

# ONE Minute Brief

16 September 2016

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## Economic and Political News

Moody's Investors Service announced that the greatest downgrade risks to South Africa's credit rating at the end of 2016 were rising political infighting and the uncertainty about continuity of leadership at the National Treasury. The agency further stated that the nation needed to additionally lift economic growth and reform debt-ridden state companies in order to avoid a downgrade.

The Ministry of Finance stated it has noted the reports of suspension of senior South African Revenue Services (SARS) official Jonas Makwakwa following suspicious payments made into his personal account of ZAR1.2mn between 2010 and 2016.

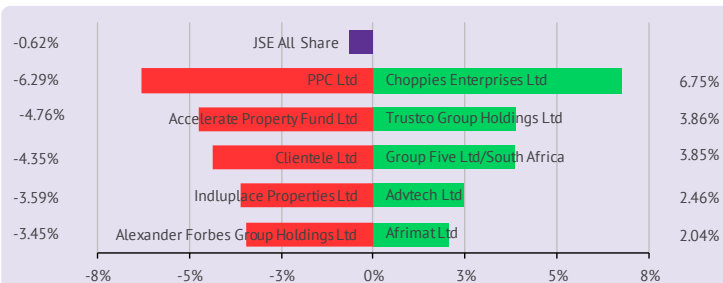
The Automobile Association, citing a weak South African Rand and robust international petroleum prices, predicted a fuel price increase of about 51c/l at the end of September.

According to the Economic Freedom of the World 2016 annual report, South Africa is now ranked 105 out of 159 nations in 2016 from its 93<sup>rd</sup> rank in the previous year, suggesting South Africans enjoyed fewer civil and political liberties.

## South Africa Market ▼

### South African markets closed lower

South African markets closed in the red yesterday, amid losses in gold mining sector stocks. The JSE All Share Index fell 0.6% to close at 52,174.26.



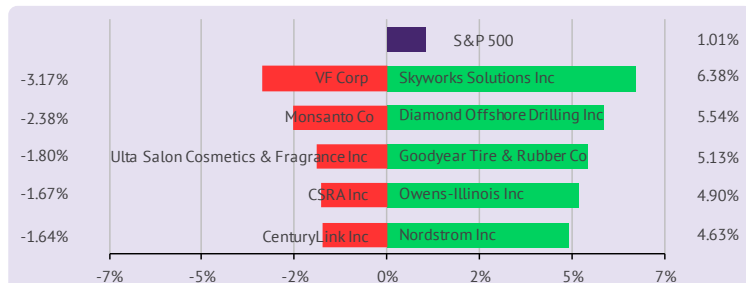
## Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	52174.26	▼	-327.71	-0.62%	-2.20%	-1.06%	-0.12%	2.92%
JSE Top 40	45713.44	▼	-271.63	-0.59%	-2.19%	-1.18%	0.75%	-0.18%
FTSE 100	6730.30	▲	56.99	0.85%	-0.69%	-0.76%	0.85%	7.82%
DAX 30	10431.20	▲	52.80	0.51%	-1.35%	-1.52%	2.47%	-2.90%
CAC 40	4373.22	▲	2.96	0.07%	-2.63%	-1.46%	-0.04%	-5.69%
S&P 500	2147.26	▲	21.49	1.01%	0.91%	-1.09%	-0.12%	5.05%
Nasdaq Composite	5249.69	▲	75.91	1.47%	2.41%	0.70%	0.99%	4.84%
DJIA	18212.48	▲	177.71	0.99%	0.70%	-1.02%	-0.17%	4.52%

## US Market ▲

### The S&P 500 futures are trading in the red

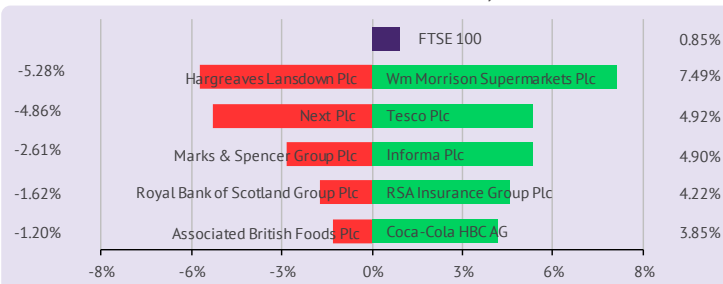
US markets closed higher yesterday, supported by gains in information technology sector stocks. Data revealed that advance retail sales in the US dropped more-than-expected in August. The S&P 500 Index climbed 1.0% to close at 2,147.26.



