

Monthly Newsletter – January 2015

All the best for 2015!

If you pay attention to predictions regarding investments you need to fasten your seatbelts. Alternatively you can ensure that your investments are well diversified and leave the predictions to the Cricket and Rugby World Cups.

The biggest variable of the last six months has been the oil price. The oil price has more than halved (dropping from \$115 per barrel in the middle of the year to a current price of about \$55 per barrel) which has led to massive changes in the share prices of energy companies (the Sasol share price dropped from R645 to R400), declines in worldwide petrol prices and the flow of oil costs/profits away from the oil producing countries to the oil importers. We haven't come across any analyst, economist or meteorologist who predicted this drop. So where does this leave us at the beginning of 2015?

We know that the US economy is picking up quite strongly, and the European economies are experiencing increasingly difficult times, especially Germany, which is struggling to maintain positive economic growth. The Chinese will probably lower their economic growth targets to 7% and Russia will struggle against a background of sanctions and a low oil price.

The prominent US investment bank, Goldman Sachs believes the world will show increased growth in comparison to 2014 (3.4% vs 3% in 2014) but this growth will differ with a stronger US economy (3.2%) and a struggling European economy (0.9%) and a Chinese economy which will stabilise around 7% growth. The world economy has grown every year since the Second World War, with the exception of the 2009 financial crisis, and it's important to note that if the world economy grows at 3.4% we will have the world economy doubling every 20 years.

When looking at emerging markets, you will see that the countries that export commodities (like South Africa) will struggle due to the low prices, but manufacturing countries will derive benefit from the stronger US economy. US interest rates will start to increase together with a stronger US dollar and they expect the oil price to remain at lower levels for the rest of the year. Goldman Sachs expects to see less volatility in the investment markets than in 2014, but they also expect lower returns. (Before you believe all of this, these are the guys who predicted an oil price of \$200 per barrel).

Like every year, there are a legion of risks that can derail this scenario – China's growth is slowed by their internal debts, the Eurozone falls apart, capital rushes out of emerging markets chasing a stronger dollar and slightly higher US interest rates or even a geo-political crisis.

Where does this leave South Africa? The way things stand at the moment (please remember that we are

very bad at making predictions, so take the following with an entire bag of salt) it looks like our growth will be slightly higher – 2.5% if we are lucky. This is still much lower than the 5% or 6% we need in order to address unemployment, which will remain at 25%.

This means there will be more than 2.5 million people per month who will unsuccessfully look for employment, plus another 2.5 million people who have given up and who are not actively searching for jobs. The lower petrol price will mean that inflation will stay within the Reserve Bank's limits and any increase in interest rates will be low and will only be implemented later in the year. We are going to pay more tax (the government needs more money) and the rand will be under pressure from a strengthening US dollar, especially relating to the capital outflows from South Africa to US markets.

The stock market is likely to remain volatile but fortunately some of the shares which have become very expensive over the last few years did not really grow last year. This means that we might see our market stabilising at these levels for some time. The local stock market delivered a total return of 11% which is below the long-term average of 15%. We would not be surprised to see a similar trend for the next year or two.

- Theo and Warren

Boost your productivity

It's a new year and we're all resolving to work more effectively. Here are some proven productivity techniques to keep you on track all year long.

1. Turn off the alerts on your phone or you'll never get into any kind of 'flow'. Most interruptions can wait, and they only serve to derail your efficiency.
2. Have 30-minute meetings and don't attend any that don't have a specific goal in mind. And as far as possible, do things by phone or email – very few face-to-face meetings are really essential.
3. Take a break and you'll work smart, not hard. It's okay to pause for a cup of tea or a lunch break, and if possible, take a stroll. This will boost your creativity and thought flow.
4. Don't be afraid to say no. The alternative usually leads to you taking on too much and ending up completely overwhelmed.
5. Make the most of lost hours. Form a lift club if you commute by car so that you have some mornings to work in the traffic. If you can't do that, schedule calls that you can take while you're in the traffic – hands-free, of course. Listen to industry podcasts during your drive. If you're on a train or bus, or waiting at the airport, catch up on essential reading for work.
6. Replace to-do lists with task scheduling. Mind dump everything you need to do and then schedule when you're going to it. And don't forget to schedule time for leisure and exercise. Scheduling forces you to be realistic about what you can get done.
7. Declutter your desk. Clutter can make you feel overwhelmed and anxious, so spend 10 minutes at the

end of the day just sorting through everything.

8. Remember the two-minute rule – if a task takes less than two minutes to complete, you should finish it immediately. Often those tasks feel bigger than they are, but getting them out of the way gives you a sense of accomplishment.
9. Sleep. Major sleep loss impairs your cognitive function as much as being drunk would. Make sure you get your seven to eight hours.

Coping with stress

We all need a little stress in our life, seriously. It's actually good for you. But there's a point at which it becomes unhealthy, and then you need some good coping strategies in place. Here are four strategies to consider:

1. No-one can make you feel anything, or force you into erratic, destructive behaviour – those are your choices, and you are responsible for the way you react to stress. Look at the situation and ask yourself: "Is this something I can change?" If so, start exploring positive ways to change the situation. If not, accept it for what it is. You don't have to like it, but accepting the situation helps you to find ways to cope and reduces your stress.
2. Practise gratitude – our attitude has an astonishing effect on how we deal with situations and a negative attitude can affect your physical, spiritual, and mental wellbeing. Sometimes you can find gratitude in the smallest things. You can be thankful for life, health, strength, friends, family, nature, etc. Focusing on gratitude can change your attitude.
3. Relax, relax, relax. Amidst the hustle and bustle of everyday life, sometimes we forget to take care of ourselves. If we do not help ourselves, how can we effectively help others? Relaxation rejuvenates the body, mind, and spirit and leaves us better equipped to handle stressful situations when they come. Try to find something that you enjoy and do it every day. If you can set aside time for relaxation, do it.
4. Look at the big picture. Ask yourself: "How important is this?" and "Will this matter in the long run?" If the answer is no, it's likely not worth your time and energy.