

ONE Minute Brief

6 September 2017

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Economic and Political News

In South Africa (SA), the annualised gross domestic product (GDP) registered a more-than-expected rise of 2.5% QoQ in 2Q17, compared to a revised drop of 0.6% in the previous quarter, driven by a robust performance in the agriculture sector. Finance Minister, Malusi Gigaba, stated that while growth was encouraging, poverty, unemployment and inequality remain the main challenges to the economy. Meanwhile, the country's Standard Bank PMI unexpectedly dropped to 49.8 in August, compared to a reading of 50.1 in the prior month.

A motion by the Democratic Alliance (DA) calling for an early election and dissolution of Parliament was defeated yesterday. Further, the Economic Freedom Fighters (EFF) warned the DA not to take other opposition parties for granted.

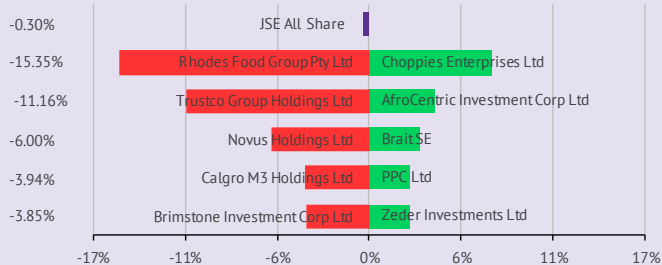
The Constitutional Court yesterday reserved judgement on whether Parliament should institute impeachment proceedings against President Jacob Zuma. Opposition parties expressed disappointment that no action had been taken against Zuma after the Constitutional Court ruling in March 2016.

The cabinet is likely to consider a plan to merge South Africa's telecom firms, Broadband Infraco and Sentech in December, in a move towards a national infrastructure company.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, led by sharp losses in gold mining sector stocks. Data revealed that South Africa's economy exited recession as its GDP expanded more-than-expected in 2Q17. The JSE All Share Index fell 0.3% to close at 56,144.80.



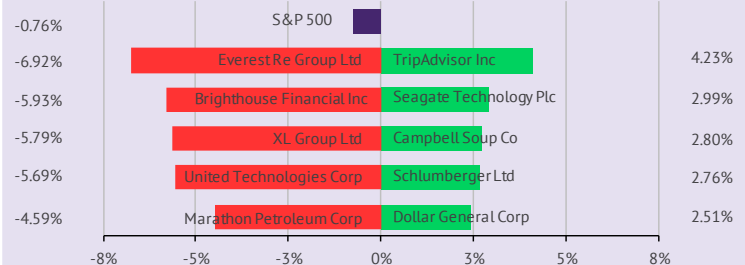
Key Indices

	Last Close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	56144.80	▼	-168.05	-0.30%	-0.65%	-0.67%	2.38%
JSE Top 40	49642.75	▼	-153.96	-0.31%	-0.71%	-0.71%	2.30%
FTSE 100	7372.92	▼	-38.55	-0.52%	-0.88%	-0.78%	0.80%
DAX 30	12123.71	▲	21.50	0.18%	-0.16%	0.56%	-0.52%
CAC 40	5086.56	▼	-17.41	-0.34%	-0.72%	0.02%	-0.16%
S&P 500	2457.85	▼	-18.70	-0.76%	-0.76%	-0.56%	0.05%
Nasdaq Composite	6375.57	▼	-59.76	-0.93%	-0.93%	-0.83%	1.27%
DJIA	21753.31	▼	-234.25	-1.07%	-1.07%	-0.89%	0.26%

US Market ▼

The S&P 500 futures are trading in the red

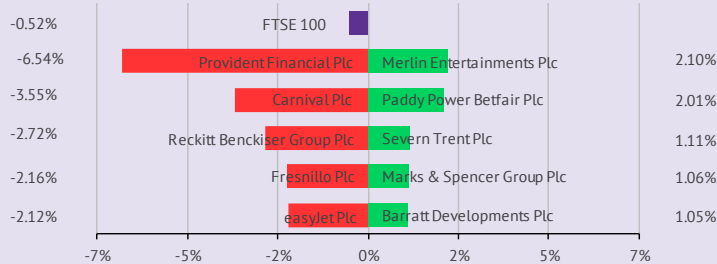
US markets closed lower yesterday, weighed down by losses in financial sector stocks. Data showed that US factory orders and final durable goods orders painted a negative picture for July. The S&P 500 Index dropped 0.8% to close at 2,457.85.



