

ONE Minute Brief

19 January 2018

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Economic and Political News

The South African Reserve Bank (SARB) kept its key interest rate unchanged at 6.75%, citing upside risks to inflation. The SARB Governor, Lesetja Kganyago, stated that the Rand might remain sensitive to political developments and any prospects of further credit-ratings downgrade could weigh on the currency. Separately, Kganyago has been elected as the Chairman of the International Monetary and Financial Committee (IMFC).

South African Deputy President, Cyril Ramaphosa, called on prosecutors to act urgently on state capture and corruption. He added that policy certainty would be key to reviving the economy and investments and that it would be a "mammoth task" to reverse ratings downgrades.

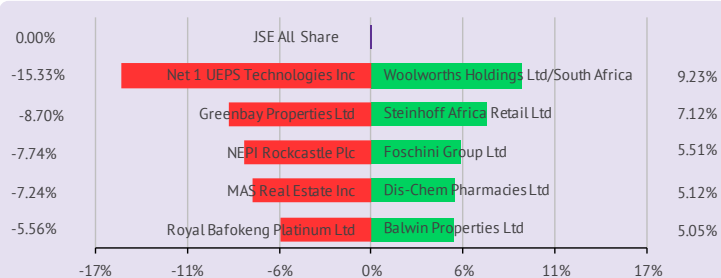
S&P has expressed concerns at the liquidity conditions at Eskom and warned that the power utility is facing "clear danger" of debt default. Separately, Finance Minister, Malusi Gigaba, stated that the Treasury cannot afford to bail out Eskom. Meanwhile, Deputy President, Cyril Ramaphosa, stated that the Eskom situation was on "top of our mind" and solutions were being worked on.

The African National Congress (ANC) Secretary-General, Ace Magashule, stated that President, Jacob Zuma's removal as head of state was not on the agenda of the party's national executive committee (NEC) meeting.

South Africa Market ▼

South African markets closed lower

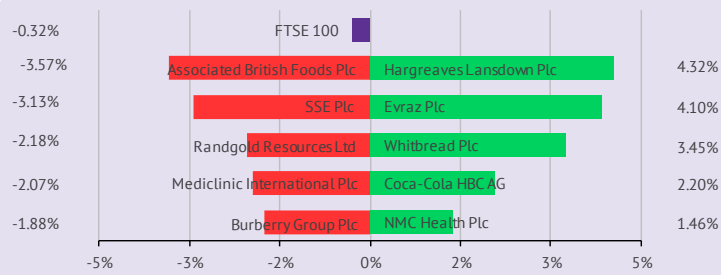
South African markets closed a tad lower yesterday, led by losses in property and platinum mining sector stocks. The SARB kept its benchmark interest rate steady at 6.75%, in line with expectations. The JSE All Share Index marginally fell to close at 60,922.55.



UK Market ▼

The FTSE 100 futures are trading in negative territory

UK markets finished lower yesterday, weighed down by losses in utility sector stocks, strength in the British Pound and decline in shares of Associated British Foods, following dismal trading update. The FTSE 100 Index declined 0.3% to close at 7,700.96.



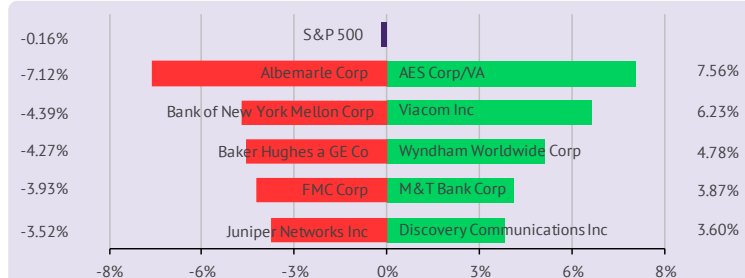
Key Indices

	Last Close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	60922.55	▼ -1.91	0.00%	1.40%	2.38%	-0.45%	2.38%
JSE Top 40	54010.49	▼ -58.35	-0.11%	1.34%	2.81%	-1.38%	2.81%
FTSE 100	7700.96	▼ -24.47	-0.32%	-1.00%	0.17%	4.93%	0.17%
DAX 30	13281.43	▲ 97.47	0.74%	0.27%	2.82%	-0.82%	2.82%
CAC 40	5494.83	▲ 0.84	0.02%	-0.40%	3.43%	-1.12%	3.43%
S&P 500	2798.03	▼ -4.53	-0.16%	0.42%	4.65%	0.98%	4.65%
Nasdaq Composite	7296.05	▼ -2.23	-0.03%	0.48%	5.69%	0.43%	5.69%
DJIA	26017.81	▼ -97.84	-0.37%	0.83%	5.25%	1.84%	5.25%

