

ONE Minute Brief

22 May 2020

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Economic and political news

The South African Reserve Bank (SARB), in its interest rate decision, slashed its key interest rate by 50 bps to 3.75%, in an effort to protect the economy from the impact of the novel coronavirus. Currently, the central bank expects the economy to contract by 7.0% in 2020. However, it expects GDP to grow by 3.8% in 2021 and by 2.9% in 2022.

In a quarterly state of the system briefing, Eskom's Chief Executive Officer, Andre de Ruyter, stated that the utility aims to halve its debt to ZAR200bn from ZAR450bn to become financially sustainable and put an end to recurring government bailouts. Further, he stated that the utility is committed to meeting the "ambitious" unbundling target date, which has been set down for 2021. Moreover, he forecasted a 90% reduction in load shedding for the winter months ahead. Additionally, the utility is considering renegotiating costs with independent power producers to lower electricity costs for South African consumers.

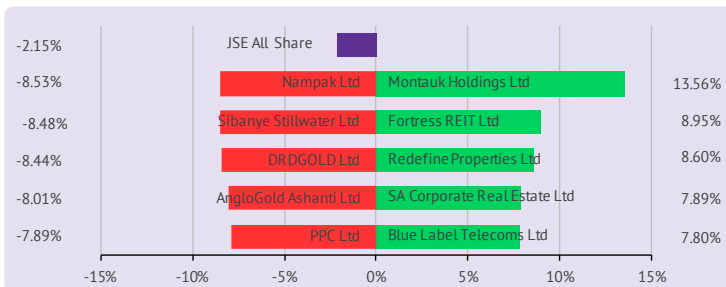
The Supreme Court of Appeal (SCA) has dismissed former President Jacob Zuma's application to appeal against a High Court ruling that found he had defamed former tourism minister, Derek Hanekom.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, amid mounting concerns over the long-term impact of the coronavirus outbreak and rising trade tensions between the US and China. The JSE All Share Index fell 2.2% to close at 51,022.76.

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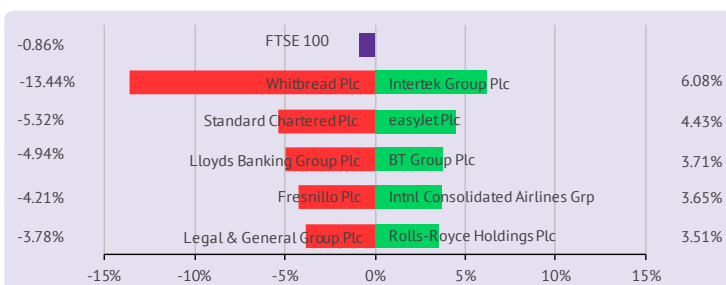


UK Market ▼

UK markets closed in the red

UK markets finished lower yesterday, amid renewed concerns over the coronavirus-induced economic downturn and heightened US-China trade tensions. The FTSE 100 Index declined 0.9% to close at 6,015.25. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

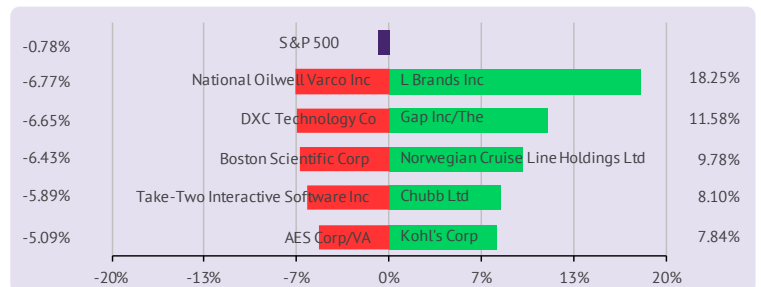
	As at 21 May 2020	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	51022.76	▼ -1119.99	-2.15	2.81	1.36	13.14	-10.62
JSE Top 40 (ZAR)	47232.26	▼ -1147.65	-2.37	2.79	1.91	13.77	-7.05
FTSE 100 (GBP)	6015.25	▼ -51.91	-0.86	3.72	1.93	4.04	-20.25
DAX 30 (EUR)	11065.93	▼ -157.78	-1.41	5.74	1.88	9.32	-16.48
CAC 40 (EUR)	4445.45	▼ -51.53	-1.15	3.92	-2.77	4.00	-25.64
S&P 500 (USD)	2948.51	▼ -23.10	-0.78	2.96	1.24	12.68	-8.74
Nasdaq Composite (USD)	9284.88	▼ -90.90	-0.97	3.00	4.45	15.45	3.48
DJIA (USD)	24474.12	▼ -101.78	-0.41	3.33	0.53	11.08	-14.24
MSCI Emerging Markets (USD)	930.01	▼ -1.49	-0.16	3.20	0.55	9.00	-16.57
MSCI Developed World (USD)	2074.10	▼ -17.93	-0.86	3.27	1.04	10.80	-12.06

