

ONE Minute Brief

18 October 2018

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Economic and political news

In South Africa (SA), retail sales unexpectedly rose 2.5% on a yearly basis in August, recording the highest rate of growth since May 2018, and compared to a rise of 1.4% in the prior month.

President, Cyril Ramaphosa, has published the terms of reference for a judicial commission of inquiry into alleged improprieties regarding investments by the Public Investment Corporation (PIC).

Johnstone Makhubu, the CFO of the South African Revenue Services (SARS), has indicated that normal procurement processes may not have been followed in the firm's awarding of contracts to Bain and Gartner.

Nigeria's information minister, Lai Mohammed stated that Nigeria's central bank and South African telecommunications firm, MTN could soon strike a deal in their dispute over transfer of funds out of Nigeria in breach of foreign-exchange regulations.

Ronald Lamola, a member of the African National Congress's National Executive Committee, stated that the land reforms to be undertaken will ensure that property rights are safeguarded.

According to a news report, Eskom's group head of generation, Thava Govender, would leave the firm by the end of October.

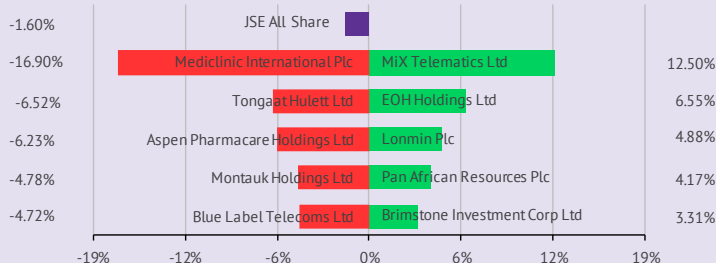
Key indices

	Last close	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share	52391.02	▼ -850.33	-1.60	-2.02	-5.96	-5.05	-11.95
JSE Top 40	46163.87	▼ -843.32	-1.79	-2.35	-6.78	-5.61	-12.12
FTSE 100	7054.60	▼ -4.80	-0.07	0.84	-6.07	1.05	-8.24
DAX 30	11715.03	▼ -61.52	-0.52	1.66	-4.34	-0.95	-9.31
CAC 40	5144.95	▼ -28.10	-0.54	0.96	-6.34	1.60	-3.15
S&P 500	2809.21	▼ -0.71	-0.03	1.52	-3.60	0.43	5.07
Nasdaq Composite	7642.70	▼ -2.79	-0.04	1.94	-5.02	-0.78	10.71
DJIA	25706.68	▼ -91.74	-0.36	1.45	-2.84	1.90	3.99
MSCI Emerging Markets	983.71	▼ -0.94	-0.10	0.37	-6.13	-0.76	-15.08
MSCI Developed World	2089.50	▼ -1.70	-0.08	1.26	-4.33	0.39	-0.66

South Africa Market ▼

South African markets closed lower

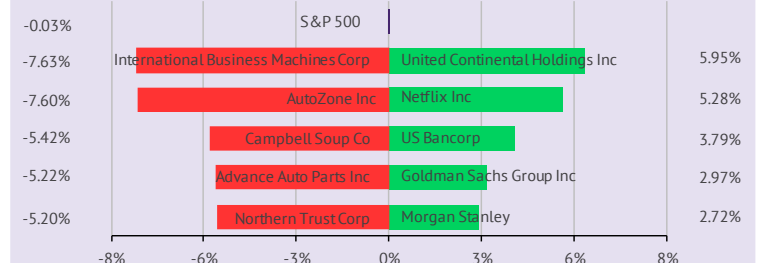
South African markets closed in the red yesterday, weighed down by losses in banking, retail and gold mining sector stocks. Data showed that SA's annual retail sales unexpectedly rose in August. The JSE All Share Index fell 1.6% to close at 52,391.02.



US Market ▼

The S&P 500 futures are trading in the red

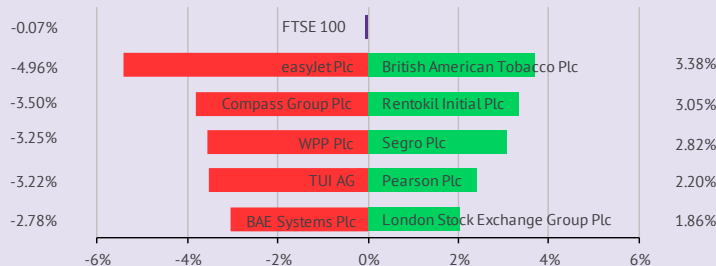
US markets closed lower yesterday, following the US Federal Reserve's (Fed) hawkish comments over interest rate hike. The S&P 500 Index marginally dropped to close at 2,809.21.



