

# ONE Minute Brief

7 July 2017

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## Economic and Political News

In South Africa (SA), the SACCI business confidence index recorded a rise to 94.90 in June, compared to a reading of 93.20 in May.

The IMF has warned that the SA's economy is extremely vulnerable to external shocks and funding shortfalls, even as it maintained its 2017 growth forecast for the nation at 1%. It added that there is little room for fiscal and monetary policy instruments to boost growth.

Finance Minister, Malusi Gigaba, has filed a court application against Public Protector, Busisiwe Mkhwebane's proposal to change the policy of the South African Reserve Bank to target growth rather than inflation and currency stability. Meanwhile, central bank deputy governor, Kuben Naidoo, stated that while inflation targeting has its flaws, it is the "least bad option" under current economic circumstances. Separately, the office of the Public Protector indicated that she will file opposing papers against the National Treasury, the SARB and ABSA next week.

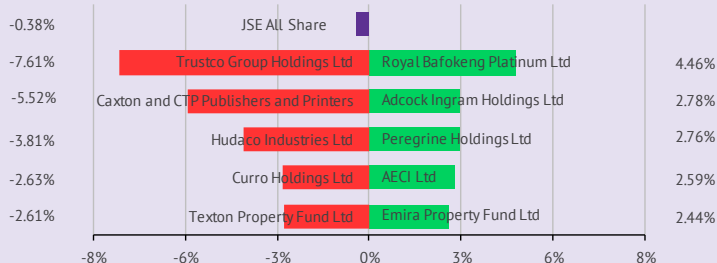
Logistics group Transnet indicated that rail operations that transport coal to South Africa's Richards Bay Coal Terminal (RBCT) have been halted because of violent community protests.

ANC MP, Makhosi Khoza, has urged National Assembly Speaker, Baleka Mbete, to ensure that ruling party MPs are not pressurised and are given space for a vote of conscience on the motion of no confidence in President, Jacob Zuma.

## South Africa Market ▼

### South African markets closed lower

South African markets closed in the red yesterday, led by losses in industrial sector stocks. Data revealed that SA's SACCI business confidence index advanced from a 7-month low in June. The JSE All Share Index fell 0.4% to close at 52,285.08.



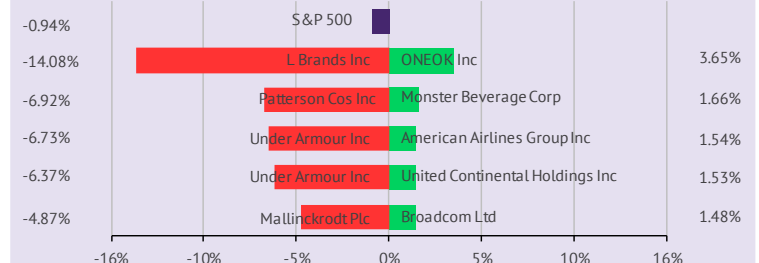
## Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	52285.08	▼	-198.82	-0.38%	1.31%	1.31%	-3.64%	3.22%
JSE Top 40	46000.77	▼	-240.67	-0.52%	1.27%	1.27%	-3.67%	4.78%
FTSE 100	7337.28	▼	-30.32	-0.41%	0.34%	0.34%	-2.76%	2.72%
DAX 30	12381.25	▼	-72.43	-0.58%	0.46%	0.46%	-2.30%	7.84%
CAC 40	5152.40	▼	-27.70	-0.53%	0.62%	0.62%	-3.08%	5.97%
S&P 500	2409.75	▼	-22.79	-0.94%	-0.56%	-0.56%	0.48%	7.63%
Nasdaq Composite	6089.46	▼	-61.39	-1.00%	-0.83%	-0.83%	-0.94%	13.12%
DJIA	21320.04	▼	-158.13	-0.74%	-0.14%	-0.14%	1.62%	7.88%

