

ONE Minute Brief

21 July 2017

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Economic and Political News

The South African Reserve Bank (SARB) cut the benchmark repo rate by 25 basis points to 6.75%, citing concerns about the deterioration in the outlook for economic growth. The SARB indicated that risks to the inflation outlook were broadly balanced. The central bank reduced its growth forecast for 2017 to 0.5% from 1% and trimmed the outlook for 2018 to 1.2% from 1.5%. It expects inflation to remain within the target band of 3 to 6% until at least the end of 2019. The SARB Governor, Lesetja Kganyago, assured that the central bank's independence was not under threat and that the bank would continue to work to protect its credibility.

The Democratic Alliance (DA) has called on Finance Minister, Malusi Gigaba, to resign and indicated that its leader, Mmusi Maimane, will lead a protest against state capture. Meanwhile, the party stated that it will lay criminal charges against Eskom's Chief Financial Officer, Anoj Singh.

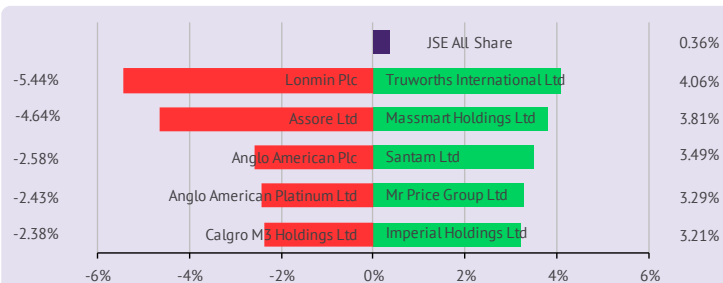
In its latest Banking Industry Country Risk Assessment, S&P has indicated that it expects the South African banking industry to remain stable and highlighted highly-leveraged households and low wealth levels as major risks.

The ANC initiated motion of no-confidence in Helen Zille, the Premier of the Western Cape province, will be debated in the provincial legislature next Thursday.

South Africa Market ▲

South African markets closed higher

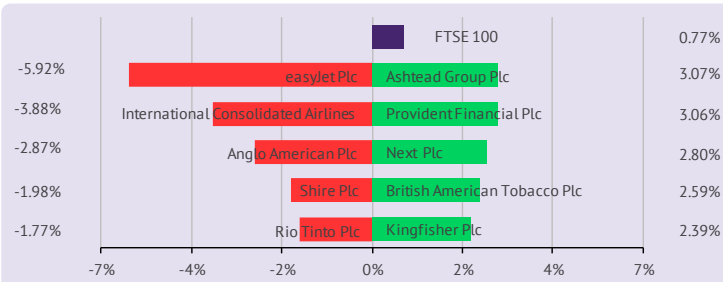
South African markets closed in the green yesterday, amid gains in retail sector stocks. The SARB surprisingly cut its benchmark interest rate by 25 basis points to 6.75%. The JSE All Share Index rose 0.4% to close at 54,287.32.



UK Market ▲

The FTSE 100 futures are trading in negative territory

UK markets finished higher yesterday, led by a rise in retail and financial sector stocks. Data revealed that UK's retail sales rebounded more-than-expected on a monthly basis in June. The FTSE 100 Index advanced 0.8% to close at 7,487.87.



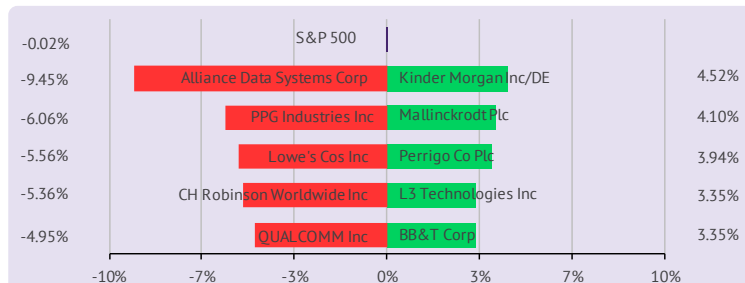
Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	54287.32	▲	196.21	0.36%	1.29%	5.19%	-3.64%	7.17%
JSE Top 40	47909.93	▲	161.25	0.34%	1.27%	5.48%	-3.67%	9.13%
FTSE 100	7487.87	▲	56.96	0.77%	1.48%	2.40%	-2.76%	4.83%
DAX 30	12447.25	▼	-4.80	-0.04%	-1.46%	0.99%	-2.30%	8.42%
CAC 40	5199.22	▼	-16.85	-0.32%	-0.69%	1.53%	-3.08%	6.93%
S&P 500	2473.45	▼	-0.38	-0.02%	0.58%	2.06%	0.48%	10.48%
Nasdaq Composite	6390.00	▲	4.96	0.08%	1.23%	4.06%	-0.94%	18.70%
DJIA	21611.78	▼	-28.97	-0.13%	-0.12%	1.23%	1.62%	9.36%

