

ONE Minute Brief

26 January 2018

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Economic and Political News

In South Africa (SA), the producer price index advanced 5.2% on an annual basis in December, in line with market forecast.

The head of the ruling African National Congress (ANC), Cyril Ramaphosa, stated at the World Economic Forum in Davos, that SA has excess power and no money for a major expansion of its nuclear capacity. He added that the nation had entered a new era under the new ANC leadership.

The terms of reference for the commission of inquiry into state capture include fraud in all organs of state. The ANC and Cosatu have welcomed the broadened terms of reference, while the DA has demanded that President, Jacob Zuma, and his son, Duduzane, must testify at the inquiry.

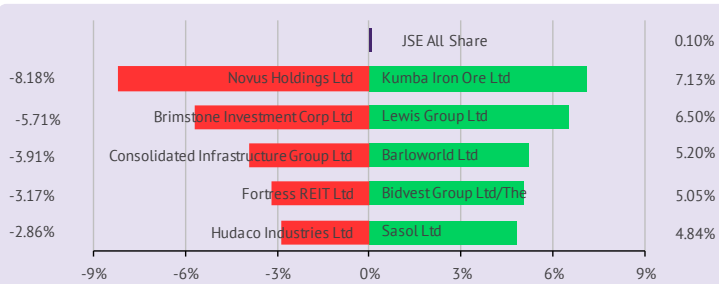
Eskom has stated that its new board is reviewing the decision by the old board to declare the contract and SAR 1bn payment made to McKinsey as being above board. Meanwhile, the Gauteng High Court has ordered former Eskom CEO, Brian Molefe, to pay back all the pension payouts made to him, terming the payment as unlawful.

Pointing out that past increases in levies on fuels have been higher than inflation, the Automobile Association has demanded that fuel levies should not be used as easy source of revenue.

South Africa Market ▲

South African markets closed higher

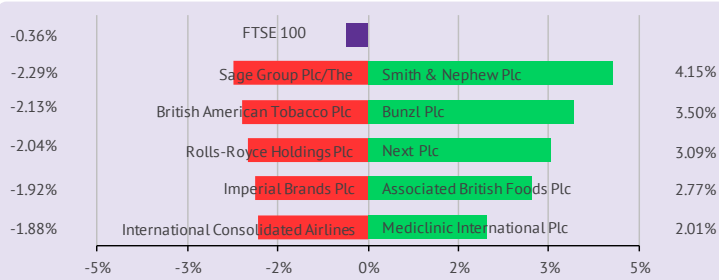
South African markets closed higher yesterday, led by gains in banking, gold mining and financial sector stocks. Data showed that South Africa's annual producer price index (PPI) rose in line with expectations in December. The JSE All Share Index rose 0.1% to close at 61,684.77.



UK Market ▼

The FTSE 100 futures are trading in positive territory

UK markets finished lower yesterday, amid strength in the British Pound. Data revealed that UK's BBA mortgage approvals surprisingly fell in December, reaching its lowest level since April 2013. The FTSE 100 Index declined 0.4% to close at 7,615.84.



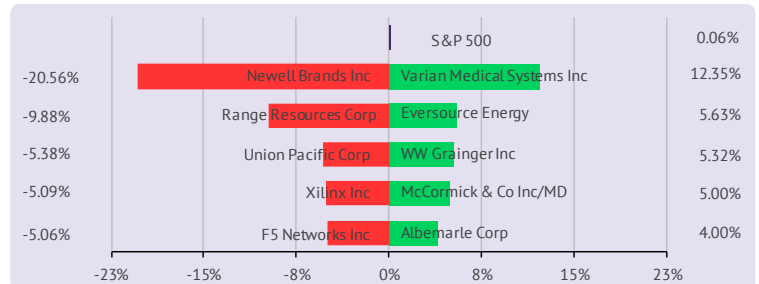
Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	61684.77	▲	61.64	0.10%	1.27%	3.66%	-0.45%	3.66%
JSE Top 40	54558.02	▼	-17.92	-0.03%	0.92%	3.85%	-1.38%	3.85%
FTSE 100	7615.84	▼	-27.59	-0.36%	-1.49%	-0.94%	4.93%	-0.94%
DAX 30	13298.36	▼	-116.38	-0.87%	-1.01%	2.95%	-0.82%	2.95%
CAC 40	5481.21	▼	-13.95	-0.25%	-0.82%	3.17%	-1.12%	3.17%
S&P 500	2839.25	▲	1.71	0.06%	1.03%	6.20%	0.98%	6.20%
Nasdaq Composite	7411.16	▼	-3.90	-0.05%	1.02%	7.36%	0.43%	7.36%
DJIA	26392.79	▲	140.67	0.54%	1.23%	6.77%	1.84%	6.77%

