

ONE Minute Brief

9 June 2020

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Economic and political news

South African Airways (SAA) business rescue practitioners (BRPs) have been granted another extension to publish their final rescue plan until 15 June.

The Passenger Rail Agency of South Africa (Prasa) has dismissed four senior officials after they were found guilty of procurement irregularities.

According to the World Bank's latest Global Economic Prospects report, SA's economy is expected to contract by 7.1% on the back of "stringent but necessary" Covid-19 containment measures.

News reports indicate that Eskom has demanded ZAR95mn (USD5.7mn) from PricewaterhouseCoopers (PwC) that it paid in consulting fees in 2017.

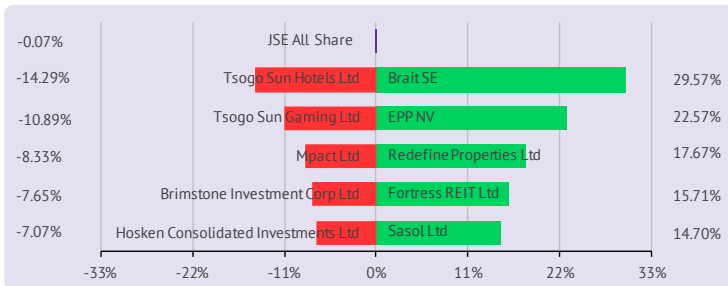
Former Johannesburg mayor, Herman Mashaba has opened a criminal case over the "illegal" leaking of the Public Protector, Busisiwe Mkhwebane's draft report in which he was found guilty of contravening supply chain management policies, conflict of interest, and making irregular appointments.

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. The JSE All Share Index fell 0.1% to close at 54,684.32.

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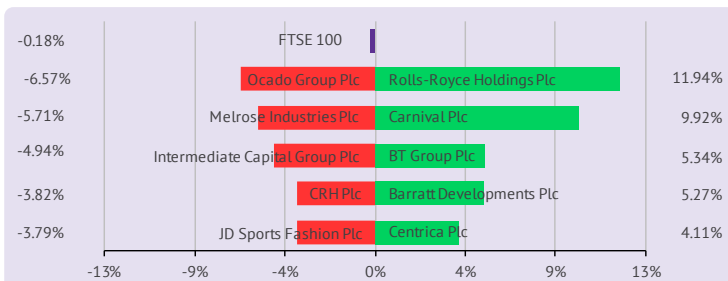


UK Market ▼

UK markets closed in the red

UK markets finished lower yesterday, amid concerns over rising corporate debt and following news reports that AstraZeneca had approached Gilead Sciences for a potential merger. The FTSE 100 Index declined 0.2% to close at 6,472.59. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

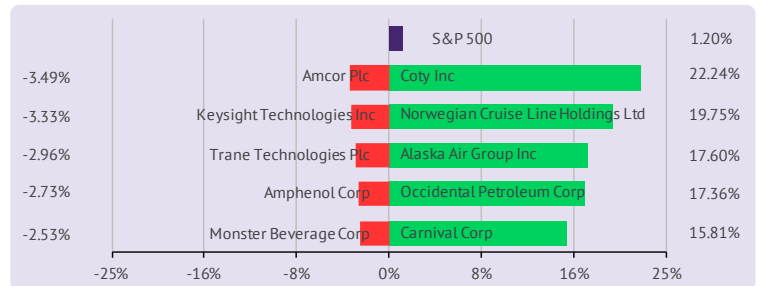
| | As at 08 June 2020 | 1 Day Chg | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. month % Chg | YTD % Chg |
|-----------------------------|--------------------|-----------|-----------|-----------|-----------|-------------------|-----------|
| JSE All Share (ZAR) | 54684.32 | ▼ -38.06 | -0.07 | -0.07 | 8.32 | 0.29 | -4.20 |
| JSE Top 40 (ZAR) | 50117.63 | ▼ -82.17 | -0.16 | -0.16 | 7.68 | 0.42 | -1.37 |
| FTSE 100 (GBP) | 6472.59 | ▼ -11.71 | -0.18 | -0.18 | 6.52 | 2.97 | -14.18 |
| DAX 30 (EUR) | 12819.59 | ▼ -28.09 | -0.22 | -0.22 | 10.64 | 6.68 | -3.24 |
| CAC 40 (EUR) | 5175.52 | ▼ -22.27 | -0.43 | -0.43 | 10.22 | 2.70 | -13.42 |
| S&P 500 (USD) | 3232.39 | ▲ 38.46 | 1.20 | 1.20 | 6.18 | 4.53 | 0.05 |
| Nasdaq Composite (USD) | 9924.75 | ▲ 110.66 | 1.13 | 1.13 | 4.58 | 6.75 | 10.61 |
| DJIA (USD) | 27572.44 | ▲ 461.46 | 1.70 | 1.70 | 8.63 | 4.26 | -3.38 |
| MSCI Emerging Markets (USD) | 1007.46 | ▲ 4.80 | 0.48 | 0.48 | 8.29 | 0.59 | -9.62 |
| MSCI Developed World (USD) | 2288.04 | ▲ 21.29 | 0.94 | 0.94 | 6.53 | 4.63 | -2.99 |

