

# ONE Minute Brief

18 July 2019

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## Economic and political news

In South Africa (SA), retail sales rose 2.2% on an annual basis in May, compared to a revised advance of 2.7% in the previous month.

Deputy Chief Justice, Raymond Zondo, has adjourned former President, Jacob Zuma's hearing related to the inquiry into state corruption until Friday, after Zuma's advocate Muzi Sikhakhane raised objections over how his client was being questioned.

Former President, Jacob Zuma, during his testimony at the Zondo Commission of Inquiry into State Capture, denied that he insisted on appointing Siyabonga Gama as Transnet's Chief Executive Officer (CEO).

Former Public Investment Corporation (PIC) CEO, Daniel Matjila, during his testimony before the commission of inquiry into the PIC, denied that he took ZAR5mn bribe to help bail out VBS Mutual Bank. Separately, Dan Matjila stated that the PIC's loan to former trade union leader and businessman, Jayendra Naidoo, to buy shares in Steinhoff, was conceived to influence governance at the company.

The Democratic Alliance has requested the Zondo Commission to investigate the role of the African National Congress' cadre deployment committee in facilitating state capture by appointing people to key positions in government and state-owned enterprises.

## Key indices

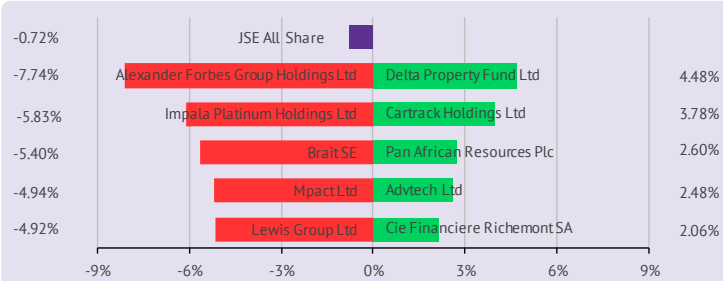
	As at 17 July 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	57636.01	▼ -416.71	-0.72	0.63	-0.98	4.59	9.29
JSE Top 40 (ZAR)	51565.16	▼ -392.88	-0.76	0.73	-1.21	5.27	10.36
FTSE 100 (GBP)	7535.46	▼ -41.74	-0.55	0.39	1.48	3.69	12.00
DAX 30 (EUR)	12341.03	▼ -89.94	-0.72	0.14	-0.47	5.73	16.88
CAC 40 (EUR)	5571.71	▼ -42.67	-0.76	-0.02	0.59	6.36	17.78
S&P 500 (USD)	2984.42	▼ -19.62	-0.65	-0.97	1.45	6.89	19.05
Nasdaq Composite (USD)	8185.21	▼ -37.59	-0.46	-0.71	2.24	7.42	23.36
DJIA (USD)	27219.85	▼ -115.78	-0.42	-0.41	2.33	7.19	16.69
MSCI Emerging Markets (USD)	1054.90	▼ -5.49	-0.52	0.38	0.00	5.70	9.21
MSCI Developed World (USD)	2197.94	▼ -10.15	-0.46	-0.66	0.90	6.46	16.67

## South Africa Market ▼

### South African markets closed lower

South African markets closed in the red yesterday, weighed down by losses in banking and platinum mining sector stocks. Data showed that SA's monthly retail sales edged up in May. The JSE All Share Index fell 0.7% to close at 57,636.01.

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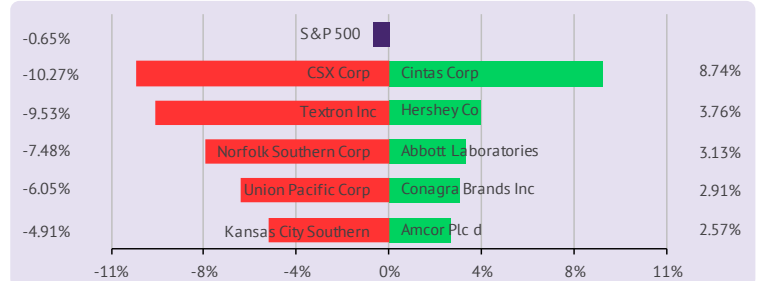


## US Market ▼

### US markets closed weaker

US markets closed lower yesterday, following dismal corporate earnings report and amid stalled progress in US-China trade talks. Data revealed that the US housing starts dropped in June. The S&P 500 Index dropped 0.7% to close at 2,984.42. Today, the S&P 500 futures are trading weaker.

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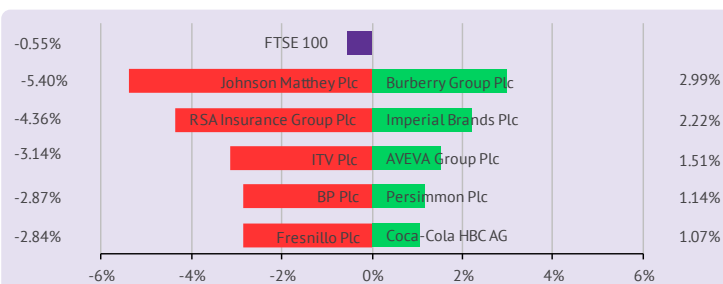


## UK Market ▼

### UK markets closed lower

UK markets finished weaker yesterday, amid downbeat corporate earnings report and led by renewed US-China trade tensions. Data indicated that UK's annual consumer price index (CPI) rose as expected in June. The FTSE 100 Index declined 0.6% to close at 7,535.46. Today, the FTSE 100 futures are trading in negative territory.

