

ONE
Minute Brief

1 July 2020

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Economic and political news

In South Africa (SA), annualised gross domestic product (GDP) fell 2.0% on a quarterly basis in 1Q20, compared to a drop of 1.4% in the prior quarter. Additionally, growth in private sector credit demand slowed to 6.35% on an annual basis in May, compared to a revised growth of 7.18% in April. Moreover, expansion in M3 money supply slowed to 10.26% on a yearly basis in May, compared to 10.47% in the prior month. Meanwhile, trade surplus stood at ZAR15.94bn in May, compared to a deficit of ZAR35.95bn in April.

The National Assembly has adopted a motion to re-establish an ad hoc committee to amend Section 25 of the Constitution to allow expropriation without compensation.

South African Airways (SAA) unions have threatened to approach Parliament to stop the loss of 3,700 jobs following the collapse of SAA's restructuring platform.

The Economic Freedom Fighters (EFF) has called the South African government to place the country under lockdown Level 5 for a period of three months.

Key indices

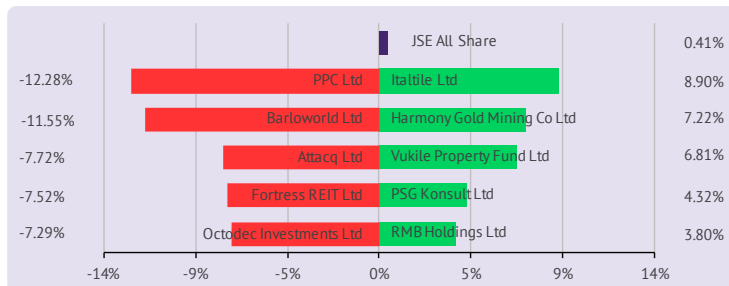
| | As at 30 June 2020 | | 1 Day Chg | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. month % Chg | YTD % Chg |
|-----------------------------|--------------------|---|-----------|-----------|-----------|-----------|-------------------|-----------|
| JSE All Share (ZAR) | 54362.36 | ▲ | 220.86 | 0.41 | 1.33 | NA | 7.68 | -4.77 |
| JSE Top 40 (ZAR) | 50174.95 | ▲ | 254.86 | 0.51 | 1.41 | NA | 7.80 | -1.26 |
| FTSE 100 (GBP) | 6169.74 | ▼ | -56.03 | -0.90 | 0.17 | NA | 1.53 | -18.20 |
| DAX 30 (EUR) | 12310.93 | ▲ | 78.81 | 0.64 | 1.83 | NA | 6.25 | -7.08 |
| CAC 40 (EUR) | 4935.99 | ▼ | -9.47 | -0.19 | 0.54 | NA | 5.12 | -17.43 |
| S&P 500 (USD) | 3100.29 | ▲ | 47.05 | 1.54 | 3.03 | NA | 1.84 | -4.04 |
| Nasdaq Composite (USD) | 10058.77 | ▲ | 184.62 | 1.87 | 3.09 | NA | 5.99 | 12.11 |
| DJIA (USD) | 25812.88 | ▲ | 217.08 | 0.85 | 3.19 | NA | 1.69 | -9.55 |
| MSCI Emerging Markets (USD) | 995.10 | ▲ | 1.14 | 0.11 | -0.38 | NA | 6.96 | -10.73 |
| MSCI Developed World (USD) | 2201.79 | ▲ | 25.35 | 1.16 | 2.07 | NA | 2.51 | -6.64 |

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in gold mining and resource sector stocks. The JSE All Share Index rose 0.4% to close at 54,362.36.

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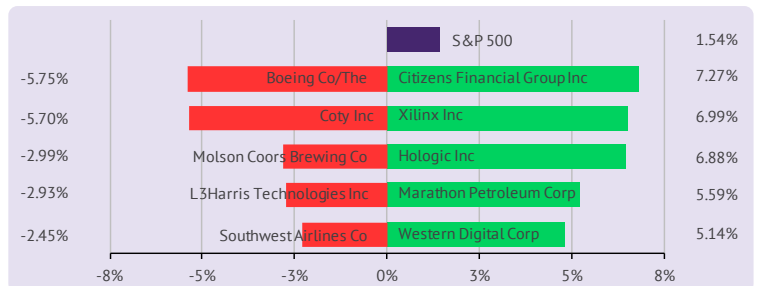


US Market ▲

US markets closed firmer

US markets closed higher yesterday, as upbeat US economic data offset concerns surrounding rising COVID-19 cases. The S&P 500 Index climbed 1.5% to close at 3,100.29. Today, the S&P 500 futures are trading in the red.