US Market ▼

US markets closed weaker

US markets closed lower yesterday, as Sino-US tensions escalated after the US Senate approved a bill that could potentially delist Chinese companies from US stock exchanges. The S&P 500 Index dropped 0.8% to close at 2,948.51. Today, the S&P 500 futures are trading in the red.

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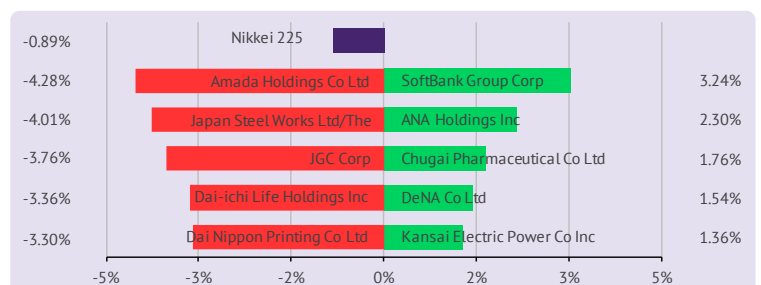


Asian Market ▼

Trading lower

Asian markets are trading lower this morning, amid growing tensions between the US and China. As at 6:00 SAST, the Nikkei 225 Index is trading 0.9% lower at 20,370.23.

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USD ZAR ▼

USD trading higher against ZAR

At 06:00 SAST, the US Dollar rose 0.4% against the South African Rand to trade at R17.6614. With no major economic releases in the US today, investor sentiment will be determined by global macroeconomic news.

The US Dollar fell against the South African Rand yesterday. On the macro front, the US seasonally adjusted number of initial jobless claims dropped less-than-expected on a weekly basis in week ended 16 May 2020. Additionally, existing home sales fell on a monthly basis in April, recoding its biggest drop since July 2010. Moreover, the Philadelphia Fed manufacturing index rose less than market consensus in May. Meanwhile, both, the preliminary Markit services and Markit manufacturing PMIs advanced more than market forecast in May. Separately, the South African Rand rose against the US Dollar, after SA's central bank cut its key interest rate.

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GBP ZAR ▼

GBP trading firmer against ZAR

At 06:00 SAST, the British Pound is trading 0.4% higher against the South African Rand at R21.5751. Ahead in the day, traders will keep an eye on UK's public sector net borrowings and retail sales for further indication.

The British Pound declined against the South African Rand yesterday, amid speculation that the Bank of England (BoE) might cut interest rates below zero to support the economy. Data indicated that UK's CBI balance of firms reporting total order book above normal declined in May, hitting its weakest level since October 1981. Moreover, the GfK consumer confidence index dropped in May, recording its lowest level since the global financial crisis in 2009. Meanwhile, both, preliminary Markit manufacturing and services PMIs climbed more-than-anticipated in May.

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EUR ZAR ▼

EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading 0.2% higher against the South African Rand at R19.3092. Going forward, market participants will keep a tab on the European Central Bank's monetary policy meeting accounts for further cues.

