

ONE
Minute Brief

26 July 2019

GTC
consult • partner • manage

Economic and political news

In South Africa (SA), the producer price index (PPI) advanced 5.8% on a yearly basis in June, compared to a rise of 6.4% in the previous month.

Ratings agency, Moody's, warned that SA's proposal to provide additional financial support to Eskom, was "credit negative" for the country.

The Public Investment Corporation (PIC) has appointed former Nedbank Chairman, Reuel Khoza, as Chairman of the PIC board.

News reports indicate that a draft motion likely to be passed by South African lawmakers would give the new parliamentary committee until March 2020 to report back on proposed constitutional changes that would allow expropriation of land without compensation.

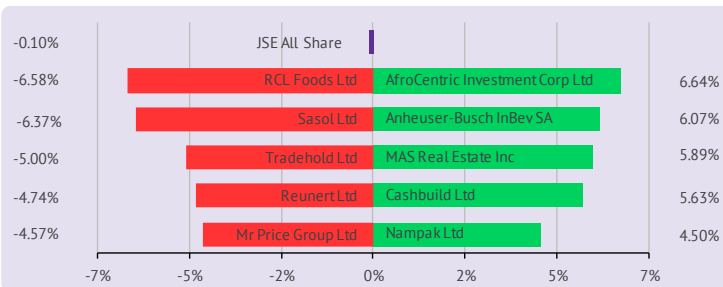
President, Cyril Ramaphosa, has unveiled his long-awaited plan to fix problems confronting the public healthcare sector, including staff shortages, dilapidated equipment, medicine shortages and corruption.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, weighed down by losses in banking and financial sector stocks. Data indicated that SA's annual PPI rose as expected in June. The JSE All Share Index fell 0.1% to close at 57,662.89.

To Read More Click [Here](#)

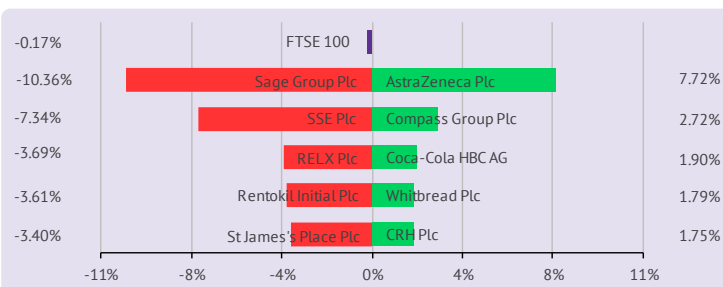


UK Market ▼

UK markets closed weaker

UK markets finished lower yesterday, amid dismal corporate earnings report. The FTSE 100 Index declined 0.2% to close at 7,489.05. Today, the FTSE 100 futures are trading in negative territory.

To Read More Click [Here](#)



Key indices

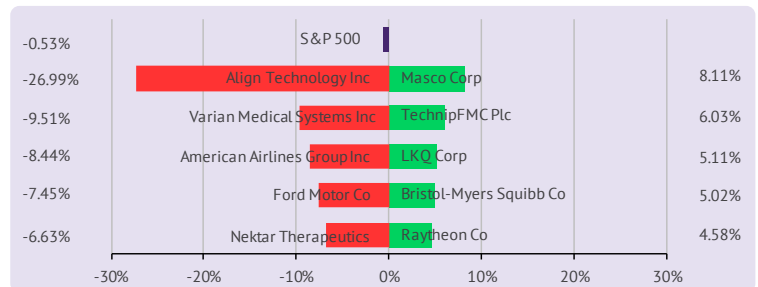
	As at 25 July 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	57662.89	▼	-55.21	-0.10	-1.01	-0.93	4.59
JSE Top 40 (ZAR)	51563.21	▼	-63.43	-0.12	-1.04	-1.22	5.27
FTSE 100 (GBP)	7489.05	▼	-12.41	-0.17	-0.26	0.85	3.69
DAX 30 (EUR)	12362.10	▼	-160.79	-1.28	0.83	-0.30	5.73
CAC 40 (EUR)	5578.05	▼	-27.82	-0.50	0.46	0.71	6.36
S&P 500 (USD)	3003.67	▼	-15.89	-0.53	0.91	2.10	6.89
Nasdaq Composite (USD)	8238.54	▼	-82.96	-1.00	1.13	2.90	7.42
DJIA (USD)	27140.98	▼	-128.99	-0.47	-0.05	2.03	7.19
MSCI Emerging Markets (USD)	1054.29	▼	-1.06	-0.10	-0.30	-0.05	5.70
MSCI Developed World (USD)	2206.92	▼	-10.83	-0.49	0.56	1.31	6.46