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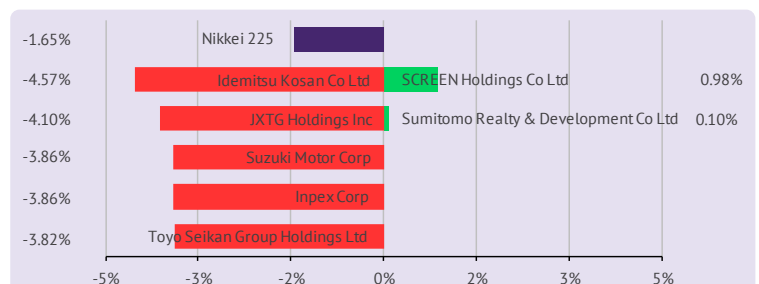


## Asian Market ▼

### Trading in the red

Asian markets are trading lower this morning, as global trade tensions resurfaced. Data showed that Japan posted a trade surplus in June. The Nikkei 225 Index is trading 1.7% lower at 21,115.70.

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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 R13.9942. Later today, traders will keep a close watch on the US Philadelphia Fed business outlook, initial jobless claims and the leading index for further indication.

The US Dollar rose against the South African Rand yesterday. Data indicated that the US MBA mortgage applications registered a decline in the week ended 12 July 2019. Additionally, monthly housing starts fell more than market forecast for a second consecutive month in June. Moreover, building permits unexpectedly dropped to a 2-year low level on a monthly basis in June. Separately, the South African Rand fell against the US Dollar, ahead of the South African Reserve Bank's interest rate decision. Data revealed that SA's retail sales climbed more than market forecast on a monthly basis in May.

## GBP ZAR ▲

### GBP trading lower against ZAR

At 06:00 SAST, the British Pound dropped 0.1% against the South African Rand to trade at R17.4072. Ahead in the day, traders will keep an eye on UK's retail sales data for further direction.

The British Pound advanced against the South African Rand yesterday. On the data front, UK's CPI jumped in line with market expectations on a yearly basis in June. Additionally, the retail price index advanced on a yearly basis in June. On the other hand, the nation's annual producer price index (PPI) rose less than market anticipations in June. Moreover, the house price index registered a less-than-expected advance on an annual basis in May.

## EUR ZAR ▼

### EUR trading higher against ZAR

At 06:00 SAST, the Euro marginally gained against the South African Rand to trade at R15.7287. Amid no major economic news across the Eurozone today, market sentiment will be determined by global macroeconomic news.

The Euro strengthened against the South African Rand yesterday. On the macro front, Eurozone's annual CPI climbed more than market forecast in June. Meanwhile, the region's construction output declined for a third straight month in May.

## AUD ZAR ▼

### AUD trading stronger against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.2% higher against the South African Rand at R9.8387. Earlier in the session, Australia's unemployment rate remained steady in June. Further, the NAB business confidence index rebounded in 2Q19.

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	13.9942	▲	0.45	0.37	-0.53	-3.38	-2.34
GBPZAR	17.4072	▲	0.66	-0.75	-2.57	-2.92	-4.91
EURZAR	15.7287	▼	0.56	-0.03	-1.83	-1.65	-4.43
AUDZAR	9.8387	▼	0.41	0.24	-0.66	-2.20	-2.98
EURUSD	1.1239	▲	0.12	-0.41	-1.31	1.83	-2.12
GBPUSD	1.2438	▲	0.21	-1.11	-2.07	0.53	-2.52
Brent (\$/barrel)	63.9	▲	-1.07	-4.59	-1.67	4.44	18.33
Gold (\$/oz)	1424.2	▲	0.86	0.79	0.68	8.26	11.08
Platinum (\$/oz)	841.7	-	0.02	1.61	0.74	5.20	5.75
Copper (\$/MT)*	5968.0	▼	-0.53	0.66	-0.23	3.03	0.32

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

## Gold ▲

### Trading in the green

At 06:00 SAST, gold prices edged 0.1% higher to trade at \$1,424.20/oz.

Yesterday, gold prices rose 0.9% to close at \$1,423.30/oz, as the US Dollar weakened, amid rising expectations of an interest rate cut by the Federal Reserve (Fed) later this month.

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## Brent Crude Oil ▲

### Trading stronger

At 06:00 SAST, Brent crude oil edged 0.3% higher to trade at \$63.88/bl.

Yesterday, Brent crude oil dropped 1.1% to settle at \$63.66/bl, after the US Energy Information Administration reported that crude oil inventories fell less-than-expected by 3.1mn bls in the week ended 12 July 2019, recording its fifth consecutive weekly decline.