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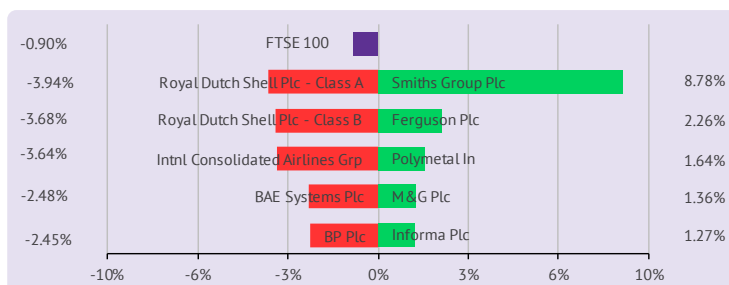


UK Market ▼

UK markets closed in the red

UK markets finished lower yesterday, after data indicated that Britain's economy contracted by the most since 1979 in 1Q20. The FTSE 100 Index declined 0.9% to close at 6,169.74. Today, the FTSE 100 futures are trading in positive territory.

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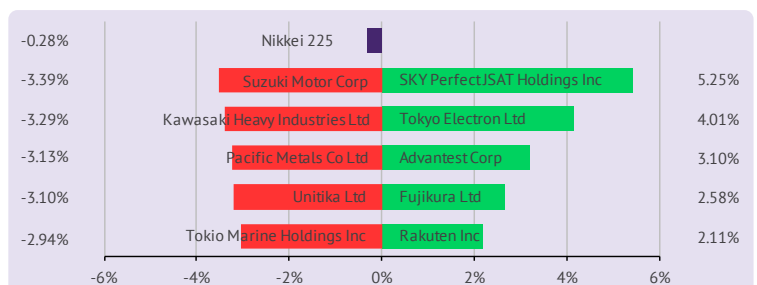


Asian Market ▲

Trading mostly higher

Asian markets are trading mostly higher this morning, following better-than-expected Chinese factory activity data. As at 6:00 SAST, the Nikkei 225 Index is trading 0.3% lower at 22,224.70.

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USD ZAR ▼

USD trading higher against ZAR

At 06:00 SAST, the US Dollar marginally rose against the South African Rand to trade at R17.3576. Later today, traders will keep a close watch on the US Markit manufacturing PMI, the ISM manufacturing PMI, construction spending, MBA mortgage applications and the FOMC meeting minutes for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US CB consumer confidence index jumped in June. Meanwhile, the Chicago Fed PMI advanced less-than-anticipated in June. Separately, the South African Rand fell against the US Dollar, after SA's economy contracted in 1Q20, recording its third consecutive quarterly decline. On the data front, expansion in M3 money supply slowed in May. Additionally, growth in private sector credit demand slowed in the same month. Meanwhile, trade balance reported a surplus in May.

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GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound declined 0.2% against the South African Rand to trade at R21.4747. Ahead in the day, traders will keep an eye on UK's nationwide housing prices and the Markit manufacturing PMI for further indication. Data indicated that UK's BRC shop price index dropped in May.

The British Pound advanced against the South African Rand yesterday. Data indicated that UK's GDP fell on a quarterly basis in 1Q20, recording its worst decline since 1979. Additionally, the country's current account deficit widened more-than-expected in 1Q20.

EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading marginally lower against the South African Rand at R19.4857. Going forward, market participants will keep a tab on Eurozone's Markit manufacturing PMI along with Germany's retail sales, the Markit manufacturing PMI and unemployment rate for further cues.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's inflation accelerated in June.

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar slightly fell against the South African Rand to trade at R11.9755. Earlier in the session, Australia's AiG performance of manufacturing index climbed in June. Additionally, the Commonwealth Bank manufacturing PMI advanced more than market anticipations in June. Meanwhile, building permits declined in May. Elsewhere, in China, Australia's largest trading partner, the Caixin manufacturing PMI unexpectedly advanced to a six-month high level in June.

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 | 17.3576 | ▼ | 0.45 | 0.32 | NA | -1.11 | 23.94 |
| GBPZAR | 21.4747 | ▲ | 1.28 | 0.97 | NA | -0.70 | 15.93 |
| EURZAR | 19.4857 | ▲ | 0.38 | 0.50 | NA | 0.09 | 24.17 |
| AUDZAR | 11.9755 | ▲ | 1.00 | 0.94 | NA | 2.35 | 21.75 |
| EURUSD | 1.1226 | ▼ | -0.07 | 0.13 | NA | 1.20 | 0.19 |
| GBPUSD | 1.2372 | ▼ | 0.84 | 0.53 | NA | 0.47 | -6.46 |
| Brent (\$/barrel) | 41.8 | ▲ | -1.05 | 0.61 | NA | 9.06 | -37.47 |
| Gold (\$/oz) | 1801.8 | ▲ | 1.08 | 1.13 | NA | 3.66 | 18.21 |
| Platinum (\$/oz) | 840.7 | - | 2.93 | 3.80 | NA | -3.88 | -13.45 |
| Copper (\$/MT)* | 6004.5 | ▲ | 0.89 | 0.86 | NA | 12.19 | -2.35 |

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.1% higher to trade at \$1,801.80/oz.

