

ONE
Minute Brief

13 June 2018

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Economic and political news

The International Monetary Fund (IMF) has forecasted that the South African economy will grow 1.5% in 2018. However, the IMF signalled 'prominent' downside risks to the country's outlook and stated that the government should clear its land reform plans in order to remove uncertainty. Separately, the IMF warned that rising public sector debt could raise financing costs and hurt economic growth.

News reports indicated that Eskom has launched a court appeal against the National Energy Regulator of South Africa's (Nersa) decision to grant a 5.23% tariff increase, instead of 19.9%.

Unions at Eskom stated that they would pursue all legal options to resolve a deadlock over pay before calling a nationwide strike.

The Department of Mineral Resources' Deputy Director, Mthokozisi Mtshali, stated that the department has concluded its public engagements on the Mining Charter and has begun the process of drafting a revised charter.

The City of Johannesburg's ZAR59bn budget for the financial year 2018-19 has been finally approved by the council.

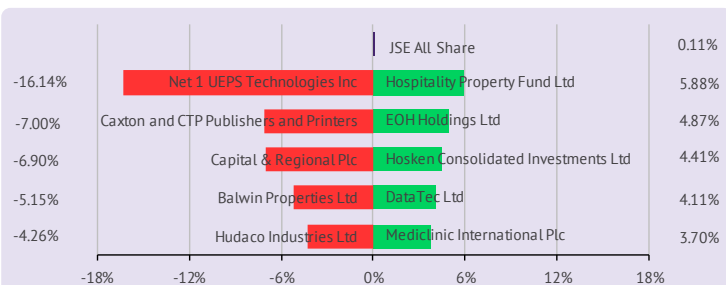
Key indices

| | Last close | | 1 Day Chg | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. month % Chg | YTD % Chg |
|-----------------------|------------|---|-----------|-----------|-----------|-----------|-------------------|-----------|
| JSE All Share | 58207.82 | ▲ | 61.72 | 0.11 | -0.03 | 3.65 | -3.60 | -2.18 |
| JSE Top 40 | 51909.40 | ▲ | 73.96 | 0.14 | 0.05 | 4.27 | -3.18 | -1.19 |
| FTSE 100 | 7703.81 | ▼ | -33.62 | -0.43 | 0.30 | 0.33 | 2.25 | 0.21 |
| DAX 30 | 12842.30 | ▼ | -0.61 | 0.00 | 0.59 | 1.88 | -0.06 | -0.58 |
| CAC 40 | 5453.37 | ▼ | -20.54 | -0.38 | 0.06 | 1.02 | -2.21 | 2.65 |
| S&P 500 | 2786.85 | ▲ | 4.85 | 0.17 | 0.28 | 3.02 | 2.16 | 4.24 |
| Nasdaq Composite | 7703.79 | ▲ | 43.87 | 0.57 | 0.76 | 3.52 | 5.32 | 11.59 |
| DJIA | 25320.73 | ▼ | -1.58 | -0.01 | 0.02 | 3.71 | 1.05 | 2.43 |
| MSCI Emerging Markets | 1140.64 | ▲ | 1.19 | 0.10 | 0.46 | 1.78 | -3.75 | -1.54 |
| MSCI Developed World | 2145.36 | ▲ | 1.16 | 0.05 | 0.36 | 2.51 | 0.31 | 1.99 |

South Africa Market ▲

South African markets closed higher

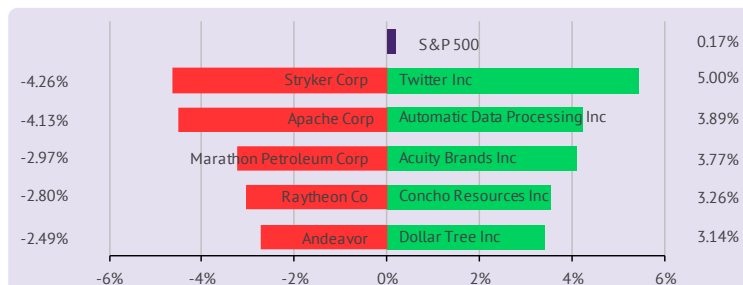
South African markets closed in the green yesterday, boosted by gains in retail, financial and industrial sector stocks. The JSE All Share Index rose 0.1% to close at 58,207.82.