## US Market ▼

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

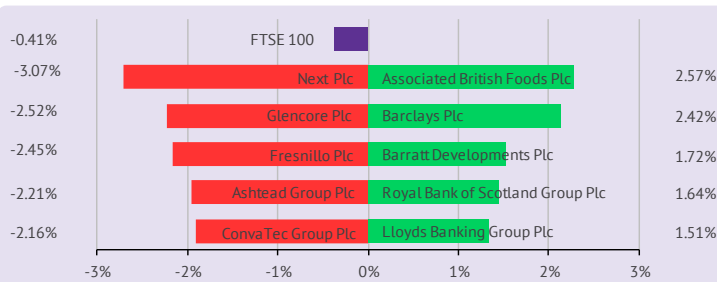
US markets closed lower yesterday, amid losses in telecommunication and real estate sector stocks. Data showed that US ISM non-manufacturing PMI unexpectedly advanced in June. The S&P 500 Index dropped 0.9% to close at 2,409.75.



## UK Market ▼

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

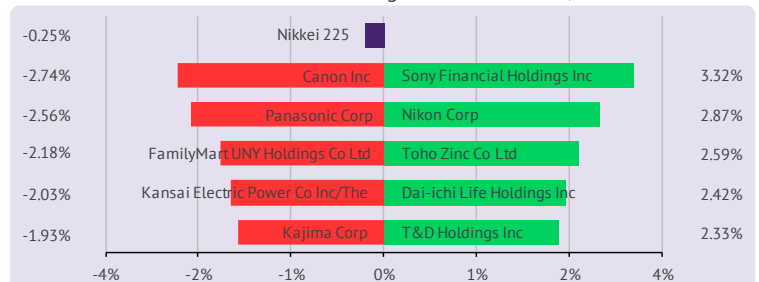
UK markets finished lower yesterday, weighed down by a decline in consumer discretionary and material sector stocks. The FTSE 100 Index declined 0.4% to close at 7,337.28.



## Asian Market ▼

### Trading lower

Asian markets are trading lower this morning, tracking overnight losses on Wall Street. Data showed that Japan's labour cash earnings advanced more-than-forecast YoY in May, notching its highest level since March 2000. The Nikkei 225 Index is trading 0.3% lower at 19,944.22.



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## USDZAR ▲

### USD trading higher against ZAR

At 06:00 SAST, the US Dollar marginally advanced against the South African Rand to trade at R13.4487. Later today, traders will keep a close watch on the US change in non-farm payrolls, unemployment rate and average hourly earnings for further cues.

The US Dollar rose against the South African Rand yesterday after US ISM non-manufacturing PMI posted an unexpected rise in June. Further, final Markit services PMI surprisingly grew in the same month. Meanwhile, the number of Americans applying for first-time unemployment benefits unexpectedly increased for the week ended July 1, 2017. Moreover, the trade deficit narrowed less-than-anticipated in May. Additionally, the US private sector employers added fewer than expected jobs in June. Separately, South Africa's SACCI business confidence index jumped from a 7-month low in June, compared to its prior reading.

## GBPZAR ▲

### GBP trading firmer against ZAR

At 06:00 SAST, the British Pound advanced 0.1% against the South African Rand to trade at R17.4460. Later today, traders will keep an eye on UK's NIESR gross domestic product estimate, total trade balance and construction output along with manufacturing production and industrial production for further cues.

The British Pound advanced against the South African Rand yesterday.

## EURZAR ▼

### EUR trading lower against ZAR

At 06:00 SAST, the Euro is trading marginally weaker against the South African Rand at R15.3516. Going forward, market participants will keep a tab on Germany's industrial production data for May.

The Euro strengthened against the South African Rand yesterday, after the European Central Bank's (ECB) June meeting minutes revealed that policymakers dropped the pledge to expand its massive bond purchase programme. Although they discussed ending the central bank's extraordinarily stimulatory monetary policy, they decided against it out of fear of causing market turmoil, as an economic recovery in the Eurozone had yet to result in higher inflation. However, they added that if confidence in the inflation outlook improved further, the so-called easing bias would be reviewed at future meetings. Meanwhile, on the data front, German factory orders rebounded less-than-expected on a monthly basis in May.