## UK Market ▲

### The FTSE 100 futures are trading in negative territory

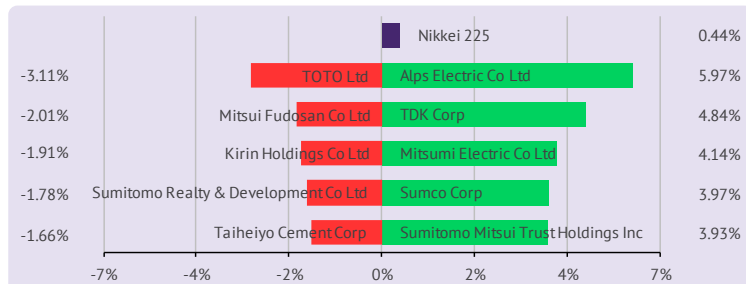
UK markets finished higher yesterday, led by gains in consumer staple sector stocks. The BoE kept the benchmark interest rate unchanged at 0.25% and maintained its asset purchase programme at GBP435.00bn. The FTSE 100 Index advanced 0.9% to close at 6,730.30.



## Asian Market ▲

### Trading higher

Asian markets are trading higher this morning. The Nikkei 225 Index is trading 0.4% higher at 16,477.82. Markets in China, Hong Kong and South Korea are closed today on account of public holidays.



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## USDZAR ▼

### USD trading weaker against ZAR

At 06:00 SAST, the US Dollar is trading 0.3% weaker against the South African Rand at R14.2100. Later today, traders will keep a close watch on US consumer price inflation and Reuters/Michigan consumer sentiment index for further direction.

The US Dollar fell against the South African Rand yesterday, after data indicated that advance retail sales in the US dropped more than market expectations in August for the first time in five months, suggesting weaker domestic demand. Moreover, the nation's industrial production declined more-than-expected in August, while manufacturing output eased more than market expectations in the same month. Additionally, Americans seeking unemployment benefits rose less than expected last week.

## GBPZAR ▼

### GBP trading lower against ZAR

At 06:00 SAST, the British Pound declined 0.3% against the South African Rand to trade at R18.8110. With no economic releases in the UK today, investor sentiment will be determined by global macro-economic news.

The British Pound declined against the South African Rand yesterday. The Bank of England voted to leave the benchmark interest rate steady and its bond-buying programme intact. Further, the central bank's summary report revealed that the committee will assess the recent economic data along with forthcoming reports at the November forecast and if it is broadly consistent with its August inflation report, then a rate cut could be introduced to support a weakening economy. Further, data indicated that UK's retail sales eased less than market expectations in August from July, as consumers continued spending, shrugging off Britain's decision to leave the EU.

## EURZAR ▼

### EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading 0.3% weaker against the South African Rand at R15.9742.

The Euro weakened against the South African Rand yesterday. Separately, data indicated that Eurozone's consumer price index rebounded in line with market expectations in August from July. Meanwhile, the region's final annual consumer price inflation rose in August, in line with preliminary estimates. Additionally, trade surplus narrowed more-than-expected in July.

## AUDZAR ▼

### AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.4% lower against the South African Rand at R10.6760.

The Australian Dollar rose against the South African Rand yesterday, after data revealed that Australia's unemployment rate fell to its lowest level in three years in August, while on the other hand, the number of people employed dropped surprisingly in the same month.

## Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	14.2100	▼	-0.50%	-1.16%	-3.28%	6.14%	-7.91%
GBPZAR	18.8110	▼	-0.46%	-1.37%	-2.51%	5.43%	-17.25%
EURZAR	15.9742	▼	-0.54%	-1.03%	-2.50%	5.96%	-4.64%
AUDZAR	10.6760	▼	0.16%	-1.45%	-3.26%	4.86%	-5.70%
EURUSD	1.1241	▼	-0.05%	0.10%	0.77%	-0.14%	3.48%
GBPUUSD	1.3238	▼	0.03%	-0.21%	0.77%	-0.70%	-10.19%
Brent (\$/barrel)	46.4	▼	1.61%	-2.96%	-0.64%	7.72%	24.97%
Gold (\$/oz)	1317.8	▲	-0.61%	-1.25%	0.47%	-3.05%	23.94%
Platinum (\$/oz)	1031.0	▼	-0.68%	-3.16%	-1.87%	-8.44%	15.94%
Copper (\$/MT)*	4764.5	▲	0.21%	3.25%	3.45%	-6.30%	1.25%

\*As of Previous Close

## Gold ▲

### Trading in the green

At 06:00 SAST, gold prices edged 0.3% higher to trade at \$1,317.80/oz.