US Market ▼

US markets closed lower

US markets closed weaker yesterday, amid disappointing corporate earnings reports and concerns about a small rate cut by the Federal Reserve (Fed). Data revealed that the US advance goods trade deficit narrowed in June. The S&P 500 Index dropped 0.5% to close at 3,003.67. Today, the S&P 500 futures are trading in the green.

To Read More Click [Here](#)

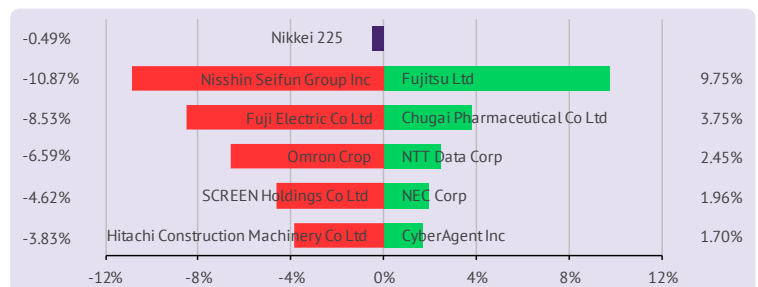


Asian Market ▼

Trading in the red

Asian markets are trading lower this morning, amid speculations that the US Fed might be less aggressive than expected in cutting interest rates. The Nikkei 225 Index is trading 0.5% lower at 21,648.94.

To Read More Click [Here](#)



USD ZAR ▼

USD trading stronger against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% higher against the South African Rand at R14.0937. Later today, traders will keep a close watch on the US gross domestic product for further direction.

The US Dollar rose against the South African Rand yesterday. On the data front, the US advance goods trade deficit narrowed less-than-expected in June. Meanwhile, durable goods orders rebounded in June. Moreover, initial jobless claims unexpectedly dropped to a 3-month low level in the week ended 20 July 2019. The South African Rand declined against the dollar, after Moody's warned over SA's additional bailout plan for Eskom. Separately, in SA, the PPI climbed in line with market forecast on an annual basis in June.

To Read More Click [Here](#)

GBP ZAR ▲

GBP trading weaker against ZAR

At 06:00 SAST, the British Pound is trading marginally lower against the South African Rand at R17.5429. With no major economic news in the UK today, investor sentiment will be determined by global macroeconomic news.

The British Pound advanced against the South African Rand yesterday.

EUR ZAR ▼

EUR trading higher against ZAR

At 06:00 SAST, the Euro is trading 0.1% firmer against the South African Rand at R15.7143. 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, after the European Central Bank (ECB) kept rates unchanged and signalled additional stimulus for the economy. On the macro front, Germany's Ifo business climate index registered a more-than-expected decline in July. Additionally, the Ifo current assessment index eased more than market forecast in July. Moreover, the Ifo business expectations index fell more than market expectations in the same month.

To Read More Click [Here](#)

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar fell 0.1% against the South African Rand to trade at R9.7863.

