

ONE Minute Brief

16 July 2020

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Economic and political news

In South Africa (SA), the consumer price index (CPI) advanced 2.1% on an annual basis in May, compared to a rise of 3.0% in the previous month.

Health Minister Zweli Mkhize confirmed that the number of COVID-19 cases in the country had increased to 311,049.

According to a survey by the National Income Dynamics Study Coronavirus Rapid Mobile Survey (NIDS-CRAM) approximately 3mn people in SA lost their jobs between February and April 2020, as a result of the Covid-19 pandemic.

National Treasury Director-General, Dondo Mogajane stated that SA is on track to get its USD4.2bn (ZAR70bn) International Monetary Fund (IMF) Covid-19 emergency loan by the end of July.

The Democratic Alliance (DA) has asked Finance Minister Tito Mboweni to refuse any additional bailouts for South African Airways.

SA's Prudential Authority expects that business-interruption claims linked to the Covid-19 pandemic poses little systemic risk to the insurance industry.

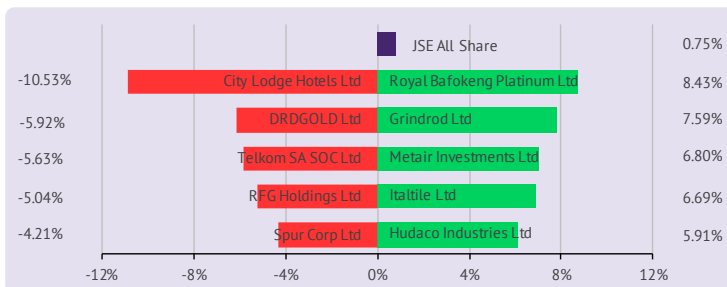
News reports indicate that the Democratic Alliance has opened a criminal case against two top officials at the Public Service Commission.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in platinum mining, resources and industrial sector stocks. The JSE All Share Index rose 0.8% to close at 55,947.05.

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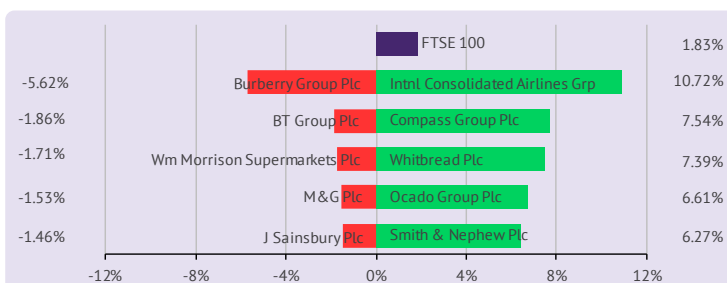


UK Market ▲

UK markets closed in the green

UK markets finished higher yesterday, as signs of progress in developing a potential COVID-19 vaccine and supported by gains in healthcare sector stocks. The FTSE 100 Index advanced 1.8% to close at 6,292.65. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

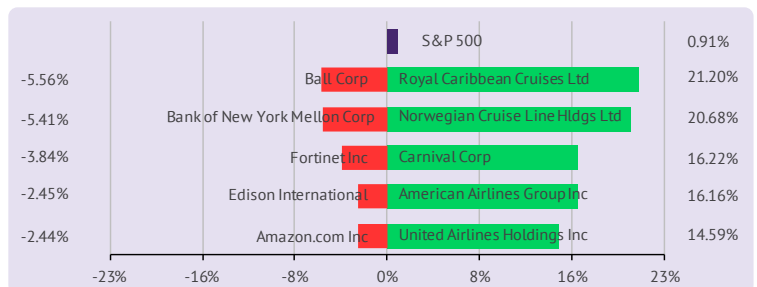
	As at 15 July 2020	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	55947.05	▲ 416.00	0.75	0.95	2.92	7.68	-1.99
JSE Top 40 (ZAR)	51606.70	▲ 371.61	0.73	0.88	2.85	7.80	1.56
FTSE 100 (GBP)	6292.65	▲ 112.90	1.83	3.24	1.99	1.53	-16.57
DAX 30 (EUR)	12930.98	▲ 233.62	1.84	2.35	5.04	6.25	-2.40
CAC 40 (EUR)	5108.98	▲ 101.52	2.03	2.79	3.50	5.12	-14.54
S&P 500 (USD)	3226.56	▲ 29.04	0.91	1.30	4.07	1.84	-0.13
Nasdaq Composite (USD)	10550.49	▲ 61.91	0.59	-0.63	4.89	5.99	17.59
DJIA (USD)	26870.10	▲ 227.51	0.85	3.05	4.10	1.69	-5.85
MSCI Emerging Markets (USD)	1066.29	▲ 6.76	0.64	-0.28	7.15	6.96	-4.34
MSCI Developed World (USD)	2298.78	▲ 28.10	1.24	1.73	4.41	2.51	-2.53

