

ONE
Minute Brief

7 June 2019

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Economic and political news

In South Africa (SA), current account deficit widened to 2.9% of GDP in 1Q19, compared to a deficit of 2.2% in the previous quarter. Electricity consumption rose 1.6% on an annual basis in April, compared to a drop of 2.8% in the previous month. Annual electricity production advanced 1.8% in April, compared to a decline of 2.9% in the previous month.

Ratings agency, Moody's, stated that it expects the South African Reserve Bank (SARB) to cut interest rates as soon as next month and cautioned that the odds of another technical recession in 2019 are high for SA.

Former Social Development Minister, Susan Shabangu and former Minister of State Security and African National Congress (ANC) National Executive Committee (NEC) member, Dipuo Letsatsi-Duba, have resigned as members of parliament.

According to a news report, new MPs will be sworn in next week to replace former ministers who resigned from parliament.

The ANC stated that its policy on the role and independence of the central bank has not changed.

Key indices

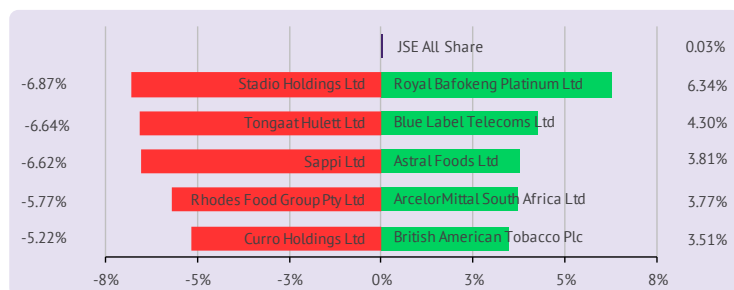
	As at 6 June 2019		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	57090.53	▲	17.15	0.03	2.59	2.59	-4.92	8.26
JSE Top 40 (ZAR)	50988.44	▲	12.72	0.02	2.83	2.83	-5.14	9.12
FTSE 100 (GBP)	7259.85	▲	39.63	0.55	1.37	1.37	-3.46	7.90
DAX 30 (EUR)	11953.14	▼	-27.67	-0.23	1.93	1.93	-5.00	13.20
CAC 40 (EUR)	5278.43	▼	-13.57	-0.26	1.36	1.36	-6.78	11.58
S&P 500 (USD)	2843.49	▲	17.34	0.61	3.32	3.32	-6.58	13.43
Nasdaq Composite (USD)	7615.55	▲	40.08	0.53	2.18	2.18	-7.93	14.77
DJIA (USD)	25720.66	▲	181.09	0.71	3.65	3.65	-6.69	10.26
MSCI Emerging Markets (USD)	1002.75	▼	-1.93	-0.19	0.48	0.48	-7.53	3.81
MSCI Developed World (USD)	2104.18	▲	8.35	0.40	2.83	2.83	-6.08	11.69

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in platinum mining and industrial sector stocks. Data showed that SA's current account deficit widened in 1Q19. The JSE All Share Index marginally rose to close at 57,090.53.

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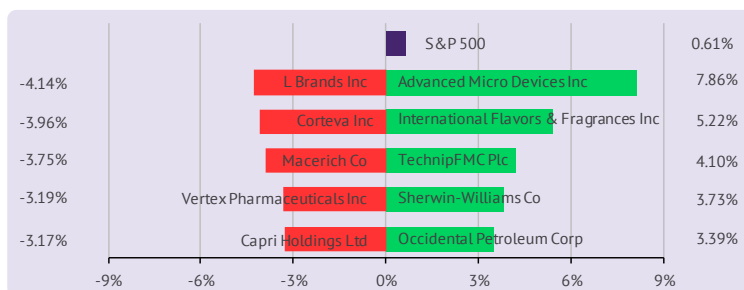


US Market ▲

US markets closed higher

US markets closed higher yesterday, amid speculations that the US would delay tariffs on Mexican goods. Data indicated that the US trade deficit narrowed in April. The S&P 500 Index climbed 0.6% to close at 2,843.49. Today, the S&P 500 futures are trading in the red.

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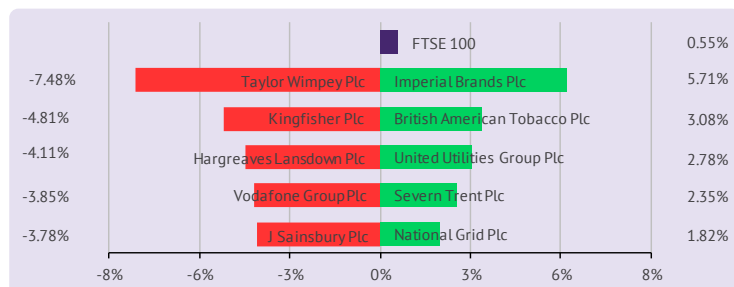


UK Market ▲

UK markets closed higher

UK markets finished higher yesterday, amid hopes that central banks would cut interest rates in response to fears of a global recession. The FTSE 100 Index advanced 0.6% to close at 7,259.85. Today, the FTSE 100 futures are trading in positive territory.

