

ONE
Minute Brief

24 July 2019

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Economic and political news

In South Africa (SA), the leading indicator dropped to 103.90 in May, compared to a level of 105.50 in the previous month.

The International Monetary Fund (IMF) has lowered SA's growth forecast to 0.7% for 2019 and 1.1% for 2020, down from its earlier expectations of 1.2% and 1.5%, respectively.

While addressing parliament on the Special Appropriation Bill, Finance Minister, Tito Mboweni, stated that significantly lower tax receipts and additional costs related to Eskom could substantially increase government borrowing this financial year.

Yesterday, the North Gauteng High Court reserved judgment in the application filed by Public Enterprises Minister, Pravin Gordhan, to interdict the remedial action against him, pending an application to have the South African Revenue Service (Sars) rogue unit report reviewed and set aside.

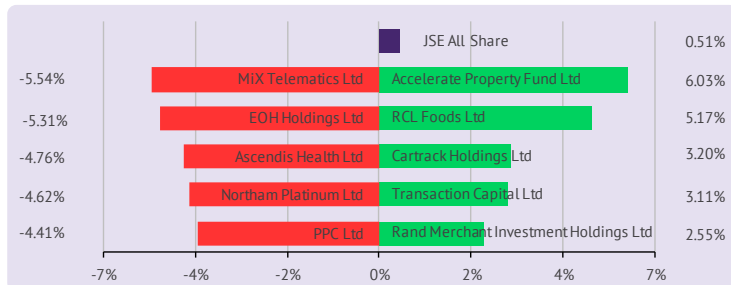
The National Assembly has passed the Appropriation Bill and the budgets for 28 government departments.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in banking and resources sector stocks. Data showed that SA's leading indicator eased in May. The JSE All Share Index rose 0.5% to close at 58,309.59.

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UK Market ▲

UK markets closed stronger

UK markets finished higher yesterday, following the election of Boris Johnson as the new British Prime Minister. Data revealed that UK's CBI total trend orders unexpectedly dropped in July. The FTSE 100 Index advanced 0.6% to close at 7,556.86. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

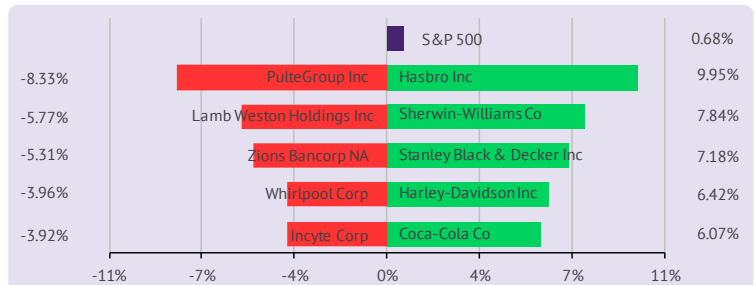
	As at 23 July 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	58309.59	▲	294.50	0.51	0.10	0.18	4.59
JSE Top 40 (ZAR)	52209.63	▲	319.05	0.61	0.20	0.02	5.27
FTSE 100 (GBP)	7556.86	▲	41.93	0.56	0.64	1.77	3.69
DAX 30 (EUR)	12490.74	▲	201.34	1.64	1.88	0.74	5.73
CAC 40 (EUR)	5618.16	▲	51.14	0.92	1.19	1.43	6.36
S&P 500 (USD)	3005.47	▲	20.44	0.68	0.97	2.17	6.89
Nasdaq Composite (USD)	8251.40	▲	47.26	0.58	1.29	3.06	7.42
DJIA (USD)	27349.19	▲	177.29	0.65	0.72	2.82	7.19
MSCI Emerging Markets (USD)	1055.49	▲	1.68	0.16	-0.19	0.06	5.70
MSCI Developed World (USD)	2209.59	▲	11.92	0.54	0.68	1.43	6.46

US Market ▲

US markets closed firmer

US markets closed higher yesterday, amid renewed hopes of US-China trade deal and upbeat quarterly results. Data indicated that the US monthly house price index rose less-than-expected in May. The S&P 500 Index climbed 0.7% to close at 3,005.47. Today, the S&P 500 futures are trading weaker.