US Market ▲

US markets closed firmer

US markets closed higher yesterday, amid optimism over a potential COVID-19 vaccine and following better-than-expected corporate earnings report. The S&P 500 Index climbed 0.9% to close at 3,226.56. Today, the S&P 500 futures are trading in the red.

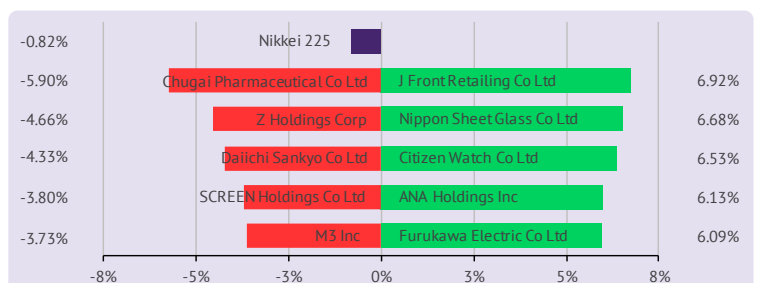
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Asian Market ▼

Trading lower

Asian markets are trading lower this morning. As at 6:00 SAST, the Nikkei 225 Index is trading 0.8% lower at 22,756.90.



USD ZAR ▼

USD trading firmer against ZAR

At 06:00 SAST, the US Dollar is trading 0.4% higher against the South African Rand at R16.6587. Later today, traders will keep a close watch on the US initial jobless claims, retail sales, business inventories, the NAHB housing market index and the Philadelphia Fed manufacturing survey for further direction.

The US Dollar fell against the South African Rand yesterday. On the macro front, the US industrial production advanced more-than-expected on a monthly basis in June. Additionally, manufacturing production climbed on a monthly basis in May. Moreover, the MBA mortgage applications increased on a weekly basis in the week ended 10 July 2020. Also, the NY Empire State manufacturing index rose more than market forecast in July. Separately, data indicated that SA's consumer price inflation slowed to a 15-year low level in May.

GBP ZAR ▼

GBP trading higher against ZAR

At 06:00 SAST, the British Pound is trading 0.2% firmer against the South African Rand at R20.9212. Ahead in the day, traders will keep an eye on UK's ILO unemployment rate, GfK consumer confidence index and average earnings including bonus for further indications.

The British Pound declined against the South African Rand yesterday. Data indicated that UK's CPI advanced more than market anticipations on an annual basis in June. Additionally, the retail price index rose in line with market expectations in June. Meanwhile, the non-seasonally adjusted output producer price index (PPI) dropped on an annual basis in June.

EUR ZAR ▼

EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading 0.3% higher against the South African Rand at R18.9990. Going forward, market participants will keep a tab on Eurozone's trade balance and the European Central Bank's (ECB) interest rate decision for further cues.

The Euro weakened against the South African Rand yesterday.

AUD ZAR ▼

AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.2% firmer against the South African Rand at R11.6475. Earlier in the session, Australia's HIA new home sales surged in May. Meanwhile, seasonally adjusted unemployment rate rose in June, hitting its highest level in 22 years. Additionally, consumer inflation expectations advanced less than market expectations in July. Elsewhere, in China, Australia's largest trading partner, gross domestic product (GDP) climbed more than market anticipations on a quarterly basis in 2Q20. Additionally, industrial production advanced in June. Moreover, the house price index rose in June. On the contrary, retail sales unexpectedly dropped in June.