US Market ▲

The S&P 500 futures are trading in the green

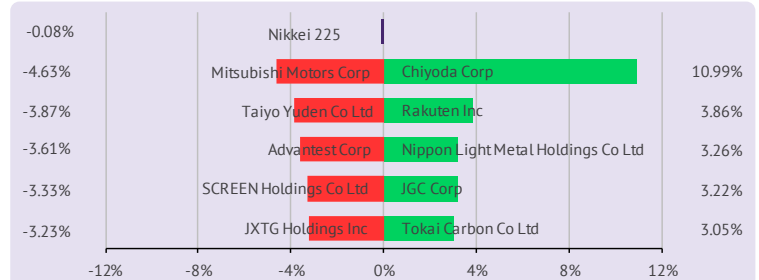
US markets closed higher yesterday, boosted by robust earnings reports and continued weakness in the US dollar. Data indicated that US leading index advanced more-than-expected in December. The S&P 500 Index climbed 0.1% to close at 2,839.25.



Asian Market ▲

Trading mostly higher

Asian markets are trading mostly higher this morning. Data revealed that Japan's National consumer price index (CPI) advanced less-than-expected on a yearly basis in December. The Nikkei 225 Index is trading 0.1% lower at 23,651.25.



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USDZAR ▲

USD trading higher against ZAR

At 06:00 SAST, the US Dollar is trading 0.2% firmer against the South African Rand at R11.8879. Later today, traders will keep a close watch on the US annualised gross domestic product (GDP) figures and preliminary durable goods orders along with advance goods trade balance figures and wholesale inventories for further direction.

The US Dollar rose against the South African Rand yesterday, after the US President, Donald Trump, stated that the US Dollar would become stronger over time under his leadership, thereby contradicting earlier comments made by US Treasury Secretary, Steven Mnuchin. On the macro front, the US initial jobless claims rose less-than-expected for the week ended 20 January 2018. Further, monthly new home sales painted a negative picture for December. In contrast, the nation's leading index climbed more-than-anticipated in December. Separately, South Africa's PPI recorded a rise in line with the market forecast on an annual basis in December.

GBPZAR ▲

GBP trading firmer against ZAR

At 06:00 SAST, the British Pound gained 0.2% against the South African Rand to trade at R16.8689. Later today, traders will keep an eye on the Bank of England (BoE) Governor, Mark Carney's speech along with UK's GDP figures for further cues.

The British Pound declined against the South African Rand yesterday. Data showed that UK's BBA mortgage approvals recorded an unexpected drop to its lowest level since April 2013 in December.

EURZAR ▲

EUR trading stronger against ZAR

At 06:00 SAST, the Euro climbed 0.4% against the South African Rand to trade at R14.7737. With no major economic news in the Eurozone today, investor sentiment will be determined by global macroeconomic news.

The Euro strengthened against the South African Rand yesterday, after the European Central Bank (ECB), kept its ultra-easy monetary policy on hold and reiterated its pledge to keep the benchmark interest rates at present levels for an extended period and well past the end of its bond buying programme, until a sustained rebound in inflation is achieved. Further, the ECB Chief, Mario Draghi, stated that recent economic data confirmed a "robust pace" of economic expansion with inflation likely to rise in the medium term. On the data front, Germany's GfK consumer confidence surprised with a rise in February, notching its highest level since October 2001. Additionally, Ifo business climate index unexpectedly jumped to its highest level on record in January. In contrast, the nation's Ifo expectations index dropped more than market expectations in the same month, reaching its lowest level in 4 months.

AUDZAR ▲

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar rose 0.2% against the South African Rand to trade at R9.5768.

The Australian Dollar marginally fell against the South African Rand yesterday.

Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	11.8879	▲	0.10%	-2.68%	-4.15%	-9.60%	-4.15%
GBPZAR	16.8689	▲	-0.35%	-0.20%	0.63%	-9.84%	0.63%
EURZAR	14.7737	▲	0.04%	-1.24%	-0.92%	-8.96%	-0.92%
AUDZAR	9.5768	▲	-0.04%	-1.72%	-1.07%	-6.85%	-1.07%
EURUSD	1.2428	▲	-0.10%	1.42%	3.26%	0.85%	3.26%
GBPUSD	1.4190	▲	-0.70%	2.05%	4.65%	-0.09%	4.65%
Brent (\$/barrel)	70.3	▼	-0.16%	2.64%	5.31%	6.77%	5.31%
Gold (\$/oz)	1355.5	▼	0.49%	2.24%	4.09%	2.84%	4.09%
Platinum (\$/oz)	1029.3	=	1.58%	1.29%	10.18%	-0.88%	10.18%
Copper (\$/MT)*	7100.8	▼	-0.14%	1.45%	-1.47%	7.01%	-1.47%

*As of Previous Close

Gold ▼

Trading in the red

At 06:00 SAST, gold prices retreated 0.5% to trade at \$1,355.50/oz.

Yesterday, gold prices rose 0.5% to close at \$1,362.90/oz, extending its previous session gains.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil retreated 0.2% to trade at \$70.26/bl, as the US Dollar reversed its earlier session gains and on fears that the crude market fundamentals could weaken in the near future.

Yesterday, Brent crude oil dropped 0.2% to settle at \$70.42/bl, amid strength in the greenback, following comments from the US President, Donald Trump.

Platinum ◀▶

Trading flat

At 06:00 SAST, platinum prices traded flat at \$1,029.30/oz.

Yesterday, platinum prices climbed 1.6% to close at \$1,029.30/oz.



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Major South Africa Corporate News

Anglo American Plc

In its 4Q17 production report, the company stated that it witnessed a 5.0% increase in total production on a copper equivalent basis. Further, platinum production decreased by 4.0% and palladium by 5.0%, following the firm's decision in 3Q17 to remove unprofitable ounces by placing Bokoni on care and maintenance. The company also added that during the quarter, total PGM production fell 4.0% to 1,220,000 ounces.

DataTec Limited

In its FY18 trading statement, the company indicated that it expects the underlying EPS to be at least 20.0% lower than that reported in FY17. The company is likely to release its full year results for FY18 on SENS on or about May 17, 2018.

Kumba Iron Ore Limited

In its 4Q17 production and sales report, the company stated that the full year production of 45.00Mt exceeded its recent guidance. Additionally, export sales increased by 7.0% to 11.40Mt, due to improved loading rates.

Major Global Economic News

Eurozone

The ECB, at its January monetary policy meeting, kept its ultra-easy monetary policy on hold and reiterated its pledge to keep the benchmark interest rates at present levels for an extended period and well past the end of its bond buying programme, until a sustained rebound in inflation is achieved. Further, the ECB Chief, Mario Draghi, stated that recent economic data confirmed a "robust pace" of economic expansion with inflation likely to rise in the medium term. However, he warned that the recent surge in the Euro represents a source of uncertainty for the inflation outlook and merited monitoring.

In Germany, the GfK consumer confidence index unexpectedly advanced to 11.00 in February, compared to market expectations of a steady reading. In the prior month, the index had recorded a reading of 10.80. In January, the Ifo business climate index recorded an unexpected rise to 117.60 in Germany, compared to a level of 117.20 in the previous month. Market expectation was for the index to fall to a level of 117.00. In Germany, the Ifo business expectations index fell to a level of 108.40 in January, more than market expectations of a drop to a level of 109.30. The index had recorded a reading of 109.50 in the prior month.

Asia

In Japan, the national CPI advanced 1.0% on an annual basis in December, compared to an advance of 0.6% in the prior month. Market anticipation was for the national CPI to rise 1.1%.

In China, industrial profits rose 10.8% on an annual basis in December. Industrial profits (YoY) had recorded a rise of 14.9% in the previous month.

