

ONE Minute Brief

15 June 2017

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Economic and Political News

In South Africa, the BER business confidence index dropped more-than-expected to 29 in 2Q17, compared to a level of 40 in the previous quarter. Retail sales advanced more-than-forecast by 1.5% YoY in April, compared to a revised 0.9% in March. Meanwhile, SACCI's trade activity index advanced to 49 in May from 45 in April.

Eskom has warned that payables from municipalities may rise as half of the 62 defaulting municipalities that had made payment arrangements with the utility have not fulfilled those arrangements.

The Treasury has rejected objections of tax practitioners to the increase in withholding tax on dividends. Separately, Treasury's Chief Director of financial sector conduct, Katherine Gibson, stated that personal loans were the most impaired category of debt, with ZAR29bn of personal loans overdue by more than 91 days.

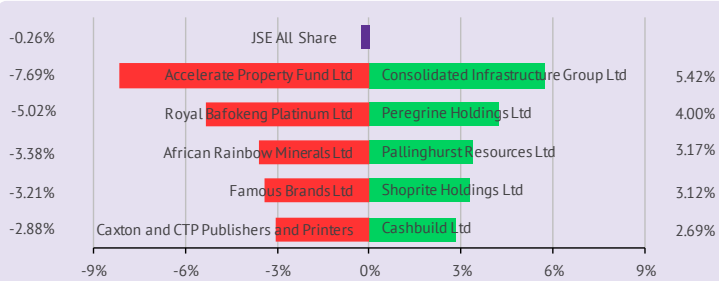
Public Protector, Busisiwe Mkhwebane, has launched a new investigation within Eskom, Transnet and the Passenger Rail Agency of South Africa (PRASA) into allegations of influence-peddling and unlawful enrichment by certain officials.

Deputy President, Cyril Ramaphosa, stated that President Jacob Zuma is consulting with legal advisors to explore ways of setting up a commission of inquiry into state capture.

South Africa Market

South African markets closed lower

South African markets closed in the red yesterday, dragged down by losses in resources and industrial sector stocks. Data revealed that the BER business confidence index recorded a more-than-expected drop in 2Q17. The JSE All Share Index fell 0.3% to close at 51,489.16.



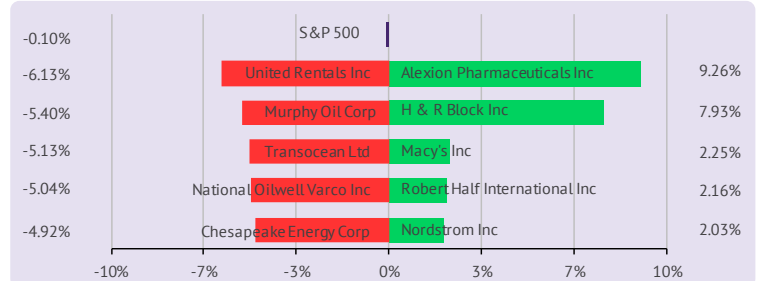
Key Indices

	Last Close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg	
JSE All Share	51489.16	▼	-135.91	-0.26%	-1.39%	-3.87%	-0.47%	1.65%
JSE Top 40	45084.86	▼	-180.01	-0.40%	-1.72%	-4.39%	0.17%	2.69%
FTSE 100	7474.40	▼	-26.04	-0.35%	-0.70%	-0.61%	4.39%	4.64%
DAX 30	12805.95	▲	40.97	0.32%	-0.08%	1.51%	1.42%	11.54%
CAC 40	5243.29	▼	-18.45	-0.35%	-1.06%	-0.76%	0.31%	7.84%
S&P 500	2437.92	▼	-2.43	-0.10%	0.25%	1.08%	1.16%	8.89%
Nasdaq Composite	6194.89	▼	-25.48	-0.41%	-0.21%	-0.06%	2.50%	15.08%
DJIA	21374.56	▲	46.09	0.22%	0.48%	1.74%	0.35%	8.16%