UK Market ▼

The FTSE 100 futures are trading in negative territory

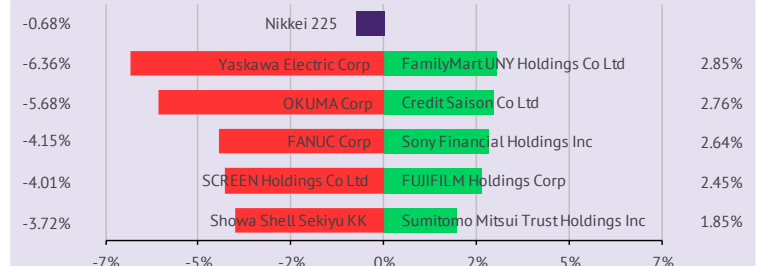
UK markets finished lower yesterday, amid downbeat corporate earnings report and led by strength in the British Pound. The FTSE 100 Index declined 0.1% to close at 7,054.60.



Asian Market ▼

Trading lower

Asian markets are trading lower this morning. On the data front, Japan posted a trade surplus in September. The Nikkei 225 Index is trading 0.7% lower at 22,686.56.



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 R14.2619. Later today, traders will keep a close watch on the US Philadelphia Fed Business Outlook, initial jobless claims and leading index for further cues.

The US Dollar rose against the South African Rand yesterday, after the Fed hinted of further interest rate hikes this year. On the data front, the US monthly housing starts declined in September. Additionally, building permits unexpectedly fell on a monthly basis in September. Moreover, the MBA mortgage applications dropped in the week ended 12 October 2018. Separately, in SA, retail sales unexpectedly advanced on an annual basis in August, notching its highest level since May 2018.

GBP ZAR ▼

GBP trading lower against ZAR

At 06:00 SAST, the British Pound is trading marginally weaker against the South African Rand at R18.6786. Ahead in the day, traders will keep an eye on the UK's retail sales for further direction.

The British Pound advanced against the South African Rand yesterday. On the macro front, the UK's annual PPI recorded a more-than-anticipated rise in September. Additionally, the house price index climbed more than market forecast on an annual basis in August. In contrast, the nation's CPI advanced less than market forecast on a yearly basis in September.

EUR ZAR ▲

EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading 0.1% higher against the South African Rand at R16.3960. Going forward, market participants will keep a tab on Germany's wholesale price index for further indication.

The Euro weakened against the South African Rand yesterday. On the macro front, the Eurozone's construction output registered a decline on a monthly basis in August. Meanwhile, the annual CPI rose more than market anticipations in September.

AUD ZAR ▲

AUD trading stronger against ZAR

At 06:00 SAST, the Australian Dollar climbed 0.4% against the South African Rand to trade at R10.1708. Earlier in the session, Australia's unemployment rate recorded an unexpected fall to a six-year low level in September. Meanwhile, the nation's business confidence index registered a decline in the third quarter of 2018.

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	14.2619	▲	0.61	-1.87	0.75	-3.73	15.06
GBPZAR	18.6786	▼	0.09	-2.17	1.39	-3.17	11.75
EURZAR	16.3960	▲	-0.07	-2.35	-0.17	-3.68	10.31
AUDZAR	10.1708	▲	0.15	-1.96	-0.87	-3.25	4.82
EURUSD	1.1496	▼	-0.63	-0.51	-0.89	0.02	-4.20
GBPUSD	1.3097	▼	-0.50	-0.29	0.64	0.55	-2.95
Brent (\$/barrel)	80.1	▲	-1.67	-0.47	-3.24	6.56	19.71
Gold (\$/oz)	1226.8	▲	-0.29	0.46	2.70	-0.84	-6.54
Platinum (\$/oz)	836.9	-	-0.74	0.08	2.22	4.01	-10.42
Copper (\$/MT)*	6216.0	▲	0.22	-1.63	-0.76	4.95	-13.75

*As of previous close

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.3% higher to trade at \$1,226.80/oz.

Yesterday, gold prices fell 0.3% to close at \$1223.7/oz, as strength in the US Dollar, following the Fed meeting minutes dented demand for the safe haven asset.

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 0.1% higher to trade at \$80.10/bl.

Yesterday, Brent crude oil dropped 1.7% to settle at \$80.05/bl, after the Energy Information Administration reported that domestic crude supplies rose by 6.5mn bls in the week ended 12 October 2018, recording its fourth consecutive growth.

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices marginally declined to trade at \$836.90/oz.

Yesterday, platinum prices declined 0.7% to close at \$840.6/oz.

Major South African corporate news

BHP Billiton Plc

In its operational review for the quarter ended 30 September 2018, the company stated that copper production increased by 2.0% for the period, despite maintenance across a number of operations. Full year production guidance remains unchanged for petroleum, iron ore, metallurgical coal and energy coal. In petroleum, the Victoria-1 and Bongos-2 exploration wells in Trinidad and Tobago and the Samurai-2 well in the US Gulf of Mexico, encountered hydrocarbons. Further, the onshore US sale process is progressing as per the plan and is expected to be completed by the end of October 2018.

