

ONE Minute Brief

29 May 2020

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Economic and political news

In South Africa (SA), the producer price index (PPI) rose 3.3% on an annual basis in March, compared to a rise of 4.5% in the previous month.

Public Investment Corporation's (PIC) Chairman, Reuel Khoza stated that the PIC has submitted a proposal to the government to convert more than ZAR90bn (USD5.2bn) Eskom bonds into equity to help the power utility emerge from financial crisis.

Health Minister Zweli Mkhize announced that the number of COVID-19 cases in the country had increased to 27,403.

News reports indicate that SA would allow most economic sectors including mining and manufacturing to fully resume operations from June as the country further eases coronavirus lockdown regulations.

Key indices

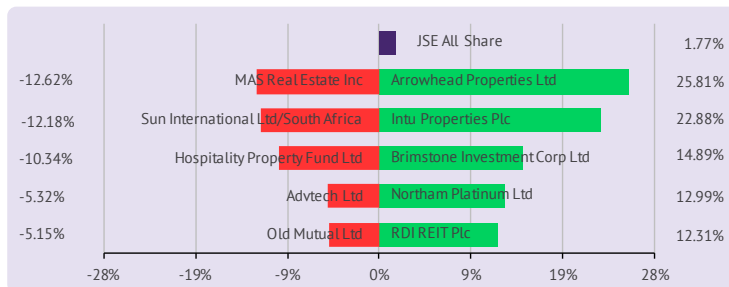
	As at 28 May 2020		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	51389.12	▲	893.17	1.77	2.48	2.09	13.14	-9.98
JSE Top 40 (ZAR)	47440.06	▲	839.42	1.80	2.17	2.36	13.77	-6.64
FTSE 100 (GBP)	6218.79	▲	74.54	1.21	3.76	5.38	4.04	-17.55
DAX 30 (EUR)	11781.13	▲	123.44	1.06	6.39	8.47	9.32	-11.08
CAC 40 (EUR)	4771.39	▲	82.65	1.76	7.35	4.36	4.00	-20.18
S&P 500 (USD)	3029.73	▼	-6.40	-0.21	2.51	4.03	12.68	-6.22
Nasdaq Composite (USD)	9368.99	▼	-43.37	-0.46	0.48	5.39	15.45	4.42
DJIA (USD)	25400.64	▼	-147.63	-0.58	3.82	4.33	11.08	-10.99
MSCI Emerging Markets (USD)	925.34	▼	-2.03	-0.22	2.22	0.04	9.00	-16.98
MSCI Developed World (USD)	2148.33	▲	11.43	0.54	3.69	4.65	10.80	-8.91

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, as investors remained optimistic about the pace of economic recovery. The JSE All Share Index rose 1.8% to close at 51,389.12.

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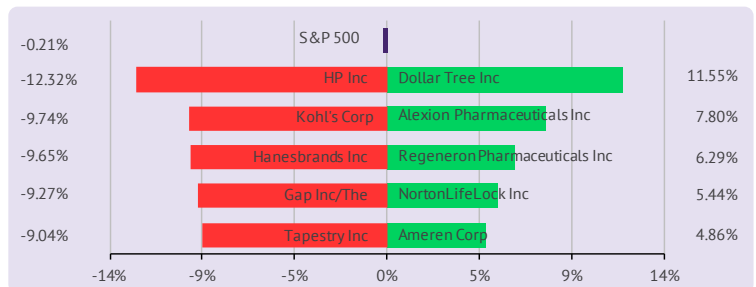


US Market ▼

US markets closed weaker

US markets closed lower yesterday, ahead of US President Donald Trump's news conference regarding Beijing's decision to impose a national security law on Hong Kong. The S&P 500 Index dropped 0.2% to close at 3,029.73. Today, the S&P 500 futures are trading in the red.

