

ONE Minute Brief

18 July 2018

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Economic and political news

In South Africa (SA), the consumer confidence index fell to a level of 22.00 in 2Q18, compared to a reading of 26.00 in the prior quarter.

Eskom has proposed two three-year wage agreements to the unions. The first is a 7.0% wage increase for 2018-2020 with a consumer price index (CPI) housing allowance. The second is a 7.5% wage increase for 2018 and a 7.0% increase for 2019 and 2020 with no housing allowance. Further, wage negotiations between trade unions and the utility will resume on 27 July. Meanwhile, news reports indicated that Solidarity will accept Eskom's new wage deal.

Eskom's Divisional Executive for Security, Tebogo Rakau, has resigned with immediate effect, amid rumours of an internal investigation.

Finance Minister, Nhlanhla Nene, has opposed a political party's demand to immediately suspend Public Investment Corporation's (PIC) Chief Executive Officer, Dan Matjila, because his department is already probing allegations of governance at the PIC.

President, Cyril Ramaphosa, stated that the African National Congress has rejected the notion of state ownership of all South African land.

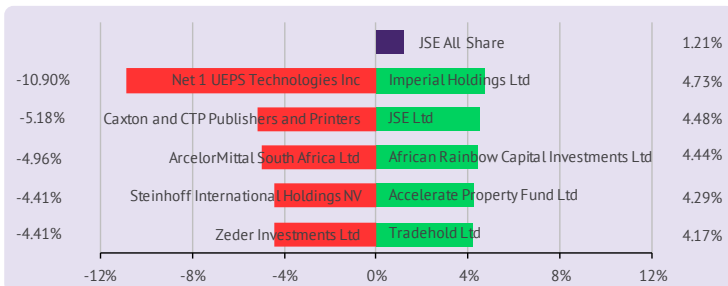
Key indices

	Last close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share	56113.06	▲	671.02	1.21	-0.45	-2.60	2.59
JSE Top 40	49995.66	▲	656.71	1.33	-0.49	-2.95	3.48
FTSE 100	7626.33	▲	25.88	0.34	-0.46	-0.14	-0.54
DAX 30	12661.54	▲	100.52	0.80	0.96	2.89	-2.37
CAC 40	5422.54	▲	13.11	0.24	-0.12	1.86	-1.39
S&P 500	2809.55	▲	11.12	0.40	0.29	3.35	0.48
Nasdaq Composite	7855.12	▲	49.40	0.63	0.37	4.59	0.92
DJIA	25119.89	▲	55.53	0.22	0.40	3.50	-0.59
MSCI Emerging Markets	1070.91	▲	0.66	0.06	-0.44	0.13	-4.57
MSCI Developed World	2138.15	▲	5.36	0.25	0.17	2.34	-0.17

South Africa Market ▲

South African markets closed higher

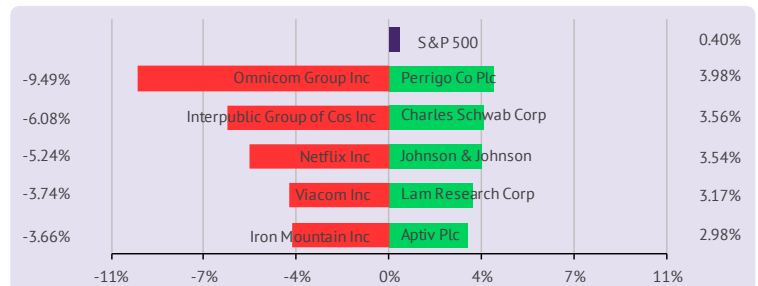
South African markets closed in the green yesterday, boosted by gains in banking, financial and industrial sector stocks. Data indicated that SA's consumer confidence index dropped in the 2Q18. The JSE All Share Index rose 1.2% to close at 56,113.06.



US Market ▲

The S&P 500 futures are trading in the green

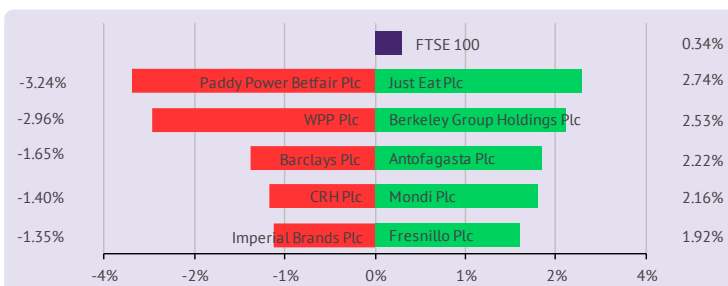
US markets closed higher yesterday, following the Federal Reserve (Fed) Chairman, Jerome Powell's testimony and amid upbeat corporate earnings results. The S&P 500 Index climbed 0.4% to close at 2,809.55.



