

ONE Minute Brief

23 August 2019

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Economic and political news

Ratings agency, Moody's, stated that it expects the South African government to cut spending in the next mid-year budget review, in order to fund Eskom's bailout.

News reports indicate that the National Treasury has sought proposals from various departments to cut expenditure. Meanwhile, President Ramaphosa indicated that the government will announce plans to reduce state debt when it releases the mid-term budget estimates in October.

Deputy Chief Justice, Raymond Zondo stated that the commission of inquiry into state capture will apply for an extension of its term, which is due to expire in February 2020.

President, Cyril Ramaphosa, has called for a national discussion on utilising pension funds, after the head of the party's economic transformation sub-committee, Enoch Godongwana, proposed that South Africa (SA) should consider using private and public pension funds for developmental purposes.

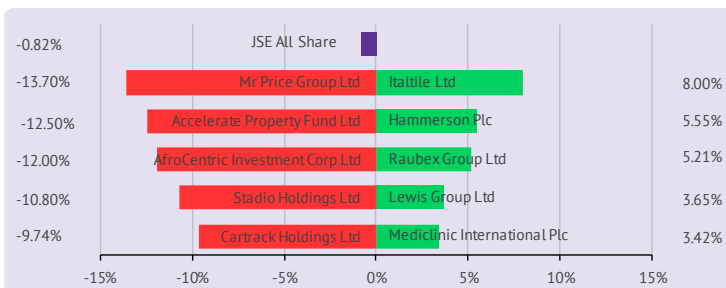
President, Cyril Ramaphosa, stated that the leaking of e-mails and documents related to CR17 campaign is a part of sinister agenda to undermine positive change in the country.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, weighed down by losses in banking and retail sector stocks. The JSE All Share Index fell 0.8% to close at 54,187.93.

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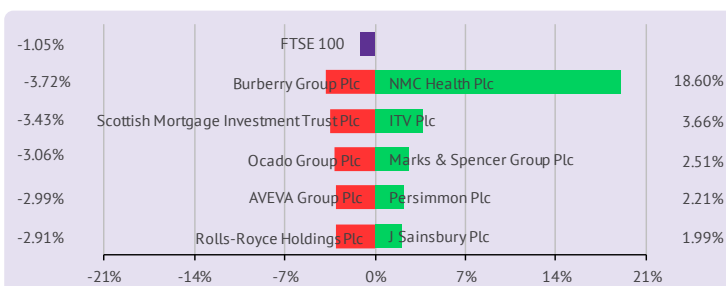


UK Market ▼

UK markets closed in negative territory

UK markets finished lower yesterday, after the US Federal Reserve (Fed) dented hopes for an interest rate cut in September. The FTSE 100 Index declined 1.1% to close at 7,128.18. Today, the FTSE 100 futures are trading in positive territory.

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Key indices

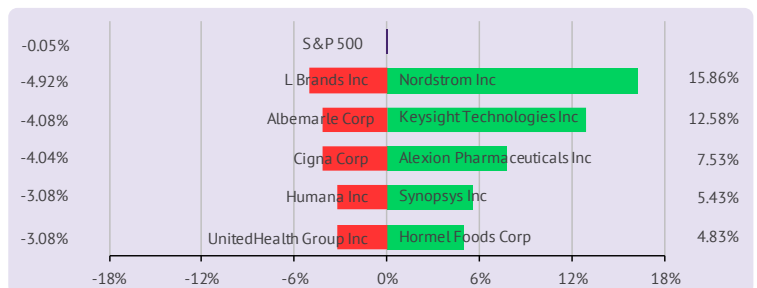
	As at 22 Aug 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	54187.93	▼ -450.10	-0.82	0.58	-4.57	-2.44	2.75
JSE Top 40 (ZAR)	48435.04	▼ -401.97	-0.82	0.57	-4.65	-2.68	3.66
FTSE 100 (GBP)	7128.18	▼ -75.79	-1.05	0.15	-6.04	2.17	5.95
DAX 30 (EUR)	11747.04	▼ -55.81	-0.47	1.59	-3.63	-1.69	11.25
CAC 40 (EUR)	5388.25	▼ -47.23	-0.87	1.65	-2.37	-0.36	13.90
S&P 500 (USD)	2922.95	▼ -1.48	-0.05	1.19	-1.93	1.31	16.60
Nasdaq Composite (USD)	7991.39	▼ -28.82	-0.36	1.21	-2.25	2.11	20.44
DJIA (USD)	26252.24	▲ 49.51	0.19	1.41	-2.28	0.99	12.54
MSCI Emerging Markets (USD)	975.66	▼ -7.48	-0.76	0.56	-5.92	-1.69	1.01
MSCI Developed World (USD)	2131.68	▼ -3.85	-0.18	1.10	-2.55	0.42	13.15

