

# ONE Minute Brief

5 October 2016

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## Economic and Political News

The IMF kept South Africa's growth forecast for 2016 unchanged at 0.1%, while lowering the 2017 growth forecast to 0.8% from 1.0%.

South African Reserve Bank Governor, Lesetja Kganyago, stated that the fall in consumer inflation to within the bank's target range was temporary and there was no room for complacency in monetary policy.

Following a severe drought, South Africa's biggest water utility, Rand Water indicated that it will pump about 3,900 kilolitres a day to municipalities, instead of the usual 4,500 kilolitres.

Finance Minister, Pravin Gordhan, stated that the police investigation against him was nothing more than a political mischief and believed that the issues will be resolved. Separately, he indicated that nervousness still persisted whether South Africa will pass the credit ratings test in coming months.

Public service wage bill's total consolidated expenditure for 2015-16 was ZAR430.5bn compared to 2014-15's ZAR396.9bn.

## Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	52040.85	▲	381.86	0.74%	0.18%	0.18%	-1.49%	2.66%
JSE Top 40	45473.03	▲	365.89	0.81%	0.10%	0.10%	-1.81%	-0.71%
FTSE 100	7074.34	▲	90.82	1.30%	2.54%	2.54%	1.74%	13.33%
DAX 30	10619.61	▲	108.59	1.03%	1.03%	1.03%	-0.77%	-1.15%
CAC 40	4503.09	▲	49.53	1.11%	1.23%	1.23%	0.23%	-2.89%
S&P 500	2150.49	▼	-10.71	-0.50%	-0.82%	-0.82%	-0.12%	5.21%
Nasdaq Composite	5289.66	▼	-11.22	-0.21%	-0.42%	-0.42%	1.89%	5.64%
DJIA	18168.45	▼	-85.40	-0.47%	-0.76%	-0.76%	-0.50%	4.27%

## South Africa Market ▲

### South African markets closed higher

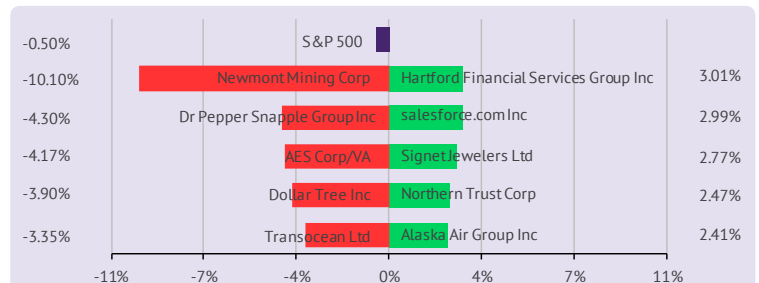
South African markets closed in the green yesterday, amid gains in financial sector stocks. The JSE All Share Index rose 0.7% to close at 52,040.85.



## US Market ▼

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

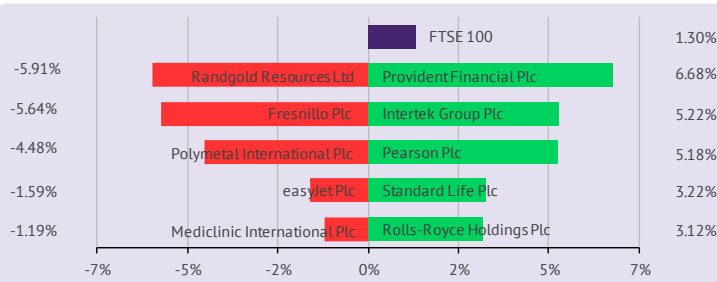
US markets closed lower yesterday, weighed down by losses in utilities sector stocks. The IMF slashed its growth forecast for the US economy to 1.6% from 2.2% in 2016, due to weaker business investment and demand. The S&P 500 Index dropped 0.5% to close at 2,150.49.



## UK Market ▲

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

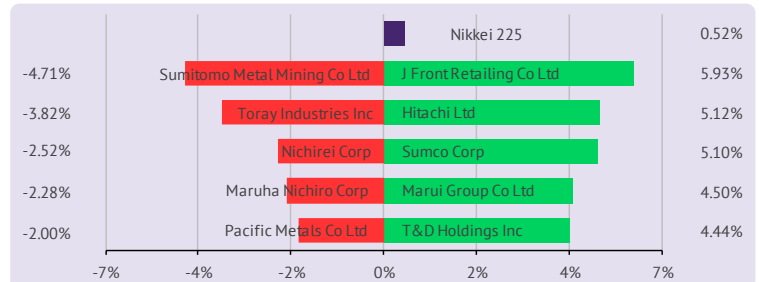
UK markets finished higher yesterday, extending gains from previous sessions. Data indicated that UK's Markit construction PMI rebounded unexpectedly in September. The FTSE 100 Index advanced 1.3% to close at 7,074.34.