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	14.0937	▼	1.46	1.04	-0.04	-3.38	-1.85
GBPZAR	17.5429	▲	1.29	0.68	-1.86	-2.92	-4.22
EURZAR	15.7143	▼	1.52	0.40	-2.02	-1.65	-4.62
AUDZAR	9.7863	▲	1.12	-0.25	-0.97	-2.20	-3.28
EURUSD	1.1149	▲	0.06	-0.66	-1.99	1.83	-2.79
GBPUSD	1.2447	▼	-0.21	-0.35	-1.87	0.53	-2.32
Brent (\$/barrel)	63.5	▲	0.33	1.47	-2.09	4.44	17.83
Gold (\$/oz)	1429.1	▲	-0.63	-0.84	0.07	8.26	10.41
Platinum (\$/oz)	868.4	▼	-0.78	2.66	3.94	5.20	9.11
Copper (\$/MT)*	5986.5	▲	0.13	-1.14	0.08	3.03	0.63

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices gained 1% to trade at \$1,429.10/oz.

Yesterday, gold prices fell 0.6% to close at \$1,414.70/oz, as strength in the US Dollar lowered demand for the safe haven asset.

To Read More Click [Here](#)

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 0.1% higher to trade at \$63.48/bl.

Yesterday, Brent crude oil advanced 0.3% to settle at \$63.39/bl, amid escalating Middle East tensions and a large decline in US crude inventories.

To Read More Click [Here](#)

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices marginally declined to trade at \$868.40/oz.

Yesterday, platinum prices declined 0.8% to close at \$868.40/oz.

Major South African corporate news

Capital & Counties Properties Plc

In its 1H19 results, the company announced that revenues decreased to GBP41.90mn from GBP42.30mn posted in the corresponding period of the previous year. Its diluted loss per share stood at 10.20p, compared to a profit of 2.70p recorded in the prior year.

Sasol Limited

In its FY19 trading update, the company announced that it expects its HEPS to be between ZAR1.92 to ZAR4.66, which is an increase of between 7.0% and 17.0%. Additionally, it anticipated its EPS to be between ZAR6.56 and ZAR7.99, which is 46.0% to 56.0% lower from the prior year, as a result of higher impairments recorded in the financial year. Further, mining production improved 5.0% and liquid fuels sales volumes increased by 2.0% to 60.00mn bls. It also reported that agreement has been reached with the South African Revenue Services to withdraw all the issued and pending assessments for the crude oil procurement matter relating to Sasol Oil for 1999 to 2016.

Harmony Gold Mining Co. Limited

In its FY19 operational update, the company announced that annual gold production rose 17.0% to 1.44mn ounces, in line with its FY19 guidance. Underground recovered grade was 2.0% higher at 5.59g/t during the period. The company expects all-in sustaining unit cost to be between R550,000/kg and R555,000/kg.

Vodacom Group Limited

In its 1Q19 trading update, the company announced that revenues advanced 4.2% to ZAR21.50bn and service revenue rose 3.9% to ZAR17.40bn. It added 608,000 customers in South Africa during the quarter and 560,000 customers in international operations. Further, the company's data customers increased to 38.90mn and international service revenue rose 19.6% to ZAR5.10bn.

Major global economic news

Eurozone

The ECB, in its latest monetary policy meeting, kept its key interest rate unchanged at a record low of 0% and indicated that rates will remain "at their present or lower levels" until mid-2020. Meanwhile, the central bank signalled that it could cut interest rates to boost the country's economic growth. Further, the central bank indicated that it would restart its quantitative easing programme, if required.

The ECB President, Mario Draghi, during his press conference, highlighted the need for significant stimulus for the euro area economy, to ensure that financial conditions remain very favourable and support the euro area expansion. Further, he stated that growth is set to slow in the second and third quarters, citing ongoing global trade tensions, and hence, a rebound in the second half of the year is less likely.

In Germany, the Ifo business expectations index dropped more-than-expected to 92.20 in July, compared to a revised level of 94.00 in the previous month.

In July, the Ifo current assessment index declined more-than-anticipated to 99.40 in Germany. The index had recorded a revised level of 101.10 in the previous month.

In July, the Ifo business climate index fell to a level of 95.70 in Germany, more than market expectations. The index had registered a revised reading of 97.50 in the previous month.

