

ONE
Minute Brief

17 June 2020

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Economic and political news

South African Airways' (SAA) administrators have proposed a restructuring plan which would require the government to raise more than ZAR10bn (USD579.47mn) to rescue the airline.

Health Minister Zweli Mkhize stated that the number of COVID-19 cases in the country had increased to 73,533 and warned that infections and deaths would continue to rise.

Eskom stated that it is strategically switching off power in high-density areas where there are many illegal connections, in order to ease the strain on the national electricity grid.

The Electoral Court has granted the Electoral Commission of SA (IEC) stated that it is on track to hold municipal elections in 2021 within the constitutional timeframe.

The Central Energy Fund (CEF) has given its management the go-ahead to start the process of establishing a single national petroleum company.

Key indices

	As at 16 June 2020		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)*	52270.20	▼	-1369.44	-2.55	-2.55	3.54	0.29	-8.43
JSE Top 40 (ZAR)*	47919.52	▼	-1328.17	-2.70	-2.70	2.95	0.42	-5.70
FTSE 100 (GBP)	6242.79	▲	178.09	2.94	2.25	2.73	2.97	-17.23
DAX 30 (EUR)	12315.66	▲	404.31	3.39	3.07	6.29	6.68	-7.04
CAC 40 (EUR)	4952.46	▲	136.74	2.84	2.34	5.47	2.70	-17.16
S&P 500 (USD)	3124.74	▲	58.15	1.90	2.74	2.64	4.53	-3.28
Nasdaq Composite (USD)	9895.87	▲	169.84	1.75	3.20	4.28	6.75	10.29
DJIA (USD)	26289.98	▲	526.82	2.04	2.67	3.57	4.26	-7.88
MSCI Emerging Markets (USD)	989.87	▲	23.55	2.44	0.29	6.40	0.59	-11.20
MSCI Developed World (USD)	2219.10	▲	47.65	2.19	2.52	3.32	4.63	-5.91
* Values as on 15 June 2020								

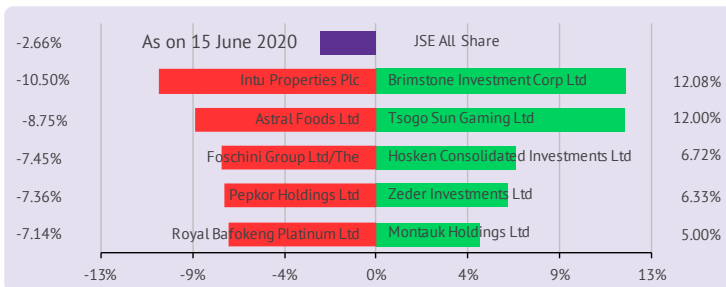
* Values as on 15 June 2020

South Africa Market ▼

South African markets closed lower

South African markets closed weaker on Monday, amid fears that countries may reintroduce lockdown restrictions due to surge in new coronavirus cases in parts of the US, China and Japan. The JSE All Share Index fell 2.6% to close at 52,270.20.

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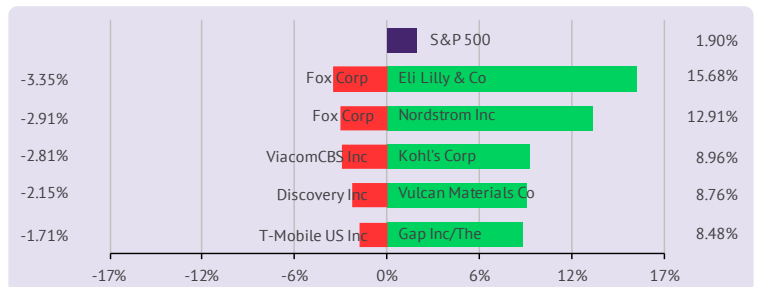


US Market ▲

US markets closed firmer

US markets closed in the green yesterday, as hopes of additional stimulus and upbeat US retail sales data fuelled expectations for a smooth economy recovery. The S&P 500 Index climbed 1.9% to close at 3,124.74. Today, the S&P 500 futures are trading in the red.