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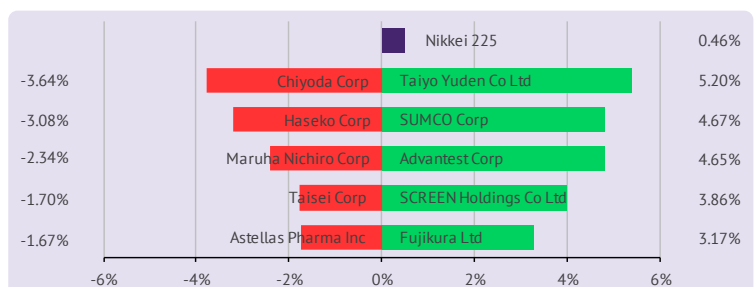


Asian Market ▲

Trading mostly stronger

Asian markets are trading mostly higher this morning, amid optimism over US-China trade progress. Data showed that Japan's Nikkei manufacturing PMI advanced in July. The Nikkei 225 Index is trading 0.5% higher at 21,721.41.

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USD ZAR ▼

USD trading higher against ZAR

At 06:00 SAST, the US Dollar climbed 0.1% against the South African Rand to trade at R13.9436. Later today, traders will keep a close watch on the US MBA mortgage applications, new home sales data, the Markit manufacturing and services PMIs for further indication.

The US Dollar rose against the South African Rand yesterday, after President Donald Trump and US lawmakers reached a two-year deal lifting government borrowing limits to cover spending. On the data front, the US house price index registered a less-than-anticipated advance on a monthly basis in May. Additionally, the Richmond Fed manufacturing index unexpectedly fell in July, marking its lowest level since January 2013. Moreover, existing home sales eased more than market anticipations on a monthly basis in June. Separately, in SA, the leading indicator registered a drop in May.

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GBP ZAR ▼

GBP trading stronger against ZAR

At 06:00 SAST, the British Pound marginally advanced against the South African Rand to trade at R17.3336. Ahead in the day, traders will keep an eye on UK's BBA loans for house purchase for further cues.

The British Pound advanced against the South African Rand yesterday, after Boris Johnson got elected as new British Prime Minister. On the macro front, UK's CBI total trend orders recorded an unexpected decline in July.

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EUR ZAR ▼

EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading slightly higher against the South African Rand at R15.5383. Going forward, market participants will keep a tab on the Markit manufacturing and services PMIs across the region for further direction.

The Euro weakened against the South African Rand yesterday. Data indicated that Eurozone's consumer confidence index rebounded in July.

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.3% weaker against the South African Rand at R9.7323. Earlier in the session, Australia's CBA manufacturing PMI fell in July. Additionally, the CBA services PMI recorded a drop in the same month.

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	13.9436	▼	0.48	-0.04	-1.11	-3.38	-2.90
GBPZAR	17.3336	▼	0.17	-0.59	-3.10	-2.92	-5.42
EURZAR	15.5383	▼	-0.03	-0.65	-3.05	-1.65	-5.61
AUDZAR	9.7323	▲	0.03	-0.58	-1.30	-2.20	-3.60
EURUSD	1.1143	▼	-0.51	-0.61	-1.94	1.83	-2.75
GBPUSD	1.2431	▼	-0.29	-0.50	-2.02	0.53	-2.46
Brent (\$/barrel)	64.0	▲	0.90	2.18	-1.41	4.44	18.64
Gold (\$/oz)	1420.9	▼	-0.36	-0.35	0.57	8.26	10.96
Platinum (\$/oz)	855.8	-	1.00	1.17	2.43	5.20	7.53
Copper (\$/MT)*	5946.0	▼	-0.85	-1.80	-0.60	3.03	-0.05

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

Gold ▼

Trading in the red

At 06:00 SAST, gold prices retreated 0.1% to trade at \$1,420.90/oz.

Yesterday, gold prices fell 0.4% to close at \$1,421.70/oz, as strength in the US Dollar lowered demand for the precious yellow metal.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil advanced 0.3% to trade at \$64.00/bl.

Yesterday, Brent crude oil advanced 0.9% to settle at \$63.83/bl, after the American Petroleum Institute reported that crude oil inventories declined by 11mn bls in the week ended 19 July 2019.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices declined marginally to trade at \$855.80/oz.

Yesterday, platinum prices climbed 1.0% to close at \$855.80/oz.

Major South African corporate news

Kumba Iron Ore Limited

In its reviewed 1H19 results, the company announced that revenues rose to ZAR34.50bn from ZAR19.47bn posted in the corresponding period of the previous year. Its diluted EPS advanced to ZAR31.15 from ZAR9.14 in the prior year. The company declared an interim cash dividend of ZAR30.79 per share.

Royal Bafokeng Platinum Limited

In its 1H19 trading statement and production update, the company indicated that 4E and platinum production increased by 21.1% and 21.3%, respectively. The company reported that it expects loss per share and headline loss per share between 65.00c and 75.00c, due to high cash costs and high levels of depreciation.