Yesterday, gold prices rose 1.1% to close at \$1,800.50/oz, as growing worries over resurgence in coronavirus cases increased demand for the safe haven metal.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil climbed 1.2% to trade at \$41.75/bl, after the American Petroleum Institute (API) reported that crude oil inventories declined by 8.2mn bls to 537mn bls last week.

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Yesterday, Brent crude oil declined 1.1% to settle at \$41.27/bl, amid fears that rising COVID-19 cases would hurt oil demand and speculation over a potential resurgence in Libyan oil production.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices edged marginally lower to trade at \$840.70/oz.

Yesterday, platinum prices climbed 2.9% to close at \$840.70/oz.

Major South African corporate news

Attacq Limited

In its June 2020 pre-close update and trading statement, the company announced that given the economic impact of COVID-19 and the uncertain outlook created by it, the company pro-actively approached its lenders requesting the extension of any debt maturing prior to 30 September 2021 as well as relaxations of its portfolio ICR covenants in the form of reduced covenant levels or waivers of the covenants, as the case may be. Further, the company has received credit approval obtained for all debt maturities to be extended to beyond 30 September 2021 and for the relaxation of its portfolio ICR covenants for the 31 December 2020. Further, the company would not be declaring a final distribution for the financial year ending 30 June 2020 and shareholders are advised that its distribution per share would decline by 44.8% from the total of 81.50c per share for the year ended 30 June 2019 to 45.00c per share.

Barloworld Limited

In its 1H20 results, the company announced that revenues declined 12.2% to ZAR25.22bn from ZAR28.72bn reported in the same period of the preceding year. Its diluted loss per share stood at 729.70c, compared to an EPS of 436.90c recorded in the corresponding period of the previous year.

Steinhoff International Holdings NV

In its FY19 results, the company announced that revenues advanced 4.9% to EUR11.99bn from EUR11.43bn recorded in the preceding year. Its diluted loss per share stood at 28.20c, compared to 13.90c recorded in the previous year.

Vukile Property Fund Limited

In its FY20 results, the company announced that revenues increased to ZAR3.45bn from ZAR2.81bn posted in the previous year. Its diluted loss per share stood at 10.81c from an EPS of 199.05c in the prior year.

Major global economic news

Asia

In Japan, housing starts fell 12.3% to 0.81mn on an annual basis in May, compared to a level of 0.79mn in the previous month.

In May, construction orders declined 6.1% on an annual basis in Japan, compared to a drop of 14.2% in the previous month.

In Japan, the Jibun Bank manufacturing PMI rose to 40.10 in June, more than market anticipations and compared to a level of 37.80 in the prior month.

In Australia, the AiG performance of manufacturing index climbed to 51.50 in June, compared to a level of 41.60 in the previous month.

In June, the Commonwealth Bank manufacturing PMI advanced to a level of 51.20 in Australia, compared to a level of 49.80 in the previous month.

In Australia, building permits plunged 16.4% on a monthly basis in May, compared to a drop of 1.8% in April.

In China, the Caixin manufacturing PMI unexpectedly climbed to 51.20 in June, compared to 50.70 in the previous month.

UK

In the UK, current account deficit widened to GBP21.10bn in 1Q20, compared to a revised deficit of GBP9.22bn in the previous quarter.

In 1Q20, final GDP dropped 2.2% on a quarterly basis in the UK, compared to a flat reading in the prior quarter. The preliminary figures had recorded a drop of 2.0%.

In the UK, the BRC shop price index fell 1.6% on an annual basis in May, compared to a drop of 2.4% in the previous month.

US

In the US, the CB consumer confidence index jumped to 98.10 in June, compared to a revised level of 85.90 in the previous month.

In June, the Chicago Fed Purchasing Managers' Index advanced less-than-expected to 36.60 in June, compared to a level of 32.30 in the previous month.