UK Market ▼

The FTSE 100 futures are trading in negative territory

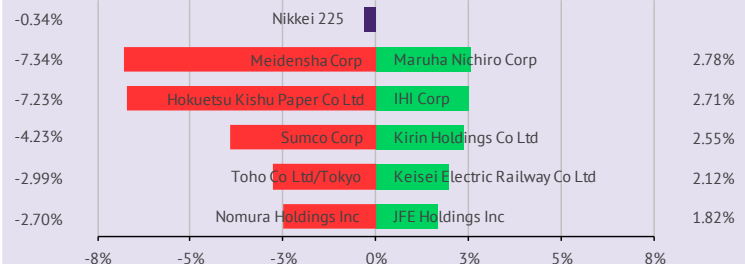
UK markets finished lower yesterday, amid a decline in financial sector stocks. Data indicated that UK's Markit services PMI dropped more than market anticipations to its lowest level in 11 months in August. The FTSE 100 Index declined 0.5% to close at 7,372.92.



Asian Market ▼

Trading lower

Asian markets are trading lower this morning. On the data front, Japan's labour cash earnings unexpectedly declined on an annual basis in July. The Nikkei 225 Index is trading 0.3% lower at 19,320.63.



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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 R12.9126. Later today, traders will keep a close watch on the Fed's Beige book, US ISM and Markit services PMI along with trade balance and MBA mortgage applications data for further direction. Separately, South Africa's SACCI business confidence index will be on investors' radar.

The US Dollar fell against the South African Rand yesterday, after Federal Reserve (Fed) Governor, Lael Brainard argued that the central bank needs to pay careful attention to underlying inflation before raising interest rates again, as longer-run price pressure trends in the US appear to be lower. In economic news, US factory orders dropped in line with market expectations on a monthly basis in July, marking its lowest level since August 2014, led by a sharp decline in demand for transportation equipment. Furthermore, final durable goods orders posted a higher-than-expected decline on a monthly basis in the same month. Separately, South Africa's GDP advanced higher than market expectations on a quarterly basis in 2Q17, its highest growth rate in 1 year, agriculture, forestry and fishing were the biggest contributors. In contrast, the nation's Standard bank PMI surprisingly eased in August.

GBPZAR ▲

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound is trading marginally firmer against the South African Rand at R16.8298. With no major economic news in the UK today, investor sentiment will be determined by global macroeconomic news.

The British Pound advanced against the South African Rand yesterday. On the macro front, UK's Markit services PMI recorded a more-than-expected drop in August, reaching its weakest level in 11 months.

EURZAR ▲

EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading marginally higher against the South African Rand at R15.3802. Going forward, market participants will keep a tab on retail PMI in the Eurozone, Germany's construction PMI and factory orders data for further cues.

The Euro weakened against the South African Rand yesterday, after Eurozone's retail sales retreated at par with the market forecast on a monthly basis in July, amid a decline in auto fuel and food, drinks and tobacco sales. The region's final Markit services PMI recorded an unexpected drop in August. Meanwhile, Germany's final Markit services PMI surprisingly advanced in the same month.

AUDZAR ▲

AUD trading stronger against ZAR

At 06:00 SAST, the Australian Dollar advanced 0.3% against the South African Rand to trade at R10.3517. Earlier in the session, data indicated that Australia's gross domestic product advanced slightly less than market expectations on a quarterly basis in 2Q17.

The Australian Dollar rose against the South African Rand yesterday. The Reserve Bank of Australia (RBA) kept the key interest rate steady at a record low 1.5%, in line with expectations.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	12.9126	▲	-0.49%	-0.24%	-0.74%	-1.39%	-6.00%
GBPZAR	16.8298	▲	0.27%	0.38%	0.03%	-3.47%	-0.61%
EURZAR	15.3802	▲	-0.35%	0.20%	-0.71%	-0.81%	6.49%
AUDZAR	10.3517	▲	0.18%	0.10%	-0.14%	-2.31%	4.19%
EURUSD	1.1910	▼	0.15%	0.46%	0.03%	0.57%	13.33%
GBPUSD	1.3034	▲	0.79%	0.63%	0.80%	-2.16%	5.65%
Brent (\$/barrel)	53.1	▼	1.99%	1.19%	0.98%	0.27%	-6.05%
Gold (\$/oz)	1343.3	▲	1.06%	1.06%	1.68%	4.10%	16.40%
Platinum (\$/oz)	1008.6	▼	0.00%	NA	1.05%	6.14%	11.91%
Copper (\$/MT)*	6869.5	▼	-0.25%	0.96%	1.63%	6.68%	24.38%

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices gained 0.2% to trade at \$1,343.30/oz.

Yesterday, gold prices rose 1.1% to close at \$1,340.60/oz, as weakness in the US Dollar and sharp losses in US equities increased demand for the precious yellow metal.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil declined 0.4% to trade at \$53.14/bl.