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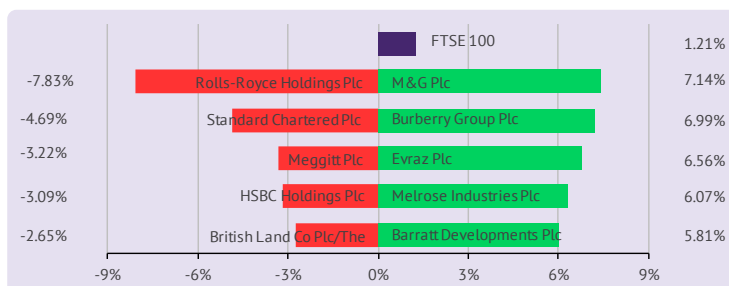


UK Market ▲

UK markets closed in the green

UK markets finished higher yesterday, as pharmaceutical stocks climbed on hopes for more progress in the development of a COVID-19 vaccine. The FTSE 100 Index advanced 1.2% to close at 6,218.79. Today, the FTSE 100 futures are trading in negative territory.

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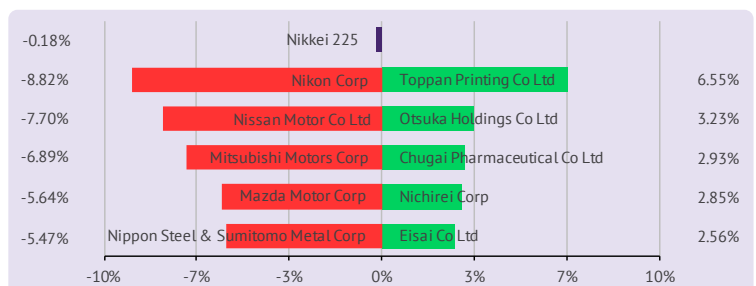


Asian Market ▼

Trading mostly lower

Asian markets are trading mostly lower this morning, as tensions between the US-China worsened after China approved controversial national security law for Hong Kong. As at 6:00 SAST, the Nikkei 225 Index is trading 0.2% lower at 21,876.89.

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USD ZAR ▲

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar retreated 0.2% against the South African Rand to trade at R17.4826. Later today, traders will keep a close watch on the US goods trade balance, personal income, personal spending, the Chicago Purchasing Managers' Index 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 second estimate of annualised gross domestic product (GDP) contracted at faster pace than estimated on a quarterly basis in 1Q20. Moreover, pending home sales plummeted more-than-expected on a monthly basis in April, recording its largest monthly decline since May 2010. Furthermore, seasonally adjusted number of initial jobless claims fell less than market forecast on a weekly basis in the week ended 22 May 2020. Meanwhile, preliminary durable goods orders dropped less-than-expected on a monthly basis in April. Further, the Kansas City Fed manufacturing activity index advanced in May. Separately, data indicated that SA's producer price inflation sharply slowed in March, sliding to a four-month low level.

GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound fell 0.1% against the South African Rand to trade at R21.5551. Ahead in the day, traders will keep an eye on UK's Nationwide housing price index for further indication.

The British Pound advanced against the South African Rand yesterday.

EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro marginally declined against the South African Rand to trade at R19.3937. Going forward, market participants will keep a tab on Eurozone's consumer price index (CPI) along with Germany's retail sales for further cues.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's final consumer confidence index rebounded in May. Meanwhile, the business climate indicator eased in May, hitting its lowest level since September 2009. Additionally, both, the economic sentiment indicator and the industrial confidence index rose less-than-anticipated in May. Moreover, the services sentiment indicator unexpectedly dropped in May. Separately, Germany's consumer price index fell in May, marking its lowest level since 2016.

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading marginally weaker against the South African Rand at R11.6185. Data showed that private sector credit demand in Australia remained flat in April.