Federal Reserve Chairman, Jerome Powell, in his testimony before the House Financial Services Committee, painted a mixed picture of the US economic recovery and warned that failure to contain the spread of COVID-19 would result in an economic fallout. On the contrary, he pointed to better-than-expected May employment numbers and retail sales figures to make the case that the economic recovery was underway. Meanwhile, Powell reiterated his commitment to keep interest rates low and provide various liquidity facilities.

Eurozone

In the Eurozone, the flash CPI rose 0.3% on an annual basis in June, more than market consensus and compared to a rise of 0.1% in the previous month.

Economic calendar

| Country | SAST | Economic indicator | Relevance | Consensus/ *Actual | Previous | Frequency |
|--------------|-------|--------------------------------------------|-----------|-----------------------|--------------|--------------|
| UK | 01:01 | BRC Shop Price Index (YoY) (Jun) | ✓ | -1.60%* | -2.40% | Monthly |
| Japan | 01:50 | Tankan Large Manufacturing Index (Q2) | ✓✓ | -34.00* | -8.00 | Quarterly |
| Japan | 01:50 | Tankan Large Manufacturing Outlook (Q2) | ✓✓ | -27.00* | -11.00 | Quarterly |
| Japan | 01:50 | Tankan Non - Manufacturing Outlook (Q2) | ✓✓ | -14.00* | -1.00 | Quarterly |
| Japan | 01:50 | Tankan Non - Manufacturing Index (Q2) | ✓✓ | -17.00* | 8.00 | Quarterly |
| Japan | 01:50 | Tankan Large ALL Industry Capex (Q2) | ✓✓ | 3.20%* | 1.80% | Quarterly |
| Japan | 02:30 | Nomura/ JIMMA Manufacturing PMI (Jun) (F) | ✓✓✓ | 40.10* | 38.40 | Monthly |
| China | 03:45 | Caixin/Markit Manufacturing PMI (Jun) | ✓✓✓ | 51.20* | 50.70 | Monthly |
| Japan | 07:00 | Consumer Confidence Index (Jun) | ✓✓ | - | 24.00 | Monthly |
| Japan | 07:00 | Vehicle Sales (YoY) (Jun) | ✓ | - | -40.20% | Monthly |
| Germany | 08:00 | Retail Sales (MoM) (May) | ✓✓✓ | 3.90% | -5.30% | Monthly |
| Germany | 08:00 | Retail Sales (YoY) (May) | ✓✓✓ | -3.50% | -6.50% | Monthly |
| UK | 08:00 | Nationwide House Prices n.s.a. (YoY) (Jun) | ✓ | 1.00% | 1.80% | Monthly |
| Switzerland | 09:30 | SVME - PMI (Jun) | ✓✓ | 48.30 | 42.10 | Monthly |
| Eurozone | 09:45 | ECB's Panetta Speech | ✓ | - | - | As Scheduled |
| France | 09:50 | Markit Manufacturing PMI (Jun) (F) | ✓✓✓ | 52.10 | 40.60 | Monthly |
| Germany | 09:55 | Markit Manufacturing PMI (Jun) (F) | ✓✓✓ | 44.60 | 36.60 | Monthly |
| Germany | 09:55 | Unemployment Rate s.a. (Jun) | ✓✓✓ | 6.60% | 6.30% | Monthly |
| Eurozone | 10:00 | Markit Manufacturing PMI (Jun) (F) | ✓✓✓ | 46.90 | 39.40 | Monthly |
| UK | 10:30 | Markit Manufacturing PMI (Jun) (F) | ✓ | 50.10 | 40.70 | Monthly |
| South Africa | 11:00 | PMI Manufacturing (Jun) | ✓✓ | - | 50.20 | Monthly |
| Eurozone | 12:00 | ECB Balance sheet (22-Jun) | ✓✓ | - | EUR5636.38bn | Weekly |
| UK | 13:00 | BoE's Haskel speech | ✓ | - | - | As Scheduled |
| US | 13:00 | MBA Mortgage Applications (26-Jun) | ✓ | - | -8.70% | Weekly |
| US | 14:15 | ADP Employment Change (Jun) | ✓✓✓ | - | -2760.00K | Monthly |
| UK | 14:30 | BoE's Breeden Speech | ✓ | - | - | As Scheduled |
| US | 15:45 | Markit Manufacturing PMI (Jun) (F) | ✓✓✓ | 49.60 | 39.80 | Monthly |
| US | 16:00 | Construction Spending (MoM) (May) | ✓✓ | 1.00% | -2.90% | Monthly |
| US | 16:00 | ISM Manufacturing PMI (Jun) | ✓✓✓ | 49.40 | 43.10 | Monthly |

Note: ✓✓✓ High ✓✓ Medium ✓ Low

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