

ONE Minute Brief

2 August 2017

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Economic and Political News

In South Africa, the manufacturing PMI unexpectedly dropped to 42.90 in July, compared to 46.70 in June. In July, new vehicle sales rose more-than-expected by 4.1% YoY, compared to a rise of 0.9% in June.

South African Reserve Bank Governor, Lesetja Kganyago, warned that the nation's economic recession could go deeper if political and policy uncertainty were not addressed. He added that SARB's mandate is to focus on inflation and protect the value of the currency to achieve balanced and sustainable growth. Meanwhile, the central bank stated that South Africans should not worry about the country running out of cash due to a strike at the South African Bank Note Company as there is sufficient amount of bank notes in stock.

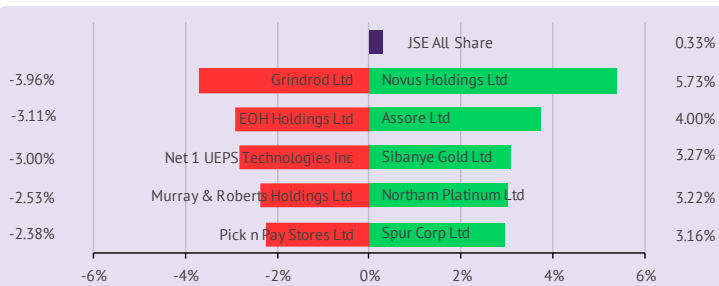
The Democratic Alliance (DA) is considering filing criminal charges against African National Congress (ANC) Secretary-General, Gwede Mantashe, citing a threat to ANC MPs for voting against President, Jacob Zuma in the motion of no confidence. The DA also stated that it would be better to hold early elections if President Jacob Zuma loses the confidence vote.

The Energy Department refuted a report that Energy Minister, Mmamoloko Kubayi, had suspended Central Energy Fund (CEF) board members and indicated that she had only requested for an explanation on concerns.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, amid gains in mining sector stocks. Data revealed that South Africa's manufacturing PMI contracted to its weakest level since 2009 in July. The JSE All Share Index rose 0.3% to close at 55,390.07.



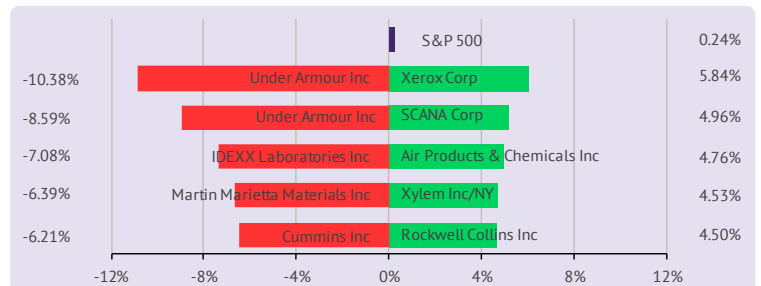
Key Indices

	Last Close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	55390.07	▲ 182.66	0.33%	0.92%	0.33%	6.97%	9.35%
JSE Top 40	49038.68	▲ 165.55	0.34%	1.00%	0.34%	7.60%	11.70%
FTSE 100	7423.66	▲ 51.66	0.70%	0.75%	0.70%	0.81%	3.93%
DAX 30	12251.29	▲ 133.04	1.10%	0.73%	1.10%	-1.68%	6.71%
CAC 40	5127.03	▲ 33.26	0.65%	-0.08%	0.65%	-0.53%	5.44%
S&P 500	2476.35	▲ 6.05	0.24%	0.17%	0.24%	1.93%	10.61%
Nasdaq Composite	6362.94	▲ 14.82	0.23%	-0.18%	0.23%	3.38%	18.20%
DJIA	21963.92	▲ 72.80	0.33%	0.61%	0.33%	2.54%	11.14%

US Market ▲

The S&P 500 futures are trading in the green

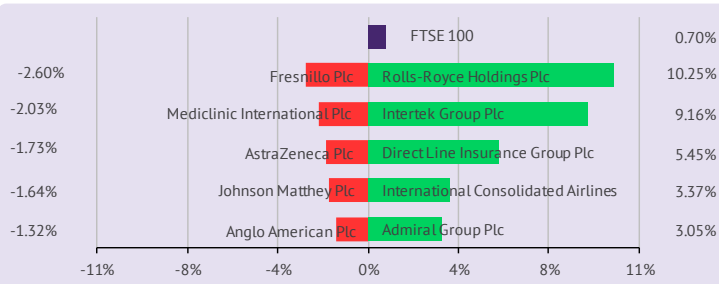
US markets closed higher yesterday, supported by gains in financial sector stocks. Data indicated that the US ISM manufacturing PMI declined more than market expectations in July. The S&P 500 Index climbed 0.2% to close at 2,476.35.



