

# ONE Minute Brief

2 August 2019

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## Economic and political news

In South Africa, the manufacturing PMI rose to 52.10 in July, from 46.20 in June. Annual electricity production rose 0.1% in June, compared to a drop of 0.6% in the prior. Meanwhile, electricity consumption fell 1.6% on a yearly basis in June, compared to a drop of 1.3% in May.

Public Protector, Busisiwe Mkhwebane's lawyers argued in the Pretoria High Court yesterday that President Ramaphosa's review application had no merit and that he was in contempt of the Public Protector's office for failure to implement the remedial action in the Ivan Pillay report. Meanwhile, Ramaphosa's lawyers insisted that he had not failed to comply with Mkhwebane's orders.

The National Treasury stated that it would increase the amount it raises through weekly fixed-rate bond auctions by ZAR1.2bn to ZAR4.5bn, with effect from 6 August 2019 and the inflation-linked bond auction amount by ZAR280.0mn to ZAR1.04bn, with effect from 16 August 2019, to compensate for lower tax revenues and the cost of support for Eskom.

News reports indicate that the is planning to oust Johannesburg Mayor, Herman Mashaba, via a motion of no confidence.

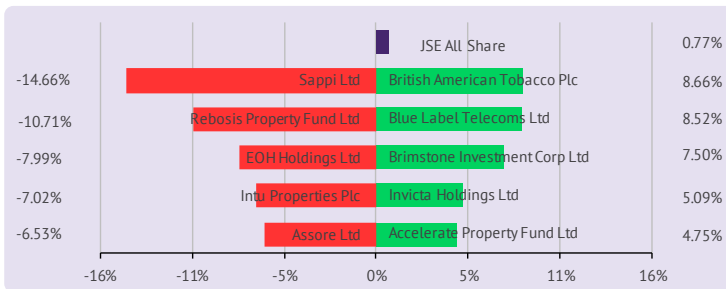
The Independent Electoral Commission of SA (IEC) has appointed George Mahlanga as a new Chief Executive.

## South Africa Market ▲

### South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in industrial and gold mining sector stocks. Data showed that SA's manufacturing PMI expanded for the first time in 7 months in July. The JSE All Share Index rose 0.8% to close at 57,223.61.

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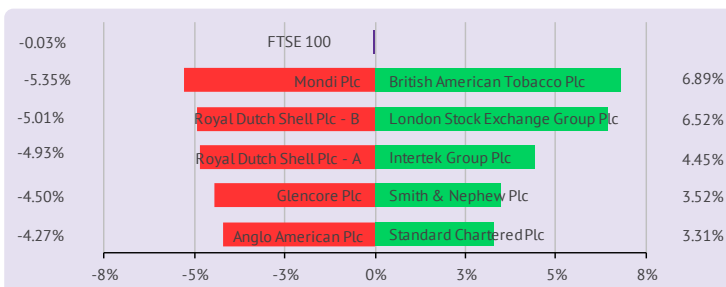


## UK Market ▼

### UK markets closed weaker

UK markets finished lower yesterday, after the Bank of England (BoE) slashed UK's growth forecast and after Royal Dutch Shell missed profit forecast. The FTSE 100 Index marginally declined to close at 7,584.87. Today, the FTSE 100 futures are trading in negative territory.

