

# ONE Minute Brief

22 February 2018

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## Economic and Political News

In South Africa (SA), the consumer price index (CPI) climbed 4.4% on an annual basis in January, less than market anticipation for a gain of 4.5% and compared to a rise of 4.7% in December.

SA's Finance Minister, Malusi Gigaba, in his 2018 budget speech, stated that VAT will rise by 1.0% to 15.0% with effect from April 1, 2018, the nation's first VAT rate increase in the last 25 years. The increase in VAT would result in additional revenues of ZAR22.00bn. The budget deficit is expected to narrow to 3.5% of GDP by 2020, from 4.3% in the 2017/18 fiscal year. The African National Congress (ANC) appreciated the 2018 budget delivered by Gigaba and stated that it is "progressive" and "people-centred". Union federation, Cosatu, stated that the budget was silent on government's plans to create jobs and fight corruption. DA leader, Mmusi Maimane, called the budget an insult to poor people.

Finance Minister, Malusi Gigaba, in an interview, indicated that SA's investment grade could be restored in 18-24 months.

Parliament's oversight committee on mineral resources department stated that it will launch an investigation into state capture against mines minister, Mosebenzi Zwane.

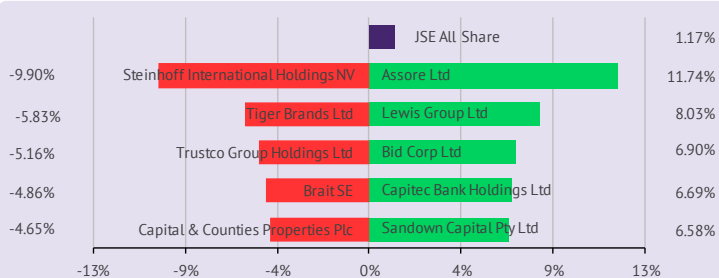
## Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	58605.97	▲	677.19	1.17%	-0.87%	-1.51%	0.00%	-1.51%
JSE Top 40	51727.37	▲	706.91	1.39%	-0.74%	-1.69%	0.16%	-1.53%
FTSE 100	7281.57	▲	34.80	0.48%	-0.18%	-3.34%	-2.01%	-5.28%
DAX 30	12470.49	▼	-17.41	-0.14%	0.15%	-5.45%	2.10%	-3.46%
CAC 40	5302.17	▲	12.31	0.23%	0.39%	-3.28%	3.19%	-0.20%
S&P 500	2701.33	▼	-14.93	-0.55%	-1.13%	-4.34%	5.62%	1.04%
Nasdaq Composite	7218.23	▼	-16.08	-0.22%	-0.29%	-2.61%	7.36%	4.56%
DJIA	24797.78	▼	-166.97	-0.67%	-1.67%	-5.17%	5.79%	0.32%

## South Africa Market ▲

### South African markets closed higher

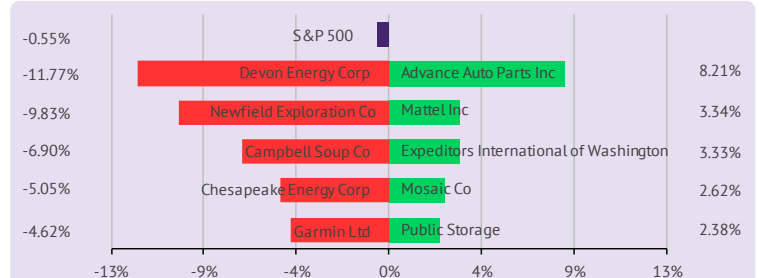
South African markets closed in the green yesterday, amid gains in retail and banking sector stocks, following Gigaba's favourable 2018 budget. Data indicated that SA's annual CPI increased at a slower than expected pace in January. The JSE All Share Index rose 1.2% to 58,605.97.



## US Market ▼

### The S&P 500 futures are trading in the red

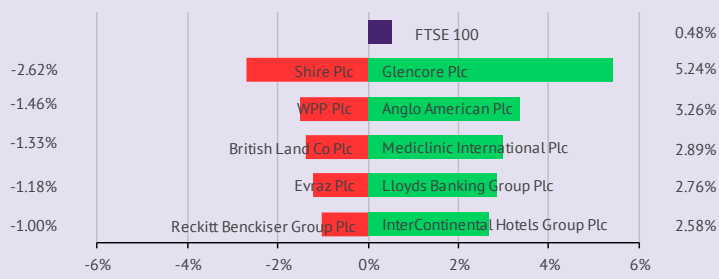
US markets closed lower yesterday, amid a surge in bond yields and renewed concerns over higher interest rates, following Federal Reserve's (Fed) January meeting minutes. The S&P 500 Index dropped 0.6% to close at 2,701.33.