US Market ▲

US markets closed firmer

US markets closed higher yesterday, amid optimism about a swift economic recovery from the coronavirus-led downturn. The S&P 500 Index climbed 1.2% to close at 3,232.39. Today, the S&P 500 futures are trading in the red.

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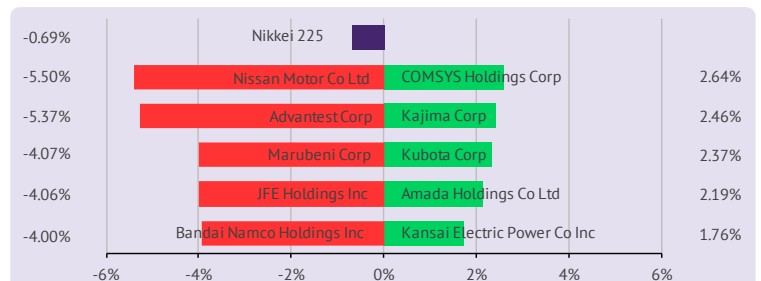


Asian Market ▲

Trading mostly higher

Asian markets are trading mostly higher this morning, as several countries eased coronavirus-driven lockdowns. As at 6:00 SAST, the Nikkei 225 Index is trading 0.7% lower at 23,017.83.

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USD ZAR ▼

USD trading higher against ZAR

At 06:00 SAST, the US Dollar advanced 0.3% against the South African Rand to trade at R16.7276. Later today, traders will keep a close watch on the US NFIB business optimism index and JOLTS job openings for further directions.

The US Dollar fell against the South African Rand yesterday.

GBP ZAR ▼

GBP trading firmer against ZAR

At 06:00 SAST, the British Pound is trading 0.2% higher against the South African Rand at R21.2646. With no major economic releases in the UK today, investor sentiment will be determined by global macroeconomic news. Data indicated that UK's BRC retail sales advanced on an annual basis in May.

The British Pound declined against the South African Rand yesterday.

EUR ZAR ▼

EUR trading higher against ZAR

At 06:00 SAST, the Euro is trading 0.2% firmer against the South African Rand at R18.8798. Going forward, market participants will keep a tab on Eurozone's gross domestic product (GDP) along with Germany's trade balance and current account balance for further cues.

The Euro weakened against the South African Rand yesterday. On the data front, Eurozone's Sentix investor confidence index advanced less-than-expected in June. Separately, Germany's April industrial production declined at its fastest rate since the series began in 1991.

AUD ZAR ▲

AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar is trading marginally lower against the South African Rand at R11.7044. Earlier in the session, Australia's NAB business confidence index rebounded in May. On the other hand, the NAB business conditions index rose less-than-anticipated in May.