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## Key indices

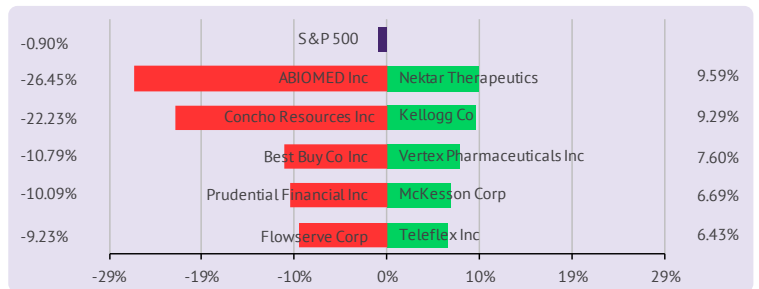
	As at 01 August 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	57223.61	▲ 439.00	0.77	-0.60	0.77	-2.44	8.51
JSE Top 40 (ZAR)	51331.52	▲ 532.82	1.05	-0.37	1.05	-2.68	9.86
FTSE 100 (GBP)	7584.87	▼ -1.91	-0.03	0.47	-0.03	2.17	12.73
DAX 30 (EUR)	12253.15	▲ 64.11	0.53	-1.34	0.53	-1.69	16.05
CAC 40 (EUR)	5557.41	▲ 38.51	0.70	-0.94	0.70	-0.36	17.48
S&P 500 (USD)	2953.56	▼ -26.82	-0.90	-2.39	-0.90	1.31	17.82
Nasdaq Composite (USD)	8111.12	▼ -64.30	-0.79	-2.63	-0.79	2.11	22.24
DJIA (USD)	26583.42	▼ -280.85	-1.05	-2.24	-1.05	0.99	13.96
MSCI Emerging Markets (USD)	1024.56	▼ -12.45	-1.20	-2.30	-1.20	-1.69	6.07
MSCI Developed World (USD)	2173.18	▼ -14.39	-0.66	-1.92	-0.66	0.42	15.35

## US Market ▼

### US markets closed lower

US markets closed weaker yesterday, after the US President, Donald Trump, stated that US would impose additional tariffs on Chinese imports. Data indicated that the US Markit manufacturing PMI rose more than-expected in July. The S&P 500 Index dropped 0.9% to close at 2,953.56. Today, the S&P 500 futures are trading weaker.

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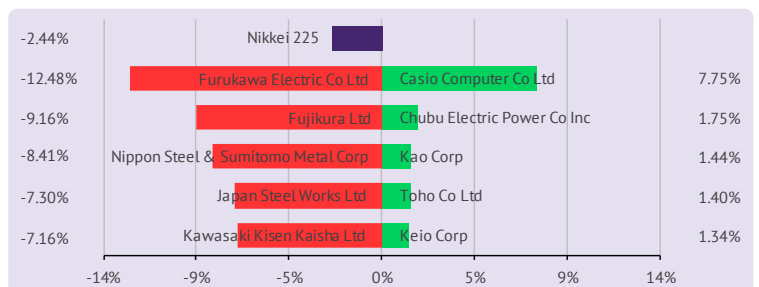


## Asian Market ▼

### Trading in the red

Asian markets are trading weaker this morning, amid escalating trade war worries. The Nikkei 225 Index is trading 2.4% lower at 21,015.66.

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## USD ZAR ▲

### USD trading weaker against ZAR

At 06:00 SAST, the US Dollar fell 0.2% against the South African Rand to trade at R14.6454. Later today, traders will keep a close watch on the US non-farm payrolls, unemployment rate, average hourly earnings, trade balance, factory orders, durable goods orders and the Michigan consumer sentiment index for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US Markit manufacturing PMI declined in July. Further, the ISM manufacturing index unexpectedly dropped in July. Additionally, initial jobless claims rose more-than-expected in the week ended 27 July 2019. Moreover, construction spending unexpectedly eased on a monthly basis in June, recording its lowest level in 7 months. Separately, in SA, the manufacturing PMI advanced for the first time in 7 months in July. Moreover, electricity consumption climbed on a yearly basis in June. Meanwhile, the nation's annual electricity production declined in June.

## GBP ZAR ▲

### GBP trading lower against ZAR

At 06:00 SAST, the British Pound declined 0.4% against the South African Rand to trade at R17.7143. Ahead in the day, traders will keep an eye on UK's Markit construction PMI for further cues.

The British Pound advanced against the South African Rand yesterday. Data indicated that UK's Markit manufacturing PMI recorded an unchanged reading in July.

## EUR ZAR ▲

### EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading 0.2% lower against the South African Rand at R16.2193. Going forward, market participants will keep a tab on Eurozone's producer price index (PPI) and retail sales data for further indication.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's Markit manufacturing PMI dropped July, marking its lowest level since December 2012. Separately, Germany's Markit manufacturing PMI declined to a 7-year low level in July.