UK Market ▲

The FTSE 100 futures are trading in positive territory

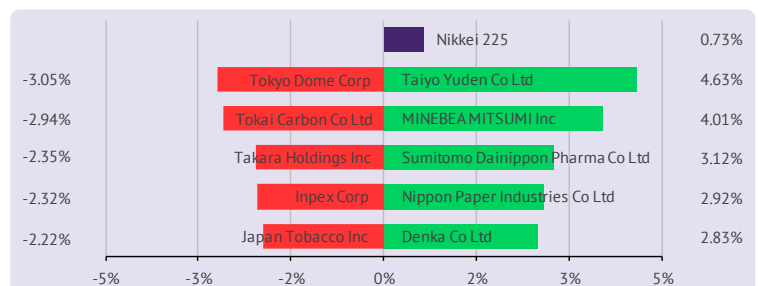
UK markets finished in positive territory yesterday, as the British Pound weakened, amid ongoing Brexit uncertainty. The FTSE 100 Index advanced 0.3% to close at 7,626.33.



Asian Market ▲

Trading higher

Asian markets are trading firmer this morning, tracking overnight gains on Wall Street. The Nikkei 225 Index is trading 0.7% higher at 22,863.52.



USD ZAR ▲

USD trading higher against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% firmer against the South African Rand at R13.2789. Later today, traders will keep a close watch on the release of Fed's Beige Book along with the US MBA mortgage applications, housing starts and building permits for further cues.

The US Dollar rose against the South African Rand yesterday, after the Fed Chairman, Jerome Powell maintained an upbeat outlook for the US economy. On the data front, the US industrial production recording a more-than-expected rise on a monthly basis in June. Moreover, monthly manufacturing production jumped more than market anticipations to a four-month high level in the same month. Further, the NAHB housing market index remained unchanged at par with market forecast in July. Separately, in SA, consumer confidence index registered a decline in the second quarter of 2018.

GBP ZAR ▲

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound is trading 0.1% firmer against the South African Rand at R17.4076. Ahead in the day, traders will keep an eye on UK's CPI, producer and house price index for further direction.

The British Pound declined against the South African Rand yesterday, amid Brexit uncertainty. On the macro front, UK's claimant count rate recorded a steady reading in June. Additionally, the ILO unemployment rate recorded an unchanged reading in line with market forecast in the March-May 2018 period. Moreover, average weekly earnings remained steady meeting market expectations in the March-May 2018 period, marking its slowest increase since November 2017.

EUR ZAR ▼

EUR trading lower against ZAR

At 06:00 SAST, the Euro is trading marginally weaker against the South African Rand at R15.4669. Going forward, market participants will keep a tab on the Eurozone's CPI and construction output data for further indication.

The Euro weakened against the South African Rand yesterday.

AUD ZAR ▲

AUD trading stronger against ZAR

At 06:00 SAST, the Australian Dollar is trading marginally higher against the South African Rand at R9.8054. Earlier in the session, Australia's Westpac leading index marginally rose on a monthly basis in June.

The Australian Dollar fell against the South African Rand yesterday.

Key currencies & commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
USDZAR	13.2789	▲	0.36	-0.02	-3.31	8.08	7.17
GBPZAR	17.4076	▲	-0.59	-0.85	-4.03	7.34	4.05
EURZAR	15.4669	▼	-0.08	-0.25	-3.52	7.98	4.16
AUDZAR	9.8054	▲	-0.09	-0.54	-3.57	5.77	1.43
EURUSD	1.1648	▼	-0.43	-0.21	-0.20	-0.08	-2.87
GBPUSD	1.3108	▼	-0.91	-0.81	-0.70	-0.68	-2.95
Brent (\$/barrel)	71.9	▼	0.45	-4.21	-8.92	2.15	7.91
Gold (\$/oz)	1227.7	▲	-1.00	-1.12	-2.17	-3.51	-6.26
Platinum (\$/oz)	815.8	-	-0.79	-1.26	-4.29	-6.34	-12.67
Copper (\$/MT)*	6116.0	▼	-0.79	-1.62	-7.68	-3.21	-15.14

*As of previous close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices are trading marginally higher at \$1,227.70/oz.

Yesterday, gold prices fell 1.0% to close at \$1,227.30/oz, amid strength in the US Dollar, following Fed Chairman, Jerome Powell's optimistic view on the US economy.

Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil dropped 0.4% to trade at \$71.85/bl, after the American Petroleum Institute reported that the US crude supplies increased by 629,000 bls in the week ended 13 July 2018.