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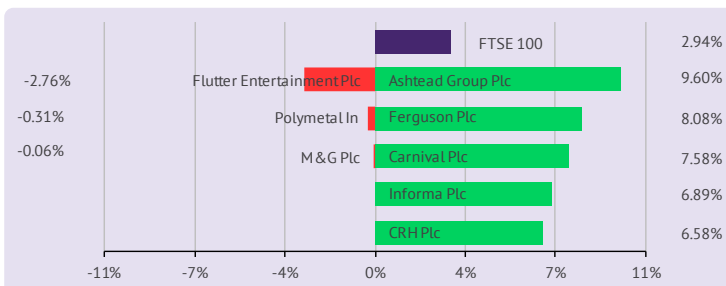


UK Market ▲

UK markets closed in the green

UK markets finished higher yesterday, helped by gains in travel sector stocks. The FTSE 100 Index advanced 2.9% to close at 6,242.79. Today, the FTSE 100 futures are trading in negative territory.

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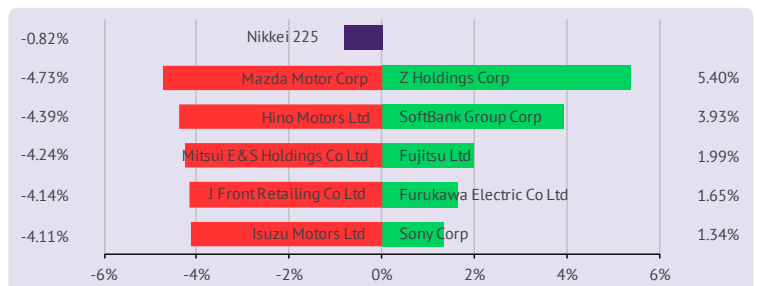


Asian Market ▼

Trading lower

Asian markets are trading lower this morning, amid resurgence of coronavirus cases in the US and geopolitical tensions. As at 6:00 SAST, the Nikkei 225 Index is trading 0.8% lower at 22,396.49.

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USD ZAR ▼

USD trading higher against ZAR

At 06:00 SAST, the US Dollar gained marginally against the South African Rand to trade at R17.2459. Later today, traders will keep a close watch on the US building permits, housing starts and the MBA mortgage applications for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US advance retail sales jumped more than market anticipations on a monthly basis in May. Additionally, the NAHB housing market index advanced more-than-expected in June. Moreover, manufacturing production climbed on a monthly basis in May. Meanwhile, industrial production rose less than market consensus on a monthly basis in May. Additionally, business inventories fell in April.

GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound retreated 0.1% against the South African Rand to trade at R21.6513. Ahead in the day, traders will keep an eye on UK's consumer price index (CPI), retail price index, the DCLG house price index and the producer price index (PPI) for further indication.

The British Pound advanced against the South African Rand yesterday. Data indicated that UK's average earnings including bonus advanced less-than-anticipated on an annual basis in April. Meanwhile, the ILO unemployment rate remained unchanged in April.

EUR ZAR ▼

EUR trading firmer against ZAR

At 06:00 SAST, the Euro marginally rose against the South African Rand to trade at R19.4303. Going forward, market participants will keep a tab on Eurozone's CPI and construction output for further cues.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's ZEW economic sentiment index advanced in June. Separately, Germany's ZEW current situation index improved in June. Additionally, the ZEW economic sentiment index rose more than market expectations in June. Moreover, the nation's consumer price inflation slowed for a third straight month in May, marking its lowest level since 2016.

AUD ZAR ▲

AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar fell 0.3% against the South African Rand to trade at R11.8479. Earlier in the session, Australia's HIA new home sales dropped in April. Meanwhile, the Westpac leading index advanced in May.

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	17.2459	▼	0.83	0.97	-1.72	-5.29	23.17
GBPZAR	21.6513	▲	0.53	1.41	0.04	-7.13	16.79
EURZAR	19.4303	▼	0.29	1.02	-0.26	-4.05	23.73
AUDZAR	11.8479	▲	0.33	1.21	1.50	-2.99	20.74
EURUSD	1.1266	▲	-0.52	0.07	1.47	1.33	0.45
GBPUSD	1.2555	▼	-0.25	0.26	1.86	-1.99	-5.16
Brent (\$/barrel)	40.1	▼	3.12	5.76	8.25	42.90	-37.94
Gold (\$/oz)	1733.2	▲	0.54	0.02	-0.42	2.52	13.56
Platinum (\$/oz)	833.3	▼	2.70	3.04	-3.51	7.58	-13.13
Copper (\$/MT)*	5698.5	▲	0.35	-1.09	6.47	3.72	-7.33

*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 \$1,733.20/oz.

