

ONE
Minute Brief

21 June 2019

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Economic and political news

President, Cyril Ramaphosa, in his State of the Nation Address (SONA), has pledged to allocate a "significant portion" of the ZAR230bn fiscal support that Eskom will require over the next 10 years to remain solvent, as the utility is too vital to be allowed to fail. Separately, Ramaphosa stated that the mandate of the South African Reserve Bank will not be changed.

The National Union of Mineworkers has expressed opposition to Ramaphosa's plan to split Eskom into three parts, as it will result in job losses.

According to the Automobile Association (AA), petrol price is expected to drop by 91c per litre and diesel by 70c per litre in July.

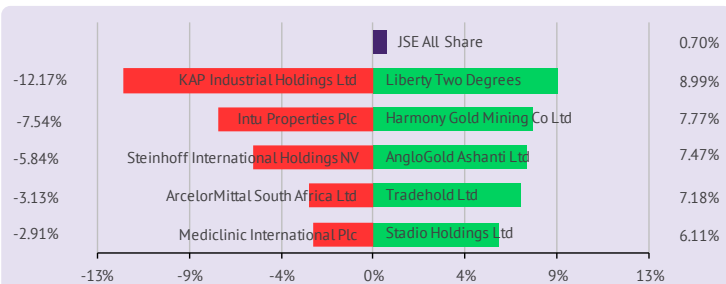
Ratings agency, Moody's, in its report, stated that South Africa's inequality is on the increase and getting worse.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in gold mining sector stocks. The JSE All Share Index rose 0.7% to close at 58,973.62.

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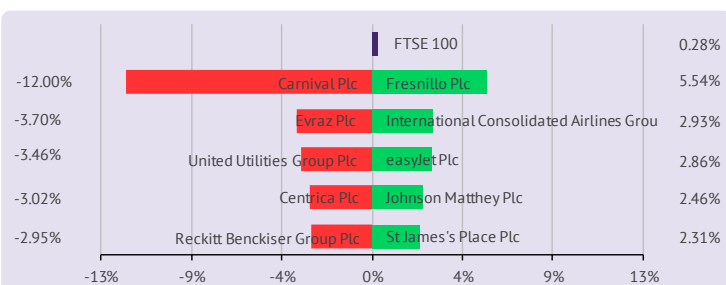


UK Market ▲

UK markets closed in the green

UK markets finished higher yesterday, amid rising speculation of more central bank stimulus, after the Bank of England (BoE) slashed its economic growth forecast. Data revealed that UK's monthly retail sales fell as expected in May. The FTSE 100 Index advanced 0.3% to close at 7,424.44. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

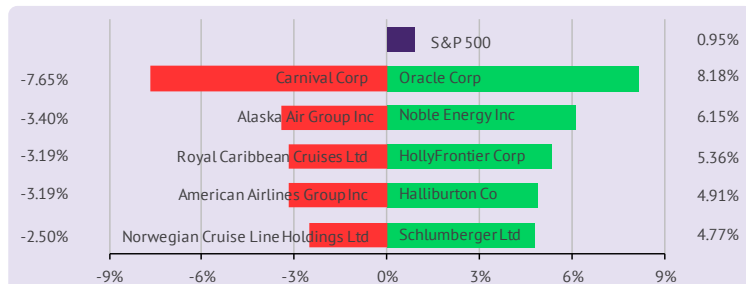
	As at 20 June 2019		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	58973.62	▲	408.90	0.70	1.34	5.97	-4.92	11.83
JSE Top 40 (ZAR)	52960.80	▲	426.41	0.81	1.52	6.80	-5.14	13.34
FTSE 100 (GBP)	7424.44	▲	20.90	0.28	1.07	3.67	-3.46	10.35
DAX 30 (EUR)	12355.39	▲	46.86	0.38	2.14	5.36	-5.00	17.01
CAC 40 (EUR)	5535.57	▲	17.12	0.31	3.13	6.30	-6.78	17.01
S&P 500 (USD)	2954.18	▲	27.72	0.95	2.33	7.34	-6.58	17.84
Nasdaq Composite (USD)	8051.34	▲	64.02	0.80	3.27	8.03	-7.93	21.34
DJIA (USD)	26753.17	▲	249.17	0.94	2.54	7.81	-6.69	14.69
MSCI Emerging Markets (USD)	1053.78	▲	15.51	1.49	3.81	5.59	-7.53	9.10
MSCI Developed World (USD)	2183.36	▲	21.76	1.01	2.46	6.70	-6.08	15.89

US Market ▲

US markets closed higher

US markets closed firmer yesterday, amid gains in technology and energy sector stocks and expectations that the Federal Reserve (Fed) could cut interest rates next month. Data showed that the US current account deficit narrowed less-than-expected in 1Q19. The S&P 500 Index climbed 1.0% to close at 2,954.18. Today, the S&P 500 futures are trading weaker.