## AUDZAR ▲

### AUD trading stronger against ZAR

At 06:00 SAST, the Australian Dollar is trading marginally firmer against the South African Rand at R10.2017. Earlier in the session, data showed that AiG performance of construction index recorded a drop in June, compared to its previous reading.

The Australian Dollar rose against the South African Rand yesterday. Data revealed that Australia's trade surplus widened more-than-expected in May, led by a rise in commodity exports.

## Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.4487	▲	0.41%	2.82%	2.82%	-0.33%	-2.10%
GBPZAR	17.4460	▲	0.71%	2.37%	2.37%	0.98%	3.00%
EURZAR	15.3516	▼	1.02%	2.77%	2.77%	1.56%	6.33%
AUDZAR	10.2017	▲	0.22%	1.64%	1.64%	3.21%	2.95%
EURUSD	1.1415	▼	0.63%	-0.03%	-0.03%	1.62%	8.66%
GBPUSD	1.2972	▲	0.29%	-0.41%	-0.41%	1.05%	5.15%
Brent (\$/barrel)	47.5	▼	0.67%	-1.35%	-1.35%	-3.92%	-15.33%
Gold (\$/oz)	1220.0	▼	0.13%	-1.53%	-1.53%	-2.33%	6.22%
Platinum (\$/oz)	907.3	▲	0.17%	-1.79%	-1.79%	-2.80%	0.62%
Copper (\$/MT)*	5824.0	▲	0.17%	-1.74%	-1.74%	4.76%	5.45%

\*As of Previous Close

## Gold ▼

### Trading in the red

At 06:00 SAST, gold prices edged 0.3% lower to trade at \$1,220.00/oz.

Yesterday, gold prices rose 0.1% to close at \$1,223.30/oz, as the greenback and global equities weakened, thus increasing demand for the safe haven yellow metal.

## Brent Crude Oil ▼

### Trading weaker

At 06:00 SAST, Brent crude oil declined 1.2% to trade at \$47.52/bl.

Yesterday, Brent crude oil advanced 0.7% to settle at \$48.11/bl, after the US Energy Information Administration (EIA) reported that domestic crude supplies declined by 6.3mn bls for the week ended June 30, 2017.

## Platinum ▲

### Trading in positive territory

At 06:00 SAST, platinum prices marginally climbed to trade at \$907.30/oz.

Yesterday, platinum prices climbed 0.2% to close at \$907.20/oz.

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## Major South Africa Corporate News

### Eskom

The company announced that it has signed a ZAR19.6bn loan agreement with the China Development Bank to help finance the Medupi coal power plant.

### Kumba Iron Ore Limited

The company announced that Mr Bothwell Mazarura has been appointed as Chief Financial Officer and Executive Director, effective September 1, 2017.

## Major Global Economic News

### US

In the US, the ISM non-manufacturing PMI registered an unexpected rise to a level of 57.40 in June, compared to market expectations of a drop to 56.50. In the previous month, the non-manufacturing PMI had registered a reading of 56.90.

In June, the final Markit services PMI unexpectedly advanced to a level of 54.20 in the US, compared to market expectations of a drop to 53.00. In the previous month, Markit services PMI had recorded a reading of 53.60. The preliminary figures had recorded a drop to 53.00.

In the US, the seasonally adjusted initial jobless claims registered an unexpected rise to 248.00K in the week ended July 1, 2017, higher than market expectations of a drop to 243.00K. Initial jobless claims had registered a level of 244.00K in the previous week.

The US has posted trade deficit of USD46.50bn in May, from a trade deficit of USD47.60bn in the prior month. Markets were anticipating the nation to register a trade deficit of USD46.30bn.