Yesterday, gold prices rose 0.5% to close at \$1,729.60/oz, amid growing concerns over resurgence of new coronavirus cases in China and the US.

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Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged 2.2% lower to trade at \$40.05/bl, after the American Petroleum Institute (API) reported that crude oil inventories rose by 3.9mn bls to 543.2mn bls last week.

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Yesterday, Brent crude oil advanced 3.1% to settle at \$40.96/bl, after the International Energy Agency (IEA) increased its oil demand forecast for 2020.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices edged 1.3% lower to trade at \$833.30/oz.

Yesterday, platinum prices climbed 2.7% to close at \$843.90/oz.

Major South African corporate news

Delta Property Fund Limited

In its FY20 results, the company announced that the group's revenue fell to ZAR1.46bn from ZAR1.55bn posted in the previous year. Its diluted loss per share stood at 82.37c, compared to an EPS of 39.80c in the prior year.

Discovery Limited

In its FY20 trading statement, the company announced that it expects headline earnings to be between 70.0% to 90.0% lower compared to previous year. Further, it reported that Discovery Life's new business held up well in April and May, and lapses have been low, possibly due to the premium relief options that have been made available to clients. Total claims were below expectation during the two months, and there were less than five COVID-19 related lump sum claims. Moreover, core new business annualised premium income for the group increased by 4.0% for the eleven months ended 31 May 2020, compared to the same period in the prior year.

Major global economic news

Asia

In Japan, total merchandise trade deficit unexpectedly narrowed to JPY833.40bn in May, compared to a revised deficit of JPY931.90bn in the previous month.

In Australia, the house price index rose 1.6% on a quarterly basis in 1Q20, less than market anticipations and compared to an advance of 3.9% in the prior quarter.

In May, the Westpac leading index rose 0.2% on a monthly basis in Australia, compared to a drop of 1.5% in the previous month.

In Australia, the HIA new home sales dropped 4.2% on a monthly basis in April, compared to a fall of 1.1% in the prior month.

The Reserve Bank of Australia (RBA), in its latest monetary policy meeting minutes, indicated that Australia's economy was experiencing its biggest economic contraction since the 1930s, however, the downturn could be shallower than earlier expected. Moreover, the central bank was still uncertain with the pandemic expected to have "long-lasting effects" on the economy. Also, the RBA reiterated that it would not increase the cash rate target until progress is made towards full employment and it is confident that inflation will be sustainably within the target band.

The Bank of Japan (BoJ), in its latest monetary policy meeting, kept its key interest rate unchanged at -0.10%, as widely expected. Moreover, Governor Haruhiko Kuroda indicated that interest rates would likely remain ultralow into 2023 and warned that the coronavirus pandemic could end up having a longer-than-expected impact on the economy. Further, the central bank increased its lending support for companies to JPY110tn (USD1tn) while leaving its main monetary policy settings untouched as it continues to monitor the economic fallout from the pandemic.

UK

In the UK, average earnings including bonus rose 1.0% on an annual basis in April, less than market expectations and compared to a revised rise of 2.3% in the prior month.

In April, the ILO unemployment rate unexpectedly remained steady at 3.9% in the UK.

US

In the US, the NAHB housing market index climbed more-than-expected to a level of 58.00 in June, compared to a level of 37.00 in the previous month.

In the US, business inventories fell 1.3% in April, compared to a revised decline of 0.3% in March.

In May, industrial production rose 1.4% on a monthly basis in the US, less than market forecast and compared to a revised drop of 12.5% in the prior month.

In the US, manufacturing production advanced 3.8% on a monthly basis in May, compared to a revised drop of 15.5% in the prior month.

In May, advance retail sales climbed 17.7% on a monthly basis in the US, compared to a revised drop of 14.7% in the previous month.