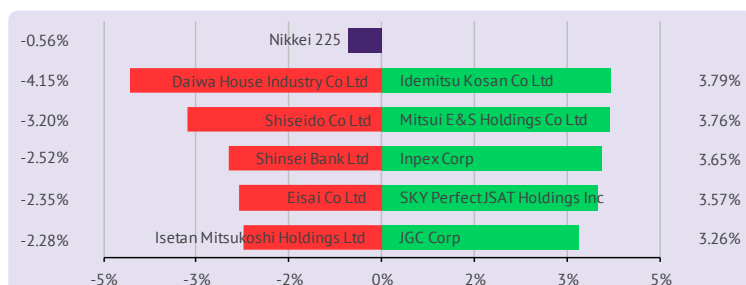
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Asian Market ▼

Trading mostly weaker

Asian markets are trading mostly lower this morning. Data indicated that Japan's annual national consumer price index (CPI) rose as expected in May. The Nikkei 225 Index is trading 0.6% down at 21,341.98.



USD ZAR ▲

USD trading lower against ZAR

At 06:00 SAST, the US Dollar declined 0.1% against the South African Rand to trade at R14.3267. Later today, traders will keep a close watch on the US existing home sales, the Markit manufacturing and services PMI for further cues.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US initial jobless claims recorded a more-than-anticipated decline in the week ended 15 June 2019. Meanwhile, the nation's current account deficit narrowed less than market forecast in the first quarter of 2019. Additionally, the Philadelphia Fed business outlook dropped in June, marking its lowest level in 4 months. Further, the leading index registered a flat reading in May.

GBP ZAR ▼

GBP trading higher against ZAR

At 06:00 SAST, the British Pound slightly rose against the South African Rand to trade at R18.2136. Ahead in the day, traders will keep an eye on UK's public sector net borrowing for further indication.

The British Pound advanced against the South African Rand yesterday. On the data front, UK's retail sales declined in line with market forecast for a second consecutive month in May.

EUR ZAR ▼

EUR trading stronger against ZAR

At 06:00 SAST, the Euro marginally rose against the South African Rand to trade at R16.1918. Going forward, market participants will keep a tab on Eurozone's Markit manufacturing and services PMIs across the Eurozone for further direction.

The Euro strengthened against the South African Rand yesterday. Data indicated that Eurozone's consumer confidence index unexpectedly fell in June.

AUD ZAR ▼

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar slightly gained against the South African Rand to trade at R9.9281. Earlier in the session, Australia's manufacturing PMI recorded a rise in June. Moreover, the services PMI climbed in June.

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	14.3267	▲	0.09	-3.28	-1.68	1.97	-0.08
GBPZAR	18.2136	▼	0.55	-2.40	-1.18	-1.16	-0.64
EURZAR	16.1918	▼	0.69	-2.56	-0.62	1.58	-1.64
AUDZAR	9.9281	▼	0.70	-2.51	-1.81	0.29	-1.95
EURUSD	1.1302	▲	0.60	0.76	1.11	-0.41	-1.52
GBPUSD	1.2712	▲	0.50	0.90	0.58	-3.09	-0.41
Brent (\$/barrel)	64.6	▲	4.25	3.93	3.97	-13.97	19.80
Gold (\$/oz)	1408.6	▲	3.59	3.94	6.67	1.56	8.71
Platinum (\$/oz)	812.6	▲	-0.02	0.11	1.44	-10.93	1.22
Copper (\$/MT)*	5960.5	▲	1.08	2.81	2.66	-9.66	0.19

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices rose 1.1% to trade at \$1,408.60/oz.

Yesterday, gold prices rose 3.6% to close at \$1,392.90/oz, after the US Fed signalled rate cuts as early as next month to boost economic growth.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 0.2% higher to trade at \$64.57/bl.

Yesterday, Brent crude oil advanced 4.3% to settle at \$64.45/bl, as fears of a deepening conflict and potential disruption to oil supplies heightened, after Iran shot down a US military drone.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices edged 0.9% higher to trade at \$812.60/oz.

Yesterday, platinum prices marginally declined to close at \$805.60/oz.

Major South African corporate news

Accelerate Property Fund Limited

In its FY19 results, the company announced that revenues increased to ZAR1.23bn from ZAR1.21bn posted in the previous year. Its diluted EPS plunged 48.9% to 55.79c from an EPS of 109.13c in the prior year.

Major global economic news

UK

The BoE, in its latest monetary policy meeting, held its key interest rates steady at 0.75%, citing possibility of a no-deal Brexit. The central bank slashed its economic growth forecast for the second quarter to zero from 0.2%, amid ongoing global trade tensions. The BoE reiterated its stance of limited and gradual rise in the interest rates in future.