US Market ▼

The S&P 500 futures are trading flat

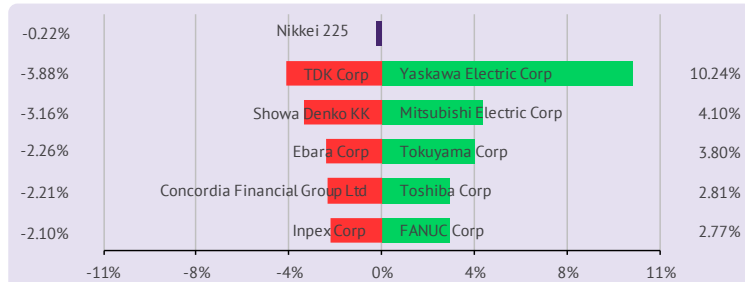
US markets closed a tad lower yesterday, weighed down by losses in material sector stocks. Data showed that US initial jobless claims dropped more-than-expected for the week ended July 15, 2017. The S&P 500 Index marginally dropped to close at 2,473.45.



Asian Market ▼

Trading mostly lower

Asian markets are trading mostly lower this morning. The Nikkei 225 Index is trading 0.2% lower at 20,099.35.



Address: GTC @Grant Thornton, The Wanderers Office Park, 52 Corlett Drive, Illovo, 2196.
t: +27 (0) 21 412 1074 | e: oneminutebrief@gtc.co.za | w: www.gtc.co.za

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USDZAR ▼

USD trading lower against ZAR

At 06:00 SAST, the US Dollar marginally dropped against the South African Rand to trade at R13.0343. With no major economic news in the US today, investor sentiment will be determined by the global macroeconomic news.

The US Dollar rose against the South African Rand yesterday after data revealed that the number of Americans applying for the first-time unemployment benefits declined more-than-anticipated reaching its weakest level in nearly five months for the week ended July 15, 2017. Further, leading indicator advanced more than market expectations in June. Separately, the Reserve Bank of South Africa cut its key interest rate by 25 basis points to 6.75%.

GBPZAR ▼

GBP trading weaker against ZAR

At 06:00 SAST, the British Pound fell 0.1% against the South African Rand to trade at R16.9007. Later today, traders will keep an eye on UK's public sector net borrowings for further cues.

The British Pound advanced against the South African Rand yesterday after data indicated that UK's retail sales bounced back into positive territory on a monthly basis more than market expectations in June, boosted by robust sales of household goods, clothing and shoes.

EURZAR ▼

EUR trading lower against ZAR

At 06:00 SAST, the Euro is trading marginally weaker against the South African Rand at R15.1559.

The Euro strengthened against the South African Rand yesterday. The European Central Bank (ECB) held its benchmark refinancing rate and asset purchases program unchanged, amid speculation that it will begin to scale back its ultra-loose monetary policy. Further, ECB President, Mario Draghi, welcomed a "robust" economic recovery in the Eurozone, but the region should be persistent and patient as the strong growth is not yet translating into higher consumer prices. Moreover, he added that policymakers will discuss potential changes to the bank's bond-buying scheme in the autumn. On the data front, Eurozone's consumer confidence surprisingly eased in July. Meanwhile, current account surplus expanded in May, compared to its previous reading. Separately, Germany's producer price index came in flat on a monthly basis in June.

AUDZAR ▼

AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar declined 0.9% against the South African Rand to trade at R10.2747.

The Australian Dollar rose against the South African Rand yesterday. Data revealed that Australia's unemployment rate rose at par with the market forecast in June. Further, the NAB business confidence remained steady in 2Q17, compared to its prior reading.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.0343	▼	0.91%	-0.01%	-0.31%	-0.33%	-5.07%
GBPZAR	16.9007	▼	0.53%	-0.93%	-0.70%	0.98%	-0.09%
EURZAR	15.1559	▼	1.92%	1.41%	1.48%	1.56%	5.00%
AUDZAR	10.2747	▼	0.88%	1.69%	3.32%	3.21%	4.66%
EURUSD	1.1629	▼	1.01%	1.40%	1.79%	1.62%	10.63%
GBPUSD	1.2968	▼	-0.38%	-0.95%	-0.40%	1.05%	5.16%
Brent (\$/barrel)	49.4	▲	-0.80%	0.80%	1.09%	-3.92%	-13.23%
Gold (\$/oz)	1251.3	▲	0.28%	1.47%	0.26%	-2.33%	8.14%
Platinum (\$/oz)	930.5	▼	0.97%	1.04%	0.74%	-2.80%	3.21%
Copper (\$/MT)*	5925.3	▼	-0.07%	0.34%	-0.03%	4.76%	7.28%

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.5% higher to trade at \$1,251.30/oz.

Yesterday, gold prices rose 0.3% to close at \$1,245.50/oz, as the US Dollar weakened against its major peers increasing demand for the safe haven asset.