## UK Market ▲

### The FTSE 100 futures are trading in negative territory

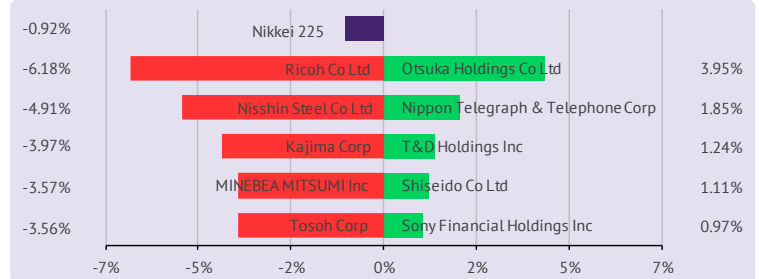
UK markets finished higher yesterday, amid gains in mining and financial sector stocks, following upbeat earnings update from Glencore and Lloyds Banking Group. The FTSE 100 Index advanced 0.5% to close at 7,281.57.



## Asian Market ▼

### Trading mostly lower

Asian markets are trading mostly weaker this morning. The Nikkei 225 Index is trading 0.9% lower at 21,769.30.



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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 R11.6870. Later today, traders will keep a close watch on the US leading index and initial jobless claims for further direction.

The US Dollar fell against the South African Rand yesterday, after the US Fed's January meeting minutes signaled a rise in interest rates. On the macro front, existing home sales unexpectedly declined on a monthly basis in January, marking its steepest monthly drop since February 2016. In contrast, the US Markit manufacturing PMI surprised with a rise in February, notching its highest level since October 2014. Additionally, Markit services PMI advanced more than market forecast in February. Meanwhile, the Rand climbed against the US dollar as SA welcomed the 2018 budget which included first VAT hike in over two decades. The nation's CPI rose at a slower pace on an annual basis in January.

## GBPZAR ▲

### GBP trading stronger against ZAR

At 06:00 SAST, the British Pound is trading 0.1% higher against the South African Rand at R16.2563. Later today, traders will keep an eye on UK's gross domestic product (GDP) and index of services for further indication.

The British Pound declined against the South African Rand yesterday, after data revealed that UK's ILO unemployment rate increased for the first time in nearly two years in the October-December 2017 period. Further, public-sector net borrowing posted recorded a more than forecast surplus in January. Meanwhile, the nation's claimant count rate registered a drop in January. Furthermore, the average weekly earnings including bonus showed a steady reading on an annual basis in the October-December 2017 period.

## EURZAR ▲

### EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading 0.1% higher against the South African Rand at R14.3479. Going forward, market participants will keep a tab on Germany's Ifo sentiment indices for further cues.

The Euro weakened against the South African Rand yesterday, after data indicated that Eurozone's Markit manufacturing PMI eased more than market forecast in February. Additionally, Markit services PMI registered a more-than-expected drop in February. Meanwhile, Germany's Markit manufacturing PMI fell more than market anticipation in February, reaching its lowest level in six months. Moreover, the Markit services PMI declined at a faster-than-expected pace in the same month.

## AUDZAR ▲

### AUD trading stronger against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% higher against the South African Rand at R9.1132.

The Australian Dollar fell against the South African Rand yesterday. On the data front, Australia's wage price index rose at a higher-than-expected pace on a quarterly basis in 4Q17.

## Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	11.6870	▲	-0.56%	0.58%	-1.59%	-4.29%	-5.81%
GBPZAR	16.2563	▲	-1.08%	-0.53%	-3.38%	0.50%	-2.90%
EURZAR	14.3479	▲	-1.00%	-0.52%	-2.60%	-0.98%	-3.55%
AUDZAR	9.1132	▲	-1.56%	-1.02%	-4.61%	-1.24%	-5.80%
EURUSD	1.2276	▼	-0.43%	-0.98%	-1.05%	3.41%	2.32%
GBPUSD	1.3911	▼	-0.56%	-0.77%	-1.92%	5.02%	3.00%
Brent (\$/barrel)	64.9	▼	0.26%	0.89%	-5.04%	3.02%	-2.17%
Gold (\$/oz)	1325.8	▼	0.09%	-1.71%	-0.67%	2.27%	1.58%
Platinum (\$/oz)	992.2	▼	-0.74%	-1.55%	-0.77%	7.50%	6.68%
Copper (\$/MT)*	7078.0	▲	0.43%	-1.57%	-0.01%	-1.78%	-1.79%

\*As of Previous Close

## Gold ▼

### Trading in the red

At 06:00 SAST, gold prices edged 0.3% lower to trade at \$1,325.80/oz.

Yesterday, gold prices rose 0.1% to close at \$1,330.00/oz, after the Fed January meeting minutes raised expectations of interest rate hike.

## Brent Crude Oil ▼

### Trading weaker

At 06:00 SAST, Brent crude oil dropped 0.8% to trade at \$64.92/bl.

Yesterday, Brent crude oil advanced 0.3% to settle at \$65.42/bl, after the American Petroleum Institute (API) reported that US oil inventories unexpectedly declined by 907,000 bls to 420.30mn bls last week.

## Platinum ▼

### Trading in negative territory

At 06:00 SAST, platinum prices edged 0.4% lower to trade at \$992.20/oz.

Yesterday, platinum prices declined 0.7% to close at \$996.60/oz.

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## Major South Africa Corporate News

### Adcock Ingram Holdings Limited

In its 1H18 unaudited results, the company stated that its revenue increased to ZAR3.21bn, compared to ZAR2.99bn posted in the corresponding period of the previous year. Its diluted EPS rose 32.9%, compared to the same period of the prior year to 192.60c. Further, the company declared an interim dividend of 86.00c per share.

### Assore Limited

In its 1H18 results, the company revealed that its revenue advanced 17.1% compared to the same period of the preceding year to ZAR3.84bn. Its diluted EPS stood at ZAR23.79, compared to ZAR21.51 recorded in the corresponding period of the previous year. Further, the company declared an interim dividend of ZAR10.00 per share.

### Capital & Counties Properties Plc

In its FY17 results, the company reported that its revenue declined 6.8% compared to the same period of the preceding year to GBP87.70mn. Its diluted loss per share stood at 0.80p, compared to 15.00p recorded in the corresponding period of the previous year.

## Major Global Economic News

### UK

The Bank of England (BoE) Governor, Mark Carney, stated that interest rates may have to rise quicker than initially expected in order to keep inflation at bay, as domestic inflationary pressures are beginning to firm.

In the UK, the ILO unemployment rate registered an unexpected rise to 4.4% in the October-December 2017 period. The ILO unemployment rate had registered a level of 4.3% in the September-November 2017 period.

In the UK, the claimant count rate registered a drop to 2.3% in January. The claimant count rate had recorded a reading of 2.4% in the previous month.

In the UK, the public-sector net borrowing has posted a surplus of GBP11.60bn in January, more than market forecast and compared to a revised deficit of GBP0.30bn in the previous month.

### Eurozone

In the Eurozone, the preliminary manufacturing PMI recorded a more-than-expected drop to 58.50 in February. In the prior month, the manufacturing PMI had registered a level of 59.60.

In the Eurozone, the preliminary services PMI declined more than market anticipation to 56.70 in February. In the previous month, services PMI had registered a reading of 58.00.

In Germany, the preliminary manufacturing PMI fell more-than-anticipated to 60.30 in February, compared to a reading of 61.10 in the prior month.

In Germany, the flash services PMI dropped more than market forecast to 55.30 in February, compared to a level of 57.30 in the prior month.

### Hyprop Investments Limited

The company announced through its joint venture company in the UK, Hystead Limited, that it has entered into an agreement to acquire a 90.0% interest in a company that owns two shopping centres in Croatia for net purchase consideration of EUR129.10mn.

### MMI Holdings Limited

In its 1H18 trading update, the company stated that it expects its HEPS and EPS to increase by 20.0% to 30.0% compared with the corresponding period of the previous year. It expects HEPS to be in the range of 77.00c to 84.00c and EPS to be in the range of 78.00c to 85.00c.