US Market ▼

The S&P 500 futures are trading in the red

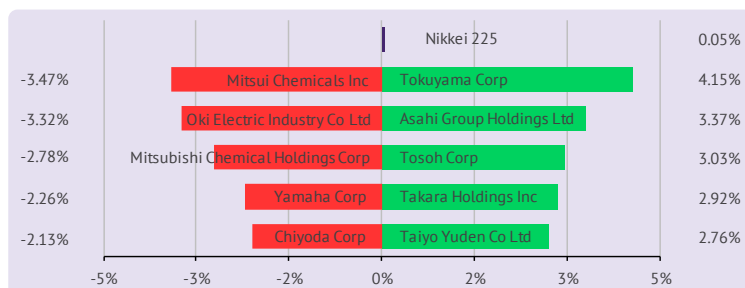
US markets closed lower yesterday, amid ongoing concerns over the government shutdown. Data revealed that the US monthly housing starts plunged more-than-expected to its lowest level in one year in December. The S&P 500 Index dropped 0.2% to close at 2,798.03.



Asian Market ▲

Trading higher

Asian markets are trading higher this morning. The Nikkei 225 Index is trading 0.1% higher at 23,775.39.



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USDZAR ▼

USD trading lower against ZAR

At 06:00 SAST, the US Dollar retreated 0.5% against the South African Rand to trade at R12.0766. Later today, traders will keep a close watch on the US preliminary Michigan consumer sentiment index for further direction.

The US Dollar fell against the South African Rand yesterday, after the US housing starts tumbled to its weakest level in a year on a monthly basis in December. However, monthly building permits fell less than market anticipations in the same month. Meanwhile, number of Americans applying for the first-time unemployment benefits dropped more-than-expected in the week ended 13 January 2018, marking its lowest level in 45 years. Separately, the SARB kept its key interest rate unchanged at 6.75%, providing support to the South African currency.

GBPZAR ▼

GBP trading weaker against ZAR

At 06:00 SAST, the British Pound fell 0.3% against the South African Rand to trade at R16.8030. Later today, traders will keep an eye on UK's retail sales for further cues.

The British Pound declined against the South African Rand yesterday.

EURZAR ▼

EUR trading lower against ZAR

At 06:00 SAST, the Euro is trading 0.2% weaker against the South African Rand at R14.8078. Going forward, market participants will keep a tab on Eurozone's current account balance figures and Germany's producer price index for further indication.

The Euro weakened against the South African Rand yesterday.

AUDZAR ▼

AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.3% lower against the South African Rand at R9.6796. Amid lack of major economic releases in Australia today, investor sentiment will be determined by global macroeconomic news.

The Australian Dollar fell against the South African Rand yesterday, after Australia's unemployment rate recorded an unexpected rise in December. However, the consumer inflation expectations recorded an unchanged reading in January.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	12.0766	▼	-1.36%	-1.90%	-2.03%	-9.60%	-2.03%
GBPZAR	16.8030	▼	-0.84%	-0.71%	0.80%	-9.84%	0.80%
EURZAR	14.8078	▼	-0.94%	-1.62%	-0.07%	-8.96%	-0.07%
AUDZAR	9.6796	▼	-0.82%	-0.85%	0.44%	-6.85%	0.44%
EURUSD	1.2262	▲	0.43%	0.30%	1.94%	0.85%	1.94%
GBPUSD	1.3914	▲	0.46%	1.21%	2.82%	-0.09%	2.82%
Brent (\$/barrel)	68.7	▼	-0.10%	-0.80%	3.65%	6.77%	3.65%
Gold (\$/oz)	1331.0	▲	-0.90%	-0.58%	1.37%	2.84%	1.37%
Platinum (\$/oz)	1005.0	=	-0.12%	1.39%	7.58%	-0.88%	7.58%
Copper (\$/MT)*	7032.0	▲	0.54%	-0.60%	-2.43%	7.01%	-2.43%

*As of Previous Close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices rose 0.3% to trade at \$1,331.00/oz.

Yesterday, gold prices fell 0.9% to close at \$1,327.20/oz, reversing its previous session gains.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged 0.9% lower to trade at \$68.66/bl.