US Market ▲

The S&P 500 futures are trading in the green

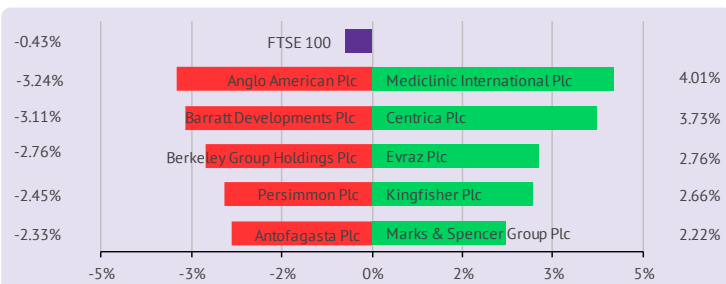
US markets closed mostly higher yesterday, supported by gains in technology and utility sector stocks and ahead of the Federal Reserve's policy decision. The S&P 500 Index climbed 0.2% to close at 2,786.85.



UK Market ▼

The FTSE 100 futures are trading in positive territory

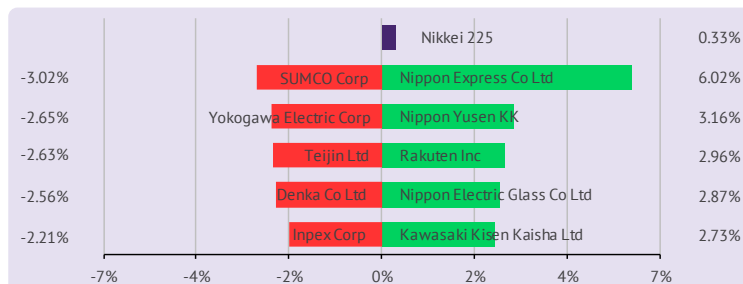
UK markets finished lower yesterday, weighed down by losses in mining, housebuilding and energy sector stocks. The FTSE 100 Index declined 0.4% to close at 7,703.81.



Asian Market ▼

Trading mostly lower

Asian markets are trading mostly lower this morning. The Nikkei 225 Index is trading 0.2% lower at 22,953.75.



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USD ZAR ▼

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar is trading marginally lower against the South African Rand at R13.3267. Later today, traders will keep a close watch on the FOMC interest rate decision along with the producer price index (PPI) and MBA mortgage applications for further cues.

The US Dollar rose against the South African Rand yesterday, ahead of the Fed rate decision and after the US consumer price index (CPI) climbed in line with market forecast on an annual basis in May, marking its biggest gain since February 2012. Additionally, the NFIB small business optimism index jumped to second-highest level in 45 years in May. Meanwhile, monthly budget deficit widened more-than-expected in the same month.

GBP ZAR ▼

GBP trading lower against ZAR

At 06:00 SAST, the British Pound declined 0.1% against the South African Rand to trade at R17.8078. Later today, traders will keep an eye on UK's CPI, PPI and house price index for further direction.

The British Pound advanced against the South African Rand yesterday, after UK's ILO unemployment rate remained unchanged in line with market forecast in the February-April 2018 period, marking its lowest level since 1975. Meanwhile, annual average weekly earnings including bonus recorded a less-than-anticipated advance in the February-April 2018 period.

EUR ZAR ▼

EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading 0.1% lower against the South African Rand at R15.6518. Going forward, market participants will keep a tab on Eurozone's employment data and industrial production for further indication.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's ZEW economic sentiment index unexpectedly dropped in June. Separately, Germany's ZEW survey expectations index recorded a more-than-expected decline in June, marking its lowest reading since September 2012. Additionally, the ZEW survey current situation index slid more than market forecast in the same month.

AUD ZAR ▼

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar fell 0.1% against the South African Rand to trade at R10.0821. Earlier in the session, Australia's Westpac consumer confidence index registered an advance in June.

