

ONE Minute Brief

7 July 2016

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Economic and Political News

South Africa's SACCI business confidence index advanced to 95.10 in June, compared to a revised reading of 91.80 in the previous month.

South African Reserve Bank's (SARB) Deputy Governor, Daniel Mminele highlighted the central bank's dilemma of addressing inflation at the expense of growth. Moreover, he also warned that the nation should not underestimate the risk of credit rating downgrades if the economy does not show improvement. Further, he mentioned that there will be minimal impact of Brexit on South Africa's trade links with the UK.

The Public Service Commission stated that few government departments are taking between one to ten years to complete the process of service termination and pension pay-outs, compared to 60 days required by law.

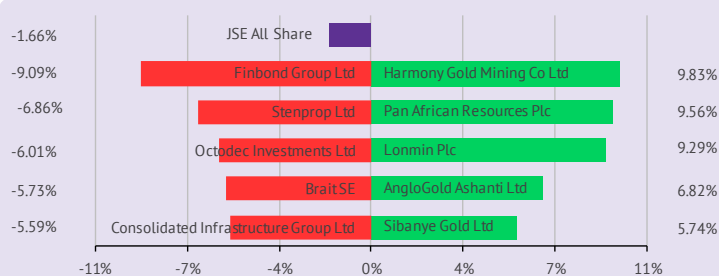
The South African Post Office fired 228 workers for going on an alleged illegal strike last month.

A survey by Old Mutual indicated that two thirds of households defined their level of financial stress as overwhelming or high. Further, half of all households were seen saving less compared to a year ago.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, amid losses in banking and financial sector stocks. Data indicated that South Africa's SACCI business confidence index advanced in June from May. The JSE All Share Index fell 1.7% to close at 50,811.66.



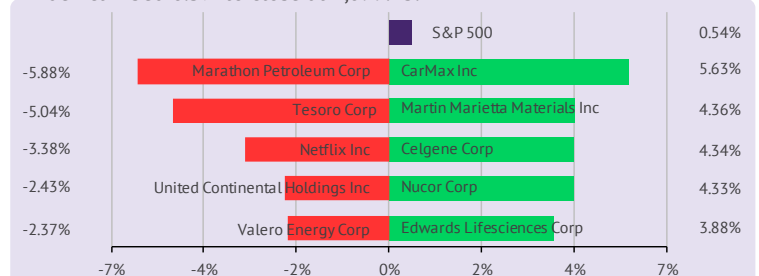
Key Indices

| | Last Close | 1 Day Chg | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. Month % Chg | YTD % Chg |
|------------------|------------|-----------|-----------|-----------|-----------|-------------------|-----------|
| JSE All Share | 50811.66 | ▼ -858.50 | -1.66% | -2.95% | -2.69% | -3.13% | 0.23% |
| JSE Top 40 | 44501.22 | ▼ -829.71 | -1.83% | -3.29% | -3.20% | -4.17% | -2.83% |
| FTSE 100 | 6463.59 | ▼ -81.78 | -1.25% | -1.74% | -0.63% | 4.39% | 3.54% |
| DAX 30 | 9373.26 | ▼ -159.35 | -1.67% | -4.12% | -3.17% | -5.68% | -12.75% |
| CAC 40 | 4085.30 | ▼ -78.12 | -1.88% | -4.41% | -3.59% | -5.95% | -11.90% |
| S&P 500 | 2099.73 | ▲ 11.18 | 0.54% | -0.15% | 0.04% | 0.09% | 2.73% |
| Nasdaq Composite | 4859.16 | ▲ 36.26 | 0.75% | -0.07% | 0.34% | -2.13% | -2.96% |
| DJIA | 17918.62 | ▲ 78.00 | 0.44% | -0.17% | -0.06% | 0.80% | 2.83% |

US Market ▲

The S&P 500 futures are trading in the red

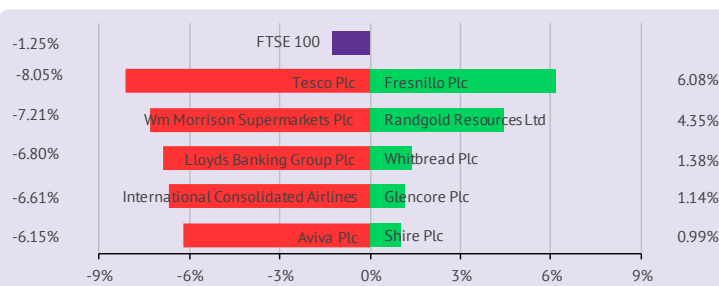
US markets rose yesterday, supported by gains in health care sector stocks and a rise in oil prices. Fed minutes indicated that interest rate hikes were put on hold to get a clearer picture of the impact of Brexit and following concerns over the health of job market. The S&P 500 Index climbed 0.5% to close at 2,099.73.