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	17.4826	▲	0.73	-0.63	-5.48	3.86	25.09
GBPZAR	21.5551	▲	1.23	0.69	-7.54	5.26	16.24
EURZAR	19.3937	▲	1.39	1.01	-4.43	3.12	23.57
AUDZAR	11.6185	▲	0.92	0.94	-3.68	10.18	18.11
EURUSD	1.1093	▲	0.65	1.61	1.11	-0.69	-1.21
GBPUSD	1.2330	▲	0.49	1.22	-2.17	1.40	-7.06
Brent (\$/barrel)	35.0	▼	1.58	0.46	33.27	0.49	-46.53
Gold (\$/oz)	1732.3	▲	0.15	-1.28	1.13	7.00	12.49
Platinum (\$/oz)	860.1	▼	-1.14	-2.05	6.78	12.23	-10.63
Copper (\$/MT)*	5305.5	▲	1.51	0.87	2.81	4.48	-13.72

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 1.1% higher to trade at \$1,732.30/oz.

Yesterday, gold prices rose 0.2% to close at \$1,713.30/oz, as rising US-China trade tensions over Beijing's move to impose a national security law in Hong Kong increased demand for the safe haven metal.

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Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil retreated 0.8% to trade at \$35.00/bl.

Yesterday, Brent crude oil advanced 1.6% to settle at \$35.29/bl, amid rising demand for US gasoline. Data showed that Meanwhile, the US Energy Information Administration (EIA) reported that crude oil inventories rose by 7.9mn bls for the week ended 22 May 2020.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices fell 0.9% to trade at \$860.10/oz.

Yesterday, platinum prices dropped 1.1% to close at \$868.10/oz.

Major South African corporate news

Barloworld Limited

In its business update, the company announced that in April, the Automotive and Logistics businesses were significantly impacted by the stringent lockdown regulations in SA which limited non-essential trading, affecting key areas of the value chain. Moreover, in Motor Trading, operational activities were limited to Motor Retail that supported essential services through a select number of sites.

Old Mutual Limited

In its 1H20 trading update, the company announced that it expects sales levels to recover subsequent to lockdown and specific management actions have been put in place to accelerate sales and greater access to customers. Further, the company expects the pandemic to impact its performance for the remainder of the 2020 financial year as levels of uncertainty continue to impact economic conditions and consumer confidence.

Major global economic news

Eurozone

In Germany, the flash CPI rose 0.6% on an annual basis in May, in line with market consensus and compared to an advance of 0.9% in the previous month.

In the Eurozone, the final consumer confidence index advanced to -18.80 in May, compared to a revised level of -22.00 in the previous month. The preliminary figures had also recorded a rise to -18.80.

In May, the economic sentiment indicator rose to a level of 67.50 in the Eurozone, less than market anticipations and compared to a revised reading of 64.90 in the previous month.

In the Eurozone, the services sentiment indicator unexpectedly dropped to -43.60 in May, compared to a revised reading of -38.60 in the prior month.

In May, the business climate indicator eased to a level of -2.43 in Eurozone. In the previous month, the indicator had registered a revised reading of -1.99.

In the Eurozone, the industrial confidence index rose less-than-expected to -27.50 in May, following a revised level of -32.50 in the previous month.

Asia

In Japan, flash industrial production slid 9.1% on a monthly basis in April, more than market forecast and compared to a drop of 3.7% in the prior month.

In Japan, the unemployment rate advanced to 2.6% in April, less than market consensus and compared to 2.5% in the prior month.

In Australia, private sector credit demand recorded a flat reading on a monthly basis in April, compared to an advance of 1.1% in the previous month.

US

In the US, the Kansas City Fed manufacturing activity index rose to -25.00 in May, compared to a level of -62.00 in the prior month.

In April, pending home sales dropped 21.8% on a monthly basis in the US, compared to a drop of 20.8% in the previous month.

In the US, preliminary durable goods orders dropped 17.2% on a monthly basis in April, less than market consensus and compared to a revised fall of 16.6% in the previous month.

In 1Q20, the second estimate of annualised GDP dropped 5.0% on a quarterly basis in the US, compared to a drop of 4.8% in the prior quarter. The preliminary figures had recorded a drop of 4.8%.

