

ONE Minute Brief

4 October 2017

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Economic and Political News

The National Treasury stated that weaker-than-expected growth forecast of 1.3% in 2017 is threatening the government's plans to cut spending and borrow more to fund expenditure.

Democratic Alliance (DA) leader, Mmusi Maimane, has placed Mayor, Patricia de Lille and a member of her mayoral committee, JP Smith, on special leave from activities of the party in the Cape Town Metro until a DA federal executive investigation is underway.

Parliament's finance committee has asked the National Treasury to explain ZAR10.0bn bailout and the recent ZAR3.0bn transfer to South African Airways (SAA) after the opposition submitted a letter claiming that it was in breach of public finance rules.

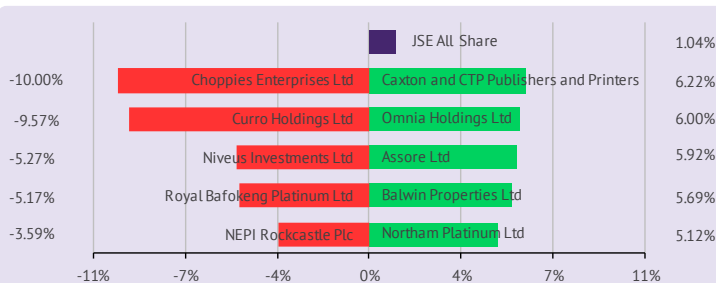
The Independent Regulatory Board for Auditors (IRBA) has indicated that its probe into KPMG will likely include the preparation of the report on the "rogue unit" at the South African Revenue Service (SARS). Separately, the IRBA also stated to Parliament that KPMG has not fully cooperated with its investigation.

SAA warned that its operations may be disrupted after one of the labour unions served with a notice of intention to start on industrial action at its aircraft maintenance unit.

South Africa Market ▲

South African markets closed higher

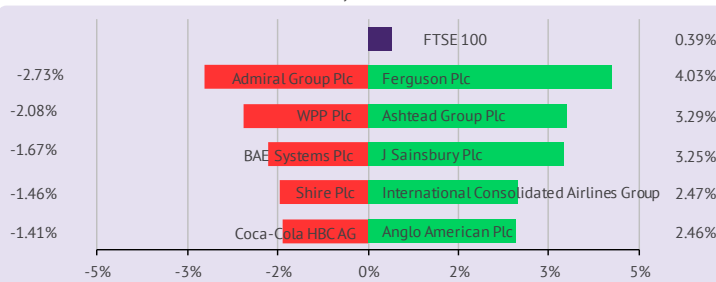
South African markets closed in the green yesterday, amid gains in platinum and gold mining sector stocks. The JSE All Share Index rose 1.0% to close at 56,358.26.



UK Market ▲

The FTSE 100 futures are trading in negative territory

UK markets finished higher yesterday, driven by a rise in industrial sector stocks and weakness in the British Pound after UK's construction PMI entered into contraction territory in September. The FTSE 100 Index advanced 0.4% to close at 7,468.11.



Key Indices

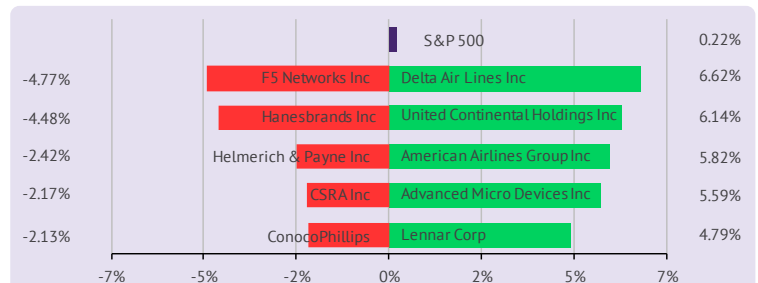
	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	56358.26	▲	579.99	1.04%	1.40%	1.40%	-1.67%	11.26%
JSE Top 40	50139.93	▲	530.35	1.07%	1.55%	1.55%	-1.24%	14.21%
FTSE 100	7468.11	▲	29.27	0.39%	1.29%	1.29%	-0.78%	4.55%
DAX 30*	12902.65	▲	73.79	0.58%	0.58%	0.58%	6.41%	12.38%
CAC 40	5367.41	▲	16.97	0.32%	0.71%	0.71%	4.80%	10.39%
S&P 500	2534.58	▲	5.46	0.22%	0.60%	0.60%	1.93%	13.21%
Nasdaq Composite	6531.71	▲	15.00	0.23%	0.55%	0.55%	1.05%	21.34%
DJIA	22641.67	▲	84.07	0.37%	1.06%	1.06%	2.08%	14.57%