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged higher 0.1% to trade at \$49.35/bl.

Yesterday, Brent crude oil dropped 0.8% to settle at \$49.30/bl, with investors remaining anxious ahead of a meeting of major oil producers in Russia on Monday.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices marginally fell to trade at \$930.50/oz.

Yesterday, platinum prices climbed 1.0% to close at \$930.50/oz.

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Major South Africa Corporate News

Anglo American Plc

In its 2Q17 production report, the company announced an 8.0% increase in its copper equivalent production compared with the same period of the prior year. For the half year as a whole, copper equivalent production increased by 9.0%.

Anglo American Platinum Limited

In its 2Q17 production report, the company revealed that its total platinum production (expressed as metal in concentrate) increased 5.0% to 617,100 ounces. It has achieved strong performances from own mine operations with Mogalakwena up 15.0%, Amandelbult up 4.0% and Unki up 10.0%.

ArcelorMittal South Africa Limited

In its trading statement for 1H17, the company stated that its headline loss per share is expected to increase from 45.00c/share to a range of 143.00c and 152.00c when compared with the prior year, primarily due to the lower margins.

Kumba Iron Ore Limited

In its production and sales report for 2Q17, the company indicated that its Sishen production was up 38.0% to 7.90mnt due to improved mining productivity. Its export sales were up 8.0% to 9.40mnt on the back of a 28.0% increase in total production.

Pan African Resources Plc

In its operational update for FY17, the company stated that gold produced for the period was approximately 173koz, 4.4% below the production guidance provided. This was due to the slower than anticipated restart of the underground mine at Evander Gold Mining Proprietary Limited and operational challenges experienced at Barberton Mines Proprietary Limited, which has now been remedied. Separately, Evander Mines 7 shaft refurbishment has been successfully completed and the restructuring programme is materially complete. The group's gold production guidance for FY18 is in excess of 190Koz, an increase of approximately 10.0% on FY17 gold production.

Major Global Economic News

Eurozone

The ECB left monetary policy unchanged at its latest meeting. The ECB President, Mario Draghi, stated that if financial conditions in the Eurozone become inconsistent with further progress towards a sustained adjustment in the path of inflation, the Governing Council stands ready to increase the programme in terms of size and/or duration. He further added that underlying inflation is likely to rise in the coming months, albeit gradually and indicated that the ECB members would debate bond purchases at its September meeting.

In the Eurozone, the flash consumer confidence index unexpectedly fell to a level of -1.70 in July, compared to a reading of -1.30 in May.

In May, the seasonally adjusted current account surplus expanded to EUR30.10bn in the Eurozone, following a revised current account surplus of EUR23.50bn in the prior month.

In Germany, the producer price index remained steady on a monthly basis in June, more than market expectations for a drop of 0.1%. The index had dropped 0.2% in the prior month.

UK

In the UK, retail sales recorded a rise of 0.6% on a monthly basis in June, more than market expectations for an advance of 0.4%. Retail sales had registered a revised drop of 1.1% in the previous month.

US

In the US, the seasonally adjusted initial jobless claims fell to a level of 233.00K in the week ended July 15, 2017, compared to a revised level of 248.00K in the previous week. Market anticipation was for initial jobless claims to drop to a level of 245.00K.

In June, leading indicator advanced 0.6% on a monthly basis in the US, higher than market expectations for a rise of 0.4%. In the prior month, leading indicator had recorded a rise of 0.3%.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous	Frequency
Japan	07:30	Nationwide Department Store Sales (YoY) (Jun)	✓	-	0.00%	Monthly
Japan	07:30	Tokyo Department Store Sales (YoY) (Jun)	✓	-	-1.10%	Monthly
Spain	09:00	Trade Balance (May)	✓✓	-	-EUR1.20bn	Monthly
Eurozone	10:00	ECB Survey of Professional Forecasters	✓	-	-	As scheduled
UK	10:30	PSCNR Net Debt % GDP (Jun)	✓✓	-	101.40%	Monthly
UK	10:30	Public Sector Net Cash Requirement (Jun)	✓✓	-	GBP10.50bn	Monthly
UK	10:30	PSNB ex Interventions (Jun)	✓	GBP4.90bn	GBP6.70bn	Monthly
UK	10:30	Public Sector Net Borrowing (Jun)	✓✓	GBP4.20bn	GBP6.00bn	Monthly
Canada	14:30	Consumer Price Index (Jun)	✓✓	-	130.50	Monthly
Canada	14:30	Consumer Price Index s.a. (MoM) (Jun)	✓✓✓	-	-0.20%	Monthly
Canada	14:30	Retail Sales (MoM) (May)	✓✓	0.30%	0.80%	Monthly
Canada	14:30	Consumer Price Index (YoY) (Jun)	✓✓	1.10%	1.30%	Monthly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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