In the UK, retail sales fell 0.5% on a monthly basis in May, meeting market forecast and compared to a revised fall of 0.1% in the previous month.

US

In the US, current account deficit narrowed less-than-expected to USD130.40bn in 1Q19, compared to a revised deficit of USD143.90bn in the previous quarter.

In the US, seasonally adjusted initial jobless claims registered a drop to 216.00K in the week ended 15 June 2019, more than market expectations. In the prior week, initial jobless claims had recorded a level of 222.00K.

In May, leading indicator recorded a flat reading on a monthly basis in the US, compared to a revised rise of 0.1% in the prior month.

In the US, the Philadelphia Fed manufacturing index eased more-than-expected to 0.30 in June, compared to a level of 16.60 in the previous month.

Eurozone

In the Eurozone, the preliminary consumer confidence index unexpectedly dropped to a level of -7.20 in June, more than market expectations. In the prior month, the index had registered a reading of -6.50.

The European Central Bank (ECB), in its economic bulletin, highlighted a cautious outlook and indicated that underlying growth momentum within the Eurozone has continued to soften since the start of the year. Further, the ECB maintained its dovish stance and loosening monetary policy before the end of the year. Additionally, the central bank projected global growth to decelerate this year.

Asia

In Japan, the national CPI registered a rise of 0.7% on an annual basis in May, meeting market expectations. In the prior month, the national CPI had climbed 0.9%.

In June, the flash Nikkei manufacturing PMI dropped to 49.50 in Japan. The Nikkei Manufacturing PMI had registered a reading of 49.80 in the previous month.

In Australia, the CBA manufacturing PMI advanced to a level of 51.70 in June, compared to a reading of 51.00 in the previous month.

In Australia, the CBA services PMI jumped to a reading of 53.30 in June, compared to a level of 51.50 in the previous month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
Japan	01:30	National Consumer Price Index (YoY) (May)	✓✓✓	0.70%*	0.90%	Monthly
Japan	01:30	National CPI Ex Food, Energy (YoY) (May)	✓✓	0.50%*	0.60%	Monthly
Japan	01:30	National CPI Ex-Fresh Food (YoY) (May)	✓✓✓	0.80%*	0.90%	Monthly
Japan	02:30	Nomura/ JMMA Manufacturing PMI (Jun) (P)	✓✓✓	49.50*	49.80	Monthly
Japan	07:30	Nationwide Department Store Sales (YoY) (May)	✓	-	-1.10%	Monthly
Japan	07:30	Tokyo Department Store Sales (YoY) (May)	✓	-	-0.80%	Monthly
Germany	09:30	Markit Manufacturing PMI (Jun) (P)	✓✓✓	44.60	44.30	Monthly
Germany	09:30	Markit Services PMI (Jun) (P)	✓✓✓	55.20	55.40	Monthly
Eurozone	10:00	Markit Composite PMI (Jun) (P)	✓✓✓	52.00	51.80	Monthly
Eurozone	10:00	Markit Manufacturing PMI (Jun) (P)	✓✓✓	48.00	47.70	Monthly
Eurozone	10:00	Markit Services PMI (Jun) (P)	✓✓✓	53.00	52.90	Monthly
UK	10:30	Public Sector Net Cash Requirement (May)	✓✓	-	-GBP7.10bn	Monthly
UK	10:30	PSNB ex Interventions (May)	✓	GBP4.10bn	GBP5.83bn	Monthly
UK	10:30	Public Sector Net Borrowing (May)	✓✓	GBP3.20bn	GBP5.00bn	Monthly
UK	14:00	BoE Quarterly Bulletin	✓	-	-	As scheduled
UK	14:30	BoE's Tenreiro Speaks in Copenhagen	✓	-	-	As scheduled
US	15:45	Markit Composite PMI (Jun) (P)	✓✓✓	-	50.90	Monthly
US	15:45	Markit Services PMI (Jun) (P)	✓✓✓	51.00	50.90	Monthly
US	15:45	Markit Manufacturing PMI (Jun) (P)	✓✓✓	50.50	50.50	Monthly
US	16:00	Existing Home Sales (May)	✓✓✓	5.27mn	5.19mn	Monthly
US	16:00	Existing Home Sales (MoM) (May)	✓✓✓	1.50%	-0.40%	Monthly
Eurozone	18:00	ECB's Nowotny Gives Award to George Soros in Vienna	✓	-	-	As scheduled
US	18:00	Fed Listens Event in Cincinnati with Brainard and Mester	✓✓	-	-	As scheduled
US	21:00	Fed's Daly Hosts Podcast on Community Economics	✓	-	-	As scheduled

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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