*Values as on 2nd October 2017

US Market ▲

The S&P 500 futures are trading in the red

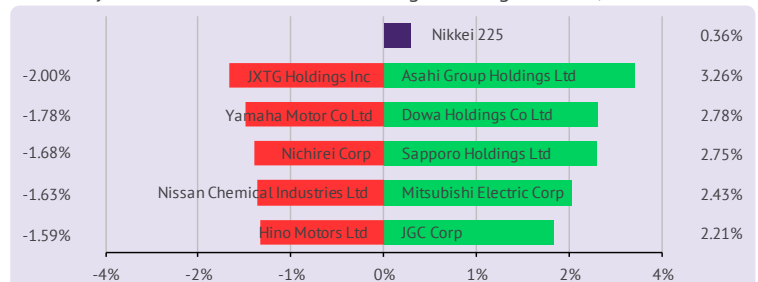
US markets closed higher yesterday, boosted by gains in airline sector stocks. The S&P 500 Index climbed 0.2% to close at 2,534.58.



Asian Market ▲

Trading higher

Asian markets are trading higher this morning. Data revealed that Japan's Nikkei services PMI registered a decline in September. Markets in China and South Korea are closed today on account of a public holiday. The Nikkei 225 Index is trading 0.4% higher at 20,688.02.



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USDZAR ▼

USD trading lower against ZAR

At 06:00 SAST, the US Dollar declined 0.4% against the South African Rand to trade at R13.6075. Later today, traders will keep a close watch on US ISM non-manufacturing PMI, ADP employment change and Markit services PMI data for further direction.

The US Dollar rose against the South African Rand yesterday.

GBPZAR ▼

GBP trading weaker against ZAR

At 06:00 SAST, the British Pound fell 0.1% against the South African Rand to trade at R18.0562. Later today, traders will keep an eye on UK Markit services PMI for further cues.

The British Pound advanced against the South African Rand yesterday. According to the Bank of England's (BoE) Financial Policy Committee (FPC) meeting minutes, policymakers warned that Brexit poses "substantial risk" to the ability of British companies to borrow from European banks and to some clearing activity which might have to relocate from London once Brexit takes place. Separately, the Brexit Secretary, David Davis, stated that Britain looks to negotiate a Brexit agreement with the European Union (EU). However, if the Brexit talks fail, UK will be ready to walk away without a deal. Further, Davis warned that any error in the talks could cost them billions of pounds. On the macro front, UK's construction sector unexpectedly contracted in September, weighed down by sluggish demand and delay in payments.

EURZAR ▼

EUR trading lower against ZAR

At 06:00 SAST, the Euro fell 0.2% against the South African Rand to trade at R16.0156. Going forward, market participants will keep a tab on Markit services PMI across the Eurozone along with the region's retail sales for further indication.

The Euro strengthened against the South African Rand yesterday, after Eurozone's producer price index (PPI) advanced at a faster-than-expected pace on an annual basis in August, boosted by a rise in energy and intermediate goods prices.

AUDZAR ▼

AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% lower against the South African Rand at R10.6950. Earlier in the session, data indicated that Australia's AIG performance of services index posted a decline in September.

The Australian Dollar rose against the South African Rand yesterday. The Reserve Bank of Australia kept the benchmark interest rate steady at a record low 1.5%, as widely expected. In a statement following the central bank board meeting, Governor, Philip Lowe, highlighted that jobless rate in Australia was unlikely to fall quickly while adding sluggish wages was going to be a problem for some time. On the data front, Australia's HIA new home sales painted a positive picture for August and building approvals rebounded less-than-expected on a monthly basis in the same month.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	13.6075	▼	0.42%	0.73%	0.73%	4.27%	-0.53%
GBPZAR	18.0562	▼	0.14%	-0.47%	-0.47%	8.01%	6.81%
EURZAR	16.0156	▼	0.53%	0.14%	0.14%	3.41%	11.07%
AUDZAR	10.6950	▼	0.53%	0.73%	0.73%	2.78%	8.02%
EURUSD	1.1770	▲	0.09%	-0.59%	-0.59%	-0.81%	11.71%
GBPUSD	1.3268	▲	-0.29%	-1.20%	-1.20%	3.62%	7.30%
Brent (\$/barrel)	55.6	▼	-0.21%	-1.39%	-1.39%	7.43%	-1.44%
Gold (\$/oz)	1278.0	▲	-0.09%	-0.78%	-0.78%	-2.81%	10.40%
Platinum (\$/oz)	911.1	=	-0.05%	0.09%	0.09%	-8.83%	1.05%
Copper (\$/MT)*	6468.8	▲	0.35%	0.57%	0.57%	-4.84%	17.12%

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices advanced 0.5% to trade at \$1,278.00/oz, ahead of the US Federal Reserve Chair Janet Yellen's speech scheduled later today.

