

ONE Minute Brief

17 October 2018

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Economic and political news

Moody's has stated that it may upgrade South Africa's (SA) rating if the nation successfully implements structural reforms that would raise economic growth and stabilise debt burden, but warned about the threat of rising debt burden at state owned enterprises (SOEs). Meanwhile, Dondo Mogajane, director general of the National Treasury, indicated that the rating agency is expected to release its ratings review after next week's medium term budget policy statement (MTBPS). He also highlighted that the contraction of public finances was placing tremendous stress on the nation's ability to finance public services.

Finance Minister, Tito Mboweni, has called for tough action against those implicated in the VBS scandal. Meanwhile, the Economic Freedom Fighters (EFF) party stated that it has no reason to doubt its deputy president, Floyd Shivambu, of any wrongdoing.

An inquiry on the suspended head of SA's Revenue Service (SARS), Tom Moyane, headed by judge Robert Nugent, has recommended his removal from office for the "reckless mismanagement of SARS".

Eskom and the City of Johannesburg have reached an agreement to rid the Zandspruit informal settlement of illegal electrical connections.

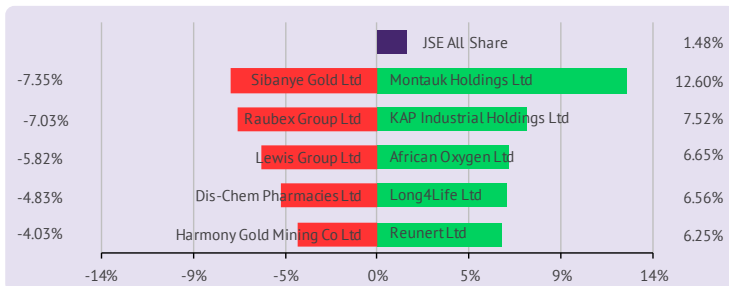
Key indices

	Last close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share	53241.35	▲	774.37	1.48	-0.43	-4.43	-5.05	-10.53
JSE Top 40	47007.19	▲	712.16	1.54	-0.56	-5.08	-5.61	-10.52
FTSE 100	7059.40	▲	30.18	0.43	0.91	-6.00	1.05	-8.17
DAX 30	11776.55	▲	162.39	1.40	2.19	-3.84	-0.95	-8.83
CAC 40	5173.05	▲	77.98	1.53	1.51	-5.83	1.60	-2.63
S&P 500	2809.92	▲	59.13	2.15	1.55	-3.57	0.43	5.10
Nasdaq Composite	7645.49	▲	214.75	2.89	1.98	-4.98	-0.78	10.75
DJIA	25798.42	▲	547.87	2.17	1.81	-2.49	1.90	4.37
MSCI Emerging Markets	984.66	▲	12.98	1.34	0.47	-6.04	-0.76	-15.00
MSCI Developed World	2091.21	▲	36.10	1.76	1.35	-4.25	0.39	-0.58

South Africa Market ▲

South African markets closed higher

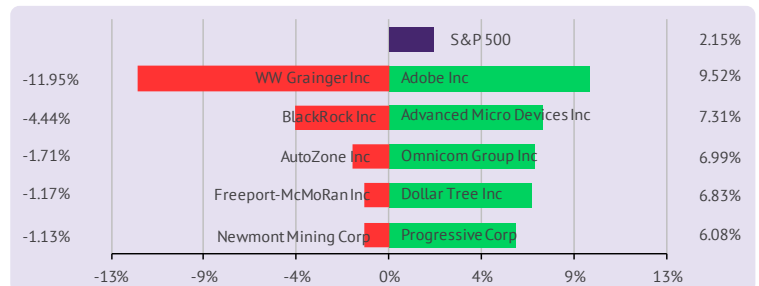
South African markets closed in the green yesterday, boosted by gains in banking, financial and industrial sector stocks. The JSE All Share Index rose 1.5% to close at 53,241.35.



US Market ▲

The S&P 500 futures are trading in the red

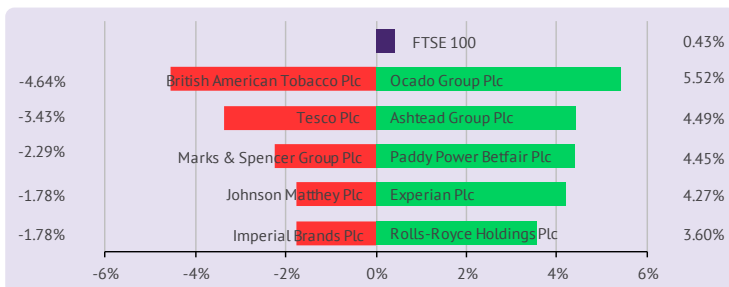
US markets closed firmer yesterday, amid strong quarterly corporate results and led by gains in technology sector stocks. Data revealed that the US monthly industrial production rose more-than-expected in September. The S&P 500 Index climbed 2.2% to close at 2,809.92.



