

ONE Minute Brief

17 May 2017

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Economic and Political News

South African Reserve Bank Governor, Lesetja Kganyago, indicated that increasing lending rates would not help attract new investments to the nation, following the recent credit downgrade.

Energy Minister, Mmamoloko Kubayi, has confirmed that the power utility Eskom had not yet signed the 37 outstanding agreements with independent power producers (IPP), and that she is taking time to understand the implications of signing or not signing. Separately, Eskom's chairperson, Ben Ngubane, has warned South Africa (SA) of unavoidable winter power cuts as the Treasury has not yet signed coal purchase agreements to enable Eskom to build up its coal reserves.

President, Jacob Zuma, stated that for the next five years Durban will host the tourism Indaba and that tourism bodies wanted to attract 5-million more international arrivals and domestic tourists within the next five years.

ANC study group chairperson, Nyami Boo, stated that the report tabled by Sassa showed no indication of any strategic plan by the agency to ensure that it will be ready to take over the payment of social grants at the end of the current extended contract with CPS.

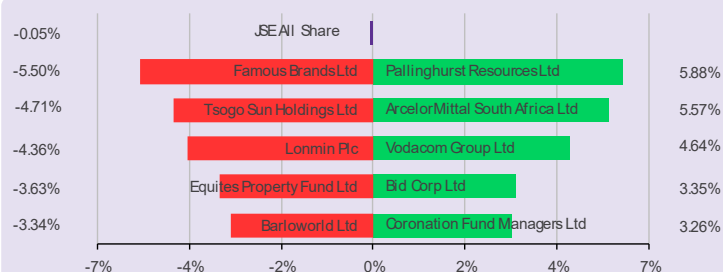
Key Indices

	Last Close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	54023.12	▼	-29.06	-0.05%	-0.07%	0.38%	6.65%
JSE Top 40	47426.96	▼	-9.86	-0.02%	-0.01%	0.75%	8.03%
FTSE 100	7522.03	▲	67.66	0.91%	1.17%	-1.62%	5.31%
DAX 30	12804.53	▼	-2.51	-0.02%	0.27%	1.02%	11.53%
CAC 40	5406.10	▼	-11.30	-0.21%	0.01%	2.83%	11.18%
S&P 500	2400.67	▼	-1.65	-0.07%	0.41%	0.91%	7.23%
Nasdaq Composite	6169.87	▲	20.20	0.33%	0.79%	2.30%	14.62%
DJIA	20979.75	▼	-2.19	-0.01%	0.40%	1.34%	6.16%

South Africa Market ▼

South African markets closed lower

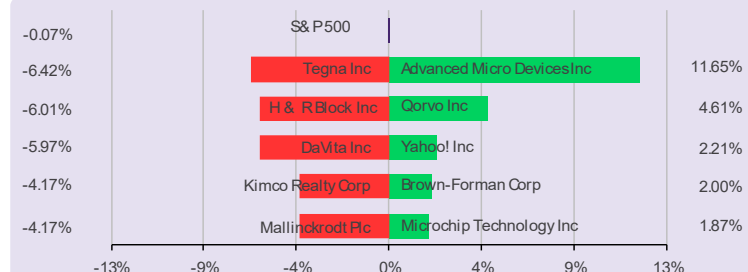
South African markets closed in the red yesterday, weighed down by losses in platinum and gold mining sector stocks. The JSE All Share Index fell 0.1% to close at 54,023.12.