The Australian Dollar rose against the South African Rand yesterday.

Key currencies & commodities

| | Current | | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. month % Chg | YTD % Chg |
|-------------------|---------|---|-----------|-----------|-----------|-------------------|-----------|
| USDZAR | 13.3267 | ▼ | 1.29 | 2.03 | 4.99 | 1.91 | 7.67 |
| GBPZAR | 17.8078 | ▼ | 1.22 | 1.83 | 5.55 | -1.58 | 6.60 |
| EURZAR | 15.6518 | ▼ | 0.95 | 1.82 | 5.45 | -1.31 | 5.42 |
| AUDZAR | 10.0821 | ▼ | 0.75 | 1.60 | 5.02 | 2.42 | 4.44 |
| EURUSD | 1.1745 | = | -0.33 | -0.20 | 0.44 | -3.19 | -2.17 |
| GBPUSD | 1.3363 | ▼ | -0.05 | -0.25 | 0.56 | -3.38 | -1.04 |
| Brent (\$/barrel) | 75.6 | ▼ | -0.76 | -0.76 | -2.17 | 3.84 | 13.47 |
| Gold (\$/oz) | 1298.9 | ▲ | -0.29 | -0.23 | -0.38 | -1.45 | -1.08 |
| Platinum (\$/oz) | 898.1 | ▼ | -0.54 | -0.46 | -0.94 | 0.63 | -3.50 |
| Copper (\$/MT)* | 7209.5 | ▼ | -0.63 | -1.56 | 5.33 | 1.10 | 0.03 |

*As of previous close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.3% higher to trade at \$1,298.90/oz.

Yesterday, gold prices fell 0.3% to close at \$1,295.10/oz, as strength in the US Dollar and expectations for a interest rate hike by the Federal Reserve, dampened demand for the safe haven asset.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged 0.3% lower to trade at \$75.62/bl.

Yesterday, Brent crude oil dropped 0.8% to settle at \$75.88/bl, after the American Petroleum Institute reported that the US crude supplies advanced by 833,000 bls in the week ended 8 June 2018. Separately, the Energy Information Administration (EIA) raised its 2018 domestic crude production by 0.6% to 10.79mn bls per day. However, the EIA reduced its 2019 output forecast by 0.8% to 11.76mn bls per day.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices edged 0.4% lower to trade at \$898.10/oz.

Yesterday, platinum prices declined 0.5% to close at \$901.50/oz.



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Major South African corporate news

Barloworld Limited

The company announced that all conditions precedent to the disposal of the Iberian Equipment operations were fulfilled and that the transaction was closed on 11 June 2018. Further, the initial payment of ZAR2,182mn was received on closing and the balance of the proceeds will be received in line with the terms of the agreement.

Grand Parade Investments Limited

The company announced that Mr. Colin Priem has been appointed as the new Financial Director. Further, Professor Walter Geach who currently serves as a member on the Audit and Risk Committee, would assume the role of Chairman of the Audit and Risk Committee.

British American Tobacco Plc

In its 1H18 trading statement, the company stated that the group's performance is in line with expectations. Further, constant currency EPS growth is expected to be impacted by a significant constant currency translation headwind of around 9.0% for the first half and 6.0% for the full year, assuming exchange rates remain unchanged for the remainder of the year.

Sun International Limited

In relation to the bidding process for five Chilean municipal licences, the company announced that bidding process has been adjudicated and that bid for the Iquique municipal licence was awarded to Sun Dreams for a further period of 15 years.

Major global economic news

US

In the US, the CPI recorded a rise of 2.8% on an annual basis in May, in line with market expectations. In the previous month, the CPI had risen 2.5%.

In the US, the small business optimism index advanced more-than-expected to 107.80 in May. The index had registered a level of 104.80 in the prior month.

The US has registered budget deficit of USD146.80bn in May, compared to a surplus of USD214.30bn in the prior month.

Eurozone

In the Eurozone, the ZEW economic sentiment index registered an unexpected drop to -12.60 in June, compared to a level of 2.40 in the previous month.

