

ONE Minute Brief

20 June 2019

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Economic and political news

In South Africa (SA), the consumer price index (CPI) advanced 4.5% on an annual basis in May, compared to a rise of 4.4% in the previous month.

The African National Congress (ANC) has released the list of nominees to head portfolio committees in parliament. The list includes several former ministers who served under Jacob Zuma and were subsequently not included in the cabinet by President Ramaphosa.

South African Airways (SAA) has urged the South African Airways Pilots' Association (Saapa) to cease threatening to strike and stated that the association's concerns about lack of skills of acting Chief Executive Officer, Zuku Ramasia, were unfounded.

Eskom has appointed Bheki Nxumalo as head of its power generation business, with effect from 1 July.

Cash Paymaster Services (CPS) has lost its ZAR1.3bn lawsuit against the SA Social Security Agency (Sassa).

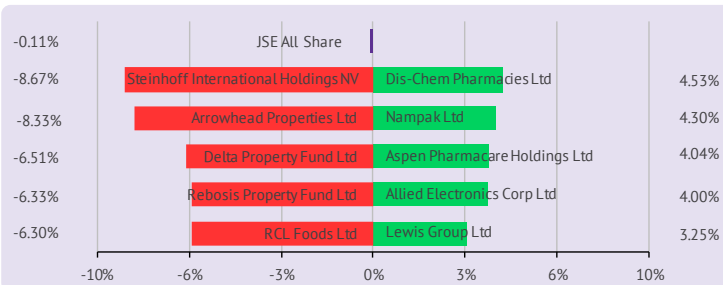
In a submission before the PIC commission of inquiry, investment expert, Muitheri Wahome indicated that discussions were held in May to determine the operating model to adopt to help improve efficiency at the firm and a business unit structure is currently under consideration.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, led by losses in mining sector stocks. Data indicated that SA's annual CPI rose more-than-anticipations in May. The JSE All Share Index fell 0.1% to close at 58,564.72.

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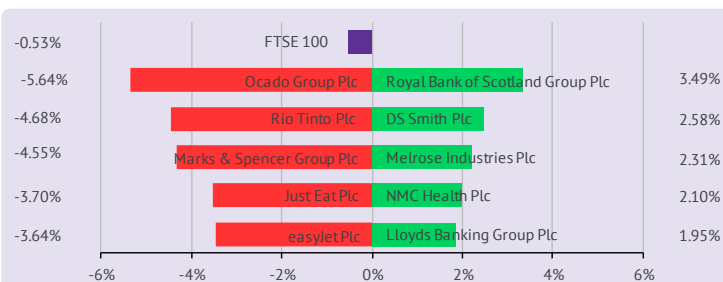


UK Market ▼

UK markets closed lower

UK markets finished lower yesterday, amid strength in the British pound and led by losses in mining sector stocks. Data revealed that UK's annual CPI advanced as expected in May. The FTSE 100 Index declined 0.5% to close at 7,403.54. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

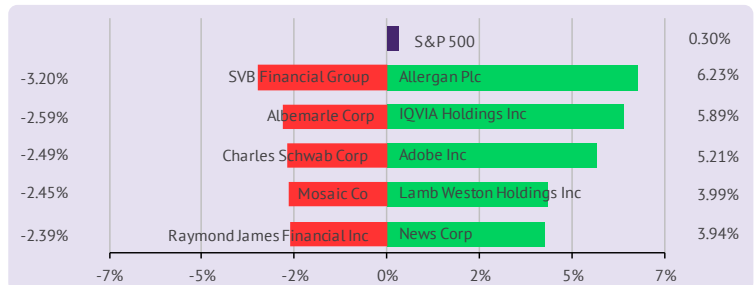
	As at 19 June 2019		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	58564.72	▼	-64.37	-0.11	0.64	5.24	-4.92	11.05
JSE Top 40 (ZAR)	52534.39	▼	-59.58	-0.11	0.70	5.94	-5.14	12.43
FTSE 100 (GBP)	7403.54	▼	-39.50	-0.53	0.79	3.38	-3.46	10.04
DAX 30 (EUR)	12308.53	▼	-23.22	-0.19	1.75	4.96	-5.00	16.57
CAC 40 (EUR)	5518.45	▲	8.72	0.16	2.81	5.97	-6.78	16.65
S&P 500 (USD)	2926.46	▲	8.71	0.30	1.37	6.34	-6.58	16.74
Nasdaq Composite (USD)	7987.32	▲	33.44	0.42	2.45	7.17	-7.93	20.38
DJIA (USD)	26504.00	▲	38.46	0.15	1.59	6.81	-6.69	13.62
MSCI Emerging Markets (USD)	1038.27	▲	14.36	1.40	2.28	4.04	-7.53	7.49
MSCI Developed World (USD)	2161.60	▲	10.68	0.50	1.44	5.64	-6.08	14.74

US Market ▲

US markets closed higher

US markets closed higher yesterday, after the Federal Reserve (Fed) hinted over possible rate cuts in the near term. Data showed that the US MBA mortgage applications dropped in the week ended 14 June 2019. The S&P 500 Index climbed 0.3% to close at 2,926.46. Today, the S&P 500 futures are trading in the green.