Yesterday, Brent crude oil advanced 2.0% to settle at \$53.38/bl, as Gulf coast refineries started recovering from the disruption and flooding caused by Hurricane Harvey.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices edged lower to trade at \$1,008.60/oz.

Yesterday, platinum prices traded flat to close at \$1009.00/oz.

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Major South Africa Corporate News

Adcorp Holdings Limited

The company announced that Mr Innocent Dutiroti has been appointed as the Chief Executive Officer and an Executive Director effective 1 October 2017.

Major Global Economic News

US

The Fed Governor, Lael Brainard, argued that the central bank needs to pay careful attention to underlying inflation before raising interest rates again, as longer-run price pressure trends in the US appear to be lower. She added that the Fed should go so far as to make clear it is comfortable pushing prices modestly above the 2.0% target. She further suggested that the central bank should follow through on its intentions to begin reducing its \$4.5tn balance sheet of bonds.

In the US, factory orders dropped 3.3% on a monthly basis in July, compared to a revised rise of 3.2% in the prior month. Market anticipation was for factory orders to drop 3.3%.

In July, the final durable goods orders recorded a drop of 6.8% on a monthly basis in the US, more than market expectations for a fall of 2.9%. In the prior month, durable goods orders had climbed 6.4%. The preliminary figures had also indicated a fall of 6.8%.

Asia

In Australia, the seasonally adjusted GDP recorded a rise of 0.8% on a quarterly basis in 2Q17, compared to a rise of 0.3% in the prior quarter. Market anticipation was for GDP to climb 0.9%.

In Japan, labour cash earnings recorded an unexpected drop of 0.3% on a yearly basis in July, lower than market expectations for a rise of 0.5%. In the previous month, labour cash earnings had dropped 0.4%.

Eurozone

In the Eurozone, the seasonally adjusted retail sales eased 0.3% on a monthly basis in July, meeting market expectations. In the previous month, retail sales had registered a revised rise of 0.6%.

In the Eurozone, the final Markit services PMI fell to a level of 54.70 in August, compared to a level of 55.40 in the previous month. Market expectation was for services PMI to ease to a level of 54.90. The preliminary figures had recorded a drop to 54.90.

In Germany, the final Markit services PMI registered a rise to 53.50 in August, higher than market expectations of a rise to 53.40. Services PMI had recorded a reading of 53.10 in the previous month. The preliminary figures had recorded a rise to 53.40.

UK

In the UK, the Markit services PMI recorded a drop to 53.20 in August, compared to a reading of 53.80 in the previous month. Markets were anticipating the services PMI to fall to 53.50.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
US	01:00	Fed's Kaplan Speaks in Dallas	✓	-	-	As scheduled
Japan	02:00	Labour Cash Earnings (YoY) (Jul)	✓✓	-0.30%*	-0.40%	Monthly
Germany	08:00	Germany- Foreign Export Orders (Jul)	✓	-	119.90	Monthly
Germany	08:00	Germany- Domestic Orders (Jul)	✓	-	111.00	Monthly
Germany	08:00	Germany- Manufacturing Order-Total (Jul)	✓	-	115.90	Monthly
Germany	08:00	Factory Orders n.s.a. (YoY) (Jul)	✓✓	5.80%	5.10%	Monthly
Germany	08:00	Factory Orders s.a. (MoM) (Jul)	✓✓	0.20%	1.00%	Monthly
Italy	10:00	Retail Sales s.a. (MoM) (Jul)	✓✓	-0.20%	0.60%	Monthly
South Africa	11:30	SACCI Business Confidence Index (Aug)	✓✓✓	-	95.30	Monthly
US	13:00	MBA Mortgage Applications (01-Sep)	✓	-	-2.30%	Weekly
US	14:30	Trade Balance (Jul)	✓✓✓	-USD44.70bn	-USD43.60bn	Monthly
US	14:55	Redbook Index (YoY) (01-Sep)	✓	-	4.30%	Weekly
US	14:55	Redbook Index s.a. (MoM) (01-Sep)	✓	-	2.00%	Weekly
US	15:45	Markit Composite PMI (Aug) (F)	✓✓	-	56.00**	Monthly
US	15:45	Markit Services PMI (Aug) (F)	✓✓	56.90	56.90**	Monthly
Canada	16:00	Bank of Canada Interest Rate Decision	✓✓✓	0.75%	0.75%	As scheduled
US	16:00	ISM Non-Manufacturing PMI (Aug)	✓✓✓	55.60	53.90	Monthly
US	20:00	Fed's Beige Book	✓✓✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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