Yesterday, gold prices fell 0.1% to close at \$1,271.50/oz, as strength in global equities lowered demand for the safe haven asset.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged 0.7% lower to trade at \$55.62/bl, amid concerns that price rally experienced last quarter might not be extended in Q4 2017. Going forward, investors' keenly await the Energy Information Administration crude inventories data later today which is anticipated to report a decline for the last week.

Yesterday, Brent crude oil dropped 0.2% to settle at \$56.00/bl, as traders weighed signs of rising production against the rebalancing of global supply and demand. Meanwhile, the American Petroleum Institute (API) reported that crude oil inventories declined by 4.1mn bls for the week ended September 29, 2017.

Platinum ◀▶

Trading flat

At 06:00 SAST, platinum prices traded flat at \$911.10/oz.

Yesterday, platinum prices marginally declined to close at \$911.10/oz.

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Major South Africa Corporate News

British American Tobacco Plc

The company announced that Lionel L. Nowell III and Holly Keller Koeppel have been appointed as members of the Audit Committee and Nominations Committee, while Luc Jobin has been appointed as a member of the Remuneration Committee and Nominations Committee.

Major Global Economic News

UK

According to the BoE's FPC meeting minutes, senior officials warned that Brexit poses "substantial risk" to the ability of British companies to borrow from European banks and to some clearing activity which might have to relocate from London once Brexit takes place. Further, the central bank added that the committee judged the risk of disruption to wholesale UK banking services could be larger than previously estimated.

The Brexit Secretary, David Davis, stated that Britain looks to negotiate a Brexit agreement with the EU. However, if the Brexit talks fail, UK will be ready to walk away without a deal. Further, Davis warned that any error in the talks could cost them billions of pounds.

In the UK, the construction PMI recorded an unexpected drop to a level of 48.10 in September, compared to market expectations of an unchanged reading. In the prior month, the construction PMI had recorded a reading of 51.10.

Eurozone

In the Eurozone, the PPI recorded a rise of 2.5% on a yearly basis in August, more than market expectations for a rise of 2.3%. In the prior month, the PPI had risen 2.0%.

Asia

In Japan, Nikkei services PMI registered a drop to 51.00 in September, compared to a level of 51.60 in the prior month.

In Australia, the AIG performance of services index recorded a drop to 52.10 in September. In the previous month, the index had recorded a reading of 53.00.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
UK	01:01	BRC Shop Price Index (YoY) (Sep)	✓	-0.10%*	-0.30%	Monthly
Japan	02:30	Markit Japan Services PMI (Sep)	✓✓	51.00*	51.60	Monthly
Japan	02:30	Markit/JMMA Composite PMI (Sep)	✓✓✓	51.70*	51.90	Monthly
Eurozone	09:00	Non-monetary policy's ECB meeting	✓✓✓	-	-	As scheduled
Germany	09:55	Markit Services PMI (Sep) (F)	✓✓✓	55.60	55.60**	Monthly
Eurozone	10:00	Markit Composite PMI (Sep) (F)	✓✓✓	56.70	56.70**	Monthly
Eurozone	10:00	Markit Services PMI (Sep) (F)	✓✓✓	55.60	55.60**	Monthly
UK	10:30	Markit Services PMI (Sep)	✓✓✓	53.20	53.20	Monthly
Eurozone	11:00	Retail Sales (MoM) (Aug)	✓✓✓	0.30%	-0.30%	Monthly
Eurozone	11:00	Retail Sales (YoY) (Aug)	✓✓	2.60%	2.60%	Monthly
US	13:00	MBA Mortgage Applications (29-Sep)	✓	-	-0.50%	Weekly
US	14:15	ADP Employment Change (Sep)	✓✓✓	135.00K	237.00K	Monthly
US	15:45	Markit Composite PMI (Sep) (F)	✓✓✓	-	54.60**	Monthly
US	15:45	Markit Services PMI (Sep) (F)	✓✓✓	55.10	55.10**	Monthly
US	16:00	ISM Non-Manufacturing PMI (Sep)	✓✓✓	55.50	55.30	Monthly
Eurozone	19:15	ECB President Draghi's Speech	✓✓✓	-	-	As scheduled
US	21:15	Fed's Yellen to Speak on Community Banking in St. Louis	✓✓✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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