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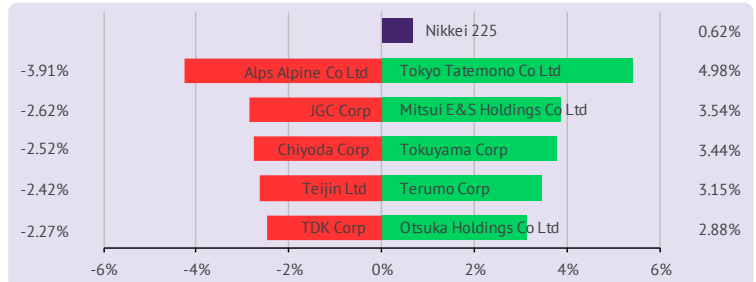


Asian Market ▲

Trading higher

Asian markets are trading higher this morning, following the Fed's interest rate decision. The Nikkei 225 Index is trading 0.6% higher at 21,466.19.

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USD ZAR ▲

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% lower against the South African Rand at R14.3072. Later today, traders will keep a close watch on the US current account balance, initial jobless claims, the Philadelphia Fed business outlook and the leading index for further cues.

The US Dollar fell against the South African Rand yesterday, after the US Fed kept its interest rate steady and signalled a rate cut in near future. Data indicated that the US MBA mortgage applications registered a decline in the week ended 14 June 2019. Separately, in SA, the CPI climbed more than market forecast on an annual basis in May.

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GBP ZAR ▼

GBP trading higher against ZAR

At 06:00 SAST, the British Pound climbed 0.3% against the South African Rand to trade at R18.1504. Ahead in the day, traders will keep an eye on the Bank of England's (BoE) interest rate decision along with BoE Governor, Mark Carney's speech and UK retail sales data for further direction.

The British Pound declined against the South African Rand yesterday. On the data front, UK's CPI advanced in line with market expectations on a yearly basis in May. Additionally, the annual producer price index (PPI) recorded a rise in May. Moreover, the house price index climbed more than market forecast on an annual basis in April. Meanwhile, the nation's CBI total trend orders dropped more than market anticipations in June.

EUR ZAR ▼

EUR trading stronger against ZAR

At 06:00 SAST, the Euro rose 0.3% against the South African Rand to trade at R16.1244. Going forward, market participants will keep a tab on the European Central Bank's economic bulletin and Eurozone's consumer confidence index for further indication.

The Euro weakened against the South African Rand yesterday. On the macro front, Eurozone's current account surplus narrowed for a third consecutive month in April, marking its lowest level in 2 years. Additionally, construction output declined to a 3-month low level in April. Separately, Germany's PPI recorded a less-than-expected rise on an annual basis in May.

AUD ZAR ▼

AUD trading firmer against ZAR

At 06:00 SAST, the Australian Dollar rose 0.1% against the South African Rand to trade at R9.8623.

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	14.3072	▲	-1.38	-3.37	-1.77	1.97	-0.17
GBPZAR	18.1504	▼	-0.74	-2.94	-1.72	-1.16	-1.18
EURZAR	16.1244	▼	-1.12	-3.22	-1.30	1.58	-2.31
AUDZAR	9.8623	▼	-1.34	-3.19	-2.50	0.29	-2.64
EURUSD	1.1271	▲	0.29	0.16	0.51	-0.41	-2.10
GBPUSD	1.2686	▲	0.65	0.40	0.08	-3.09	-0.90
Brent (\$/barrel)	62.6	▲	-0.51	-0.31	-0.27	-13.97	14.91
Gold (\$/oz)	1384.0	▲	-0.15	0.34	2.97	1.56	4.94
Platinum (\$/oz)	813.5	▲	0.47	0.14	1.46	-10.93	1.24
Copper (\$/MT)*	5897.0	▼	-0.47	1.71	1.57	-9.66	-0.87

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices rose 2.9% to trade at \$1,384.00/oz, after the US Fed hinted possible rate cuts later this year.

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Yesterday, gold prices fell 0.2% to close at \$1,344.60/oz, amid optimism that the US-China trade conflict could soon end.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 1.3% higher to trade at \$62.62/bl, as members of the Organisation of the Petroleum Exporting Countries agreed to a date for a meeting to discuss crude oil output cuts.

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Yesterday, Brent crude oil dropped 0.5% to settle at \$61.82/bl, amid concerns about demand for the commodity. Meanwhile, the Energy Information Administration reported that the US crude supplies fell for a third straight week by 3.1mn bls in the week ended 14 June 2019.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices edged 1.0% higher to trade at \$813.50/oz.

Yesterday, platinum prices climbed 0.5% to close at \$805.80/oz.

Major South African corporate news

Capital & Counties Properties Plc

The company announced that Managing Director & Chief Investment Officer, Gary Yardley, will step down from the Board and leave the company on 30 June 2019.