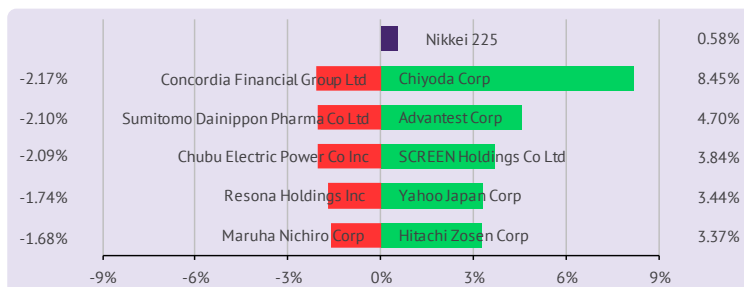
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Asian Market ▲

Trading higher

Asian markets are trading higher this morning. The Nikkei 225 Index is trading 0.6% higher at 20,895.04.



USD ZAR ▼

USD trading higher against ZAR

At 06:00 SAST, the US Dollar climbed 0.2% against the South African Rand to trade at R15.0256. Later today, traders will keep a close watch on the US non-farm payrolls, unemployment rate, average hourly earnings and consumer credit data for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US trade deficit narrowed in April. Further, initial jobless claims recorded an unchanged reading for the week ended 1 June 2019. Separately, in SA, current account deficit to GDP widened in the first quarter of 2019. Meanwhile, the nation's electricity consumption advanced on a yearly basis in April. Moreover, annual electricity production climbed in the same month.

GBP ZAR ▼

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound climbed 0.2% against the South African Rand to trade at R19.0755. Ahead in the day, traders will keep an eye on UK's Halifax house price index for further cues.

The British Pound advanced against the South African Rand yesterday.

EUR ZAR ▼

EUR trading firmer against ZAR

At 06:00 SAST, the Euro rose 0.1% against the South African Rand to trade at R16.9296. Going forward, market participants will keep a tab on Germany's industrial production, trade and current account balance for further indication.

The Euro strengthened against the South African Rand yesterday, after the European Central Bank postponed its interest rate hike. On the data front, Eurozone's gross domestic product (GDP) registered an advance on a quarterly basis in 1Q19. Separately, Germany's Markit construction PMI dropped to its lowest level in 4 months in May. On the other hand, the nation's factory orders surprisingly jumped on a monthly basis in April.

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AUD ZAR ▼

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.2% firmer against the South African Rand at R10.4819. Earlier in the session, Australia's AiG performance of construction index recorded a decline in May, marking its lowest level in six months. Additionally, home loans unexpectedly fell on a monthly basis in April.

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	15.0256	▼	0.79	2.84	2.84	1.97	4.52
GBPZAR	19.0755	▼	0.86	3.33	3.33	-1.16	3.89
EURZAR	16.9296	▼	1.30	3.80	3.80	1.58	2.74
AUDZAR	10.4819	▼	0.90	3.51	3.51	0.29	3.37
EURUSD	1.1268	▲	0.49	0.96	0.96	-0.41	-1.67
GBPUSD	1.2695	▼	0.06	0.51	0.51	-3.09	-0.47
Brent (\$/barrel)	62.5	▲	1.72	-0.52	-0.52	-13.97	14.63
Gold (\$/oz)	1337.1	▼	0.70	2.44	2.44	1.56	4.39
Platinum (\$/oz)	804.0	▲	0.11	1.20	1.20	-10.93	0.98
Copper (\$/MT)*	5790.3	▲	0.13	-0.27	-0.27	-9.66	-2.67

*As of previous close, #As on 06:00 SAST

Gold ▼

Trading in the red

At 06:00 SAST, gold prices are trading slightly lower at \$1,337.10/oz.

Yesterday, gold prices rose 0.7% to close at \$1,337.60/oz, amid ongoing global trade tensions and expectations of an interest rate cut by the US Federal Reserve.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 1.4% higher to trade at \$62.52/bl.

Yesterday, Brent crude oil advanced 1.7% to settle at \$61.67/bl, as concerns about energy demand eased, on possible tariff delay on Mexican goods.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices are trading marginally higher at \$804.00/oz.

Yesterday, platinum prices climbed 1.1% to close at \$803.70/oz.

Major South African corporate news

Trustco Group Holdings Limited

In its FY19 trading statement, the company announced that it expects the group revenues to be between NAD1.34bn and NAD1.48bn, which is 67.0% to 85.0% higher compared to a revenue of NAD0.80bn in the corresponding period of the previous year. Its basic EPS is likely to be between 71.00c and 75.00c, which is 199.0% to 216.0% higher compared to an EPS of 23.74c in the previous year. Further, the company anticipates HEPS to be between 70.00c and 75.00c, which is 157.0% to 176.0% higher compared to 27.19c recorded in the previous year.