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 | 16.7276 | ▼ | -1.18 | -1.18 | -4.94 | -5.29 | 19.14 |
| GBPZAR | 21.2646 | ▼ | -0.64 | -0.64 | -2.08 | -7.13 | 14.32 |
| EURZAR | 18.8798 | ▼ | -1.11 | -1.11 | -3.25 | -4.05 | 20.02 |
| AUDZAR | 11.7044 | ▲ | -0.37 | -0.37 | 0.05 | -2.99 | 19.02 |
| EURUSD | 1.1288 | ▼ | 0.02 | 0.02 | 1.74 | 1.33 | 0.72 |
| GBPUSD | 1.2711 | ▼ | 0.44 | 0.44 | 3.09 | -1.99 | -4.02 |
| Brent (\$/barrel) | 41.1 | ▲ | -3.55 | -3.55 | 7.82 | 42.90 | -38.18 |
| Gold (\$/oz) | 1701.4 | ▲ | 1.32 | 1.32 | -2.22 | 2.52 | 11.50 |
| Platinum (\$/oz) | 861.8 | ▲ | 3.71 | 3.71 | -1.53 | 7.58 | -11.34 |
| Copper (\$/MT)* | 5680.5 | ▲ | 0.20 | 0.20 | 6.13 | 3.72 | -7.62 |

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.2% higher to trade at \$1,701.40/oz, amid weakness in the US Dollar and ahead of the US Federal Reserve's (Fed) policy meeting.

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Yesterday, gold prices rose 1.3% to close at \$1,698.30/oz, amid speculation that the Fed will continue with its dovish monetary policy.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 0.8% higher to trade at \$41.13/bl, amid hopes that easing of lockdowns would boost oil demand.

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Yesterday, Brent crude oil declined 3.6% to settle at \$40.80/bl, after Saudi Arabia, the United Arab Emirates and Kuwait indicated that they would not include additional voluntary reductions of 1.18mn bls per day beyond this month.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices rose 0.1% to trade at \$861.80/oz.

Yesterday, platinum prices climbed 3.7% to close at \$861.20/oz.

Major South African corporate news

Ascendis Health Limited

The company announced that it has concluded agreements with Lender Consortium to restructure its existing debt facilities and provide for the advance of new debt facilities. Further, the company and its lenders have mutually agreed to extend the repayment obligations on its debt facility to December 2021, with no payments required in advance of that date, other than any excess cash which would be swept to the lenders.

RCL Foods Limited

In its FY20 trading statement, the company announced that it expects HEPS to be at least 30.0% lower compared to 37.90c recorded in the previous year.

Brait SE

The company announced that it has completed a transaction to sell the group's entire interest in Iceland Topco Limited with effect 8 June 2020. Further, it has sold its shareholding of 243,571,047 B Shares in Iceland Topco Limited to a newly established company, wholly owned by Sir Malcolm Walker CBE and Tarsem Dhaliwal. Iceland Foods is now wholly owned by Sir Malcolm Walker CBE, Tarsem Dhaliwal and their related parties. The sale consideration to be paid by NewCo to the company is GBP115.00mn in cash payable in three instalments.

Major global economic news

Eurozone

In Eurozone, the Sentix investor confidence index rose to a level of -24.80 in June, less than market expectations and compared to a level of -41.80 in the prior month.

In Germany, industrial production plunged 25.3% on a yearly basis in April, more than market anticipations and compared to a revised drop of 11.3% in the previous month.

European Central Bank (ECB) President, Christine Lagarde, in her speech, stated that the measures taken to contain the spread of coronavirus are "temporary, targeted and proportionate". Further, financial conditions are still tighter than at the outset of the COVID-19 pandemic. Looking ahead, Lagarde stated that the current crisis "can be an opportunity to modernize our economies to make them fit for the future."

UK

In the UK, the BRC retail sales advanced 7.9% on an annual basis in May, compared to a rise of 5.7% in the previous month.

Asia

In Australia, the NAB business confidence index climbed to -20.00 in May, compared to a revised level of -45.00 in the prior month.

In May, the NAB business conditions index advanced less-than-expected to -24.00 in Australia, compared to a level of -34.00 in the previous month.

Technical snapshot

JSE All Share



The JSE All Share index is expected to find support at 52,105.10, and a fall through could take it to the next support level of 49,525.88. The index is expected to find its first resistance at 56,088.03, and a rise through could take it to the next resistance level of 57,491.74.

S&P 500



The S&P 500 index is expected to find support at 3,111.64, and a fall through could take it to the next support level of 2,990.90. The index is expected to find its first resistance at 3,293.13, and a rise through could take it to the next resistance level of 3,353.88.

USD ZAR



The pair is expected to find support at 16.4127, and a fall through could take it to the next support level of 16.1454. The pair is expected to find its first resistance at 17.2117, and a rise through could take it to the next resistance level of 17.7434.

