

ONE Minute Brief

26 October 2017

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Economic and Political News

In his Medium-Term Budget Policy Statement, Finance Minister, Malusi Gigaba, slashed South Africa's (SA) 2017 GDP growth forecast to 0.7% from 1.3% and added that the nation's budget deficit would widen to 4.3% from the February guidance of 3.1%. Growth is forecast at 1.1% in 2018 and 1.5% in 2019, while gross national debt is anticipated to increase to 61% of GDP by 2022. Revenue shortfall is expected at ZAR50.80bn in 2017/18, ZAR69.30bn in 2018/19 and ZAR89.40bn in 2019/20. Gigaba indicated that the Treasury will meet rating agencies to discuss the nation's economy and its credit rating. He added that construction of new nuclear power stations would be considered only when the economy had recovered and urged for talks to break the mining charter impasse.

The Democratic Alliance (DA) stated that it could head to court over a decision by Parliament's Justice Committee not to hold an inquiry into Public Protector, Busisiwe Mkhwebane's fitness to hold office.

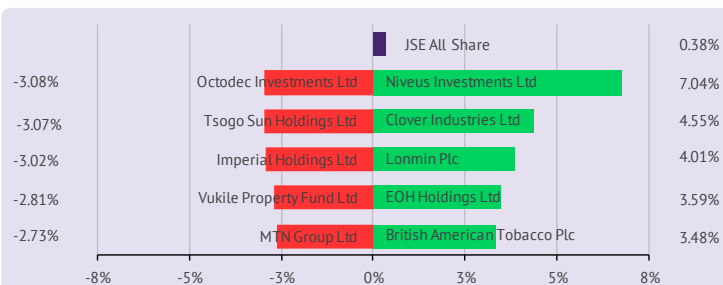
President, Jacob Zuma, has abandoned his request to have the State of Capture report referred back to the Public Protector for further investigation.

The World Health Organisation (WHO) has warned SA to be on high alert for the "black death" plague.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by sharp gains in gold and platinum mining stocks. The JSE All Share Index rose 0.4% to close at 58,123.13.



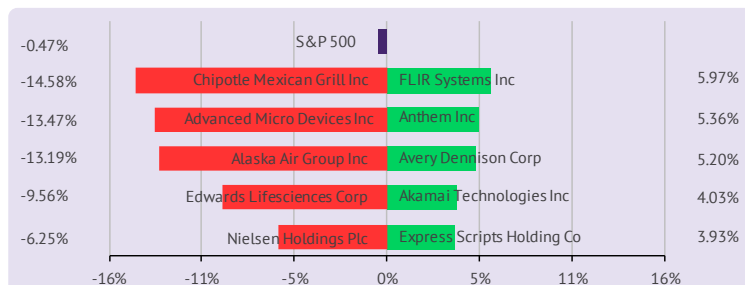
Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	58123.13	▲	218.41	0.38%	0.30%	4.58%	-1.67%	14.75%
JSE Top 40	51857.61	▲	260.12	0.50%	0.50%	5.02%	-1.24%	18.12%
FTSE 100	7447.21	▼	-79.33	-1.05%	-1.01%	1.01%	-0.78%	4.26%
DAX 30	12953.41	▼	-59.78	-0.46%	-0.29%	0.97%	6.41%	12.82%
CAC 40	5374.89	▼	-19.91	-0.37%	0.05%	0.85%	4.80%	10.54%
S&P 500	2557.15	▼	-11.98	-0.47%	-0.70%	1.50%	1.93%	14.22%
Nasdaq Composite	6563.89	▼	-34.54	-0.52%	-0.98%	1.05%	1.05%	21.93%
DJIA	23329.46	▼	-112.30	-0.48%	0.00%	4.13%	2.08%	18.05%

US Market ▼

The S&P 500 futures are trading in the red

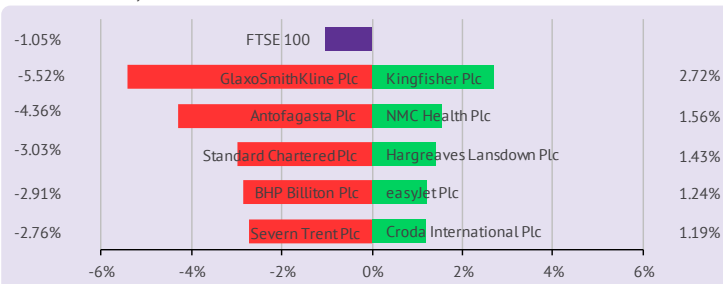
US markets closed lower yesterday, amid losses in industrial and telecommunication sector stocks. Data showed that US preliminary durable goods orders surged more-than-expected in September. The S&P 500 Index dropped 0.5% to close at 2,557.15.