The Euro weakened against the South African Rand yesterday. On the data front, Eurozone's preliminary Markit services PMI advanced to a three-month high level in May. Additionally, the flash Markit manufacturing PMI climbed in May. Separately, Germany's flash Markit services PMI rose more than market consensus in May. Meanwhile, the preliminary Markit manufacturing PMI advanced less than market forecast in May.

AUD ZAR ▼

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% firmer against the South African Rand at R11.5559.

The Australian Dollar fell against the South African Rand yesterday.

Key currencies & commodities

	Current#		1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
USDZAR	17.6614	▼	-1.84	-5.37	-5.04	3.86	25.66
GBPZAR	21.5751	▼	-1.99	-4.44	-7.87	5.26	15.81
EURZAR	19.3092	▼	-2.12	-4.21	-5.09	3.12	22.71
AUDZAR	11.5559	▼	-2.33	-3.13	-4.27	10.18	17.38
EURUSD	1.0933	▼	-0.27	1.20	-0.05	-0.69	-2.35
GBPUSD	1.2212	▼	-0.18	0.88	-2.95	1.40	-7.80
Brent (\$/barrel)	34.3	▼	0.87	10.95	36.18	0.49	-45.36
Gold (\$/oz)	1728.1	▲	-1.72	-1.96	1.63	7.00	13.05
Platinum (\$/oz)	858.8	▼	-7.28	6.05	6.58	12.23	-10.80
Copper (\$/MT)*	5363.8	▼	-0.99	4.03	3.94	4.48	-12.77

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.4% higher to trade at \$1,728.10/oz.

Yesterday, gold prices fell 1.7% to close at \$1,721.90/oz, amid strength in the US Dollar.

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Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil dropped 5.0% to trade at \$34.26/bl, after China decided to omit an economic growth target for 2020 renewing concerns over oil demand in the world's second-largest oil user.

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Yesterday, Brent crude oil advanced 0.9% to settle at \$36.06/bl, after a slowdown in supplies and hope for higher demand.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices dropped 0.9% to trade at \$858.80/oz.

Yesterday, platinum prices dropped 7.3% to close at \$866.50/oz.

Major South African corporate news

Hospitality Property Fund Limited

In its FY20 trading update, the company announced that it has resolved not to declare a dividend for the six months ended 31 March 2020, meaning that no distribution would be released for the year-end results at 31 March 2020 due to the impact of COVID-19.

SPAR Group Limited

In its 1H20 results, the company announced that revenues rose to ZAR59.75bn from ZAR54.27bn posted in the corresponding period of the previous year. Its diluted EPS decreased 24.8% to 388.50c from the same period of the prior year.

Investec Limited

In its FY20 results, the company announced that its net interest income increased to GBP853.00mn from GBP816.65mn posted in the previous year. Its diluted EPS rose to 114.40p from the prior year.

Major global economic news

US

In the US, existing home sales dropped 17.8% on a monthly basis in April, less than market forecast and compared to a drop of 8.5% in the previous month.

In May, the preliminary Markit services PMI edged up to 36.90 in the US, compared to a level of 26.70 in the prior month.

In the US, the preliminary Markit manufacturing PMI rose more-than-expected to 39.80 in May, compared to a level of 36.10 in the previous month.

In May, the Philadelphia Fed manufacturing index climbed to -43.10 in the US, less than market forecast and compared to a reading of -56.60 in the previous month.

In the US, seasonally adjusted number of initial jobless claims dropped to 2438.00K on a weekly basis in week ended 16 May 2020, less than market consensus and compared to a revised reading of 2687.00K in the prior week.

Eurozone

In the Eurozone, the preliminary Markit services PMI climbed to a level of 28.70 in May, more than market expectations and compared to a level of 12.00 in the previous month.

In May, the flash Markit manufacturing PMI rose to 39.50 in the Eurozone, more than market anticipations and compared to a level of 33.40 in the previous month.

In Germany, the flash Markit services PMI advanced more-than-expected to a level of 31.40 in May, compared to a level of 16.20 in the prior month.

In May, the preliminary Markit manufacturing PMI rose to a level of 36.80 in Germany, less than market forecast and compared to a level of 34.50 in the prior month.

