



**FOSTER**

**WEALTH MANAGEMENT**

NEWSLETTER | JULY 2017

## INTEREST RATES, NEWS AND FAKE NEWS

So last week, the Governor of our Reserve Bank, Lesetja Kganyago, surprised the great majority of the countries Economists by decreasing interest rates. While the decrease was nominal at 0.25%, the impact on our country's battered fortunes was great. The Reserve Bank and the judiciary are the only two remaining strongholds between South Africa and a Banana Republic.

The steadfastness and bravery of our Constitutional Court, our High Courts and their dedicated judges are well documented. Lesetja Kganyago's steadfastness and bravery is less well-known but equally important. Despite a spirited act from a Public Protector that we can only assume to be captured, Kganyago has stood firm. In other African countries, so called Presidents (more appropriately, dictators) have tended to attack their Reserve Banks first. In our case the predators attacked state owned enterprises because they appeared to be easier targets and because, in other African countries, state-owned enterprises did not have the same quantum of assets or level of revenue.

Traditionally a decrease in interest rates signals a need to give an economy a boost. In South Africa's case, it will have very little impact because there are so many other major factors negatively affecting our economy: the trust between government and the business sector has broken down completely; the state-owned enterprises are a complete mess and heavily indebted;

and foreign direct investment has dried up. There are many other factors but these are the main ones.

### **Fake news vs real news**

Against this background we all have to distinguish between fake news and news. Some of the fake news has been completely exposed by the leaked Gupta emails. Take the White Monopoly Capital as an example. On the other hand, genuine news is the announcement of such things, as an interest rate cut. In between, there will be fake news that is harder to detect than Bell Pottinger's ill-conceived White Monopoly Capital. So, be on standby for dirt to be dug up on Cyril Ramaphosa and Lindiwe Sisulu. The general rule of thumb would be not to believe any of the so-called dirt, which is dug up on these or other high profile politicians.

### **What does all this mean for your investments?**

The road ahead is indeed uncertain. Technically, the decrease in interest rates is usually a boost for shares and since the interest rate cut, this has indeed been the case.

Uncertainty however will be the overriding factor and the most important thing in the next six months will be diversification. Diversification counteracts uncertainty and provides something of a moat around your investments.