KAP Industrial Holdings Limited

In its 2H18 trading statement, the company announced that it expects EPS to be at least 13.00c lower than the comparable period and its HEPS to be 12.00c less than the corresponding period of the previous year.

Major global economic news

Eurozone

In the Eurozone, seasonally adjusted current account surplus narrowed to EUR21.00bn in April, compared to a revised surplus of EUR25.00bn in the prior month.

In the Eurozone, seasonally adjusted construction output eased 0.8% on a monthly basis in April. In the prior month, construction output had fallen by a revised 0.4%.

In Germany, the PPI advanced 1.9% on an annual basis in May, less than market expectations. In the prior month, the PPI had risen 2.5%.

US

The Fed, in its latest monetary policy meeting, held its benchmark interest rate unchanged in a target range of 2.25% to 2.50%, as widely expected. However, the central bank indicated that there will be no rate cut this year but hinted over one or two rate cuts in 2020. Further, the central bank cut its inflation forecast for 2019 to 1.5% from 1.8%. Additionally, Fed Chairman, Jerome Powell, cautioned that the US economic outlook is increasingly uncertain, citing trade tensions and slowing global growth.

In the US, the MBA mortgage applications slid 3.4% on a weekly basis in the week ended 14 June 2019. In the prior week, the MBA mortgage applications had registered a jump of 26.8%.

UK

In the UK, the CPI rose 2.0% on an annual basis in May, meeting market forecast and compared to a rise of 2.1% in the prior month.

In the UK, non-seasonally adjusted output PPI climbed 1.8% on an annual basis in May, compared to an advance of 2.1% in the previous month.

In June, the balance of firms reporting total order book above normal eased to -15.00 in the UK, more than market expectations. The balance of firms reporting total order book above normal had recorded a reading of -10.00 in the previous month.

In April, the house price index registered a rise of 1.4% on an annual basis in the UK, more than market expectations. In the prior month, the index had climbed by a revised 1.6%.

Asia

The Bank of Japan (BoJ) kept its key interest rate steady at -0.10% and pledged to guide 10-year government bond yields around 0%. Further, the central bank warned over mounting global risks.

The Reserve Bank of Australian Governor, Philip Lowe, in his speech, stated that the bank is likely to cut interest rates to achieve higher employment growth and get inflation back to a more comfortable level.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous/ **Previous est.	Frequency
Japan	04:45	BoJ Rate Decision	✓✓✓	-0.10%*	-0.10%	As scheduled
Japan	06:30	BoJ Press Conference	✓✓✓	-	-	As scheduled
Japan	07:00	Supermarket Sales (YoY) (May)	✓	-	-1.00%	Monthly
Japan	07:30	All Industry Activity Index (MoM) (Apr)	✓✓✓	0.70%	-0.40%	Monthly
Japan	08:00	Machine Tool Orders (YoY) (May) (F)	✓✓✓	-	-27.30%**	Monthly
Eurozone	08:30	ECB Governing Council member Rehn Speaks in Brussels	✓	-	-	As scheduled
Japan	09:00	Convenience Store Sales (YoY) (May)	✓	-	1.30%	Monthly
UK	10:30	Retail Sales (MoM) (May)	✓✓✓	-0.50%	0.00%	Monthly
UK	10:30	Retail Sales (YoY) (May)	✓✓✓	2.70%	5.20%	Monthly
UK	10:30	Retail Sales ex-Fuel (MoM) (May)	✓✓✓	-0.40%	-0.20%	Monthly
UK	10:30	Retail Sales ex-Fuel (YoY) (May)	✓✓✓	2.50%	4.90%	Monthly
Eurozone	12:00	ECB's Enria Speaks in Dublin	✓	-	-	As scheduled
UK	13:00	Bank of England Minutes	✓✓✓	-	-	As scheduled
UK	13:00	BoE Interest Rate Decision	✓✓✓	0.75%	0.75%	As scheduled
UK	13:00	BoE Asset Purchase Facility	✓✓✓	GBP435.00bn	GBP435.00bn	As scheduled
US	14:30	Philadelphia Fed Manufacturing Survey (Jun)	✓✓	10.50	16.60	Monthly
US	14:30	Continuing Jobless Claims (08-Jun)	✓✓✓	1680.00K	1695.00K	Weekly
US	14:30	Initial Jobless Claims (15-Jun)	✓✓✓	220.00K	222.00K	Weekly
US	14:30	Current Account Balance (Q1)	✓✓	-USD124.30bn	-USD134.40bn	Quarterly
US	16:00	Leading Indicator (MoM) (May)	✓✓✓	0.10%	0.20%	Monthly
Eurozone	16:00	Consumer Confidence (Jun) (P)	✓✓✓	-6.50	-6.50	Monthly
US	16:30	EIA Natural Gas Storage Change (14-Jun)	✓✓✓	-	102.00Bcf	Weekly
UK	22:00	BoE Governor Carney gives annual Mansion House Speech	✓✓✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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