



THANK GOD FOR PRAVIN: A RAY OF HOPE IN THE DARKNESS OF ESKOM



MARKET PERFORMANCE

COUNTRY	NOV %	YTD %
South Africa	-3.17%	-12.26%
Brazil	2.38%	17.15%
Russia	0.43%	18.26%
India	5.09%	6.28%
China	6.11%	-11.41%
USA	1.68%	3.31%
UK	-2.07%	-9.44%
Germany	-1.66%	-12.85%

MARKET COMMENTARY

Whilst the JSE recovered slightly in the last week of November, it wasn't nearly enough to salvage a largely poorly performing month. The South African Property index further worsened domestic results, as it had to fend off more allegations of irregular activity at one of its large counters. G20 discussion outcomes were a large contributor of the USA and China ending the month in positive territory, as a three-month freeze on trade tariffs was agreed upon. Furthermore, China agreed to purchase and unspecified amount of US products from the agricultural, energy and industrial sectors. UK markets ended the month in the red, as the Bank of England advised that should the House of Commons vote down Theresa May's deal (on 11 December), the impact on the UK's economy could potentially be more severe than the Global Financial Crisis and the pound would most likely lose 25% of its value.¹

¹ The Prescient Post

When one talks about superheroes, what usually comes to mind is the comic fiction heroes like Superman and X Men. But we can't help thinking that in the SA context, it is Pravin Gordhan.

With an armour that's incorruptible and with the superpowers of integrity and great leadership, Pravin is constantly shooting arrows into the giant belly of lazy, oversized monster of malfeasance and corruption. Sometimes it seems, he stands alone – but that's what superheroes usually do.

There is no doubt that Eskom is a bloated State Owned Enterprise, with declining revenue and increasing costs. With debt approaching R 400 billion, it's a great move by Ramaphosa to have Pravin tackling the issue. What South Africans can expect is frankness, transparency and ultimately action.

The most recent press conference reveals:

CAUSES

- Lack of proper maintenance of power stations and sub-standard building quality of recently built power stations
- Widespread corruption in procurement process (*power station build*) and ongoing procurement (*diesel, coal, transport etc.*)
- Lack of leadership
- Cannot rule out sabotage by people who have a lot to lose from a "clean" Eskom.

CORRECTIVE ACTIONS

IMMEDIATE *

- The immediate cancellation of senior management leave over December 2018, to ensure that country averts crisis.
- Redeployment of personnel from head office, to the ground at power stations (*not behind a desk*).
- A weekly plan of who is taking responsibility for specific tasks from now, up until 31 January 2019 (*so everybody is accountable and no tasks slip through*).

MEDIUM TO LONG TERM

- Re-arrange Eskom functionally, and distinguish between **power generation**, **power transmission** and **power distribution**, (*to identify and isolate losses to specific part of energy delivery*).
- Re-arrange debt into these separated parts of Eskom (*unbundling of Eskom*).
- Provide proper plans to lenders as to how the debt and interest will be repaid.
- Accountability (*past failures & corruption*).

* *With these immediate actions, Pravin indicates that there is little likelihood of load shedding between the 15th December and 15th January.*

EFFECT ON THE RAND, INTEREST RATES AND ECONOMY

Pravin's appointment is exactly what the ratings agencies were looking for – stable, pragmatic, high quality, incorruptible leadership of the biggest thorn in SA finances – i.e. State Owned Entities.

Downgrades would mean higher interest rates, slower economy and weaker Rand – a concoction of economic variables that could create prolonged recession. This would affect investment portfolios and equity market returns

Thus Pravin carries the hopes for prosperity of every South African, rich or poor, employed or unemployed.

This is the Superhero we need to support with our tweets, articles, conversations and civil action. He is for us, and we should be for him.

This is the last Newsletter for 2018.

It has been a pleasure in assisting you all to reach your financial goals for the year. We at PWM would like to wish you and your family a Merry Christmas and a prosperous New Year.