UK Market ▼

The FTSE 100 futures are trading in negative territory

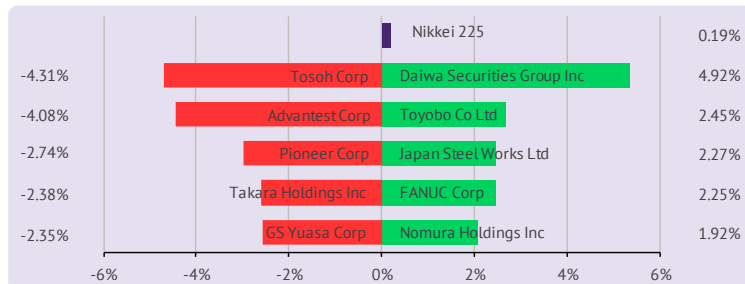
UK markets finished lower yesterday, led by losses in healthcare sector stocks and strength in the British Pound after the UK economy expanded at a faster pace in 3Q17. The FTSE 100 Index declined 1.0% to close at 7,447.21.



Asian Market ◀▶

Trading mixed

Asian markets are trading mixed this morning. The Nikkei 225 Index is trading 0.2% higher at 21,748.35.



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USDZAR ▼

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar is trading marginally lower against the South African Rand at R14.0491. Later today, traders will keep a close watch on US advance goods trade balance, initial jobless claims, wholesale inventories and pending home sales data for further direction. Separately, South Africa's producer price index will be on investors' radar.

The US Dollar rose against the South African Rand yesterday, after US flash durable goods orders soared at a stronger-than-anticipated pace in September, driven by a rise in orders for aircraft and telecom equipment. Furthermore, new home sales unexpectedly rebounded to its highest level since October 2007 on a monthly basis in September. Additionally, the house price index recorded an unexpected rise on a monthly basis in August.

GBPZAR ▼

GBP trading lower against ZAR

At 06:00 SAST, the British Pound is trading marginally weaker against the South African Rand at R18.6307. Amid a lack of major economic releases in the UK today, investor sentiment will be determined by global macroeconomic news.

The British Pound advanced against the South African Rand yesterday, after UK's gross domestic product (GDP) surprisingly advanced on a quarterly basis in the third quarter of 2017. However, BBA mortgage approvals unexpectedly plunged to its lowest level in 3 months in September.

EURZAR ▲

EUR trading higher against ZAR

At 06:00 SAST, the Euro is trading 0.1% firmer against the South African Rand at R16.6113. Going forward, market participants will keep a tab on the European Central Bank's interest rate decision for further cues. Meanwhile, Germany's GfK consumer confidence index will be on investors' radar.

The Euro strengthened against the South African Rand yesterday. On the macro front, Germany's Ifo business climate index surprisingly rose to an all-time high level in October. Furthermore, the Ifo business expectation index unexpectedly advanced in the same month.

AUDZAR ▲

AUD trading firmer against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% higher against the South African Rand at R10.8322.

The Australian Dollar rose against the South African Rand yesterday. Data revealed that Australia's consumer price index rose less than market anticipations on a yearly basis in the third quarter of 2017.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	14.0491	▼	2.22%	2.99%	3.64%	4.27%	2.34%
GBPZAR	18.6307	▼	3.07%	3.58%	2.58%	8.01%	10.09%
EURZAR	16.6113	▲	2.65%	3.27%	3.64%	3.41%	14.96%
AUDZAR	10.8322	▲	1.12%	1.48%	1.90%	2.78%	9.28%
EURUSD	1.1824	▲	0.44%	0.25%	-0.01%	-0.81%	12.37%
GBPUSD	1.3265	▲	0.97%	0.55%	-1.02%	3.62%	7.51%
Brent (\$/barrel)	58.4	▼	0.19%	1.19%	2.91%	7.43%	2.85%
Gold (\$/oz)	1281.2	▲	0.03%	-0.16%	-0.48%	-2.81%	10.74%
Platinum (\$/oz)	924.0	-	0.13%	-0.01%	1.50%	-8.83%	2.48%
Copper (\$/MT)*	6983.8	▼	-0.37%	0.90%	8.57%	-4.84%	26.45%

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices climbed 0.5% to trade at \$1,281.20/oz.