In the US, seasonally adjusted number of initial jobless claims fell to a level of 2123.00K in the week ended 22 May 2020, less than market forecast and compared to a revised reading of 2446.00K in the prior week.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
Japan	01:30	Unemployment Rate (Apr)	✓✓	2.60%*	2.50%	Monthly
Japan	01:50	Retail Trade s.a. (MoM) (Apr)	✓✓✓	-9.60%*	-4.50%	Monthly
Japan	01:50	Industrial Production (MoM) (Apr) (P)	✓✓✓	-9.10%*	-3.70%	Monthly
Japan	01:50	Industrial Production (YoY) (Apr) (P)	✓✓✓	-14.40%*	-5.20%	Monthly
Japan	07:00	Housing Starts (YoY) (Apr)	✓	-12.10%	-7.60%	Monthly
Japan	07:00	Consumer Confidence Index (May)	✓✓	12.80	21.60	Monthly
Japan	07:00	Construction Orders (YoY) (Apr)	✓	-	-14.30%	Monthly
Germany	08:00	Retail Sales (YoY) (Apr)	✓✓✓	-14.30%	-2.80%	Monthly
South Africa	08:00	M3 Money Supply (YoY) (Apr)	✓	-	9.49%	Monthly
South Africa	08:00	Private Sector Credit (YoY) (Apr)	✓	6.45%	7.84%	Monthly
UK	08:00	Nationwide House Prices s.a. (MoM) (May)	✓	-1.00%	0.70%	Monthly
UK	08:00	Nationwide House Prices n.s.a. (YoY) (May)	✓	2.80%	3.70%	Monthly
US	08:00	Fed's Harker speech	✓✓	-	-	As Scheduled
France	08:45	Gross Domestic Product (QoQ) (Q1) (F)	✓✓✓	-5.80%	-0.10%	Quarterly
France	08:45	Gross Domestic Product (YoY) (Q1) (F)	✓✓✓	-	0.90%	Quarterly
France	08:45	Consumer Price Index (YoY) (May) (P)	✓✓✓	-	0.30%	Monthly
Switzerland	09:00	KOF Economic Barometer (May)	✓✓	70.00	63.47	Monthly
Eurozone	10:00	M3 Money Supply (3m) (Apr)	✓	5.50%	6.00%	Monthly
Eurozone	11:00	Consumer Price Index (YoY) (May) (P)	✓✓✓	0.20%	0.30%	Monthly
Eurozone	11:00	Consumer Price Index (MoM) (May) (P)	✓✓✓	-	0.30%	Monthly
South Africa	14:00	Trade Balance (Apr)	✓✓	ZAR8.00bn	ZAR24.25bn	Monthly
South Africa	14:00	Budget Balance (Apr)	✓	-	-ZAR51.20bn	Monthly
Canada	14:30	Gross Domestic Product (MoM) (Mar)	✓✓✓	-9.00%	0.00%	Monthly
Canada	14:30	Gross Domestic Product (YoY) (Mar)	✓✓✓	-	2.10%	Monthly
Canada	14:30	Gross Domestic Product Annualised (QoQ) (Q1)	✓✓✓	-10.00%	0.30%	Quarterly
US	14:30	Personal Income (MoM) (Apr)	✓✓	-6.50%	-2.00%	Monthly
US	14:30	Advance Goods Trade Balance (Apr)	✓	-	-USD64.22bn	Monthly
US	14:30	Personal Spending (Apr)	✓✓	-12.50%	-7.50%	Monthly
US	15:45	Chicago PMI (May)	✓✓✓	40.00	35.40	Monthly
US	16:00	Reuters/Michigan Consumer Sentiment Index (May) (F)	✓✓✓	-	71.80	Monthly
US	17:00	Fed's Chair Powell speech	✓✓✓	-	-	As Scheduled

Note: ✓✓✓High ✓✓Medium ✓Low

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