Mediclinic International Plc

In its 1H19 trading update, the company indicated that in constant currency, its revenue was up 2.0% and adjusted EBITDA was down around 4.0%. On a reported basis, 1H19 revenues were down around 1.0% at GBP1.40bn and adjusted EBITDA declined around 8.0% to GBP0.21bn. Adjusted EPS is expected to be 10.00p compared with 11.30p recorded in the same period of the previous year. Further, the company has completed the refinance of its Southern African and Middle East borrowing facilities, initially extending both terms by up to 5 years.

Cashbuild Limited

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Major global economic news

US

The FOMC September meeting minutes reported that the officials expressed confidence over the further gradual interest rate hikes and unanimously agreed to maintain the benchmark interest rate between 2% and 2.25%. Moreover, the committee continued to remain consistent for the further prospects of a fourth hike this year in December as the policymakers had expected a further gradual rise in the target range for the federal funds rate.

In the US, housing starts registered a drop of 5.3% to an annual rate of 1201.00K on a monthly basis in September. In the prior month, housing starts had registered a revised level of 1268.00K.

In the US, building permits registered an unexpected drop of 0.6% to an annual rate of 1241.00K on a monthly basis in September, compared to a revised level of 1249.00K in the prior month.

In the US, the MBA mortgage applications recorded a fall of 7.1% on a weekly basis in the week ended 12 October 2018. In the previous week, the MBA mortgage applications had fallen 1.7%.

UK

In the UK, the CPI recorded a rise of 2.4% on an annual basis in September, less than market expectations. In the previous month, the CPI had advanced 2.7%.

In the UK, the non-seasonally adjusted output PPI advanced 3.1% on an annual basis in September, more than market expectations. In the prior month, output PPI had risen 2.9%.

In the UK, the house price index registered a more-than-anticipated rise of 3.2% on an annual basis in August. The index had recorded a revised rise of 3.4% in the previous month.

Asia

Japan posted a merchandise (total) trade surplus of JPY139.60bn in September, following a merchandise (total) deficit of JPY444.60bn in the previous month.

In Australia, seasonally adjusted unemployment rate unexpectedly dropped to 5.0% in September, compared to a reading of 5.3% in the prior month.





















In Australia, the NAB business confidence index recorded a drop to a level of 3.0 in 3Q18, compared to a reading of 7.0 in the previous quarter.

Eurozone

In the Eurozone, the final CPI rose 2.10% on a yearly basis in September, more-than-expected and compared to a rise of 2.0% in the prior month. The preliminary figures had recorded a rise of 2.0%.

In the Eurozone, seasonally adjusted construction output recorded a drop of 0.5% on a monthly basis in August. In the previous month, construction output had fallen by a revised 0.1%.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
 Japan	1:50	Adjusted Merchandise Trade Balance (Sep)	✓✓✓	-JPY238.90bn*	-JPY191.00bn	Monthly
 Japan	1:50	Exports (YoY) (Sep)	✓✓	-1.20%*	6.60%	Monthly
 Japan	1:50	Imports (YoY) (Sep)	✓✓	7.00%*	15.40%	Monthly
 Japan	1:50	Merchandise Trade Balance Total (Sep)	✓✓✓	JPY139.60bn*	-JPY444.60bn	Monthly
 Japan	2:30	BoJ Kuroda speaks at Branch Managers's Meeting	✓✓✓	-	-	As scheduled
 Eurozone	10:00	ECB's Nowotny Speaks at Conference in Vienna	✓	-	-	As scheduled
 UK	10:30	Retail Sales (YoY) (Sep)	✓✓✓	3.60%	3.30%	Monthly
 UK	10:30	Retail Sales ex-Fuel (MoM) (Sep)	✓✓✓	-0.40%	0.30%	Monthly
 UK	10:30	Retail Sales ex-Fuel (YoY) (Sep)	✓✓✓	3.80%	3.50%	Monthly
 UK	10:30	Retail Sales (MoM) (Sep)	✓✓✓	-0.40%	0.30%	Monthly
 South Africa	11:30	Gold Production (YoY) (Aug)	✓	-	-15.00%	Monthly
 South Africa	11:30	Mining Production (YoY) (Aug)	✓✓	-4.00%	-5.20%	Monthly
 Eurozone	13:00	ECB's Nowotny speaks at Gewinn Messe trade fair in Vienna	✓	-	-	As scheduled
 US	14:30	Continuing Jobless Claims (06-Oct)	✓✓✓	1665.00K	1660.00K	Weekly
 US	14:30	Philadelphia Fed Manufacturing Survey (Oct)	✓✓	20.00	22.90	Monthly
 US	14:30	Initial Jobless Claims (13-Oct)	✓✓✓	212.00K	214.00K	Weekly
 US	15:00	Fed's Bullard Speaks to Economic Club of Memphis	✓	-	-	As scheduled
 US	16:00	Leading Indicator (MoM) (Sep)	✓✓✓	0.50%	0.40%	Monthly
 Eurozone	-	EU Brexit Summit	✓✓✓	-	-	As scheduled
 Eurozone	-	EcoFin Meeting	✓✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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