Yesterday, gold prices marginally rose to close at \$1,275.40/oz, as weakness in the greenback underpinned demand for the precious yellow metal.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil dropped 0.1% to trade at \$58.36/bl.

Yesterday, Brent crude oil advanced 0.2% to settle at \$58.44/bl, after Saudi Arabia reiterated its determination to end a three-year supply glut. Meanwhile, the US Energy Department reported that crude oil inventories climbed by 900,000 bls for the week ended October 20, 2017.

Platinum ◀▶

Trading flat

At 06:00 SAST, platinum prices traded flat at \$924.00/oz.

Yesterday, platinum prices climbed 0.1% to close at \$924.00/oz.



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Major South Africa Corporate News

Sibanye Gold Limited

In its FY17 trading statement, the company announced that it expects to report a loss of at least ZAR4.60bn. As a result, it anticipates loss per share and headline loss per share to be at least 235.00c and 110.00c respectively.

Telkom SA SOC Limited

The company referred to the Finance Minister, Malusi Gigaba's comments in his Medium-Term Budget Policy Statement which stated that in order to ensure the expenditure ceiling is not breached, the government has decided to dispose of approximately 39.0% of its holding in the company.

Major Global Economic News

US

In the US, the preliminary durable goods orders recorded a rise of 2.2% on a monthly basis in September, more than market expectations for a rise of 1.0%. In the previous month, durable goods orders had registered a rise of 2.0%.

In the US, new home sales unexpectedly rose by 18.9% on a monthly basis, to a level of 667.00K in September, compared to market expectations of 554.00K. New home sales had recorded a revised level of 561.00K in the previous month.

In the US, the housing price index registered a rise of 0.7% on a monthly basis in August, more than market expectations for an advance of 0.4%. In the previous month, the index had registered a revised rise of 0.4%.

Eurozone

In Germany, the Ifo business climate index recorded an unexpected rise to a level of 116.70 in October, higher than market expectations of a drop to a level of 115.10. In the prior month, the index had recorded a revised reading of 115.30.

In October, the Ifo business expectations index unexpectedly advanced to a level of 109.10 in Germany, higher than market expectations of a fall to 107.30. The index had registered a revised reading of 107.50 in the previous month.

UK

In the UK, the preliminary GDP climbed 0.4% on a quarterly basis in 3Q17, higher than market expectations for a rise of 0.3%. In the previous quarter, GDP had climbed 0.3%.

In September, the BBA mortgage approvals unexpectedly fell to 41.58K in the UK, compared to a revised reading of 41.76K in the prior month. Market expectations for the BBA mortgage approvals was to record a reading of 41.80K.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous	Frequency
Germany	08:00	GfK Consumer Confidence Survey (Nov)	✓✓✓	10.80	10.80	Monthly
Eurozone	10:00	M3 Money Supply (YoY) (Sep)	✓	5.00%	5.00%	Monthly
Eurozone	10:00	M3 Money Supply (3m) (Sep)	✓	-	4.80%	Monthly
Eurozone	10:00	Private Loans (YoY) (Sep)	✓	2.50%	2.50%	Monthly
South Africa	11:30	Producer Price Index (MoM) (Sep)	✓✓✓	0.40%	0.40%	Monthly
South Africa	11:30	Producer Price Index (YoY) (Sep)	✓✓✓	4.90%	4.20%	Monthly
UK	12:00	CBI Distributive Trades Survey - Realised (Oct)	✓✓	14.00%	42.00%	Monthly
Eurozone	13:45	ECB Interest Rate Decision	✓✓✓	0.00%	0.00%	As scheduled
US	14:30	Continuing Jobless Claims (14-Oct)	✓✓✓	1890.00K	1888.00K	Weekly
US	14:30	Initial Jobless Claims (21-Oct)	✓✓✓	235.00K	222.00K	Weekly
US	14:30	Wholesale Inventories (MoM) (Sep) (P)	✓✓✓	0.40%	0.90%	Monthly
Eurozone	14:30	ECB Monetary Policy Statement and Press Conference	✓✓✓	-	-	As scheduled
US	16:00	Pending Home Sales (YoY) (Sep)	✓	-4.20%	-3.10%	Monthly
US	16:00	Pending Home Sales (MoM) (Sep)	✓✓	0.40%	-2.60%	Monthly
US	16:30	FOMC Member Kashkari Speech	✓✓	-	-	As scheduled
US	17:00	Kansas City Fed Manufacturing Activity (Oct)	✓✓✓	17.00	17.00	Monthly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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