## AUD ZAR ▲

### AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% weaker against the South African Rand at R9.9723. Earlier in the session, Australia's PPI advanced on an annual basis in 2Q19. Additionally, monthly retail sales jumped more than market forecast 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	14.6454	▲	2.26	2.60	2.26	1.82	2.24
GBPZAR	17.7143	▲	2.01	0.53	2.01	-2.45	-2.88
EURZAR	16.2193	▲	2.37	2.19	2.37	-0.87	-1.21
AUDZAR	9.9723	▲	1.62	0.99	1.62	-0.69	-1.44
EURUSD	1.1075	▼	0.08	-0.39	0.08	-2.61	-3.33
GBPUSD	1.2095	▼	-0.25	-2.07	-0.25	-4.23	-4.91
Brent (\$/barrel)	62.0	▲	-6.99	-4.66	-6.99	0.48	12.45
Gold (\$/oz)	1443.0	▲	-0.36	0.11	-0.36	0.88	10.90
Platinum (\$/oz)	855.8	▲	-3.14	-1.32	-3.14	5.19	6.96
Copper (\$/MT)*	5875.0	▼	-0.46	-1.11	-0.46	-1.33	-1.24

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

## Gold ▲

### Trading in the green

At 06:00 SAST, gold prices gained 1.6% to trade at \$1,443.00/oz.

Yesterday, gold prices fell 0.4% to close at \$1,420.90/oz.

## Brent Crude Oil ▲

### Trading stronger

At 06:00 SAST, Brent crude oil edged 2.5% higher to trade at \$62.01/bl.

Yesterday, Brent crude oil plunged 7.0% to settle at \$60.50/bl, as escalating US-China trade tensions raised worries about a slowdown in the global economy and energy demand.

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## Platinum ▲

### Trading in positive territory

At 06:00 SAST, platinum prices edged 0.5% higher to trade at \$855.80/oz.

Yesterday, platinum prices declined 3.1% to close at \$851.30/oz.

## Major South African corporate news

### ArcelorMittal South Africa Limited

In its 1H19 results, the company announced that revenues declined to ZAR21.74bn from ZAR22.87bn posted in the corresponding period of the previous year. Its diluted loss per share stood at 59.00c, compared to 147.00c posted in the preceding year. Separately, the company announced that it has entered into a sale agreement with HSM and Highveld in relation to the acquisition of the assets and liabilities of the structural steel and rail manufacturing business currently operated by HSM. The purchase price by the company will be equal to ZAR150.00mn in cash.

### Liberty Holdings Limited

In its 1H19 results, the company announced that its total income rose to ZAR47.60bn from ZAR27.43bn posted in the corresponding period of the previous year. Its diluted EPS increased to 681.40c from the prior year. The company declared an interim dividend of 276.00c.

### Sappi Limited

In its 3Q19 results, the company announced that revenues decreased to USD1.37bn from USD1.45bn posted in the corresponding period of the previous year. Its basic EPS fell 89.0% to 1.00c from the same period of the prior year. Separately, the company announced that its wholly owned subsidiary, Sappi Canada Enterprises Inc. has signed an agreement to acquire the Matane high yield hardwood pulp mill in Quebec, Canada from Rayonier Advanced Materials Inc. in a deal worth USD175.00mn.

### Truworths International Limited

In its FY19 trading statement, the company indicated that retail sales rose to ZAR18.60bn, from ZAR18.00bn recorded in the same period of the preceding year. The company expects its diluted HEPS to be between 558.00c and 570.00c and its EPS to be between 203.00c and 215.00c.

### Woolworths Holdings Limited

In its FY19 trading statement, the company revealed that it expects loss per share to be between 92.40c and 129.30c and adjusted diluted HEPS to be between 355.00c and 373.20c.

## Major global economic news

### US

In the US, the final Markit manufacturing PMI dropped to 50.40 in July. In the prior month, the Markit manufacturing PMI had recorded a reading of 50.60. The preliminary figures had recorded a drop to 50.00.

In the US, the ISM manufacturing activity index unexpectedly dropped to 51.20 in August. The ISM manufacturing activity index had recorded a reading of 51.7 in the previous month.

In the US, seasonally adjusted initial jobless claims rose more-than-anticipated to 215.00K in the week ended 27 July 2019. Initial jobless claims had recorded a revised level of 207.00K in the previous week.

In the US, construction spending unexpectedly fell 1.3% on a monthly basis in June. In the previous month, construction spending had dropped by a revised 0.5%.