XAU USD



Gold is expected to find support at \$1,662.77/oz, and a fall through could take it to the next support level of \$1,627.23/oz. The precious metal is expected to find its first resistance at \$1,739.67/oz, and a rise through could take it to the next resistance level of \$1,781.03/oz.

Economic calendar

| Country | SAST | Economic indicator | Relevance | Consensus/ *Actual | Previous | Frequency |
|--------------|-------|--|-----------|-----------------------|------------|--------------|
| UK | 1:01 | BRC Sales Like-For-Like (YoY) (May) | ✓ | 7.90%* | 5.70% | Monthly |
| Japan | 1:30 | Labour Cash Earnings (YoY) (Apr) | ✓✓ | -0.60%* | 0.10% | Monthly |
| Japan | 1:50 | Money Supply M2+CD (YoY) (May) | ✓ | 5.10%* | 3.70% | Monthly |
| Japan | 1:50 | Money Supply M3 (YoY) (May) | ✓ | 4.10%* | 3.00% | Monthly |
| China | 2:01 | Manpower Survey (Q3) | ✓ | 3.00%* | 6.00% | Quarterly |
| Japan | 2:01 | Manpower Survey (Q3) | ✓ | 11.00%* | 24.00% | Quarterly |
| Germany | 8:00 | Exports s.a. (MoM) (Apr) | ✓ | -15.60% | -11.80% | Monthly |
| Germany | 8:00 | Labour Cost Index (Q1) | ✓ | - | 115.47 | Quarterly |
| Germany | 8:00 | Imports s.a. (MoM) (Apr) | ✓ | -16.00% | -5.10% | Monthly |
| Germany | 8:00 | Labour Costs s.a. (QoQ) (Q1) | ✓✓ | - | 0.00% | Quarterly |
| Germany | 8:00 | Labour Costs w.d.a. (YoY) (Q1) | ✓ | - | 3.00% | Quarterly |
| Germany | 8:00 | Trade Balance n.s.a. (Apr) | ✓✓✓ | EUR10.00bn | EUR12.80bn | Monthly |
| Germany | 8:00 | Current Account n.s.a. (Apr) | ✓ | - | EUR24.40bn | Monthly |
| Japan | 8:00 | Machine Tool Orders (YoY) (May) (P) | ✓✓✓ | - | -48.30% | Monthly |
| Eurozone | 10:00 | ECB's Rehn Speaks in Helsinki | ✓ | - | - | As Scheduled |
| Eurozone | 11:00 | Employment Change (QoQ) (Q1) (F) | ✓✓✓ | -0.20% | 0.30% | Quarterly |
| Eurozone | 11:00 | Employment Change (YoY) (Q1) (F) | ✓✓ | 0.30% | 1.10% | Quarterly |
| Eurozone | 11:00 | Gross Fixed Capital (QoQ) (Q1) | ✓ | - | 4.20% | Quarterly |
| Eurozone | 11:00 | Household Consumption (QoQ) (Q1) | ✓ | - | 0.10% | Quarterly |
| Eurozone | 11:00 | Government Expenditure (QoQ) (Q1) | ✓ | - | 0.30% | Quarterly |
| Eurozone | 11:00 | Gross Domestic Product s.a. (QoQ) (Q1) (F) | ✓✓✓ | -3.80% | 0.10% | Quarterly |
| Eurozone | 11:00 | Gross Domestic Product s.a. (YoY) (Q1) (F) | ✓✓ | -3.20% | 1.00% | Quarterly |
| South Africa | 11:30 | Unemployment Rate (Q1) | ✓✓ | - | 29.10% | Quarterly |
| US | 12:00 | NFIB Small Business Optimism (May) | ✓ | 86.00 | 90.90 | Monthly |
| US | 14:55 | Redbook Index (YoY) (05-Jun) | ✓ | - | -7.20% | Weekly |
| US | 14:55 | Redbook Index s.a. (MoM) (05-Jun) | ✓ | - | -1.40% | Weekly |
| US | 16:00 | JOLTs Job Openings (Apr) | ✓ | 5750.00K | 6191.00K | Monthly |
| US | 16:00 | Wholesale Inventories (MoM) (Apr) (F) | ✓✓✓ | 0.40% | -1.00% | Monthly |

Note: ✓✓✓High ✓✓Medium ✓Low

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