

Contact Us



81 Dely Road
Hazelwood
Pretoria
0081



+27 (0)87 944 7999



info@efgroup.co.za



www.efgroup.co.za



2019: A YEAR OF LIVING DANGEROUSLY IN SOUTH AFRICA - By Dawie Roodt

In the previous note, I summarised our view of the world economy. If you missed it, read it now. In this note, I comment on our expectations for SA.

There are many negatives locally. The state-owned enterprises (SOE) have been run into the ground by the cadres and gutted financially in recent years. The same goes for the state's finances. Debt has become unsustainable and I can't see how we are going to avoid a further downgrade.

Additionally, this is an election year and politicians will turn up the populist rhetoric. So, I reckon we won't see strong investment commitments until at least after the elections. I know that the popular theory is that we must wait until after the elections for the "good" guys to strengthen their powerbase, then all will be well. I am afraid I do not ascribe to this theory.

The "good" guys were mostly part of the previous regime that caused immense damage to the SA economy. I did not hear them speaking out then. Also, during the past year, the "good" guys have mostly been in charge anyway and I am not particularly impressed with their performance so far! Will this suddenly change after the elections?

Having said all that, let's be fair and give credit where it is due. Boards have been changed, inquiries have been instituted and a few (not all) of the compromised "leaders" have been removed one way or the other. At least it seems, we are still in a hole, but we are digging slower...

A few other positives remain. An independent judiciary, press and hopefully the new leadership at the National Prosecuting Authority (NPA) will prove to be competent. But the reality is that a destructive government has caused immense damage to the SA economy and that the same political force is likely to prevail after the election. If the "good" guys really want to prove that they do want the best for the country, they will risk a confrontation with their political allies and a break with Cosatu must be at the top of the agenda. Anyway, I foresee a momentous labour confrontation looming.

All these things and the planned confiscation of private property is of course not good for the economy. Expect another year of weak growth, a volatile currency and frail confidence. The really good news, from the perspective of a saver/investor, is that the valuations of our companies are at present so attractive that the JSE must be on the shopping list of local and international investors.

So, in a nutshell, internationally there are a few potential risks but at the same time there are some exciting things happening that may propel future global growth to unprecedented levels. Watch out for the world's big central banks overdoing monetary tightening!

Locally, expect more of the same — destructive policies, weak service delivery and ideological foolishness, and weak economic growth. At the same time, however, look around for promising investment opportunities and a good asset manager to run your portfolio.

And that is the result of our crystal ball gazing. A final word to our clients: It is impossible to know what the future holds. We cannot, and we do not, change the composition of portfolios because of the length of the bull market, or because of a looming recession, or because it is “time” for a correction. Nevertheless, rest assured that we continue to manage our clients’ portfolios according to our proven investment processes and have used recent volatility to appropriately position our portfolios for a more “dangerous” world.

Have a wonderful and profitable 2019!