US Market

The S&P 500 futures are trading in the red

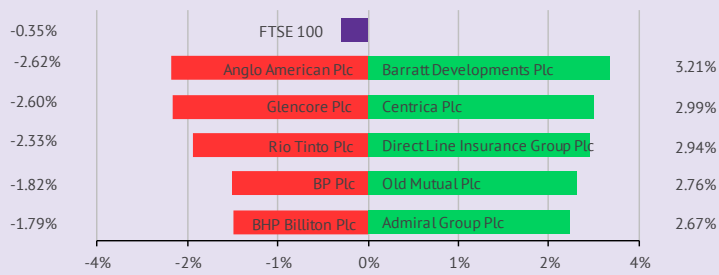
US markets closed lower yesterday, led by losses in energy sector stocks. Data showed that the Federal Reserve raised its key interest rate by 25 basis points to 1.25%, in line with market expectation. The S&P 500 Index dropped 0.1% to close at 2,437.92.



UK Market

The FTSE 100 futures are trading in negative territory

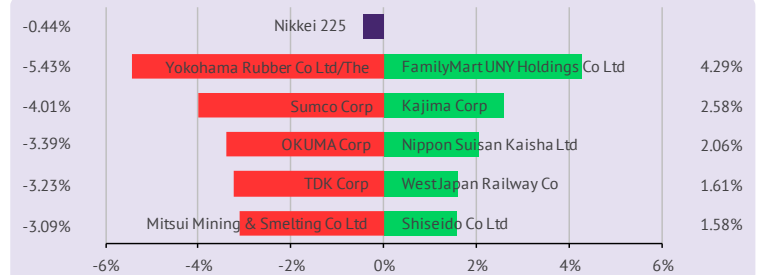
UK markets finished lower yesterday, amid a decline in material sector stocks. Data indicated that UK's ILO unemployment rate remained steady in the February-April 2017 period, compared to its previous reading. The FTSE 100 Index declined 0.4% to close at 7,474.40.



Asian Market

Trading lower

Asian markets are trading lower this morning, tracking overnight losses on Wall Street. The Nikkei 225 Index is trading 0.4% lower at 19,795.51.



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USDZAR ▲

USD trading higher against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% firmer against the South African Rand at R12.6417. Later today, traders will keep a close watch on US initial jobless claims, industrial production, manufacturing production and the NAHB housing market index for further direction.

The US Dollar fell against the South African Rand yesterday. The Federal Reserve increased its benchmark interest rate by 25 basis points to 1.25% meeting market expectations. Further, the central bank provided plans to tighten monetary policy despite increasing anxieties over weak inflation and stated some details for unwinding its \$4.5 trillion balance sheet or portfolio of bonds that includes Treasury's, mortgage-backed securities and government agency debt. On the data front, annual consumer price index (CPI) rose less-than-expected, while monthly CPI surprisingly declined in May. Further, advance retail sales recorded an unexpected drop in May. Additionally, business inventories fell at par with market estimates in April. Moreover, MBA mortgage approvals eased for the week ended June 9, 2017, compared to its prior reading. Separately, South Africa's BER business confidence index dropped at a faster-than-expected pace in 2Q17, notching its lowest level since 2009. Meanwhile, retail sales rose more-than-expected YoY in April.

GBPZAR ▲

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound is trading 0.1% firmer against the South African Rand at R16.1178. Later today, traders will keep an eye on the Bank of England's interest rate decision and UK's retail sales for further cues.

The British Pound declined against the South African Rand yesterday. On the macro front, UK's ILO unemployment rate remained unchanged in the February-April 2017 period, compared to its prior reading. Further, claimant count rate rose in line with its previous reading in May. Moreover, average weekly earnings advanced less-than-expected on an annual basis in the February-April 2017 period.

EURZAR ▲

EUR trading firmer against ZAR

At 06:00 SAST, the Euro gained 0.2% against the South African Rand to trade at R14.1885. Going forward, market participants will keep a tab on Eurozone's trade balance for further indication.

The Euro weakened against the South African Rand yesterday. Data indicated that Eurozone's industrial production advanced in line with market anticipations on a monthly basis in April. Meanwhile, Germany's final CPI advanced in line with the market forecast YoY in May.