US Market ▼

US markets closed mostly weaker

US markets closed mostly lower yesterday, after the US Market manufacturing PMI unexpectedly fell in August. The S&P 500 Index dropped 0.1% to close at 2,922.95. Today, the S&P 500 futures are trading in the green.

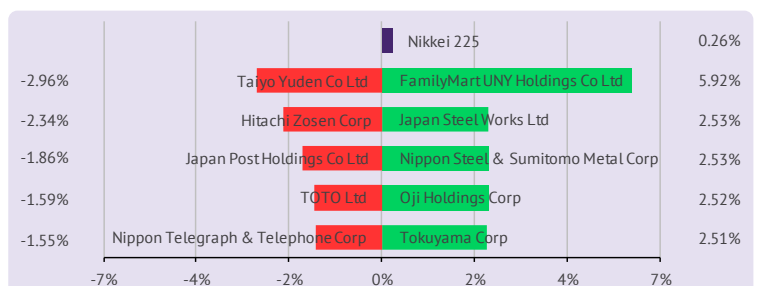
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Asian Market ▲

Trading higher

Asian markets are trading firmer this morning. Data indicated that Japan's annual National consumer price index (CPI) advanced less-than-anticipated in July. The Nikkei 225 Index is trading 0.3% higher at 20,680.85.



USD ZAR ▲

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar dropped 0.2% against the South African Rand to trade at R15.2221. Later today, traders will keep a close watch on the US Fed Chairman, Jerome Powell's speech along with the US new home sales data for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US initial jobless claims decreased more than market forecast in the week ended 17 August 2019. Additionally, the leading index climbed more than market expectations in July. On the other hand, the nation's Markit manufacturing PMI unexpectedly dropped for the first time since 2009 in August. Moreover, the Markit services PMI fell more-than-anticipated in the same month.

GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound is trading 0.3% weaker against the South African Rand at R18.6209. 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, after the German Chancellor, Angela Merkel, stated that a negotiated departure of Britain from the European Union is still possible.

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EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro dropped 0.3% against the South African Rand to trade at R16.8473. 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 Eurozone's Markit manufacturing PMI surprisingly advanced in August. Additionally, the Markit services PMI unexpectedly advanced in August. Meanwhile, the region's consumer confidence index declined more than market forecast in August. Separately, Germany's Markit manufacturing PMI unexpectedly jumped in August. Further, the Markit services PMI fell less than market expectations in August.

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AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.2% weaker against the South African Rand at R10.2842.

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	15.2221	▲	0.44	-0.38	6.31	1.82	6.28
GBPZAR	18.6209	▲	1.55	0.52	7.11	-2.45	1.98
EURZAR	16.8473	▲	0.41	-0.51	6.36	-0.87	2.65
AUDZAR	10.2842	▲	0.05	-0.70	4.93	-0.69	1.77
EURUSD	1.1068	▼	-0.05	-0.09	0.04	-2.61	-3.37
GBPUSD	1.2232	▼	1.00	0.84	0.76	-4.23	-3.94
Brent (\$/barrel)	60.0	▲	-0.63	2.18	-7.89	0.48	11.38
Gold (\$/oz)	1504.2	▲	-0.49	-1.00	4.99	0.88	16.86
Platinum (\$/oz)	861.6	▼	0.44	1.22	-1.93	5.19	8.29
Copper (\$/MT)*	5660.5	▼	-0.81	-1.03	-4.10	-1.33	-4.85

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices climbed 0.5% to trade at \$1,504.20/oz.

Yesterday, gold prices fell 0.5% to close at \$1,497.30/oz, amid a rise in the US Treasury yields.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil gained 0.2% to trade at \$60.04/bl.