## Asian Market ▲

### Trading higher

Asian markets are trading higher this morning. Earlier in the session, data indicated that Japan's Markit services PMI contracted in September. The Nikkei 225 Index is trading 0.5% higher at 16,823.05. Markets in China remain closed today on account of a national holiday.



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## USDZAR ▼

### USD trading weaker against ZAR

At 06:00 SAST, the US Dollar retreated 0.2% against the South African Rand to trade at R13.8074. Later today, traders will keep a close watch on US services PMI released by Markit and ISM, trade balance, factory orders and ADP employment change data for further direction.

The US Dollar rose against the South African Rand yesterday, after Richmond Federal Reserve President, Jeffrey Lacker, stated that there was a strong chance for an interest rate hike. Moreover, Chicago Fed President, Charles Evans, announced that he was fine with raising rates by year end provided data remained supportive. Separately, the IMF cut its economic growth forecast for the US economy to 1.6% down from 2.2% in 2016.

## GBPZAR ▼

### GBP trading lower against ZAR

At 06:00 SAST, the British Pound is trading 0.1% weaker against the South African Rand at R17.5841. Later today, traders will keep an eye on the final reading for UK's Markit services PMI for further cues.

The British Pound advanced against the South African Rand yesterday, after data revealed that UK's Markit construction PMI advanced in September, returning to the expansion territory and registering its highest level in six months.

## EURZAR ▼

### EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading 0.1% lower against the South African Rand at R15.4818. Going forward, market participants will keep a tab on Markit's survey for services PMI across the Eurozone along with retail sales data, scheduled in a few hours.

The Euro strengthened against the South African Rand yesterday. Data indicated that Eurozone's producer prices dropped more-than-expected on a monthly basis in August, its first decline since April.

## AUDZAR ▼

### AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar fell marginally against the South African Rand to trade at R10.5378. Earlier in the session, data indicated that Australia's AIG performance of services index advanced in September, although it remained in contraction territory. Moreover, the nation's retail sales rose more than expected on a monthly basis in August.

The Australian Dollar rose against the South African Rand yesterday. In a widely expected move, the Reserve Bank of Australia kept the interest rate steady at 1.5% at its monetary policy meeting. RBA Governor, Philip Lowe announced that Australian economy continued to grow at a moderate pace and a large drop in mining investment was being offset by growth in residential construction, public demand and exports.

## Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.8074	▼	1.70%	0.78%	0.78%	-6.85%	-10.62%
GBPZAR	17.5841	▼	0.79%	-1.12%	-1.12%	-8.01%	-22.79%
EURZAR	15.4818	▼	1.65%	0.43%	0.43%	-6.12%	-7.79%
AUDZAR	10.5378	▼	1.00%	0.21%	0.21%	-5.05%	-7.24%
EURUSD	1.1220	▲	-0.06%	-0.28%	-0.28%	0.69%	3.11%
GBPUSD	1.2735	▲	-0.89%	-1.88%	-1.88%	-1.26%	-13.66%
Brent (\$/barrel)	51.3	▲	-0.04%	1.35%	1.35%	7.04%	36.45%
Gold (\$/oz)	1276.5	▲	-3.26%	-3.58%	-3.58%	0.41%	19.44%
Platinum (\$/oz)	985.9	▲	-1.89%	-4.27%	-4.27%	-2.36%	10.43%
Copper (\$/MT)*	4785.5	▼	-0.31%	-1.29%	-1.29%	5.26%	1.69%

\*As of Previous Close

## Gold ▲

### Trading in the green

At 06:00 SAST, gold prices gained 0.8% to trade at \$1,276.50/oz.

Yesterday, gold prices fell 3.3% to close at \$1,266.30/oz, as strength in the greenback reduced demand for the safe haven yellow metal.

## Brent Crude Oil ▲

### Trading stronger

At 06:00 SAST, Brent crude oil edged 0.8% higher to trade at \$51.29/bl.

Yesterday, Brent crude oil dropped marginally to settle at \$50.87/bl. Losses were limited after the American Petroleum Institute (API) reported that US crude oil inventories declined by 7.6mn bls last week.

## Platinum ▲

### Trading in positive territory

At 06:00 SAST, platinum prices gained 0.1% to trade at \$985.90/oz.

Yesterday, platinum prices declined 1.9% to close at \$984.70/oz.