AUDZAR ▲

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar climbed 0.5% against the South African Rand to trade at R9.6277. Earlier in the session, data revealed that Australia's unemployment rate unexpectedly dropped in May. Moreover, consumer inflation expectation posted a decline in June, compared to its prior 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	12.6417	▲	-1.10%	-2.48%	-3.76%	-1.89%	-8.06%
GBPZAR	16.1178	▲	-1.09%	-2.37%	-4.54%	-2.60%	-4.88%
EURZAR	14.1885	▲	-1.00%	-2.24%	-3.72%	1.03%	-1.90%
AUDZAR	9.6277	▲	-0.41%	-1.77%	-1.47%	-2.87%	-3.29%
EURUSD	1.1223	▲	0.06%	0.21%	-0.23%	3.20%	6.71%
GBPUSD	1.2748	▼	-0.02%	0.04%	-1.08%	-0.47%	3.36%
Brent (\$/barrel)	47.0	▲	-3.53%	-2.39%	-7.41%	-2.48%	-17.28%
Gold (\$/oz)	1266.7	▼	0.55%	0.34%	0.06%	0.29%	10.51%
Platinum (\$/oz)	939.0	▼	3.00%	1.23%	0.17%	0.17%	5.58%
Copper (\$/MT)*	5668.5	▼	-0.30%	-1.92%	0.19%	-0.92%	2.63%

*As of Previous Close

Gold ▼

Trading in the red

At 06:00 SAST, gold prices edged 0.5% lower to trade at \$1,266.70/oz.

Yesterday, gold prices rose 0.6% to close at \$1,272.80/oz, as weakness in the US Dollar increased demand for the safe haven asset.

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil gained 0.1% to trade at \$47.04/bl.

Yesterday, Brent crude oil dropped 3.5% to settle at \$47.00/bl, after the International Energy Agency (IEA) projected that non-OPEC output will increase by 1.5mn bls per day in 2018. Further, the Energy Information Administration (EIA) reported that gasoline stockpiles rose by 2.1mn bls, while distillate stockpiles advanced by 300,000 bls last week. Meanwhile, it also indicated that crude oil inventories fell by 1.7mn bls last week.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices edged 1.4% lower to trade at \$939.00/oz.

Yesterday, platinum prices climbed 3.0% to close at \$951.90/oz.

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Major South Africa Corporate News

Barloworld Limited

The company stated that Moody's Investor Services has affirmed its long-term and short-term issuer Global Scale Ratings of Baa3 and P-3, raised long-term National Scale Ratings to Aa1.za from Aa3.za and affirmed short-term National Scale ratings of P-1.za. The outlook on its ratings changed from stable to negative following the change of outlook on the Baa3 sovereign rating of South Africa.

MTN Group Limited

The company announced that Moody's Investors Service has downgraded its senior unsecured notes issued by MTN (Mauritius) Investments Limited to Ba1 from Baa3, and has assigned the group a Ba1 corporate family rating (CFR) and a Ba1-PD probability of default rating (PDR) and has withdrawn its long-term Baa3 issuer rating.

Naspers Limited

The company, in its trading statement for the year ended March 31, 2017, stated that its headline EPS is expected to increase in the range of 4.0% and 10.0% from the prior period's 168.00c.

Major Global Economic News

US

The Federal Reserve (Fed) lifted the benchmark interest rate by a quarter percentage point to a target range of 1.00% to 1.25%, citing continued US economic growth and job market strength. The Fed also announced that it will unwind its \$4.5 trillion balance sheet "relatively soon" if the economy evolves as the central bank expects. Further, it indicated that it will boost rates one more time this year, but gave no indication of when that will happen. The central bank forecast US economic growth of 2.2% in 2017, an increase from its previous projection in March. Inflation is expected to be at 1.7% by the end of this year, down from the 1.9% previously forecast.

In the US, the consumer price index (CPI) rose 1.9% on a yearly basis in May, less than market expectations for an advance of 2.0%. In the prior month, the index had advanced 2.2%.