Yesterday, Brent crude oil dropped 0.1% to settle at \$69.31/bl, after the OPEC revealed that crude oil production increased by 42,000 bbls per day to 32.42mn in December. Furthermore, the Energy Information Administration (EIA) reported a rise of 258,000 bbls per day in total crude production to 9.75mn bbls per day for last week. Meanwhile, the OPEC raised its 2017 global demand forecast to 96.99mn bbls per day and estimated 2018 demand at 98.51mn barrels per day. Moreover, the EIA also reported that crude oil inventories dropped by 6.9mn bbls during the week ended 12 January 2018.

Platinum ◀▶

Trading flat

At 06:00 SAST, platinum prices traded flat at \$1,005.00/oz.

Yesterday, platinum prices declined 0.1% to close at \$1005.00/oz.



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Major South Africa Corporate News

BHP Billiton Plc

In its 1H18 operational update, the company announced that its total iron ore production was in line with the same period of the previous year at 117.00Mt and copper production increased by 17.0% to 833.00kt. Further, the petroleum production declined by 7.0% from the same period of the preceding year to 99.00MMboe.

Massmart Holdings Limited

In its FY17 sales update, the company stated that total sales rose 2.7%, compared to the same period of the preceding year to ZAR93.70mn. Further, the total sales from its stores excluding South Africa measured in constant currencies grew by 3.5% with comparable store sales growth of 0.8%.

Netcare Limited

In an update for its operations in the UK, the company announced that the financial performance of BMI Healthcare in the UK, in which it has substantial holding, has declined in FY17 due to challenging trading conditions. Further, the company has proposed to invest an additional GBP20.00mn into BMI Healthcare and provide credit support with respect to certain indebtedness of BMI Healthcare.

Steinhoff International Holdings NV

The company announced the resignation of Mr Jayendra Naidoo with immediate effect as a Member of the Supervisory Board of the company. Separately, it announced the appointment of Moelis & Company and AlixPartners as independent Financial Advisor and Operational Advisor, respectively.

Major Global Economic News

US

In the US, housing starts dropped 8.2% on a monthly basis, to an annual rate of 1192.00K in December, lower than market expectations of 1275.00K. In the prior month, housing starts had registered a revised reading of 1299.00K.

In December, building permits recorded a drop of 0.1% on a monthly basis, to an annual rate of 1302.00K in the US, compared to a revised level of 1303.00K in the prior month. Markets were expecting building permits to fall to 1295.00K.

In the US, the seasonally adjusted initial jobless claims eased to 220.00K for the week ended 13 January 2018, compared to market expectations of a fall to 249.00K. Initial jobless claims had registered a reading of 261.00K in the prior week.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous	Frequency
Germany	09:00	Producer Price Index (MoM) (Dec)	✓✓✓	0.20%	0.10%	Monthly
Germany	09:00	Producer Price Index (YoY) (Dec)	✓✓✓	2.30%	2.50%	Monthly
Switzerland	10:15	Producer and Import Prices (MoM) (Dec)	✓	-	0.60%	Monthly
Switzerland	10:15	Producer and Import Prices (YoY) (Dec)	✓	-	1.80%	Monthly
Eurozone	11:00	Current Account Balance n.s.a. (Nov)	✓	-	EUR35.90bn	Monthly
Eurozone	11:00	Current Account Balance s.a (Nov)	✓✓	-	EUR30.80bn	Monthly
Spain	11:00	Trade Balance (Nov)	✓✓✓	-	-EUR2.51bn	Monthly
Italy	11:30	Current Account Balance (Nov)	✓	-	EUR6.55bn	Monthly
UK	11:30	Retail Sales (MoM) (Dec)	✓✓✓	-1.00%	1.10%	Monthly
UK	11:30	Retail Sales (YoY) (Dec)	✓✓✓	2.60%	1.60%	Monthly
UK	11:30	Retail Sales ex-Fuel (YoY) (Dec)	✓✓✓	2.60%	1.50%	Monthly
UK	11:30	Retail Sales ex-Fuel (MoM) (Dec)	✓✓✓	-1.10%	1.20%	Monthly
Canada	15:30	Canadian Portfolio Investment in Foreign Securities (Nov)	✓	-	CAD16.49bn	Monthly
Canada	15:30	Foreign Portfolio Investment in Canadian Securities (Nov)	✓	-	CAD20.81bn	Monthly
Canada	15:30	Manufacturing Shipments (MoM) (Nov)	✓✓	2.00%	-0.40%	Monthly
US	17:00	Reuters/Michigan Consumer Sentiment Index (Jan) (P)	✓✓✓	97.00	95.90	Monthly
US	20:00	Fed's Quarles Speaks on Bank Regulation	✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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