UK Market ▼

The FTSE 100 futures are trading in negative territory

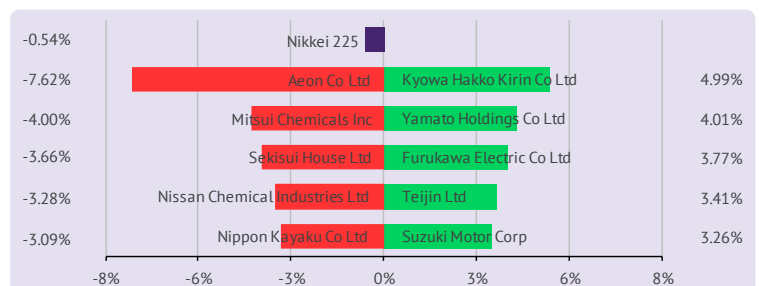
UK markets finished lower yesterday, as renewed fears about the impact of UK's decision to leave the EU triggered losses in property sector stocks. The FTSE 100 Index declined 1.3% to close at 6,463.59.



Asian Market ◀▶

Trading mixed

Asian markets are trading mixed this morning. The Nikkei 225 Index is trading 0.5% lower at 15,295.68.



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USDZAR ▲

USD trading firmer against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% firmer against the South African Rand at R14.7472. Later today, traders will keep a close watch on US ADP employment change and initial jobless claims data for further direction. Additionally, investors will eye South Africa's gross and net reserves, scheduled later today.

The US Dollar fell against the South African Rand yesterday. The minutes of the FOMC's June monetary policy suggested that international economic uncertainty and a surprisingly weaker employment report for May persuaded Fed officials to hold back on plans to hike interest rates. Macroeconomic data released by ISM indicated that the services sector in the US expanded at its quickest pace in seven months, boosted by robust orders and sales. Further, the final reading on Markit services PMI was revised higher in June. Meanwhile, the nation's trade deficit worsened more-than-expected in May, as demand for imported goods increased. Additionally, South Africa's business confidence rose slightly in June from May.

GBPZAR ▲

GBP trading higher against ZAR

At 06:00 SAST, the British Pound advanced 0.2% against the South African Rand to trade at R19.1030. Later today, traders will keep an eye on UK's manufacturing and industrial production along with NIESR GDP estimate for further clues.

The British Pound declined against the South African Rand yesterday, amid rising concerns over the impact of Brexit on UK's economy.

EURZAR ▼

EUR trading lower against ZAR

At 06:00 SAST, the Euro retreated 0.1% against the South African Rand to trade at R16.3405. Going forward, market participants will keep a tab on ECB's account of the monetary policy meeting and Germany's industrial production scheduled to release in a few hours.

The Euro strengthened against the South African Rand yesterday. Separately, data indicated that German factory orders remained stagnant on a monthly basis in May. Moreover, the nation's construction sector expanded at a slower pace in June.

AUDZAR ▼

AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar dropped 0.1% against the South African Rand to trade at R11.0707. Earlier in the session, data showed that Australia's construction sector expanded in June, making its way out of the contraction territory and reaching the highest level in ten months.

The Australian Dollar rose against the South African Rand yesterday, extending previous session gains.

Key Currencies & Commodities

| | Current | | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. Month % Chg | YTD % Chg |
|-------------------|---------|---|-----------|-----------|-----------|-------------------|-----------|
| USDZAR | 14.7472 | ▲ | -0.10% | 1.17% | 0.03% | -6.25% | -4.79% |
| GBPZAR | 19.1030 | ▲ | -0.74% | -1.41% | -2.82% | -13.79% | -16.40% |
| EURZAR | 16.3405 | ▼ | 0.13% | 0.79% | 0.09% | -6.58% | -2.71% |
| AUDZAR | 11.0707 | ▼ | 0.71% | 1.51% | 1.03% | -3.45% | -2.45% |
| EURUSD | 1.1093 | ▼ | 0.22% | -0.32% | -0.05% | -0.23% | 2.15% |
| GBPUSD | 1.2952 | ▲ | -0.70% | -2.53% | -2.85% | -8.09% | -12.28% |
| Brent (\$/barrel) | 48.9 | ▲ | 1.75% | -3.08% | -1.83% | -0.36% | 30.90% |
| Gold (\$/oz) | 1369.8 | ▲ | 0.62% | 2.10% | 3.52% | 8.71% | 28.95% |
| Platinum (\$/oz) | 1087.3 | ▲ | 1.35% | 3.05% | 6.40% | 4.19% | 21.89% |
| Copper (\$/MT)* | 4731.5 | ▼ | -1.38% | -3.43% | -2.24% | 3.05% | 0.55% |

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged higher 0.2% to trade at \$1,369.80/oz.

Yesterday, gold prices rose 0.6% to close at \$1,367.10/oz and notched a two-year high after renewed uncertainty stemming from UK's vote to exit EU last month boosted demand for the safe haven asset.

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil rose 0.3% to trade at \$48.94/bl.

Yesterday, Brent crude oil advanced 1.8% to settle at \$48.80/bl, amid weakness in the US Dollar and after the American Petroleum Institute (API) reported that crude oil inventories declined 6.7mn bls last week, falling for the seventh straight week.

Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices edged marginally higher to trade at \$1,087.30/oz.

Yesterday, platinum prices climbed 1.4% to close at \$1086.90/oz, reversing previous session losses.



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Major South Africa Corporate News

Imperial Holdings Limited

The company announced that an agreement with Phoenix Equity Partners Limited to purchase 100.0% of the issued share capital of Palletways Group Limited and its subsidiaries, was approved by the European Competition Authorities.

Major Global Economic News

US

According to minutes of the US Federal Reserve's (Fed) June 14-15 meeting, international economic uncertainty and a "surprisingly weak" US employment report for May helped persuade the Federal Reserve (Fed) officials to hold back on plans to raise interest rate. The policymakers also felt that it was prudent to wait for additional data on the consequences of the UK vote.

The US registered trade deficit of USD41.10bn in May, from a deficit of USD37.40bn in the previous month. Market expectation was for the nation to record a deficit of USD40.00bn.

In June, the non-manufacturing PMI in the US recorded a rise to 56.50, compared to market expectations of a rise to 53.30. The PMI had recorded a reading of 52.90 in the prior month.

The final Markit services PMI rose unexpectedly to a level of 51.40 in June, in the US, compared to a level of 51.30 in the prior month. The preliminary figures had recorded a steady reading.

In the US, mortgage applications advanced 14.2% on a weekly basis, in the week ended July 01, 2016. In the previous week, mortgage applications had fallen 2.6%.

UK

The Lyods business barometer in the UK plunged to 6.00 in June, compared to a reading of 32.00 in the prior month.

Eurozone

In May, the seasonally adjusted factory orders in Germany, remained flat on a monthly basis, lower than market expectations for a rise of 1.0%. Factory orders had registered a revised drop of 1.9% in the prior month.

Asia

In Australia, the AIG performance of construction index advanced to 53.20 in June, compared to a reading of 46.70 in the prior month.

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Economic Calendar

| Country | SAST | Economic Indicator | Relevance | Consensus/ *Actual | Previous/ **Previous Est. | Frequency |
|--------------|-------|---------------------------------------------------|-----------|-----------------------|------------------------------|--------------|
| UK | 01:01 | Lloyds Business Barometer (Jun) | ✓ | 6.00* | 32.00 | Monthly |
| Japan | 02:30 | BOJ's Kuroda to Speak at Branch Managers' Meeting | ✓✓ | - | - | As scheduled |
| Japan | 07:00 | Leading Economic Index (May) (P) | ✓✓ | 100.00 | 100.00 | Monthly |
| Japan | 07:00 | Coincident Index (May) (P) | ✓ | 110.30 | 112.00 | Monthly |
| South Africa | 08:00 | Net Gold & Forex Reserve (Jun) | ✓✓ | USD40.70bn | USD40.48bn | Monthly |
| South Africa | 08:00 | Gross Gold & Forex Reserve (Jun) | ✓✓ | USD45.92bn | USD46.08bn | Monthly |
| Germany | 08:00 | Industrial Production s.a. (MoM) (May) | ✓ | 0.10% | 0.80% | Monthly |
| France | 08:45 | Current Account (May) | ✓ | - | -EUR2.80bn | Monthly |
| France | 08:45 | Trade Balance (May) | ✓ | -EUR4.93bn | -EUR5.22bn | Monthly |
| Switzerland | 09:00 | Foreign Currency Reserves (Jun) | ✓ | - | CHF602.10bn | Monthly |
| Switzerland | 09:15 | Consumer Price Index (MoM) (Jun) | ✓✓ | 0.10% | 0.10% | Monthly |
| UK | 10:30 | Industrial Production (MoM) (May) | ✓ | -1.00% | 2.00% | Monthly |
| UK | 10:30 | Manufacturing Production (MoM) (May) | ✓ | -1.20% | 2.30% | Monthly |
| Greece | 11:00 | Unemployment Rate (Apr) | ✓ | - | 24.10% | Monthly |
| South Africa | 13:00 | Electricity Consumption (YoY) (May) | ✓ | - | -1.40% | Monthly |
| South Africa | 13:00 | Electricity Production (YoY) (May) | ✓ | - | 0.80% | Monthly |
| US | 13:30 | Challenger Job Cuts (YoY) (Jun) | ✓ | - | -26.50% | Monthly |
| Eurozone | 13:30 | ECB account of the monetary policy meeting | ✓✓ | - | - | As scheduled |
| US | 14:15 | ADP Employment Change (Jun) | ✓✓ | 160.00K | 173.00 K | Monthly |
| Canada | 14:30 | Building Permits (MoM) (May) | ✓ | 1.50% | -0.30% | Monthly |
| US | 14:30 | Initial Jobless Claims (02-Jul) | ✓✓ | 269.00 K | 268.00 K | Weekly |
| UK | 16:00 | NIESR GDP Estimate (3M) (Jun) | ✓✓✓ | - | 0.50% | Monthly |
| Canada | 16:00 | Ivey PMI s.a (Jun) | ✓✓ | 51.20 | 49.40 | Monthly |

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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