The US Fed Chairman, Jerome Powell, during his testimony before the Senate Committee on Banking, Housing, and Urban Affairs, maintained a cautious stance about the economy. He stated that the levels of output and employment remain far below their pre-pandemic levels, and "significant uncertainty" remains about the timing and strength of the recovery.

Eurozone

In the Eurozone, the ZEW economic sentiment index advanced to 58.60 in June, compared to a level of 46.00 in the prior month.

In Germany, the ZEW current situation index climbed to -83.10 in June, more than market expectations and compared to a level of -93.50 in the previous month.

In June, the ZEW economic sentiment index increased to 63.40 in Germany, compared to a level of 51.00 in the prior month.

In Germany, the final CPI advanced 0.6% on an annual basis in May, compared to a rise of 0.9% in the previous month. The preliminary figures had also recorded a rise of 0.6%.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
Japan	01:50	Imports (YoY) (May)	✓✓	-26.20%*	-7.20%	Monthly
Japan	01:50	Merchandise Trade Balance Total (May)	✓✓✓	-JPY833.40bn*	-JPY930.40bn	Monthly
Japan	01:50	Adjusted Merchandise Trade Balance (May)	✓✓✓	-JPY601.00bn*	-JPY996.30bn	Monthly
Japan	01:50	Exports (YoY) (May)	✓✓	-28.30%*	-21.90%	Monthly
UK	08:00	Retail Price Index (May)	✓	-	292.60	Monthly
UK	08:00	Consumer Price Index (MoM) (May)	✓	0.00%	-0.20%	Monthly
UK	08:00	Consumer Price Index (YoY) (May)	✓	0.50%	0.80%	Monthly
UK	08:00	Consumer Price Index Core (YoY) (May)	✓	1.30%	1.40%	Monthly
UK	08:00	Producer Price Index - Input n.s.a. (MoM) (May)	✓	-4.50%	-5.10%	Monthly
UK	08:00	Producer Price Index - Input n.s.a. (YoY) (May)	✓	-6.00%	-9.80%	Monthly
UK	08:00	Producer Price Index - Output n.s.a. (MoM) (May)	✓	0.00%	-0.70%	Monthly
UK	08:00	Producer Price Index - Output n.s.a. (YoY) (May)	✓	-0.90%	-0.70%	Monthly
UK	08:00	Retail Price Index (MoM) (May)	✓	-	0.00%	Monthly
UK	08:00	Retail Price Index (YoY) (May)	✓	1.20%	1.50%	Monthly
Eurozone	11:00	Construction Output s.a. (MoM) (Apr)	✓✓✓	-	-14.10%	Monthly
Eurozone	11:00	Construction Output w.d.a. (YoY) (Apr)	✓	-	-15.40%	Monthly
Eurozone	11:00	Consumer Price Index - Core (YoY) (May) (F)	✓✓✓	0.90%	0.90%	Monthly
Eurozone	11:00	Consumer Price Index (MoM) (May) (F)	✓✓✓	-0.10%	0.30%	Monthly
Eurozone	11:00	Consumer Price Index (YoY) (May) (F)	✓✓✓	0.10%	0.30%	Monthly
US	13:00	MBA Mortgage Applications (12-Jun)	✓	-	9.30%	Weekly
US	14:30	Housing Starts (May)	✓✓✓	1093.00K	891.00K	Monthly
US	14:30	Housing Starts (MoM) (May)	✓✓✓	-	-30.20%	Monthly
US	14:30	Building Permits (MoM) (May)	✓✓✓	-	-20.80%	Monthly
US	16:30	DOE Gasoline Inventories (12-Jun)	✓✓✓	-	866.00K	Weekly
US	16:30	EIA Crude Oil Stocks Change (Barrels) (12-Jun)	✓✓✓	-	5.72mn	Weekly
US	16:30	DOE Distillate Inventory (12-Jun)	✓✓✓	-	1568.00K	Weekly
US	16:30	DOE Cushing OK Crude Inventory (Barrels) (12-Jun)	✓✓✓	-	-2279.00K	Weekly

Note: ✓✓✓High

✓✓Medium

✓Low

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