

# ONE Minute Brief

6 July 2017

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## Economic and Political News

South Africa's (SA) Standard Bank PMI dropped to 49.0 in June from 50.2 in May, its weakest level in 14 months.

The South African Reserve Bank (SARB) has stated that the shareholding of the SARB has no bearing on its policy or regulatory role and that "any notion that a change in the shareholding of the SARB will amount to a higher degree of control over the SARB is incorrect," after reports emerged that the ANC had proposed to nationalise the central bank.

President Jacob Zuma has stated that the ANC has emerged more united after a week of discussions and debates. He lent support to the demand to make a candidate who loses the race to become president of ANC, the deputy president of the party. He also indicated that the party had proposed that land expropriation without compensation be allowed where it is "necessary and unavoidable." Separately, ANC delegates have urged Parliament to urgently execute a proposal for the establishment of a media appeals tribunal and a regulatory body for the print media.

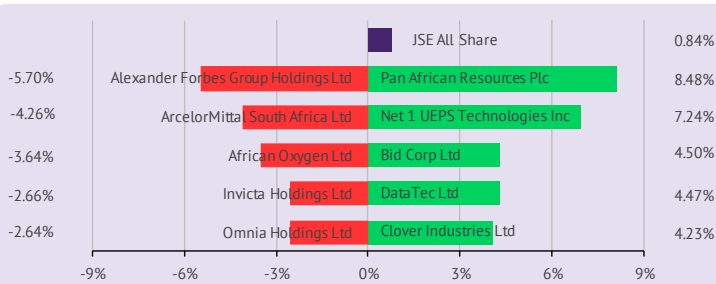
The South African Communist Party's Deputy Secretary-General, Jeremy Cronin, indicated that people of SA should unite to protect the nation's constitutional democracy which is under "dire threat".

Finance Minister, Malusi Gigaba, has indicated that he would challenge the Public Protector's proposal of changing the SARB's mandate.

## South Africa Market ▲

### South African markets closed higher

South African markets closed in the green yesterday, amid gains in gold and platinum mining sector stocks. Data revealed that South Africa's Standard Bank PMI contracted in June, its lowest level since April 2016. The JSE All Share Index rose 0.8% to close at 52,483.90.



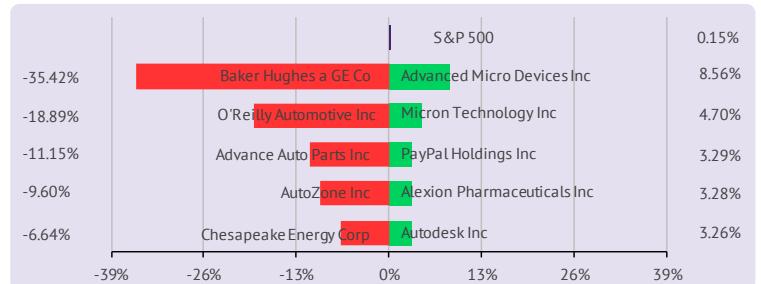
## Key Indices

	Last Close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	52483.90	▲ 434.65	0.84%	1.69%	1.69%	-3.64%	3.61%
JSE Top 40	46241.44	▲ 421.56	0.92%	1.80%	1.80%	-3.67%	5.33%
FTSE 100	7367.60	▲ 10.37	0.14%	0.75%	0.75%	-2.76%	3.15%
DAX 30	12453.68	▲ 16.55	0.13%	1.04%	1.04%	-2.30%	8.47%
CAC 40	5180.10	▲ 5.20	0.10%	1.16%	1.16%	-3.08%	6.54%
S&P 500	2432.54	▲ 3.53	0.15%	0.38%	0.38%	0.48%	8.65%
Nasdaq Composite	6150.86	▲ 40.79	0.67%	0.17%	0.17%	-0.94%	14.26%
DJIA	21478.17	▼ -1.10	-0.01%	0.60%	0.60%	1.62%	8.68%

## US Market ▲

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

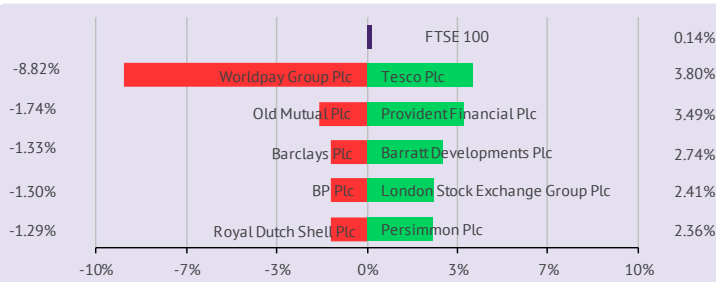
US markets closed higher yesterday, led by an increase in information technology sector stocks. Data indicated that US factory orders recorded a more-than-anticipated drop on a monthly basis in May. The S&P 500 Index climbed 0.2% to close at 2,432.54.