In Germany, the ZEW survey expectations index fell to a level of -16.10 in June, more than market forecast and compared to a reading of -8.20 in the prior month.

In June, the current situation index eased more-than-expected to 80.60 in Germany. The index had recorded a reading of 87.40 in the prior month.

UK

In the UK, ILO unemployment rate remained unchanged at a rate of 4.2% in the February-April 2018 period, meeting market expectations.

In the UK, annual average earnings including bonus advanced less-than-expected 2.5% in the February-April 2018 period, compared to an advance of 2.6% in the January-March 2018 period.

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Economic calendar

| Country | SAST | Economic indicator | Relevance | Consensus | Previous | Frequency |
|--------------|-------|-------------------------------------------------------------|-----------|-----------|----------|--------------|
| UK | 10:30 | Consumer Price Index (MoM) (May) | ✓✓✓ | 0.40% | 0.40% | Monthly |
| UK | 10:30 | Consumer Price Index (YoY) (May) | ✓✓✓ | 2.40% | 2.40% | Monthly |
| UK | 10:30 | Producer Price Index - Output n.s.a. (YoY) (May) | ✓✓ | 2.90% | 2.70% | Monthly |
| UK | 10:30 | Retail Price Index (MoM) (May) | ✓✓✓ | 0.40% | 0.50% | Monthly |
| UK | 10:30 | Retail Price Index (May) | ✓ | 280.90 | 279.70 | Monthly |
| UK | 10:30 | Producer Price Index - Input n.s.a. (MoM) (May) | ✓ | 1.80% | 0.40% | Monthly |
| UK | 10:30 | Producer Price Index - Input n.s.a. (YoY) (May) | ✓ | 7.60% | 5.30% | Monthly |
| UK | 10:30 | Producer Price Index - Output n.s.a. (MoM) (May) | ✓ | 0.30% | 0.30% | Monthly |
| UK | 10:30 | Retail Price Index (YoY) (May) | ✓✓ | 3.40% | 3.40% | Monthly |
| UK | 10:30 | Retail Price Index Ex Mort Int.Payments (YoY) (May) | ✓✓ | 3.40% | 3.40% | Monthly |
| Eurozone | 11:00 | Employment Change (QoQ) (Q1) | ✓✓✓ | - | 0.30% | Quarterly |
| Eurozone | 11:00 | Employment Change (YoY) (Q1) | ✓✓ | - | 1.60% | Quarterly |
| Eurozone | 11:00 | Industrial Production s.a. (MoM) (Apr) | ✓✓✓ | -0.70% | 0.50% | Monthly |
| Eurozone | 11:00 | Industrial Production w.d.a. (YoY) (Apr) | ✓✓✓ | 2.50% | 3.00% | Monthly |
| South Africa | 12:00 | BER Business Confidence Index (Q2) | ✓ | - | 45.00 | Quarterly |
| China | 13:00 | Composite leading indicator (Apr) | ✓ | - | 99.00 | Monthly |
| US | 13:00 | MBA Mortgage Applications (08-Jun) | ✓ | - | 4.10% | Weekly |
| South Africa | 13:00 | Retail Sales (MoM) (Apr) | ✓✓ | 0.60% | 0.00% | Monthly |
| South Africa | 13:00 | Retail Sales (YoY) (Apr) | ✓✓ | 4.40% | 4.80% | Monthly |
| US | 14:30 | Producer Price Index (MoM) (May) | ✓✓✓ | 0.30% | 0.10% | Monthly |
| US | 14:30 | Producer Price Index (YoY) (May) | ✓✓✓ | 2.80% | 2.60% | Monthly |
| UK | 19:15 | Bank of England's Anil Kashyap Speaks in London | ✓ | - | - | As scheduled |
| US | 20:00 | Fed Interest Rate Decision | ✓✓✓ | 2.00% | 1.75% | As scheduled |
| US | 20:30 | Fed's Powell Holds Press Conference Following FOMC Decision | ✓✓✓ | - | - | As scheduled |
| US | 20:30 | FOMC Press conference | ✓✓✓ | - | - | As scheduled |

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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