Yesterday, Brent crude oil advanced 0.5% to settle at \$72.16/bl, amid expectations of drop in the US and Saudi crude oil output.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices marginally declined to trade at \$815.80/oz.

Yesterday, platinum prices declined 0.8% to close at \$815.80/oz.

Major South African corporate news

Famous Brands Limited

The company announced that Financial Director, Kelebogile Ntlha, has resigned, with effect from 30 November 2018.

Major global economic news

US

The Fed Chairman, Jerome Powell, in his testimony, presented an upbeat assessment on the US economy. Further, he stated that economic growth in the second quarter was “considerably stronger” than in the first quarter and hence signalled a “gradual” pace of interest rate hikes. Additionally, he forecasted that the job market will remain strong and inflation will stay near 2% over the next several years.

In the US, the NAHB housing market index remained unchanged at 68.00 in July, in line with market expectations.

In June, industrial production climbed 0.6% on a monthly basis in the US, higher than market expectations. In the prior month, industrial production had fallen by a revised 0.5%.

In the US, manufacturing production climbed more-than-anticipated by 0.8% on a monthly basis in June. Manufacturing production had dropped by a revised 1.0% in the prior month.

UK

In the UK, claimant count rate remained unchanged at a rate of 2.5% in June.

In the UK, the ILO unemployment rate remained steady at a rate of 4.2% in the March-May 2018 period, meeting market expectations.

In the UK, average earnings including bonus climbed 2.5% on an annual basis in the March-May 2018 period, in line with market expectations. Average earnings including bonus had recorded a revised rise of 2.6% in the February-April 2018 period.

Asia

In Australia, the Westpac leading index climbed 0.01% on a monthly basis in June. The index had registered a revised drop of 0.23% in the previous month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus	Previous/ **Previous est.	Frequency
 South Africa	10:00	Consumer Price Index (MoM) (Jun)	✓✓✓	0.40%	0.00%	Monthly
 South Africa	10:00	Consumer Price Index (YoY) (Jun)	✓✓✓	4.80%	4.40%	Monthly
 UK	10:30	Consumer Price Index (YoY) (Jun)	✓✓✓	2.60%	2.40%	Monthly
 UK	10:30	PPI Core Output n.s.a. (MoM) (Jun)	✓	0.20%	0.20%	Monthly
 UK	10:30	PPI Core Output n.s.a. (YoY) (Jun)	✓✓	2.10%	2.10%	Monthly
 UK	10:30	Producer Price Index - Output n.s.a. (YoY) (Jun)	✓✓	3.20%	2.90%	Monthly
 UK	10:30	Retail Price Index (MoM) (Jun)	✓✓✓	0.40%	0.40%	Monthly
 UK	10:30	Retail Price Index (YoY) (Jun)	✓✓	3.50%	3.30%	Monthly
 UK	10:30	Retail Price Index (Jun)	✓	281.90	280.70	Monthly
 UK	10:30	Consumer Price Index (MoM) (Jun)	✓✓✓	0.20%	0.40%	Monthly
 UK	10:30	Consumer Price Index Core (YoY) (Jun)	✓✓✓	2.10%	2.10%	Monthly
 UK	10:30	Retail Price Index Ex Mort Int.Payments (YoY) (Jun)	✓✓	3.60%	3.40%	Monthly
 Eurozone	11:00	Construction Output s.a. (MoM) (May)	✓✓✓	-	1.80%	Monthly
 Eurozone	11:00	Construction Output w.d.a. (YoY) (May)	✓	-	1.80%	Monthly
 Eurozone	11:00	Consumer Price Index (MoM) (Jun)	✓✓✓	0.10%	0.50%	Monthly
 Eurozone	11:00	Consumer Price Index (YoY) (Jun) (F)	✓✓✓	2.00%	2.00%**	Monthly
 US	13:00	MBA Mortgage Applications (13-Jul)	✓	-	2.50%	Weekly
 South Africa	13:00	Retail Sales (MoM) (May)	✓✓	0.50%	-1.20%	Monthly
 South Africa	13:00	Retail Sales (YoY) (May)	✓✓	0.80%	0.50%	Monthly
 US	14:30	Building Permits (Jun)	✓✓✓	1330.00K	1301.00K	Monthly
 US	14:30	Housing Starts (Jun)	✓✓✓	1320.00K	1350.00K	Monthly
 US	14:30	Housing Starts (MoM) (Jun)	✓✓✓	-2.20%	5.00%	Monthly
 US	14:30	Building Permits (MoM) (Jun)	✓✓✓	2.20%	-4.60%	Monthly
 US	16:00	Fed's Powell Speech	✓✓✓	-	-	As scheduled
 US	20:00	Fed's Beige Book	✓✓✓	-	-	As scheduled

Note: ✓✓✓High ✓✓Medium ✓Low

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