### Murray & Roberts Holdings Limited

In its 1H18 trading update, the company stated that it expects diluted HEPS and diluted EPS to be in the range of 52.00c to 57.00c, which is significantly higher compared to the corresponding period of the previous year.

### US

According to the minutes of the Fed's January monetary policy meeting, policymakers offered an upbeat assessment of the US economy and were increasingly optimistic on reaching their 2.0% inflation target over the medium term. Further, a number of officials upgraded their economic growth forecasts and pointed to the recent tax cuts as well as the improved global economic outlook as factors contributing to the US economic growth this year. Additionally, committee members agreed that a strengthening economy supported future hike in interest rates, while cautioning that the impact of the tax cuts is not yet clear.

In the US, the flash Markit manufacturing PMI recorded an unexpected rise to a level of 55.90 in February. In the previous month, the Markit manufacturing PMI had recorded a level of 55.50.

In February, the flash Markit services PMI registered a more-than-expected rise to 55.90 in the US. Markit services PMI had registered a level of 53.30 in the previous month.

In the US, existing home sales unexpectedly eased by 3.2% on a monthly basis in January to a level of 5.38mn in January. Existing home sales had registered a revised reading of 5.56mn in the previous month.

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## Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus	Previous/ **Previous Est.	Frequency
US	03:15	FOMC Member Kashkari Speech	✓✓	-	-	As scheduled
US	07:15	Fed's Quarles to Speak on Global Economy	✓	-	-	As scheduled
Germany	11:00	Ifo - Business Climate (Feb)	✓✓✓	117.00	117.60	Monthly
Germany	11:00	Ifo - Current Assessment (Feb)	✓✓	127.00	127.70	Monthly
Germany	11:00	Ifo - Expectations (Feb)	✓✓	107.90	108.40	Monthly
UK	11:30	Gross Domestic Product s.a. (QoQ) (Q4) (S)	✓✓✓	0.50%	0.50%**	Quarterly
UK	11:30	Gross Domestic Product s.a. (YoY) (Q4) (S)	✓✓✓	1.50%	1.50%**	Quarterly
UK	11:30	Index of Services (3M/3M) (Dec)	✓	0.50%	0.40%	Monthly
UK	11:30	Index of Services (MoM) (Dec)	✓	0.00%	0.40%	Monthly
UK	11:30	Government Spending (Q4) (P)	✓	0.30%	-0.20%	Quarterly
UK	11:30	Imports (QoQ) (Q4) (P)	✓	1.00%	0.90%	Quarterly
UK	11:30	Exports (QoQ) (Q4) (P)	✓	0.50%	0.80%	Quarterly
UK	13:00	CBI Distributive Trades Survey - Realised (Feb)	✓✓	13.00%	12.00%	Monthly
US	15:30	Continuing Jobless Claims (10-Feb)	✓✓✓	1935.00K	1942.00K	Weekly
US	15:30	Initial Jobless Claims (17-Feb)	✓✓✓	230.00K	230.00K	Weekly
US	17:00	Leading Indicator (MoM) (Jan)	✓✓✓	0.70%	0.60%	Monthly
US	17:00	Fed's William Dudley speech	✓✓	-	-	As scheduled
US	17:30	EIA Natural Gas Storage Change (16-Feb)	✓✓✓	-	-194.00Bcf	Weekly
US	18:00	DOE Cushing OK Crude Inventory (Barrels) (16-Feb)	✓✓✓	-	-3642.00K bls	Weekly
US	18:00	DOE Distillate Inventory (16-Feb)	✓✓✓	-	-459.00K bls	Weekly
US	18:00	DOE Gasoline Inventories (16-Feb)	✓✓✓	-	3599.00K bls	Weekly
US	18:00	EIA Crude Oil Stocks Change (Barrels) (16-Feb)	✓✓✓	-	1841.00mn bls	Weekly
US	18:00	Kansas City Fed Manufacturing Activity (Feb)	✓✓✓	18.00	16.00	Monthly
US	19:10	Fed's Bostic Speaks at Banking Conference in Atlanta	✓	-	-	As scheduled
Eurozone	20:00	ECB Publishes Account of Jan. 24-25 Policy meeting	✓	-	-	As scheduled
US	22:30	Fed's Kaplan Speaks on Trade Panel in Vancouver	✓	-	-	As scheduled

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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