UK Market ▲

The FTSE 100 futures are trading in positive territory

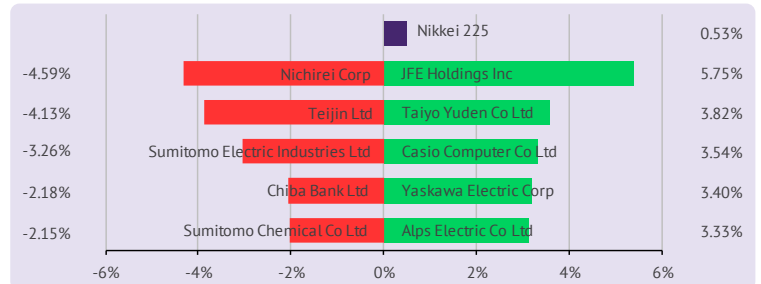
UK markets finished higher yesterday, led by a rise in industrial and financial sector stocks. Data showed that UK's Markit manufacturing PMI advanced more-than-expected in July. The FTSE 100 Index advanced 0.7% to close at 7,423.66.



Asian Market ▲

Trading higher

Asian markets are trading higher this morning. The Nikkei 225 Index is trading 0.5% higher at 20,091.70.



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USDZAR ▼

USD trading lower against ZAR

At 06:00 SAST, the US Dollar declined 0.1% against the South African Rand to trade at R13.2567. Later today, traders will keep a close watch on US ADP employment change and MBA mortgage applications for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US ISM manufacturing PMI recorded a more-than-anticipated drop in July. Furthermore, construction spending retreated on a monthly basis in June. On the other hand, the Markit manufacturing PMI advanced to its highest level in 4 months in July, driven by a rise in output and rebound in new orders. Separately, South Africa's manufacturing PMI for July slumped to its lowest level since 2009.

GBPZAR ▼

GBP trading weaker against ZAR

At 06:00 SAST, the British Pound is trading 0.1% lower against the South African Rand at R17.5001. Data showed that UK's BRC shop price index dropped on an annual basis in July, compared to its prior reading. Later today, traders will keep an eye on UK's Markit construction PMI for further cues.

The British Pound advanced against the South African Rand yesterday, after data indicated that UK's Markit manufacturing PMI advanced higher than market anticipations in July, driven by an upsurge in export orders since 2010. Additionally, the Nationwide house price index unexpectedly advanced on a monthly basis in the same month.

EURZAR ▲

EUR trading higher against ZAR

At 06:00 SAST, the Euro is trading marginally firmer against the South African Rand at R15.6672. Going forward, market participants will keep a tab on Eurozone's producer price index for further indication.

The Euro strengthened against the South African Rand yesterday, after the European economy expanded at its fastest rate since the second quarter of 2011 on an annual basis in 2Q17. Whereas, final Markit manufacturing PMI recorded an unexpected drop in July. Meanwhile, Germany's unemployment rate remained unchanged in the same month, while the Markit manufacturing PMI surprisingly dropped in July.

AUDZAR ▼

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar dropped 0.4% against the South African Rand to trade at R10.5379. Earlier in the session, data revealed that Australia's building approvals rebounded at a faster-than-expected pace on a monthly basis in June, its highest rise since July 2016, driven by a more than 20.0% rise in apartments.

The Australian Dollar fell against the South African Rand yesterday. Data revealed that the Reserve Bank of Australia kept the benchmark interest rate unchanged at 1.5%, at par with market anticipations. Australia's AiG performance of manufacturing index recorded a rise in July, compared to its previous reading.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.2567	▼	0.66%	1.90%	0.66%	0.85%	-3.34%
GBPZAR	17.5001	▼	0.57%	2.50%	0.57%	2.31%	3.52%
EURZAR	15.6672	▲	0.32%	2.40%	0.32%	4.50%	8.47%
AUDZAR	10.5379	▼	-0.03%	1.49%	-0.03%	5.43%	6.76%
EURUSD	1.1818	▲	-0.34%	0.43%	-0.34%	3.64%	12.26%
GBPUSD	1.3201	▼	-0.09%	0.51%	-0.09%	1.46%	7.03%
Brent (\$/barrel)	51.4	▼	-1.78%	-1.41%	-1.78%	8.10%	-8.87%
Gold (\$/oz)	1272.0	▼	0.47%	0.33%	0.47%	1.96%	10.50%
Platinum (\$/oz)	945.8	▼	0.94%	1.38%	0.94%	1.84%	5.31%
Copper (\$/MT)*	6313.3	▼	-0.36%	0.28%	-0.36%	6.90%	14.31%

*As of Previous Close

Gold ▼

Trading in the red

At 06:00 SAST, gold prices edged marginally lower to trade at \$1,272.00/oz.

Yesterday, gold prices rose 0.5% to close at \$1,272.60/oz, notching its strongest level in nearly 8 weeks, as disappointing US economic data raised the question of whether the Federal Reserve will increase interest rates in the coming months.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged lower 0.8% to trade at \$51.35/bl.

Yesterday, Brent crude oil dropped 1.8% to settle at \$51.78/bl, after the American Petroleum Institute (API) reported that crude oil inventories rose by 1.8mn bls last week.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices fell 0.4% to trade at \$945.80/oz.

Yesterday, platinum prices climbed 0.9% to close at \$949.50/oz.

