

VIEWS FROM OUR CEO

The election of Donald Trump at the end of 2016 has resulted in a significant change in the direction of global trade relationships. Since the end of World War II, the world's largest economies, which include the United States (U.S.), have promoted free trade and a greater degree of globalisation. However, on the back of a strong nationalistic campaign that has given rise to the 'America first' mantra, the U.S. is currently in the process of altering its long-lasting stance on free trade and is now pursuing a protectionist agenda. This change in policy lead the Trump administration to announce a 25% tariff on steel imports and a 10% tariff on aluminium imports. In addition, the U.S. has also signed a memorandum that paves way for levying tariffs on about US\$ 50 billion worth of Chinese imports, with a potential for US\$200 billion more. To put this change in trade-policy into perspective, the most recent World Trade Organization (WTO) statistics show that in 2016, the U.S. applied average tariffs of 3.5% on all products imported from other WTO members. However, with the recently announced measures, the U.S. import tariffs on all products imported will jump ten-fold to approximately 35%, marking the highest rate imposed by a fully-fledged WTO member. Thus, the size and scope of the tariffs is so great that other countries will not be able to simply ignore such a change in policy, as it would significantly affect their economies. This implies that other countries will start the process of closing their markets to a number of U.S. imports, which would lead to significant knock-on effects to all countries around the world.



ADAM EBRAHIM

A WORD ON FINANCIAL MATTERS

Given the uncertainty surrounding restrictions on trade, financial market volatility has increased, presenting many opportunities for stock-pickers like ourselves. Our investment philosophy continues to emphasise diversification across multiple dimensions, which provides our portfolios with downside protection during periods of uncertainty. The Oasis approach of focusing on quality and value, as espoused by our exposure to high quality companies with strong balance sheets and trading below intrinsic values is appropriate for these volatile times.

IN THE NEWS

Our Oasis Financial Advisors travel throughout the country on a monthly basis. During the month of August, our Financial Advisors will be travelling to the following areas:

Date	Area
6th – 10th	Limpopo – Including Polokwane, Bela Bela, Mokopane, Louis Trichardt, Tzaneen, Naboomspriut and Thohoyandou.
13th – 17th	KwaZulu Natal – Including Newcastle, Ladysmith, Pietermaritzburg, Durban Central, Overport, Chatsworth, Shallcross, Verulam, Tongaat, Westville, Isipingo, Berea, Phoenix, Umhlanga, Queensburgh and Sherwood.
20th – 24th	Gauteng – Including Sandton, Saxonworld, New Town, Rosebank, Fordsburg, Randburg, Parktown, Mayfair, Waverley, Homestead Park, Pretoria, Laudium and Azaadville.
27th – 31st	Gauteng – Including Sandton, Saxonworld, New Town, Rosebank, Fordsburg, Randburg, Randfontein, Azaadville, Benoni, Lakefield, Springs, Boksburg, Erasmia, Pretoria, Centurion, Claudius, Robertsham, Lenasia, Vereeniging, Florida, Greenside and Killarney. KwaZulu Natal – Including Umhlanga, Chatsworth, Rossburgh, Overport, Ballito, Tongaat, Westville, Musgrave, Reservoir Hills, Phoenix, Pietermaritzburg and Durban Central.

Financial planning is an ongoing process and it is crucial to liaise with your Financial Advisor should your circumstances change. This would ensure that your long-term financial goals will be achieved. Should you wish to schedule an appointment with your Financial Advisor, do not hesitate to contact our offices.



UNITED STATES GOODS & SERVICES TRADE BALANCE 2017 US\$Bn				
	US Total	Europe	China	Rest of the World
Goods	-807.5	152.6	375.9	279.0
Services	255.2	-51.4	-40.2	-163.6
Trade Balance	-552.3	101.2	335.7	115.4

Source: US Census Bureau and Oasis 2018 Research.

As shown in the table above, the U.S. has a significant goods deficit, which is attributable to China's goods surplus of US\$ 375.9 billion. China's goods surplus is due to the fact that China is a hub for the basic processing of raw materials from the rest of the world. These materials (or intermediate goods) are then re-exported to developed countries, which would include the U.S. If Chinese-originating products are subjected to tariffs, the likelihood is that the countries that are exporting raw materials to China, such as South Africa, will experience a sharp decline in demand, which would ultimately result in reduced global economic growth. Given the size of the Chinese trade surplus, China is in a relatively strong position when making use of retaliatory measures against the U.S., which would also affect many of the U.S. companies that have manufacturing facilities in China. In addition, China could also make use of U.S. debt that it holds, in the form of 20% of the foreign holdings in U.S. Treasury Bonds, in an extreme case.

Small open-economies like South Africa would experience a significant loss in potential economic growth, if a trade war ensues between the world's largest trading partners. For example, under the African Growth and Opportunity Act (AGOA), some 12.5% of South African steel and 21.6% of aluminium exports were destined for U.S. in 2017. With the imposition of increased U.S. tariffs, this could possibly decline, having the detrimental effect of job losses in the South African iron and steel sector. In addition, the current South African trade balance would not allow for the absorption of a dramatic reduction in revenue from exports. The potential for a fully-fledged trade war also affects global business confidence and the spill-over effect includes a reduction in cross-border Foreign Direct Investment flows, a negative for economic growth for emerging markets, like South Africa.

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