### Eurozone

In the Eurozone, the final Markit manufacturing PMI recorded a drop to 46.50 in July. In the previous month, the manufacturing PMI had recorded a level of 47.60. The preliminary figures had recorded a drop to 46.40.

In Germany, the final Markit manufacturing PMI registered a drop to 43.20 in July. The Markit manufacturing PMI had recorded a level of 45.00 in the previous month. The preliminary figures had recorded a fall to 43.10.

### Asia

The Bank of Japan (BoJ), in its June monetary policy meeting, stated that it would ease monetary policy, if a global slowdown threatens Japan's economic recovery. However, one official stated that the central bank should aim to achieve price stability target by persistently continuing with current monetary easing policy.

In Australia, the PPI recorded a rise of 2.0% on an annual basis in 2Q19. In the previous quarter, the PPI had registered a rise of 1.9%.

In Australia, seasonally adjusted retail sales climbed 0.4% on a monthly basis in June, more than market expectations and compared to an advance of 0.1% in the prior month.

### UK

The BoE, in its latest monetary policy meeting, maintained its key interest rate unchanged at 0.75%, as widely expected. However, the central bank downgraded the country's growth forecast to 1.3% for both 2019 and 2020, from 1.5% and 1.6% respectively, citing tensions over no-deal Brexit.

In the UK, the Markit manufacturing PMI remained unchanged at 48.00 in July.

## Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous/ **Previous est.	Frequency
UK	01:01	Lloyds Business Barometer (Jul)	✓	13.00%*	13.00%	Monthly
Japan	01:50	Monetary Base (YoY) (Jul)	✓	3.70%*	4.00%	Monthly
Japan	01:50	Monetary Base (Jul)	✓✓✓	JPY518.10tn*	JPY523.20tn	Monthly
Japan	01:50	BoJ Monetary Policy Meeting Minutes	✓✓✓	-	-	As scheduled
UK	10:30	Markit Construction PMI (Jul)	✓✓✓	46.00	43.10	Monthly
Eurozone	11:00	Producer Price Index (MoM) (Jun)	✓✓✓	-0.30%	-0.10%	Monthly
Eurozone	11:00	Producer Price Index (YoY) (Jun)	✓✓✓	0.80%	1.60%	Monthly
Eurozone	11:00	Retail Sales (MoM) (Jun)	✓✓✓	0.30%	-0.30%	Monthly
Eurozone	11:00	Retail Sales (YoY) (Jun)	✓✓✓	1.30%	1.30%	Monthly
US	14:30	Change in Household Employment (Jul)	✓	-	247.00 K	Monthly
US	14:30	Average Hourly Earnings All Employees (MoM) (Jul)	✓✓	0.20%	0.20%	Monthly
US	14:30	Underemployment Rate (Jul)	✓✓	-	7.20%	Monthly
US	14:30	Average Weekly Hours All Employees (Jul)	✓	34.40	34.40	Monthly
US	14:30	Change in Manufacturing Payrolls (Jul)	✓	5.0 K	17.00K	Monthly
US	14:30	Change in Non-farm Payrolls (Jul)	✓✓✓	165.00K	224.00K	Monthly
US	14:30	Change in Private Payrolls (Jul)	✓✓	165.00K	191.00K	Monthly
US	14:30	Trade Balance (Jun)	✓✓✓	USD54.60bn	-USD55.50bn	Monthly
US	14:30	Unemployment Rate (Jul)	✓✓✓	3.60%	3.70%	Monthly
US	14:30	Average Hourly Earnings All Employees (YoY) (Jul)	✓✓	3.10%	3.10%	Monthly
US	16:00	Factory Orders (Jun)	✓	-	493569.00mn	Monthly
US	16:00	Durable Goods Orders (Jun) (F)	✓✓✓	-	2.00%**	Monthly
US	16:00	Durable Goods Orders ex Transportation (Jun) (F)	✓✓	-	1.20%**	Monthly
US	16:00	Reuters/Michigan Consumer Sentiment Index (Jul) (F)	✓✓✓	98.50	98.40**	Monthly
US	16:00	Factory Orders (MoM) (Jun)	✓✓✓	0.70%	-0.70%	Monthly

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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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

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