UK Market ▲

The FTSE 100 futures are trading in negative territory

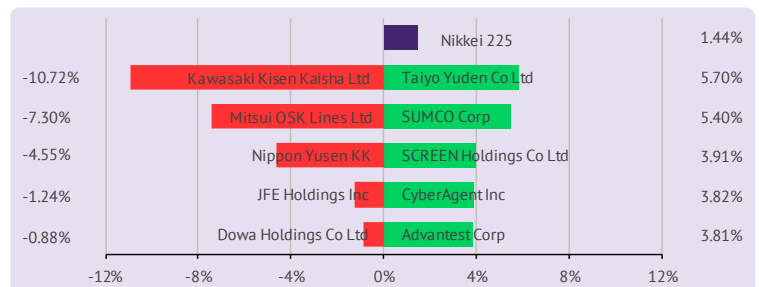
UK markets finished higher yesterday, after the British Prime Minister, Theresa May, was supported by her cabinet on her current negotiating stance for Brexit. The FTSE 100 Index rose 0.4% to close at 7,059.40.



Asian Market ▲

Trading higher

Asian markets are trading in positive territory this morning, mirroring overnight gains on Wall Street. The Nikkei 225 Index is trading 1.4% higher at 22,873.72.



USD ZAR ▲

USD trading higher against ZAR

At 06:00 SAST, the US Dollar advanced 0.1% against the South African Rand to trade at R14.1752. Later today, traders will keep a close watch on the FOMC meeting minutes, the US producer price index (PPI), housing starts and building approvals for further cues.

The US Dollar fell against the South African Rand yesterday. On the macro front, the US JOLTS job openings recorded an unexpected advance in August. Additionally, the NAHB housing market index surprised with a rise in October. Moreover, monthly industrial production climbed more than market forecast in September, recording its fourth consecutive rise. Further, SIC manufacturing production jumped more than market expectations in the same month.

GBP ZAR ▲

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound marginally climbed against the South African Rand to trade at R18.6740. Ahead in the day, traders will keep an eye on the UK's consumer price index (CPI), PPI and the house price index for further indication.

The British Pound declined against the South African Rand yesterday. Data indicated that the UK's average weekly earnings advanced more than market forecast on an annual basis in the June-August 2018 period. Further, claimant count rate remained steady in September. Moreover, ILO unemployment rate recorded an unchanged reading in the June-August 2018 period, marking its lowest level since February 1975.

EUR ZAR ▼

EUR trading lower against ZAR

At 06:00 SAST, the Euro declined 0.1% against the South African Rand to trade at R16.3861. Going forward, market participants will keep a tab on the Eurozone's CPI and construction output for further direction.

The Euro weakened against the South African Rand yesterday. On the data front, the Eurozone's trade surplus widened more than market expectations in August. Meanwhile, the region's ZEW economic sentiment survey index declined in October. Separately, Germany's ZEW survey expectations index registered a more-than-expected drop in October. Additionally, the ZEW survey current situation index fell more than market forecast in the same month.

AUD ZAR ▲

AUD trading firmer against ZAR

At 06:00 SAST, the Australian Dollar climbed marginally against the South African Rand to trade at R10.1147. Earlier in the session, Australia's Westpac leading index declined on a monthly basis in September.

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	14.1752	▲	-1.44	-2.46	0.14	-3.73	14.36
GBPZAR	18.6740	▲	-1.21	-2.26	1.29	-3.17	11.65
EURZAR	16.3861	▼	-1.46	-2.29	-0.10	-3.68	10.38
AUDZAR	10.1147	▲	-1.28	-2.11	-1.02	-3.25	4.66
EURUSD	1.1561	▼	-0.04	0.12	-0.26	0.02	-3.59
GBPUSD	1.3174	▼	0.22	0.21	1.15	0.55	-2.46
Brent (\$/barrel)	81.5	▲	0.78	1.22	-1.60	6.56	21.74
Gold (\$/oz)	1225.6	▼	0.07	0.76	3.00	-0.84	-6.26
Platinum (\$/oz)	839.9	▼	0.07	0.83	2.98	4.01	-9.75
Copper (\$/MT)*	6202.3	▼	-1.60	-1.85	-0.98	4.95	-13.94

*As of previous close

Gold ▼

Trading in the red

At 06:00 SAST, gold prices edged 0.1% lower to trade at \$1,225.60/oz.

Yesterday, gold prices rose 0.1% to close at \$1227.3/oz, amid broad weakness in the greenback.

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil slightly rose to trade at \$81.45/bl.

Yesterday, Brent crude oil advanced 0.8% to settle at \$81.41/bl, as tensions between the US and Saudi Arabia over a missing Saudi journalist stoked supply concerns. Additionally, the American Petroleum Institute reported that the US crude supplies fell by 2.1mn bls in the week ended 12 October.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices retreated 0.4% to trade at \$839.90/oz.

Yesterday, platinum prices climbed 0.1% to close at \$846.7/oz.