## UK Market ▲

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

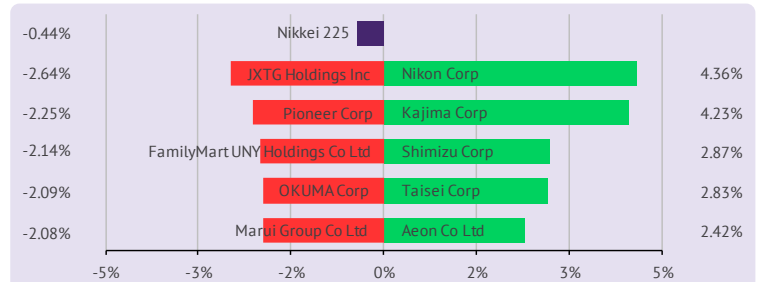
UK markets finished higher yesterday, supported by a rise in consumer staples and consumer discretionary sector stocks. Data showed that UK's Markit services PMI declined more-than-expected to a 4-month low in June. The FTSE 100 Index advanced 0.1% to close at 7,367.60.



## Asian Market ▼

### Trading lower

Asian markets are trading lower this morning. The Nikkei 225 Index is trading 0.4% lower at 19,994.25.



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## USDZAR ▼

### USD trading lower against ZAR

At 06:00 SAST, the US Dollar is trading marginally weaker against the South African Rand at R13.3867. Later today, traders will keep a close watch on US initial jobless claims, trade balance and ADP employment data along with the Markit and the ISM services PMI for further direction. Separately, South Africa's SACCI business confidence index will be on investors' radar.

The US Dollar rose against the South African Rand yesterday. The FOMC June 13-14 meeting minutes revealed that the Fed will start reducing its \$4.5tn balance sheet as early as September. Further, policymakers were determinant on increasing interest rates even with muted inflation levels. Moreover, the officials stated that US economic growth rebounded since the first quarter driven by a recovery in business investment and steady consumer spending. On the data front, factory orders declined higher than market forecast on a monthly basis in May, while final durable goods orders posted a less-than-expected drop in the same month. Separately, South Africa's Standard Bank PMI went into contraction territory in June, reaching its weakest level in 14 months, led by a decline in employment, output and new orders.

## GBPZAR ▲

### GBP trading higher against ZAR

At 06:00 SAST, the British Pound marginally rose against the South African Rand to trade at R17.3183. With no major economic news in the UK today, investor sentiment will be determined by the global macroeconomic news.

The British Pound advanced against the South African Rand yesterday. On the macro front, UK's Markit services PMI eased more than market expectations in June, to its lowest level in 4 months. Meanwhile, unit labour cost remained unchanged on a yearly basis in 1Q17.

## EURZAR ▼

### EUR trading weaker against ZAR

At 06:00 SAST, the Euro dropped 0.2% against the South African Rand to trade at R15.1775. Going forward, market participants will keep a tab on the ECB's monetary policy meeting along with Germany's factory orders and Markit construction PMI for further cues.

The Euro strengthened against the South African Rand yesterday, after Eurozone's final Markit services PMI unexpectedly climbed in June. Additionally, retail sales advanced more-than-expected on a monthly basis in May. Moreover, Germany's Markit services PMI recorded a surprise rise in the same month.

## AUDZAR ▼

### AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% weaker against the South African Rand at R10.1709. Earlier in the session, data showed that Australia's trade surplus widened more-than-anticipated in May, driven by increased commodity exports.

The Australian Dollar rose against the South African Rand yesterday. Data indicated that Australia's AiG performance of service index expanded in June, higher than its prior reading.

## Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.3867	▼	1.43%	2.40%	2.40%	-0.33%	-2.50%
GBPZAR	17.3183	▲	1.56%	1.65%	1.65%	0.98%	2.27%
EURZAR	15.1775	▼	1.52%	1.73%	1.73%	1.56%	5.26%
AUDZAR	10.1709	▼	1.50%	1.41%	1.41%	3.21%	2.72%
EURUSD	1.1338	▼	0.05%	-0.65%	-0.65%	1.62%	7.98%
GBPUSD	1.2938	▲	0.11%	-0.70%	-0.70%	1.05%	4.85%
Brent (\$/barrel)	48.1	▲	-3.67%	-2.01%	-2.01%	-3.92%	-15.89%
Gold (\$/oz)	1226.5	▲	0.21%	-1.66%	-1.66%	-2.33%	6.08%
Platinum (\$/oz)	905.7	-	0.21%	-1.95%	-1.95%	-2.80%	0.45%
Copper (\$/MT)*	5814.0	▼	-0.91%	-1.91%	-1.91%	4.76%	5.27%

\*As of Previous Close

## Gold ▲

### Trading in the green

At 06:00 SAST, gold prices edged 0.4% higher to trade at \$1,226.50/oz.

Yesterday, gold prices rose 0.2% to close at \$1,221.70/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 edged higher 0.7% to trade at \$48.12/bl.

Yesterday, Brent crude oil dropped 3.7% to settle at \$47.79/bl, after Russia opposed any further reduction on crude oil supply other than ones already agreed. Further, oil prices declined after OPEC's oil exports increased by 450,000 bls per day to 25.92mn bls in June. Meanwhile, the American Petroleum Institute (API) reported that crude oil inventories recorded a more-than-anticipated drop of 5.8mn bls last week.