As per the minutes of the Bank of Japan's (BoJ) December monetary policy meeting, majority of policymakers believed that it was appropriate to stick to the central bank's current monetary policy stance as inflation remains far from its 2.0% target. However, some officials expressed a need to consider raising interest rates or reducing purchases of risky assets if the economic recovery continued.

US

In the US, the initial jobless claims climbed to 233.00K for the week ended 20 January 2018, compared to a revised reading of 216.00K in the previous week. Market expectation was for initial jobless claims to climb to 235.00K.

In the US, leading indicator registered a rise of 0.6% on a monthly basis in December, compared to a revised advance of 0.5% in the previous month. Markets were anticipating the leading indicator to rise 0.5%.

In December, new home sales recorded a drop of 9.3% on monthly basis, to a level of 625.00K in the US, higher than market expectations of 675.00K. New home sales had recorded a revised reading of 689.00K in the previous month.

UK

In the UK, the BBA mortgage approvals registered an unexpected drop to 36.12K in December, compared to market expectations of a rise to a level of 39.80K. In the prior month, BBA mortgage approvals had registered a revised level of 39.01K.

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Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
Japan	01:30	National Consumer Price Index (YoY) (Dec)	✓✓✓	1.00%*	0.60%	Monthly
Japan	01:30	Tokyo Consumer Price Index (YoY) (Jan)	✓✓✓	1.30%*	1.00%	Monthly
Japan	01:50	Corporate Service Price (YoY) (Dec)	✓	0.80%*	0.80%	Monthly
Japan	01:50	BoJ Minutes of Policy Meeting	✓✓✓	-	-	As scheduled
China	03:30	Industrial Profits (YoY) (Dec)	✓✓	10.80%*	14.90%	Monthly
Eurozone	11:00	Private Loans (YoY) (Dec)	✓	-	2.80%	Monthly
Eurozone	11:00	ECB Survey of Professional Forecasters	✓	-	-	As scheduled
Eurozone	11:00	M3 Money Supply (YoY) (Dec)	✓	4.90%	4.90%	Monthly
UK	11:30	Gross Domestic Product s.a. (QoQ) (Q4) (P)	✓✓✓	0.40%	0.40%	Quarterly
UK	11:30	Gross Domestic Product s.a. (YoY) (Q4) (P)	✓✓✓	1.40%	1.70%	Quarterly
UK	11:30	Index of Services (3M/3M) (Nov)	✓	0.40%	0.30%	Monthly
UK	11:30	Index of Services (MoM) (Nov)	✓	0.20%	0.20%	Monthly
Eurozone	12:00	ECB's Coeure speaks in Davos	✓✓	-	-	As scheduled
US	15:00	Fed's Bullard Speaks at Economics Workshop in Oslo	✓	-	-	As scheduled
US	15:30	Wholesale Inventories (MoM) (Dec) (P)	✓✓✓	0.40%	0.80%	Monthly
US	15:30	Gross Domestic Product Annualised (QoQ) (Q4) (P)	✓✓✓	3.00%	3.20%	Quarterly
US	15:30	Cap Goods Orders Nondef Ex Air (Dec) (P)	✓	0.60%	-0.20%	Monthly
US	15:30	Durable Goods Orders ex Transportation (Dec) (P)	✓✓	0.60%	-0.10%	Monthly
US	15:30	Personal Consumption Expenditure Core (QoQ) (Q4) (P)	✓✓✓	1.90%	1.30%	Quarterly
US	15:30	Gross Domestic Purchases Price Index (QoQ) (Q4) (P)	✓✓✓	2.30%	2.10%	Quarterly
US	15:30	Cap Goods Ship Nondef Ex Air (Dec) (P)	✓	0.40%	-0.10%	Monthly
US	15:30	Durable Goods Orders (Dec) (P)	✓✓✓	0.80%	1.30%	Monthly
US	15:30	Personal Consumption (QoQ) (Q4) (F)	✓✓✓	3.70%	2.20%**	Quarterly
UK	16:00	BoE Governor Mark Carney speaks on panel at Davos	✓✓✓	-	-	As scheduled
Japan	16:00	Bank of Japan Governor Kuroda Speech	✓✓	-	-	As scheduled
Switzerland	-	World Economic Forum (Davos)	✓✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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