US Market ▼

The S&P 500 futures are trading in the red

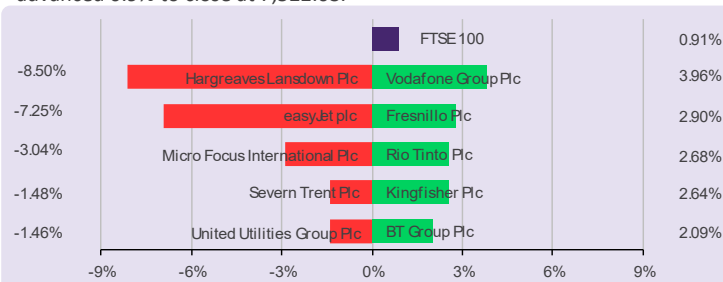
US markets closed lower yesterday, amid a decline in utility sector stocks. Data revealed that US manufacturing production rebounded more-than-anticipated in April, its highest rise since February 2014. The S&P 500 Index



UK Market ▲

The FTSE 100 futures are trading in negative territory

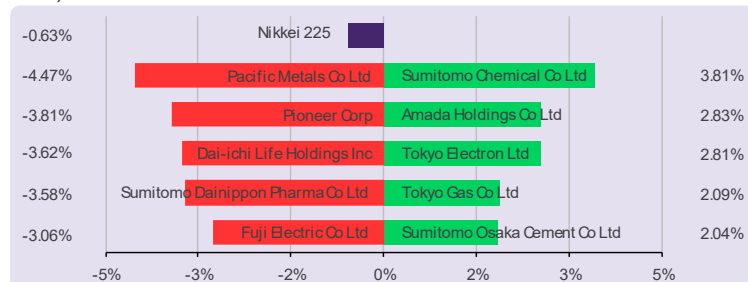
UK markets finished higher yesterday, led by gains in material and telecommunication sector stocks. Data revealed that UK's annual consumer price inflation increased more-than-expected in April. The FTSE 100 Index advanced 0.9% to close at 7,522.03.



Asian Market ▼

Trading lower

Asian markets are trading lower this morning. Data revealed that Japan's final industrial production recorded a drop on a monthly basis in March, more than its prior reading. The Nikkei 225 Index is trading 0.6% lower at 19,793.74.



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USDZAR ▲

USD trading higher against ZAR

At 06:00 SAST, the US Dollar advanced 0.2% against the South African Rand to trade at R13.0800. Later today, traders will keep a close watch on US MBA mortgage applications for further cues. Separately, South Africa's retail sales will be on investors' radar.

The US Dollar fell against the South African Rand yesterday, after US monthly housing starts unexpectedly plunged to its lowest level since last November in April, weighed down by a sharp decline in construction of apartments. Further, building permits surprisingly plunged on a monthly basis in April. Meanwhile, manufacturing sector bounced back into positive territory more than market forecast in April, notching its strongest level since February 2014. Additionally, industrial production advanced at a faster pace on a monthly basis in April, its highest gain since February 2014.

GBPZAR ▲

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound is trading 0.3% higher against the South African Rand at R16.9084. Later today, traders will keep an eye on UK's claimant count rate, ILO unemployment rate and average weekly earnings for further indication.

The British Pound declined against the South African Rand yesterday. On the data front, UK's consumer price index advanced higher than market forecast on a yearly basis in April, its strongest rise since September 2013, driven by increased air fares, higher prices for clothing, vehicle excise duty and electricity. Further, retail price index registered a more-than-anticipated rise on an annual basis in the same month. Meanwhile, house price index rose less than market expectations in March.

EURZAR ▲

EUR trading firmer against ZAR

At 06:00 SAST, the Euro gained 0.5% against the South African Rand to trade at R14.5364. Going forward, market participants will keep a tab on Eurozone's consumer price index and construction output for further direction.

The Euro weakened against the South African Rand yesterday. On the macro front, Eurozone's preliminary gross domestic product surged at par with market expectations on a quarterly basis in 1Q17. Further, ZEW economic sentiment index posted an increase in May, compared to its previous reading. Moreover, trade surplus expanded more-than-expected in March. Meanwhile, Germany's ZEW economic sentiment index advanced less than market anticipations in May, while ZEW current situation index recorded a higher-than-expected rise in the same month.

AUDZAR ▲

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar marginally advanced against the South African Rand to trade at R9.7014. Earlier in the session, data showed that Australia's Westpac consumer confidence declined in May, more than its previous reading.

