updates- DA and EFF coalition in trouble

The DA has been making headlines in the past few months with internal challenges. On the 30th of August the speaker of metropolitan rejected the motion of no confidence, which was placed by the EFF, against Tshwane DA executive Mayor Solly Msimang. The mayor survived the motion only because the Speaker disallowed the vote on a technicality stating that the motion had not been properly motivated. This happens a week after the opposition parties successfully removed the DA executive Mayor of Nelson Mandela Bay Athol Trollip. The DA has argued that this removal was unprocedural and will take further action to contest Trollip’s removal in court.

Parting Words of Wisdom

“Stock market goes up or down, and you can’t adjust your portfolio based on the whims of the market, so you have to have a strategy in a position and stay true to that strategy and not pay attention to noise that could surround any particular investment. “ - John Paulson

Lesotho • Namibia • South Africa • Swaziland • Zambia • Zimbabwe

Authorised Financial Services Provider. Unauthorised reproduction of this document in any form without JM BUSHHA’s consent is prohibited and may lead to prosecution.