Reinet Investments SCA

In its 1Q19 management statement, the company announced that net asset value fell 6.4% to EUR4.52bn from the previous quarter. Further the company repurchased 1,986,858 ordinary shares during the period for a consideration of EUR29.00mn. Net asset value per share as at 30 June 2019 stood at EUR23.92.

Major global economic news

US

In the US, the housing price index rose 0.1% on a monthly basis in May, less than market expectations compared to an advance of 0.4% in the previous month.

In the US, the Richmond Fed manufacturing index registered an unexpected drop to -12.00 in July. In the prior month, the index had registered a revised reading of 2.00.

In June, existing home sales registered a more-than-anticipated drop of 1.7% to a level of 5.27mn on monthly basis in the US. In the previous month, existing home sales had registered a revised level of 5.36mn.

Asia

In Australia, the preliminary CBA manufacturing PMI dropped to a level of 51.40 in July, compared to a reading of 52.00 in the previous month.

In Australia, the preliminary CBA services PMI declined to 51.90 in July, compared to a reading of 52.60 in the previous month.

In Japan, the preliminary Nikkei manufacturing PMI rose to 49.60 in July, compared to a level of 49.30 in the prior month.

Eurozone

The International Monetary Fund (IMF) slashed its global growth forecast to 3.2% in 2019 and 3.5% in 2020, citing ongoing US-China trade tensions and Brexit uncertainty. Meanwhile, the agency raised its economic growth forecast for UK to 1.3% in 2019 and 1.4% for the next year. Further, the IMF raised its US growth estimate for 2019 by three-tenths to 2.6%, citing first quarter data. In 2020, the US growth rate is expected to moderate to 1.9%. Additionally, the euro-area forecast was unrevised at 1.3% and Japan estimate was reduced to 0.9%.

In the Eurozone, the preliminary consumer confidence index climbed to a level of -6.60 in July, compared to a level of -7.20 in the prior month.

UK

In the UK, the balance of firms reporting total order book above normal unexpectedly fell to a level of -34.00 in July. The balance of firms reporting total order book above normal had recorded a reading of -15.00 in the previous month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous/ **Previous est.	Frequency
Japan	7:00	Coincident Index (May) (F)	✓	103.40*	103.20**	Monthly
Japan	7:00	Leading Economic Index (May) (F)	✓✓✓	-	95.20**	Monthly
Germany	8:00	Import Price Index s.a. (MoM) (Jun)	✓✓	-	-0.10%	Monthly
Germany	8:00	Import Price Index n.s.a. (YoY) (Jun)	✓✓	-	-0.20%	Monthly
Japan	8:00	Nomura/ JMMA Manufacturing PMI (Jul) (P)	✓✓✓	-	49.30	Monthly
Germany	9:30	Markit Manufacturing PMI (Jul) (P)	✓✓✓	45.20	45.00	Monthly
Germany	9:30	Markit Services PMI (Jul) (P)	✓✓✓	55.30	55.80	Monthly
Eurozone	10:00	Markit Services PMI (Jul) (P)	✓✓✓	53.30	53.60	Monthly
South Africa	10:00	Consumer Price Index (YoY) (Jun)	✓✓	4.40%	4.50%	Monthly
Eurozone	10:00	M3 Money Supply (YoY) (Jun)	✓	4.60%	4.80%	Monthly
Eurozone	10:00	Markit Composite PMI (Jul) (P)	✓✓✓	52.20	52.20	Monthly
Eurozone	10:00	Markit Manufacturing PMI (Jul) (P)	✓✓✓	47.70	47.60	Monthly
South Africa	10:00	Consumer Price Index (MoM) (Jun)	✓✓	0.30%	0.30%	Monthly
UK	10:30	BBA Mortgage Approvals (Jun)	✓✓	42.55K	42.38K	Monthly
US	13:00	MBA Mortgage Applications (19-Jul)	✓	-	-1.10%	Weekly
US	15:45	Markit Composite PMI (Jul) (P)	✓✓	-	51.50	Monthly
US	15:45	Markit Services PMI (Jul) (P)	✓✓✓	51.80	51.50	Monthly
US	15:45	Markit Manufacturing PMI (Jul) (P)	✓✓✓	51.00	50.60	Monthly
US	16:00	New Home Sales (MoM) (Jun)	✓✓✓	5.30%	-7.80%	Monthly
US	16:00	New Home Sales (Jun)	✓✓✓	659.00K	626.00K	Monthly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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