The Australian Dollar fell against the South African Rand yesterday.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.0800 ▲		-0.86%	-2.19%	-2.33%	-0.37%	-4.90%
GBPZAR	16.9084 ▲		-0.72%	-2.05%	-2.62%	2.87%	-0.38%
EURZAR	14.5364 ▲		-0.04%	-0.92%	-0.70%	1.86%	0.14%
AUDZAR	9.7014 ▲		-0.68%	-1.65%	-3.13%	-2.21%	-2.11%
EURUSD	1.1111 ▲		0.99%	1.41%	1.72%	2.31%	5.41%
GBPUSD	1.2934 ▲		0.18%	0.20%	-0.27%	3.24%	4.70%
Brent (\$/barrel)	51.2 ▼		-0.33%	1.59%	-0.77%	-2.76%	-9.10%
Gold (\$/oz)	1243.4 ▲		0.52%	0.71%	-2.52%	1.68%	7.35%
Platinum (\$/oz)	942.5 ▲		0.89%	2.13%	-1.23%	0.05%	3.93%
Copper (\$/MT)*	5594.8 ▲		0.03%	1.01%	-2.03%	-1.81%	1.30%

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices rose 0.6% to trade at \$1,243.40/oz.

Yesterday, gold prices rose 0.5% to close at \$1,236.40/oz, as weakness in the greenback increased demand for the safe haven asset.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged 0.8% lower to trade at \$51.22/bl.

Yesterday, Brent crude oil dropped 0.3% to settle at \$51.65/bl, after the American Petroleum Institute (API) reported that crude oil inventories

Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices edged 0.6% higher to trade at \$942.50/oz.

Yesterday, platinum prices climbed 0.9% to close at \$937.00/oz.

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Major South Africa Corporate News

Anglo American Plc

The company announced that the value of rough diamond sales for De Beers' fourth sales cycle of 2017, is amounting to \$520 million.

Famous Brands Limited

In its FY17 trading update, the company revealed that its headline EPS compared with the corresponding prior period is expected to be between 15.0% and 25.0% lower.

Imperial Holdings Limited

In its 1H17 trading update, the company stated that its revenue advanced 3.0% to ZAR59.7 billion. The trading environment remains challenging in South Africa where ZAR35.2 billion or 59.0% of Group revenue and ZAR1.9 billion or 64.0% of Group operating profit was generated in the 6 months to December 2016.

Major Global Economic News

Eurozone

In the Eurozone, the seasonally adjusted second estimate of gross domestic product (GDP) advanced 0.5% on a quarterly basis in 1Q17, in line with market expectations. In the prior quarter, GDP had registered a revised similar rise. The preliminary figures had also recorded a rise of 0.5%.

In May, the ZEW economic sentiment index climbed to 35.10 in the Eurozone. In the prior month, the index had recorded a reading of 26.30.

The Eurozone has reported the seasonally adjusted trade surplus of EUR23.10bn in March, from a revised trade surplus of EUR18.80bn in the prior month. Markets were expecting a trade surplus of EUR18.70bn.

In Germany, the economic sentiment index registered a rise to 20.60 in May, compared to a reading of 19.50 in the prior month. Markets were anticipating the index to climb to a level of 22.00.

In May, the current situation index rose to a level of 83.90 in Germany, compared to a level of 80.10 in the previous month. Market expectation was for the index to advance to a level of 82.00.

UK

In the UK, the consumer price index (CPI) registered a rise of 2.7% on an annual basis in April, higher than market expectations for a rise of 2.6%. In the previous month, the index had registered a rise of 2.3%.

In April, the retail price index rose 3.5% on an annual basis in the UK, compared to an advance of 3.1% in the previous month. Market anticipation was for the index to rise 3.4%.

In the UK, the house price index climbed 4.1% on a yearly basis in March, less than market expectations for a rise of 5.3%. The index had recorded a

US

In the US, manufacturing production registered a rise of 1.0% on a monthly basis in April, higher than market expectations for an advance of 0.4%. In the previous month, manufacturing production had dropped 0.4%.