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## Major South Africa Corporate News

### Sibanye Gold Limited

The company confirmed that four employees were injured by unknown assailants at its Cooke operations. Two of the four employees were seriously injured and are being treated at local hospitals. The incidents are related to illegal industrial action, following a union membership verification dispute.

## Major Global Economic News

### Asia

In September, Markit services PMI in Japan fell to a level of 48.20. In the prior month, PMI had registered a reading of 49.60.

In Australia, the AIG performance of services index registered a rise to 48.90 in September, compared to a reading of 45.00 in the previous month.

In Australia, the seasonally adjusted retail sales rose 0.40% in August on a MoM basis, compared to a flat reading in the previous month. Market anticipation was for retail sales to advance 0.20%.

The IMF upgraded its growth forecast for Japan to 0.5% in 2016 and 0.6% in 2017, from 0.3% and 0.1%, respectively. Further, the fund expects China's growth to be 6.6% in 2016 and 6.2% in 2017.

### UK

In the UK, the Markit construction PMI climbed unexpectedly to a level of 52.30 in September, compared to market expectations of a drop to 49.00. The PMI had recorded a reading of 49.20 in the prior month.

The IMF raised its estimates for UK GDP growth this year to 1.8% from 1.7% in 2016. However, the forecast for 2017 was slashed to 1.1% from 2.2% predicted before Brexit vote, citing uncertainty about the nation's future relationship with the EU.

### US

In October, the economic optimism index recorded a rise to 49.60 in the US. In the prior month, the index had registered a reading of 46.70.

In September, the New York City current business condition index recorded a rise to 49.60 in the US. The index had recorded a reading of 47.50 in the previous month.

The IMF slashed its economic outlook for the US to 1.6% from 2.2% in 2016, stating weak business investment and lower demand for goods.

### Eurozone

In the Eurozone, the producer price index (PPI) recorded a drop of 0.2% on a monthly basis in August, higher than market expectations for a fall of 0.1%. In the previous month, the PPI had climbed by a revised 0.3%.

The IMF raised the growth outlook for the Eurozone to 1.7% from 1.6% in 2016, due to lower oil prices and economic stimulus policies at the European Central Bank. Moreover, it also edged up the forecast for growth next year to 1.5% from 1.4%, a slowdown as the effects of Brexit will deepen over time.

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## Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
UK	01:01	BRC Shop Price Index (YoY) (Sep)	✓	-1.80%*	-2.00%	Monthly
Japan	02:30	Markit Japan Services PMI (Sep)	✓✓	48.20*	49.60	Monthly
US	02:40	Fed's Evans Speaks on Economy and Policy in Auckland, NZ	✓	-	-	As scheduled
Eurozone	09:00	ECB's Nowotny, EBA's Enria at Banking Conference in Vienna	✓	-	-	As scheduled
France	09:50	Markit Services PMI (Sep) (F)	✓	54.10	54.10**	Monthly
Germany	09:55	Markit Services PMI (Sep) (F)	✓✓	50.60	50.60**	Monthly
Eurozone	10:00	Markit Composite PMI (Sep) (F)	✓✓✓	52.60	52.60**	Monthly
Eurozone	10:00	Markit Services PMI (Sep) (F)	✓✓✓	52.10	52.10**	Monthly
UK	10:30	Official Reserves (Changes) (Sep)	✓✓	-	-USD463.00mn	Monthly
UK	10:30	Markit Services PMI (Sep)	✓✓✓	52.20	52.90	Monthly
Eurozone	11:00	Retail Sales (MoM) (Aug)	✓✓	-0.30%	1.10%	Monthly
US	13:00	MBA Mortgage Applications (30-Sep)	✓	-	-0.70%	Weekly
US	14:15	ADP Employment Change (Sep)	✓✓	165.00 K	177.00 K	Monthly
Canada	14:30	International Merchandise Trade (Aug)	✓	-CAD2.45bn	-CAD2.49bn	Monthly
US	14:30	Trade Balance (Aug)	✓✓	-USD39.20bn	-USD39.50bn	Monthly
US	15:45	Markit Composite PMI (Sep) (F)	✓✓	-	52.00**	Monthly
US	15:45	Markit Services PMI (Sep) (F)	✓✓	51.90	51.90**	Monthly
US	16:00	ISM Non-Manufacturing PMI (Sep)	✓✓	53.00	51.40	Monthly
US	16:00	Durable Goods Orders (Aug) (F)	✓✓✓	0.00%	0.00%**	Monthly
US	16:00	Factory Orders (MoM) (Aug)	✓✓	-0.20%	1.90%	Monthly

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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