Major South African corporate news

Pick n Pay Stores Limited

In its 1H18 results, the company announced that its revenues increased to ZAR42.29bn, compared to ZAR39.69bn posted in the corresponding period of the previous year. Its diluted EPS rose 21.4% to 101.13c, compared to the same period of the prior year. The company has declared an interim dividend of 39.10c per share compared to 33.40c per share recorded in the comparable period of the preceding year.

Major global economic news

US

In the US, JOLTs job openings unexpectedly climbed to 7136.00K in August, compared to a revised level of 7077.00K in the previous month.

In the US, the NAHB housing market index recorded an unexpected rise to a level of 68.00 in October, compared to a reading of 67.00 in the previous month.

In the US, manufacturing production registered a rise of 0.2% on a monthly basis in September, meeting market expectations. In the previous month, manufacturing production had recorded a revised rise of 0.3%.

In the US, industrial production rose 0.3% on a monthly basis in September, more than market expectations. In the prior month, industrial production had advanced 0.4%.

UK

In the UK, the claimant count rate remained steady at 2.6% in September.

In the UK, the ILO unemployment rate remained steady at 4.0% in the June-August 2018 period, meeting market expectations.

In the UK, average earnings including bonus recorded a rise of 2.7% on an annual basis in the June-August 2018 period, higher than market expectations. Average earnings including bonus had recorded a rise of 2.6% in the May-July 2018 period.

Eurozone

In the Eurozone, seasonally adjusted trade surplus widened more-than-expected to EUR16.60bn in August, compared to a revised surplus of EUR12.60bn in the prior month.

In the Eurozone, the ZEW survey economic sentiment index recorded a drop to -19.40 in October. The index had registered a level of -7.20 in the previous month.

In Germany, the ZEW survey current situation index recorded a more-than-forecast drop to 70.10 in October. The index had registered a level of 76.00 in the previous month.

In October, the ZEW survey economic sentiment index recorded a more-than-anticipated drop to -24.70 in Germany. In the previous month, the index had registered a reading of -10.60.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus	Previous	Frequency
South Africa	10:00	Consumer Price Index (MoM) (Sep)	✓✓	-	-0.10%	Monthly
South Africa	10:00	Consumer Price Index (YoY) (Sep)	✓✓	-	4.90%	Monthly
UK	10:30	Consumer Price Index (MoM) (Sep)	✓✓✓	0.30%	0.70%	Monthly
UK	10:30	Consumer Price Index (YoY) (Sep)	✓✓✓	2.60%	2.70%	Monthly
UK	10:30	Consumer Price Index Core (YoY) (Sep)	✓✓✓	2.00%	2.10%	Monthly
UK	10:30	Producer Price Index - Output n.s.a. (MoM) (Sep)	✓	0.20%	0.20%	Monthly
UK	10:30	Producer Price Index - Output n.s.a. (YoY) (Sep)	✓✓	2.90%	2.90%	Monthly
UK	10:30	Retail Price Index Ex Mort Int.Payments (YoY) (Sep)	✓✓	3.40%	3.40%	Monthly
UK	10:30	FPC Meeting Minutes	✓	-	-	As scheduled
UK	10:30	Retail Price Index (Sep)	✓	284.50	284.20	Monthly
UK	10:30	Producer Price Index - Input n.s.a. (MoM) (Sep)	✓	0.80%	0.50%	Monthly
UK	10:30	Producer Price Index - Input n.s.a. (YoY) (Sep)	✓	9.20%	8.70%	Monthly
UK	10:30	Retail Price Index (MoM) (Sep)	✓✓✓	0.10%	0.90%	Monthly
UK	10:30	Retail Price Index (YoY) (Sep)	✓✓	3.50%	3.50%	Monthly
Eurozone	11:00	Construction Output s.a. (MoM) (Aug)	✓✓✓	-	0.30%	Monthly
Eurozone	11:00	Construction Output w.d.a. (YoY) (Aug)	✓	-	2.60%	Monthly
Eurozone	11:00	Consumer Price Index (MoM) (Sep)	✓✓✓	0.50%	0.20%	Monthly
US	13:00	MBA Mortgage Applications (12-Oct)	✓	-	-1.70%	Weekly
South Africa	13:00	Retail Sales (MoM) (Aug)	✓✓	-0.80%	1.30%	Monthly
South Africa	13:00	Retail Sales (YoY) (Aug)	✓✓	-0.10%	1.30%	Monthly
US	14:30	Building Permits (Sep)	✓✓✓	1274.00K	1229.00K	Monthly
US	14:30	Housing Starts (Sep)	✓✓✓	1210.00K	1282.00K	Monthly
US	14:30	Housing Starts (MoM) (Sep)	✓✓✓	-5.60%	9.20%	Monthly
US	14:30	Building Permits (MoM) (Sep)	✓✓✓	2.00%	-5.70%	Monthly
US	20:00	Fed Releases Minutes of FOMC Meeting	✓✓✓	-	-	As scheduled
Eurozone	-	EU Brexit Summit	✓✓✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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