In June, the ADP private sector employment climbed by 158.00K in the US, lower than market anticipations of an advance of 188.00K. The private sector employment had recorded a revised increase of 230.00K in the previous month.

### Eurozone

The ECB's June meeting minutes showed that policymakers discussed ending the central bank's extraordinarily stimulatory monetary policy, but decided against it out of fear of causing market turmoil, as an economic recovery in the Eurozone had yet to result in higher inflation. However, they added that if confidence in the inflation outlook improved further, the so-called easing bias would be reviewed at future meetings.

In Germany, the seasonally adjusted factory orders climbed 1.0% on a monthly basis in May, less than market expectations for a rise of 1.9%. Factory orders had registered a revised drop of 2.2% in the prior month.

In June, Markit construction PMI eased to 55.10 in Germany, compared to a reading of 55.3 in the previous month.

### Asia

In Australia, the AIG performance of construction index recorded a drop to 56.00 in June. In the previous month, the index had registered a level of 56.70.

In Japan, labour cash earnings advanced 0.7% on a yearly basis in May, higher than market expectations for an advance of 0.4%. In the prior month, labour cash earnings had climbed 0.5%.

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## Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous	Frequency
Japan	07:00	Coincident Index (May) (P)	✓	115.50	117.10	Monthly
Japan	07:00	Leading Economic Index (May) (P)	✓✓	104.50	104.20	Monthly
Germany	08:00	Industrial Production (May)	✓	-	114.30	Monthly
Germany	08:00	Industrial Production s.a. (MoM) (May)	✓✓✓	0.20%	0.80%	Monthly
South Africa	08:00	Net Gold & Forex Reserve (Jun)	✓✓	USD41.97bn	USD42.02bn	Monthly
South Africa	08:00	Gross Gold & Forex Reserve (Jun)	✓✓	USD47.31bn	USD47.24bn	Monthly
UK	10:30	Industrial Production (May)	✓	-	104.20	Monthly
UK	10:30	Manufacturing Production (May)	✓	-	104.40	Monthly
UK	10:30	Industrial Production (MoM) (May)	✓	0.40%	0.20%	Monthly
UK	10:30	Manufacturing Production (MoM) (May)	✓	0.50%	0.20%	Monthly
UK	10:30	Construction Output s.a. (YoY) (May)	✓	1.10%	-0.60%	Monthly
UK	10:30	Total Trade Balance (May)	✓✓	-GBP2.50bn	-GBP2.05bn	Monthly
UK	10:30	Visible Trade Balance (May)	✓✓	-GBP10.85bn	-GBP10.38bn	Monthly
UK	14:00	NIESR GDP Estimate (3M) (Jun)	✓✓✓	-	0.20%	Monthly
US	14:30	Average Hourly Earnings (Jun)	✓✓	-	USD22.00	Monthly
US	14:30	Average Hourly Earnings All Employees (MoM) (Jun)	✓✓	0.30%	0.20%	Monthly
US	14:30	Average Hourly Earnings All Employees (YoY) (Jun)	✓✓	2.60%	2.50%	Monthly
US	14:30	Unemployment Rate (Jun)	✓✓✓	4.30%	4.30%	Monthly
US	14:30	Change in Manufacturing Payrolls (Jun)	✓	5.00K	-1.00K	Monthly
US	14:30	Change in Private Payrolls (Jun)	✓✓	170.00K	147.00K	Monthly
US	14:30	Change in Non-farm Payrolls (Jun)	✓✓✓	178.00K	138.00K	Monthly
Japan	-	Labour Cash Earnings (YoY) (May)	✓✓	0.70%*	0.50%	Monthly
Eurozone	-	G20 Meeting	✓✓	-	-	As scheduled
US	-	Trump-Putin meeting	✓✓✓	-	-	As scheduled
UK	-	BoE's Governor Carney speech	✓✓✓	-	-	As scheduled

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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