Yesterday, gold prices fell 0.6% to close at \$1,314.00/oz, as a rally in global equity markets reduced demand for the precious metal as an alternative investment.

## Brent Crude Oil ▼

### Trading weaker

At 06:00 SAST, Brent crude oil edged lower 0.5% to trade at \$46.35/bl.

Yesterday, Brent crude oil advanced 1.6% to settle at \$46.59/bl, reversing its previous session losses following news of temporary closure of the Colonial Pipeline Line 1, which transports 1.2mn bls of gasoline a day from Texas as far as New Jersey.

## Platinum ▼

### Trading in negative territory

At 06:00 SAST, platinum prices dropped 0.3% to trade at \$1,031.00/oz.

Yesterday, platinum prices declined 0.7% to close at \$1033.80/oz.



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## Major South Africa Corporate News

### Ascendis Health Limited

The company announced it still has ZAR600.00m available for acquisitions.

### Brait SE

The company announced plans to trade its shares on the London Stock Exchange and will consider selling new equity to fund future deals.

### Vodacom Group Limited

The company announced that it won an estimated ZAR5.00bn government contract, its biggest deal with the public sector to date.

## Major Global Economic News

### US

In the US, advance retail sales fell 0.3% on a monthly basis in August, higher than market expectations for a drop of 0.1%. In the previous month, advance retail sales had climbed by a revised 0.1%.

In the week ended September 10, 2016, the seasonally adjusted initial jobless claims climbed to 260.00K in the US, compared to a reading of 259.00K in the prior week. Market expectation was for initial jobless claims to advance to a level of 265.00K.

In the US, manufacturing production fell 0.4% on a monthly basis in August, more than market expectations for a drop of 0.3%. Manufacturing production had recorded a revised rise of 0.4% in the prior month.

In August, industrial production slid 0.4% on a monthly basis in the US, higher than market expectations for a drop of 0.2%. Industrial production had advanced by a revised 0.6% in the prior month.

The US has registered current account deficit of USD119.90bn in 2Q16, from a revised deficit of USD131.80bn in the previous quarter. Market expectation was for a deficit of USD121.00bn.

Producer price index remained flat on a monthly basis in the US in August, compared to market expectations for a rise of 0.1%. In the prior month, PPI had recorded a drop of 0.4%.

### Eurozone

In the Eurozone, the consumer price index climbed 0.1%, on a monthly basis, in August, meeting market expectations. In the prior month, the CPI had fallen 0.6%.

In July, the seasonally adjusted trade surplus in the Eurozone fell to EUR20.00bn, less than market expectations of a surplus of EUR22.00bn. The Eurozone had registered a revised surplus of EUR23.80bn in the prior month.

### UK

The Bank of England (BoE) unanimously voted to leave the benchmark interest rate steady at 0.25% and the bond-buying programme target at GBP435.0bn, while continuing with the plan to buy up to GBP10.0bn worth of corporate bonds. Further, the central bank's summary report indicated that the committee will assess the recent economic data along with forthcoming reports at the November forecast and if the assessment at that time is seen as broadly consistent with its August inflation report, then a rate cut could be introduced to support a weakening economy.

Retail sales in the UK fell 0.2%, on a monthly basis in August, compared to a revised advance of 1.9% in the previous month. Markets were expecting retail sales to fall 0.4%.

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## Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
Italy	10:00	Trade Balance (Jul)	✓	-	EUR4662.00mn	Monthly
Eurozone	11:00	Labour Cost (Q2)	✓	-	1.70%	Quarterly
Canada	14:30	Foreign portfolio investment in Canadian securities (Jul)	✓	-	CAD9.02bn	Monthly
US	14:30	Consumer Price Index (MoM) (Aug)	✓✓	0.10%	0.00%	Monthly
US	14:30	Consumer Price Index (YoY) (Aug)	✓✓✓	1.00%	0.80%	Monthly
Canada	14:30	Manufacturing Shipments (MoM) (Jul)	✓	1.00%	0.80%	Monthly
Canada	14:30	Canadian portfolio investment in foreign securities (Jul)	✓	-	CAD4.15bn	Monthly
US	16:00	Reuters/Michigan Consumer Sentiment Index (Sep) (P)	✓✓✓	90.60	89.80	Monthly
US	18:00	Household Change in Net Worth (Q2)	✓	-	USD837.00bn	Quarterly
US	22:00	Net Long-Term TIC Flows (Jul)	✓✓	-	-USD3.60bn	Monthly
US	22:00	Total Net TIC Flows (Jul)	✓	-	-USD202.80bn	Monthly

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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