In May, advance retail sales recorded an unexpected drop of 0.3% on a monthly basis in the US, less than market expectations for an unchanged reading. Advance retail sales had recorded a rise of 0.4% in the previous month.

In the US, business inventories fell 0.2% on a monthly basis in April, at par with market expectations. In the previous month, business inventories had advanced 0.2%.

In the US, MBA mortgage applications climbed 2.8% in the week ended June 9, 2017. Mortgage applications had registered a rise of 7.1% in the previous week.

Eurozone

In the Eurozone, the seasonally adjusted industrial production recorded a rise of 0.5% on a monthly basis in April, meeting market expectations. Industrial production had risen by a revised 0.2% in the previous month.

In May, the final CPI rose 1.5% on a yearly basis in Germany, in line with market expectations. The CPI had advanced 2.0% in the prior month. The preliminary figures had also indicated a rise of 1.5%.

UK

In the UK, the ILO unemployment rate remained flat at a level of 4.6% in the February-April 2017 period, meeting market expectations.

In May, the claimant count rate remained flat at 2.3% in the UK.

In the UK, the average earnings including bonus recorded a rise of 2.1% on a yearly basis in the February-April 2017 period, less than market expectations for an advance of 2.4%. The average earnings including bonus had recorded a revised rise of 2.3% in the January-March 2017 period.

Asia

In Australia, the seasonally adjusted unemployment rate unexpectedly eased to a level of 5.5% in May, lower than market expectations of a steady reading. Unemployment rate had registered a reading of 5.7% in the previous month.

In June, the consumer inflation expectations dropped to 3.6% in Australia, compared to a reading of 4.0% in the previous month.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous	Frequency
Japan	08:00	Tokyo Condominium Sales (YoY) (May)	✓	-	38.60%	Monthly
UK	10:30	Retail Sales (MoM) (May)	✓	-0.80%	2.30%	Monthly
UK	10:30	Retail Sales (YoY) (May)	✓✓	1.60%	4.00%	Monthly
Greece	11:00	Unemployment Rate (Quarterly) (Q1)	✓	-	23.60%	Quarterly
Eurozone	11:00	Trade Balance s.a. (Apr)	✓✓	EUR22.00bn	EUR23.10bn	Monthly
UK	13:00	BoE Interest Rate Decision	✓✓✓	0.25%	0.25%	As scheduled
UK	13:00	Bank of England Minutes	✓✓✓	-	-	As scheduled
UK	13:00	BoE Asset Purchase Facility	✓✓✓	GBP435.00bn	GBP435.00bn	As scheduled
US	14:30	Export Price Index (YoY) (May)	✓	-	3.00%	Monthly
US	14:30	Export Price Index (MoM) (May)	✓	0.20%	0.20%	Monthly
US	14:30	Import Price Index (MoM) (May)	✓	-0.10%	0.50%	Monthly
US	14:30	Continuing Jobless Claims (03-Jun)	✓	1920.00K	1917.00K	Weekly
US	14:30	Initial Jobless Claims (10-Jun)	✓✓✓	241.00K	245.00K	Weekly
US	14:30	Import Price Index (YoY) (May)	✓	2.90%	4.10%	Monthly
US	14:30	NY Empire State Manufacturing Index (Jun)	✓✓	4.00	-1.00	Monthly
US	14:30	Philadelphia Fed Manufacturing Survey (Jun)	✓✓	24.90	38.80	Monthly
US	15:15	Capacity Utilisation (May)	✓	76.80%	76.70%	Monthly
US	15:15	Industrial Production (MoM) (May)	✓✓	0.20%	1.00%	Monthly
US	15:15	Manufacturing (SIC) Production (MoM) (May)	✓✓	0.10%	1.00%	Monthly
US	16:00	NAHB Housing Market Index (Jun)	✓	70.00	70.00	Monthly
UK	22:00	BOE Governor Mark Carney Speaks at Mansion House in London	✓✓✓	-	-	As scheduled

Note: ✓✓✓High ✓✓Medium ✓Low

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