## Platinum ◀▶

### Trading flat

At 06:00 SAST, platinum prices are trading flat at \$905.70/oz.

Yesterday, platinum prices climbed 0.2% to close at \$905.70/oz.

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## Major South Africa Corporate News

### Brimstone Investment Corporation Limited

In its 1H17 trading statement, the company stated that it expects to report a basic headline loss per share, which represents a decrease of more than 100.0% compared with 1H16, amid downward fair value adjustments to its investments.

## Major Global Economic News

### US

The FOMC June meeting minutes revealed that Fed officials were increasingly split on the outlook for US inflation and how it might affect the future pace of interest rate rises. Several policymakers wanted to announce a start to the process of reducing the central bank's large portfolio of treasury bonds and mortgage-backed securities by the end of August but others wanted to wait until later in the year.

In May, factory orders registered a drop of 0.8% on a monthly basis in the US, more than market expectations for a fall of 0.5%. In the prior month, factory orders had recorded a revised drop of 0.3%.

In the US, the final durable goods orders eased 0.8% on a monthly basis in May, at par with market expectations. The preliminary figures had recorded a fall of 1.1%. Durable goods orders had recorded a revised drop of 0.9% in the prior month.

### UK

In the UK, the services PMI fell to a level of 53.40 in June, compared to a level of 53.80 in the previous month. Markets were anticipating the services PMI to drop to 53.50.

In the UK, unit labour cost recorded a reading of 2.1% on an annual basis in 1Q17, compared to a similar rise in the previous quarter.

### Eurozone

In the Eurozone, the seasonally adjusted retail sales rose 0.4% on a monthly basis in May, compared to a rise of 0.1% in the prior month. Market expectation was for retail sales to rise 0.4%.

In June, the final Markit services PMI dropped to 55.40 in the Eurozone, higher than market expectations of a drop to a level of 54.70. The preliminary figures had recorded a fall to 54.70. In the prior month, services PMI had recorded a level of 56.30.

In Germany, the Markit final services PMI eased to 54.00 in June, higher than market expectations of a drop to a level of 53.70. The preliminary figures had recorded a fall to 53.70. In the previous month, services PMI had recorded a reading of 55.40.

### Asia

In Australia, the seasonally adjusted trade surplus rose to AUD2471.00mn in May, following a revised trade surplus of AUD90.00mn in the previous month. Market anticipation was for the country's trade surplus to expand to AUD1000.00mn.

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## Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous/ **Previous Est.	Frequency
Germany	08:00	Germany- Foreign Export Orders (May)	✓	-	118.50	Monthly
Germany	08:00	Germany- Domestic Orders (May)	✓	-	107.60	Monthly
Germany	08:00	Germany- Manufacturing Order-Total (May)	✓	-	113.60	Monthly
Germany	08:00	Factory Orders n.s.a. (YoY) (May)	✓✓	4.50%	3.50%	Monthly
Germany	08:00	Factory Orders s.a. (MoM) (May)	✓✓	1.90%	-2.10%	Monthly
Switzerland	09:15	Consumer Price Index (YoY) (Jun)	✓✓	0.30%	0.50%	Monthly
Switzerland	09:15	Consumer Price Index (MoM) (Jun)	✓✓✓	0.00%	0.20%	Monthly
Greece	11:00	Unemployment Rate (Apr)	✓✓	-	22.50%	Monthly
South Africa	11:30	SACCI Business Confidence Index (Jun)	✓✓✓	-	93.20	Monthly
Eurozone	12:00	ECB's Praet speaks in Paris	✓	-	-	As scheduled
US	13:00	MBA Mortgage Applications (30-Jun)	✓	-	-6.20%	Weekly
South Africa	13:00	Electricity Consumption (YoY) (May)	✓✓	-	0.10%	Monthly
South Africa	13:00	Electricity Production (YoY) (May)	✓✓	-	0.80%	Monthly
US	13:30	Challenger Job Cuts (Jun)	✓	-	51.69K	Monthly
US	13:30	Challenger Job Cuts (YoY) (Jun)	✓	-	9.70%	Monthly
Eurozone	13:30	ECB account of the monetary policy meeting	✓✓	-	-	As scheduled
US	14:15	ADP Employment Change (Jun)	✓✓✓	185.00K	253.00K	Monthly
US	14:30	Continuing Jobless Claims (24-Jun)	✓	1940.00K	1948.00K	Weekly
US	14:30	Initial Jobless Claims (01-Jul)	✓✓✓	243.00K	244.00K	Weekly
US	14:30	Trade Balance (May)	✓✓✓	-USD46.30bn	-USD47.60bn	Monthly
US	15:45	Markit Composite PMI (Jun) (F)	✓✓	-	53.00**	Monthly
US	15:45	Markit Services PMI (Jun) (F)	✓✓	53.00	53.00**	Monthly
US	16:00	ISM Non-Manufacturing PMI (Jun)	✓✓✓	56.50	56.90	Monthly

Note: ✓✓✓High    ✓✓Medium    ✓Low

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