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## Platinum ▼

### Trading in negative territory

At 06:00 SAST, platinum prices are trading marginally lower at \$841.70/oz.

Yesterday, platinum prices marginally climbed to close at \$841.70/oz.

## Major South African corporate news

### AECI Limited

In its 1H19 trading update, the company announced that it expects its HEPS and EPS to be between 357.00c and 376.00c, compared to 458.00c recorded in the prior corresponding year. The strategic realignment projects initiated in 4Q18 by the Explosives business in the Mining Solutions segment and by ImproChem, which constitutes the Water & Process segment were completed by 30 June 2019, at an aggregate non-recurring cost of ZAR156.00mn for the period.

## Major global economic news

### US

The Fed Beige Book reported that the US economy expanded at a modest pace from mid-May through early July. However, job growth was slow and inflation remained stable or slightly weaker. The Beige Book indicated that the US economic outlook was positive for the coming months, despite the possible negative impact of trade-related uncertainty. Meanwhile, policymakers are expected to reduce interest rates later this month.

In the US, the MBA mortgage applications eased 1.1% on a weekly basis in the week ended 12 July 2019. The MBA mortgage applications had recorded a drop of 2.4% in the previous week.

In the US, housing starts dropped 0.9% to an annual rate of 1253.00K on a monthly basis in June, more than market anticipations and compared to a revised reading of 1265.00K in the previous month.

In the US, building permits unexpectedly fell by 6.1% to an annual rate of 1220.00K on a monthly basis in June, compared to a revised reading of 1299.00K in the prior month.

### Asia

Japan posted a merchandise (total) trade surplus of JPY589.50bn in June, compared to a revised deficit of JPY968.30bn in the previous month.

In Australia, seasonally adjusted unemployment rate remained unchanged at 5.2% in June.

In Australia, the NAB business confidence index rose to a level of 6.00 in 2Q19, compared to a reading of -1.00 in the previous month.

### UK

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

In the UK, non-seasonally adjusted PPI recorded a less-than-expected rise of 1.6% on a yearly basis in June, compared to a revised rise of 1.9% in the prior month.

In May, the house price index advanced 1.2% on an annual basis in the UK, less than market expectations. The index had recorded a revised rise of 1.5% in the prior month.

In the UK, the retail price index advanced 2.9% on an annual basis in June, in line with market forecast and compared to a rise of 3.0% in May.

### Eurozone

In the Eurozone, the final CPI rose 1.3% on an annual basis in June, more than market expectations. The preliminary figures had indicated a rise of 1.2%. The CPI had registered a rise of 1.2% in the previous month.

In the Eurozone, seasonally adjusted construction output slid 0.3% on a monthly basis in May. Construction output had fallen by a revised 1.7% in the previous month.

## Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
Japan	01:50	Exports (YoY) (Jun)	✓✓	-6.70%*	-7.80%	Monthly
Japan	01:50	Imports (YoY) (Jun)	✓✓	-5.20%*	-1.50%	Monthly
Japan	01:50	Adjusted Merchandise Trade Balance (Jun)	✓✓✓	-JPY14.40 bn*	-JPY621.50 bn	Monthly
Japan	01:50	Merchandise Trade Balance Total (Jun)	✓✓✓	JPY589.50 bn*	-JPY967.10 bn	Monthly
Japan	06:00	Tokyo Condominium Sales (YoY) (Jun)	✓	-15.00%*	-10.40%	Monthly
UK	10:30	Bank of England Bank Liabilities/Credit Conditions Surveys	✓✓✓	-	-	As scheduled
UK	10:30	Retail Sales (MoM) (Jun)	✓✓✓	-0.30%	-0.50%	Monthly
UK	10:30	Retail Sales (YoY) (Jun)	✓✓✓	2.60%	2.30%	Monthly
UK	10:30	Retail Sales ex-Fuel (MoM) (Jun)	✓✓✓	-0.20%	-0.30%	Monthly
UK	10:30	Retail Sales ex-Fuel (YoY) (Jun)	✓✓✓	2.60%	2.20%	Monthly
UK	12:30	G-7 Finance Officials Meet in Chantilly, France	✓	-	-	As scheduled
US	14:30	Philadelphia Fed Manufacturing Survey (Jul)	✓✓	5.00	0.30	Monthly
US	14:30	Continuing Jobless Claims (06-Jul)	✓✓✓	1700.00K	1723.00K	Weekly
US	14:30	Initial Jobless Claims (13-Jul)	✓✓✓	216.00K	209.00K	Weekly
US	15:30	Fed's Bostic Speaks to Clarksville Chamber in Tennessee	✓	-	-	As scheduled
US	16:00	Leading Indicator (MoM) (Jun)	✓✓✓	0.10%	0.00%	Monthly
US	20:15	Fed's Williams Speaks on Monetary Policy	✓	-	-	As scheduled
South Africa	-	SARB Interest Rate Decision	✓✓	6.50%	6.75%	As scheduled

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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