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Major South Africa Corporate News

Hudaco Industries Limited

The company announced that it has signed an agreement to acquire the trading assets and liabilities of Eternity with effect from August 1, 2017 from EBSTA (Proprietary) Limited and MMD Steel Products Close Corporation. The purchase consideration will be a multiple of the average annual profit after tax of Eternity for the three years ending July 31, 2020. If the business grows profits at 30.0% per annum for the three year earn-out period, which is considered a realistic prospect, the total consideration will be ZAR200.00mn, while the maximum consideration is ZAR248.00mn, which would require compound annual growth of 43.0% over the three years.

Royal Bafokeng Platinum Limited

In its 1H17 results, the company stated that its revenue decreased to ZAR1.59bn from ZAR1.64bn posted in the corresponding period of the previous year. Its diluted loss per share stood at 11.80c, compared with EPS of 77.70c recorded in the corresponding period of the previous year.

Major Global Economic News

Eurozone

In the Eurozone, the seasonally adjusted flash gross domestic product (GDP) advanced 0.6% on a quarterly basis meeting market expectations while annual seasonally adjusted preliminary GDP rose 2.1% in 2Q17, meeting market expectations. In the prior quarter, GDP had risen 1.9%.

In July, the final manufacturing PMI eased to 56.60 in the Eurozone, compared to a reading of 57.40 in the previous month. The preliminary figures had indicated a fall to 56.80. Markets were expecting the manufacturing PMI to ease to a level of 56.80.

In Germany, the seasonally adjusted unemployment rate remained steady at 5.7% in July, in line with market expectations.

In Germany, the Markit final manufacturing PMI registered a drop to 58.10 in July, compared to a reading of 59.60 in the previous month. The preliminary figures had indicated a fall to 58.30. Markets were expecting manufacturing PMI to drop to 58.30.

UK

In the UK, the Markit manufacturing PMI recorded a rise to 55.10 in July, higher than market expectations of an advance to 54.50. The manufacturing PMI had recorded a revised level of 54.20 in the previous month.

In July, the Nationwide seasonally adjusted house prices unexpectedly rose 0.3% on a monthly basis in the UK, higher than market expectations for a drop of 0.1%. In the previous month, house prices had risen 1.1%.

In the UK, the BRC shop price index eased 0.4% on a yearly basis in July. The index had recorded a drop of 0.3% in the previous month.

US

In the US, the ISM manufacturing activity index recorded a drop to 56.30 in July, compared to a reading of 57.80 in the prior month. Market anticipation was for the ISM manufacturing activity index to drop to 56.50.

In June, construction spending unexpectedly eased 1.3% on a monthly basis in the US, compared to a revised advance of 0.3% in the prior month. Markets were expecting construction spending to climb 0.4%.

In the US, the final Markit manufacturing PMI recorded a rise to 53.30 in July, compared to a reading of 52.00 in the prior month. The preliminary figures had recorded an advance to 53.20. Markets were anticipating the Markit manufacturing PMI to advance to a level of 53.20.

Asia

In Australia, the seasonally adjusted building approvals climbed 10.9% on a monthly basis in June, compared to a revised fall of 5.4% in the prior month. Market expectation was for building approvals to rise 1.0%.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous	Frequency
UK	01:01	BRC Shop Price Index (YoY) (Jul)	✓	-0.40%*	-0.30%	Monthly
Japan	01:50	Monetary Base (YoY) (Jul)	✓	15.60%*	17.00%	Monthly
Japan	01:50	Monetary Base (Jul)	✓✓	JPY468.30tn*	JPY468.00tn	Monthly
Japan	03:30	BoJ Funo speaks in Sapporo	✓	-	-	As scheduled
Japan	07:00	Consumer Confidence Index (Jul)	✓✓	43.50	43.30	Monthly
Eurozone	09:00	Non-monetary policy's ECB meeting	✓✓✓	-	-	As scheduled
Spain	09:00	Unemployment Change (Jul)	✓✓✓	-68.00K	-98.30K	Monthly
Switzerland	09:15	Real Retail Sales (YoY) (Jun)	✓✓	-	-0.30%	Monthly
Switzerland	09:30	SVME - PMI (Jul)	✓✓✓	58.80	60.10	Monthly
UK	10:30	Markit Construction PMI (Jul)	✓✓	54.00	54.80	Monthly
Eurozone	11:00	Producer Price Index (MoM) (Jun)	✓	-0.10%	-0.40%	Monthly
Eurozone	11:00	Producer Price Index (YoY) (Jun)	✓✓	2.50%	3.30%	Monthly
US	13:00	MBA Mortgage Applications (28-Jul)	✓	-	0.40%	Weekly
US	14:15	ADP Employment Change (Jul)	✓✓✓	190.00K	158.00K	Monthly
US	16:30	EIA Crude Oil Stocks Change (Barrels) (28-Jul)	✓✓✓	-	-7.21mn	Weekly
US	18:00	Fed's Mester Speaks to Community Banking Conference	✓	-	-	As scheduled
US	21:30	Fed's Williams Speaks in Las Vegas on Monetary Policy	✓	-	-	As scheduled

Note: ✓✓✓High ✓✓Medium ✓Low

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