Major global economic news

Eurozone

The ECB in its latest policy meeting, left its benchmark interest rate unchanged at 0% and stated that it expects the rates to remain at their present levels at least through the first half of 2020. Additionally, the central bank announced the terms of its third round of targeted longer-term refinancing operations. Separately, the central bank raised its growth and inflation outlook for this year, but slashed the same for 2020. Growth forecast for this year was raised to 1.2% from 1.1% and inflation projection for 2019 was raised to 1.3% from 1.2%. However, the growth outlook for next year was reduced to 1.4% from 1.6% and the forecast for 2021 was cut to 1.4% from 1.5%.

In the Eurozone, seasonally adjusted final GDP rose 0.4% on a quarterly basis in 1Q19, meeting market forecast and compared to a rise of 0.2% in the previous quarter. The preliminary figures had also indicated an advance of 0.4%.

In Germany, the Markit construction PMI dropped to a level of 51.40 in May, compared to a reading of 53.00 in the previous month.

In Germany, seasonally adjusted factory orders unexpectedly climbed 0.3% on a monthly basis in April. In the prior month, factory orders had risen by a revised 0.8%.

Asia

In Australia, the AiG performance of construction index dropped to 40.40 in May. The index had registered a reading of 42.60 in the prior month.

In Australia, seasonally adjusted home loan approvals unexpectedly eased 1.1% on a monthly basis in April. In the previous month, home loan approvals had dropped by a revised 2.6%.

UK

The Bank of England Governor, Mark Carney, in his speech stated that gradual and limited rise in interest rates may be needed, if the country leaves the European Union smoothly. Additionally, he stated that the Committee is likely to raise interest rates further in order to keep inflation at target. Meanwhile, he indicated that the core banking system is strong enough to withstand the economic and financial shocks in event of a disorderly Brexit.

US

In the US, trade deficit narrowed to USD50.80bn in April, compared to a revised deficit of USD51.90bn in the previous month.

In the US, seasonally adjusted initial jobless claims remained unchanged at a level of 218.00K for the week ended 1 June 2019.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/	Previous/	Frequency
Japan	01:30	Household Spending (YoY) (Apr)	✓✓	1.30%*	2.10%	Monthly
Japan	05:50	BoJ's Governor Kuroda speech	✓✓✓	-	-	As scheduled
US	06:00	Fed's Daly Speaks to University Students in Singapore	✓	-	-	As scheduled
Japan	07:00	Coincident Index (Apr) (P)	✓	100.20	99.40	Monthly
Japan	07:00	Leading Economic Index (Apr) (P)	✓✓✓	95.80	95.90	Monthly
Switzerland	07:45	Unemployment Rate n.s.a. (May)	✓✓	2.30%	2.40%	Monthly
Switzerland	07:45	Unemployment Rate s.a. (May)	✓✓	2.40%	2.40%	Monthly
Germany	08:00	Current Account n.s.a. (Apr)	✓	-	EUR30.20bn	Monthly
South Africa	08:00	Gross Gold & Forex Reserve (May)	✓	-	USD49.54bn	Monthly
Germany	08:00	Industrial Production n.s.a. and w.d.a. (YoY) (Apr)	✓✓✓	-0.40%	-0.90%	Monthly
Germany	08:00	Industrial Production s.a. (MoM) (Apr)	✓✓✓	-0.50%	0.50%	Monthly
Germany	08:00	Trade Balance n.s.a. (Apr)	✓✓✓	EUR19.50bn	EUR22.70bn	Monthly
South Africa	08:00	Net Gold & Forex Reserve (May)	✓	USD43.18bn	USD43.25bn	Monthly
Germany	08:00	Industrial Production (Apr)	✓	-	105.70	Monthly
UK	09:30	Halifax House Prices (3m/YoY) (May)	✓	5.00%	5.00%	Monthly
UK	09:30	Halifax House Prices (MoM) (May)	✓	0.00%	1.10%	Monthly
US	14:30	Change in Household Employment (May)	✓	-	-103.00K	Monthly
US	14:30	Average Hourly Earnings All Employees (MoM) (May)	✓✓	0.30%	0.20%	Monthly
US	14:30	Average Hourly Earnings All Employees (YoY) (May)	✓✓	3.20%	3.20%	Monthly
US	14:30	Unemployment Rate (May)	✓✓✓	3.60%	3.60%	Monthly
US	14:30	Underemployment Rate (May)	✓✓	-	7.30%	Monthly
US	14:30	Change in Manufacturing Payrolls (May)	✓	3.00K	4.00K	Monthly
US	14:30	Change in Non-farm Payrolls (May)	✓✓✓	180.00K	263.00K	Monthly
US	14:30	Change in Private Payrolls (May)	✓✓	172.00K	236.00K	Monthly
US	16:00	Wholesale Inventories (MoM) (Apr) (F)	✓✓✓	0.70%	0.70%**	Monthly
US	21:00	Consumer Credit Change (Apr)	✓✓	-	USD10.28bn	Monthly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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