UK

In the UK, CBI balance of firms reporting total order book above normal declined to -62.00 in May, compared to a level of -56.00 in the prior month.

In May, the preliminary Markit services PMI rose to a level of 27.80 in the UK, compared to a level of 13.40 in the previous month.

In the UK, the preliminary Markit manufacturing PMI advanced to 40.60 in May, more than market consensus and compared to a reading of 32.60 in the prior month.

In May, the GfK consumer confidence index eased to -34.00 in the UK, compared to a reading of -33.00 in the previous month.

Asia

In Japan, the national consumer price index (CPI) rose 0.1% on an annual basis in April, compared to a rise of 0.4% in the previous month.

The Bank of Japan (BoJ), in its latest monetary policy meeting, kept its key interest rate unchanged at -0.1%, as widely expected. Moreover, the central bank has launched a "Main Street" lending program to inject more money into small businesses, in an effort to support the economy from the coronavirus pandemic.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
 Japan	01:30	National CPI Ex-Fresh Food (YoY) (Apr)	✓✓✓	-0.20%*	0.40%	Monthly
 Japan	01:30	National CPI Ex Food, Energy (YoY) (Apr)	✓✓	0.20%*	0.60%	Monthly
 Japan	01:30	National Consumer Price Index (YoY) (Apr)	✓✓✓	0.10%*	0.40%	Monthly
 Japan	02:00	BoJ Monetary Policy Statement	✓✓✓	-	-	As Scheduled
 Japan	02:00	Bank of Japan Interest Rate Decision	✓✓✓	-0.10%*	-0.10%	As Scheduled
 Japan	02:00	BoJ Press Conference	✓✓✓	-	-	As Scheduled
 Eurozone	04:30	ECB's Lane speech	✓✓	-	-	As Scheduled
 Japan	07:30	Nationwide Department Store Sales (YoY) (Apr)	✓	-	-33.40%	Monthly
 UK	08:00	Public Sector Net Cash Requirement (Apr)	✓	-	GBP2.20bn	Monthly
 UK	08:00	Retail Sales ex-Fuel (YoY) (Apr)	✓	-18.20%	-4.10%	Monthly
 UK	08:00	Public Sector Net Borrowing (Apr)	✓	GBP35.00bn	GBP2.30bn	Monthly
 UK	08:00	Retail Sales ex-Fuel (MoM) (Apr)	✓	-15.00%	-3.70%	Monthly
 UK	08:00	PSNB ex Interventions (Apr)	✓	-	GBP3.10bn	Monthly
 UK	08:00	Retail Sales (MoM) (Apr)	✓	-16.00%	-5.10%	Monthly
 UK	08:00	Retail Sales (YoY) (Apr)	✓	-22.20%	-5.80%	Monthly
 Switzerland	09:00	M1 Money Supply (Apr)	✓	-	CHF691015.00mn	Monthly
 Switzerland	09:00	M2 Money Supply (Apr)	✓	-	CHF1025336.00mn	Monthly
 Switzerland	09:00	M3 Money Supply (YoY) (Apr)	✓	-	1.30%	Monthly
 Switzerland	09:00	M3 Money Supply (Apr)	✓	-	CHF1089771.00mn	Monthly
 Switzerland	09:00	M1 Money Supply (YoY) (Apr)	✓	-	1.70%	Monthly
 Switzerland	09:00	M2 Money Supply (YoY) (Apr)	✓	-	0.10%	Monthly
 Canada	14:30	Retail Sales (MoM) (Mar)	✓✓	-10.00%	0.30%	Monthly
 Canada	14:30	Retail Sales ex Autos (MoM) (Mar)	✓	-5.00%	0.00%	Monthly
 Germany	17:15	Euro-Bobl Options Expiry (May)	✓	-	-	Monthly
 Germany	17:15	Euro-Schatz Options Expiry (May)	✓	-	-	Monthly
 Germany	17:15	Euro-Bund Options Expiry (May)	✓	-	-	Monthly

Note: ✓✓✓High ✓✓Medium ✓Low

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