US

In the US, advance goods trade deficit narrowed to USD74.20bn in June, compared to a revised deficit of USD75.00bn in the prior month.

In the US, flash durable goods orders registered a more-than-expected rise of 2.0% on a monthly basis in June, compared to a revised drop of 2.3% in the previous month.

In the week ended 20 July 2019, seasonally adjusted initial jobless claims unexpectedly dropped to a level of 206.00K in the US, compared to a reading of 216.00K in the prior week.

Asia

In Japan, the Tokyo CPI registered a rise of 0.9% on an annual basis in July, less than market expectations. In the previous month, the Tokyo CPI had advanced 1.1%.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
 Japan	01:30	Tokyo Consumer Price Index (YoY) (Jul)	✓✓✓	0.90%*	1.10%	Monthly
 Japan	01:30	Tokyo CPI ex Food, Energy (YoY) (Jul)	✓	0.80%*	0.80%	Monthly
 Japan	01:30	Tokyo CPI ex Fresh Food (YoY) (Jul)	✓✓✓	0.90%*	0.90%	Monthly
 Germany	08:00	Import Price Index (Jun)	✓	-	102.70	Monthly
 Germany	08:00	Import Price Index s.a. (MoM) (Jun)	✓✓	-0.70%	-0.10%	Monthly
 Germany	08:00	Import Price Index n.s.a. (YoY) (Jun)	✓✓	-1.30%	-0.20%	Monthly
 France	08:45	Producer Price Index (MoM) (Jun)	✓✓	-	-0.40%	Monthly
 France	08:45	Producer Price Index (Jun)	✓	-	102.90	Monthly
 France	08:45	Consumer Confidence (Jul)	✓✓✓	102.00	101.00	Monthly
 Spain	09:00	Total Mortgage Lending (YoY) (May)	✓	-	-2.50%	Monthly
 Spain	09:00	House Mortgage Approvals (YoY) (May)	✓	-	-0.10%	Monthly
 Eurozone	10:00	ECB Survey of Professional Forecasters	✓	-	-	As scheduled
 US	14:30	Gross Domestic Product Annualised (QoQ) (Q2) (P)	✓✓✓	1.80%	3.10%	Quarterly
 US	14:30	Personal Consumption (QoQ) (Q2) (P)	✓✓✓	4.00%	0.90%	Quarterly
 US	14:30	Personal Consumption Expenditure Core (QoQ) (Q2) (P)	✓✓✓	2.00%	1.20%	Quarterly
 US	14:30	Gross Domestic Purchases Price Index (QoQ) (Q2) (P)	✓✓✓	2.00%	0.90%	Quarterly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

Disclaimer

This report and its contents are confidential, privileged and only for the information of the intended recipient. GTC (Pty) Ltd make no representations or warranties in respect of this report or its content and will not be liable for any loss or damage of any nature arising from this report, the content thereof, your reliance thereon its unauthorised use or any electronic viruses associated therewith. Please note that content does not necessarily represent or reflect the views and opinions of GTC (Pty) Ltd. This report is proprietary to GTC (Pty) Ltd and you may not copy or distribute the report without the prior written consent of the authors. Any feedback or contributions are most welcome.

formerly Grant Thornton Capital

a GTC @Grant Thornton, The Wanderers Office Part,
52 Corlett Drive, Illovo, 2196
p P O Box 55118, Illovo, 2118

t +27 (0) 10 597 6800
f +27 (0) 10 597 6801
w www.gtc.co.za

GTC (Pty) Ltd.
reg. no. 1996/001488/07
Directors: G.K. Mockler, F.Dildar

An Authorised Financial
Services Provider
FSP no. 731

GTC is nationally represented in Johannesburg, Cape Town and Durban.

GTC Group of products and services include: Employee Benefits Consulting • Employee Benefits Administration • Private Client Wealth Management • Healthcare Consulting • Short-Term Risk Solutions • Stockbroking • Derivatives Trading • Unit Trust Management • Asset Management • Fiduciary Services