Yesterday, Brent crude oil dropped 0.6% to settle at \$59.92/bl, on global economic growth worries and ahead of the US Fed Chairman, Jerome Powell's speech in Jackson Hole.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices marginally fell to trade at \$861.60/oz.

Yesterday, platinum prices climbed 0.4% to close at \$861.90/oz.

Major South African corporate news

Exxaro Resources Limited

In its 1H19 results, the company announced that revenues decreased to ZAR11.96bn from ZAR12.26bn posted in the corresponding period of the previous year. Its diluted EPS rose 36.5% to 1,335.00c from 978.00c in the prior year. The company declared a cash dividend of 864.00c per share.

Old Mutual Limited

In its 1H19 trading statement, the company announced that it expects EPS to be between 123.50c and 129.80c from 277.20c recorded in the corresponding period of the previous year. The company expects its HEPS to be between 124.30c and 130.70c from 190.60c reported last year.

Mr Price Group Limited

In its trading update for 18 weeks to 3 August 2019, the company announced that South African retail sales rose 0.6% to ZAR6.40bn from the same period of the previous year while comparable store sales decreased 2.5%. The company's cash sales increased 1.4%, constituting 83.6% of total sales and credit sales decreased 3.5%. The company expects its trading environment to be challenging as global markets remain uncertain and local economic growth is forecast to be muted in 2019.

Major global economic news

Eurozone

The European Central Bank (ECB), in its latest monetary policy meeting minutes, indicated that the officials discussed the idea of changing its key inflation target as part of a potential broader strategic review. Further, the ECB President, Mario Draghi, stated that the central bank will launch measures of fresh stimulus in September that could include interest rate cuts and asset purchases.

In the Eurozone, the preliminary consumer confidence index dropped to -7.10 in August, more than market forecast and compared to a level of -6.60 in the previous month.

In the Eurozone, the flash Markit manufacturing PMI unexpectedly advanced to a level of 47.00 in August. The Markit manufacturing PMI had recorded a reading of 46.50 in the previous month.

In the Eurozone, the flash Markit services PMI unexpectedly rose to 53.40 in August, compared to a level of 53.20 in the prior month.

In Germany, the preliminary Markit manufacturing PMI unexpectedly climbed to a level of 43.60 in August. The Markit manufacturing PMI had recorded a level of 43.20 in the prior month.

In Germany, the preliminary Markit services PMI dropped less-than-expected to 54.40 in August. The Markit services PMI had registered a level of 54.50 in the previous month.

US

In the US, the flash Markit manufacturing PMI unexpectedly declined to a level of 49.90 in August. In the prior month, the Markit manufacturing PMI had recorded a reading of 50.40.

In the US, the flash Markit services PMI dropped to 50.90 in August, more than market expectations. In the previous month, the Markit services PMI had registered a level of 53.00.

In the US, seasonally adjusted initial jobless claims fell more-than-anticipated to a level of 209.00K in the week ended 17 August 2019, compared to a revised level of 221.00K in the previous week.

In July, the leading index rose 0.50% on a monthly basis in the US, more than market expectations and compared to a revised drop of 0.1% in the previous month.

Asia

In Japan, the national CPI rose 0.5% on an annual basis in July, less than market expectations. In the prior month, the national CPI had registered a rise of 0.7%.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
 Japan	1:30	National CPI Ex-Fresh Food (YoY) (Jul)	✓✓✓	0.60%*	0.60%	Monthly
 Japan	1:30	National CPI Ex Food, Energy (YoY) (Jul)	✓✓	0.60%*	0.50%	Monthly
 Japan	1:30	National Consumer Price Index (YoY) (Jul)	✓✓✓	0.50%*	0.70%	Monthly
 UK	10:30	BBA Mortgage Approvals (Jul)	✓✓	-	42.65K	Monthly
 US	16:00	Annual Federal Reserve Policy Symposium in Jackson Hole (Day 2)	✓✓	-	-	As scheduled
 US	16:00	Fed's Chair Powell speech	✓✓✓	-	-	As scheduled
 US	16:00	New Home Sales (Jul)	✓✓✓	649.00K	646.00K	Monthly
 US	16:00	New Home Sales (MoM) (Jul)	✓✓✓	0.50%	7.00%	Monthly

Note: ✓✓✓High ✓✓Medium ✓Low

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