In April, industrial production recorded a rise of 1.0% on a monthly basis in the US, higher than market expectations for a rise of 0.4%. In the previous month, industrial production had advanced by a revised 0.4%.

In the US, building permits surprisingly fell by 2.5% on monthly basis, to an annual rate of 1229.00K in April, compared to a revised level of 1260.00K in the prior month. Markets were expecting building permits to advance to a level of 1270.00K.

In April, housing starts registered an unexpected drop of 2.6%, on monthly basis, to an annual rate of 1172.00K in the US, lower than market expectations of 1260.00K. Housing starts had recorded a revised level of 1203.00K in the previous month.

Asia

In Australia, Westpac consumer confidence index eased 1.1% on monthly basis, to a level of 98.00 in May, compared to a level of 99.00 in the previous month.

In Japan, the final industrial production dropped 1.9% on a monthly basis in March. In the prior month, industrial production had climbed 3.2%. The preliminary figures had indicated a drop of 2.1%.

In March, capacity utilisation slid 1.6% on a monthly basis in Japan. Capacity utilisation had recorded a rise of 3.2% in the previous month.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
Japan	01:50	Machinery Orders (YoY) (Mar)	✓✓	-0.70%*	5.60%	Monthly
Japan	01:50	Machinery Orders (MoM) (Mar)	✓	1.40%*	1.50%	Monthly
Japan	06:30	Capacity Utilisation (MoM) (Mar)	✓	-1.60%*	3.20%	Monthly
Japan	06:30	Industrial Production (MoM) (Mar) (F)	✓	-1.90%*	-2.10%**	Monthly
Japan	06:30	Industrial Production (YoY) (Mar) (F)	✓✓	3.50%*	3.30%**	Monthly
Italy	10:00	Trade Balance (Mar)	✓	-	EUR1884.00mn	Monthly
Italy	10:00	Exports (Mar)	✓	-	EUR34871.00mn	Monthly
Italy	10:00	Imports (Mar)	✓	-	EUR32987.00mn	Monthly
UK	10:30	Claimant Count Change (Apr)	✓✓	-	25.50K	Monthly
UK	10:30	Claimant Count Rate s.a. (Apr)	✓✓	-	2.20%	Monthly
UK	10:30	Claimant Count s.a. (Apr)	✓✓	-	765.40K	Monthly
UK	10:30	Average Earnings Excluding Bonus (3Mo/Yr) (Mar)	✓	2.10%	2.20%	Monthly
UK	10:30	Average Earnings Including Bonus (3Mo/Yr) (Mar)	✓✓	2.40%	2.30%	Monthly
UK	10:30	ILO Unemployment Rate (3M) (Mar)	✓✓✓	4.70%	4.70%	Monthly
UK	10:30	Employment Change (3M/3M) (Mar)	✓✓	21.00K	39.00K	Monthly
Eurozone	11:00	Construction Output s.a. (MoM) (Mar)	✓	-	6.90%	Monthly
Eurozone	11:00	Consumer Price Index - Core (YoY) (Apr) (F)	✓✓✓	1.20%	1.20%**	Monthly
Eurozone	11:00	Consumer Price Index (MoM) (Apr)	✓✓✓	0.40%	0.80%	Monthly
Eurozone	11:00	Consumer Price Index (YoY) (Apr) (F)	✓✓	1.90%	1.90%**	Monthly
US	13:00	MBA Mortgage Applications (12-May)	✓	-	2.40%	Weekly
South Africa	13:00	Retail Sales (MoM) (Mar)	✓✓✓	-0.50%	0.80%	Monthly
South Africa	13:00	Retail Sales (YoY) (Mar)	✓✓✓	-1.00%	-1.70%	Monthly
Canada	14:30	Manufacturing Shipments (MoM) (Mar)	✓	1.30%	-0.20%	Monthly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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