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	16.6587	▼	-0.94	-1.16	-4.37	-1.11	18.52
GBPZAR	20.9212	▼	-0.59	-1.36	-2.94	-0.70	12.52
EURZAR	18.9990	▼	-0.80	-0.22	-2.86	0.09	20.61
AUDZAR	11.6475	▼	-0.43	-0.32	-2.93	2.35	18.18
EURUSD	1.1405	▼	0.11	0.99	1.58	1.20	1.77
GBPUSD	1.2559	▼	0.27	-0.28	1.50	0.47	-5.05
Brent (\$/barrel)	43.6	▼	2.07	1.27	6.11	9.06	-33.65
Gold (\$/oz)	1812.5	▼	0.02	0.66	0.74	3.66	19.09
Platinum (\$/oz)	839.0	▲	0.82	-0.19	-0.68	-3.88	-14.04
Copper (\$/MT)*	6378.8	▼	-1.80	-0.62	6.23	12.19	3.74

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

Gold ▼

Trading in the red

At 06:00 SAST, gold prices edged 0.1% lower to trade at \$1,812.50/oz.

Yesterday, gold prices marginally rose to close at \$1,813.80/oz, amid weakness in the US Dollar.

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Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil edged 0.5% lower to trade at \$43.56/bl, after the Organisation of the Petroleum Exporting Countries (OPEC) and its allies agreed to ease production cuts from August.

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Yesterday, Brent crude oil advanced 2.1% to settle at \$43.79/bl, after the US Energy Information Administration (EIA) reported that crude oil inventories fell by 7.5mn bls in the week ended 10 July 2020.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices advanced 0.5% to trade at \$839.00/oz.

Yesterday, platinum prices climbed 0.8% to close at \$835.00/oz.

Major South African corporate news

Tiger Brands Limited

The company announced that Ms. Deepa Sita has been appointed as Chief Financial Officer (CFO) and Executive Director, with effect from 1 October 2020.

Truworths International Limited

In its FY20 business update, the company announced that retail sales dropped by 9.4% to ZAR16.90bn compared to the previous year. Account sales comprised 51.0% of group retail sales for the current period, with account and cash sales decreasing by 8.4% and 10.5%, respectively, relative to the prior period. Further, the firm is in the process of negotiating further funding for the Office business as well as implementing various restructuring initiatives, including a staff redundancy process and store lease negotiations, in order to secure the long-term viability of Office.

Major global economic news

Asia

In Australia, the consumer inflation expectations rose to 3.2% in July, less than market expectations and compared to 3.3% in the previous month.

In May, the HIA new home sales surged 87.2% on a monthly basis in Australia, compared to a drop of 4.2% in the previous month.

In Australia, the unemployment rate rose to 7.4% in June, compared to 7.1% in the prior month.

In China, the house price index rose 4.9% in June, compared to a similar rise in previous month.

In 2Q20, gross domestic product (GDP) climbed 11.5% on a quarterly basis in China, more than market expectations and compared to a fall of 9.8% in the previous quarter.

In China, industrial production advanced 4.8% on an annual basis in June, more than market anticipations and compared to a rise of 4.4% in the previous month.

In June, retail sales unexpectedly dropped 1.8% on a yearly basis in China, compared to a fall of 2.8% in the previous month.

The Bank of Japan (BoJ), in its quarterly outlook report, indicated that the economy is “likely to improve gradually from the second half of this year”, however, the pace is expected to be “only moderate while the impact of the novel coronavirus remains worldwide”. The central bank added that the economy will contract 4.7% in this fiscal year ending March 2021. Thereafter, the economy is projected to expand 3.3% in next fiscal year and 1.5% in 2022. Nevertheless, outlook is “extremely unclear” with risks “skewed to the downside”.

US

In the US, industrial production rose 5.4% on a monthly basis in June, compared to a rise of 1.4% in the previous month.

In May, manufacturing production climbed 7.2% on a monthly basis in the US, compared to a rise of 3.8% in the prior month.

In the US, the MBA mortgage applications rose 5.1% on a weekly basis in the week ended 10 July 2020, compared to a rise of 2.2% in the previous week.

In July, the NY Empire State manufacturing index jumped more-than-expected to 17.20 in the US, compared to a level of -0.20 in the prior month.

The US Federal Reserve, in its latest Beige Book, indicated that the US economic activity increased in almost all districts but remained well below pre-pandemic levels. The report highlighted that consumer spending picked up and retail sales rose in all districts. Also, employment increased and manufacturing activity improved. Meanwhile, the Fed reiterated that the outlook remained highly uncertain as it was unclear how long the crisis would last.

UK

In the UK, the consumer price index (CPI) rose 0.6% on an annual basis in June, more than market expectations and compared to an advance of 0.5% in the previous month.

In June, the non-seasonally adjusted output producer price index (PPI) fell 0.8% on an annual basis in the UK, less than market anticipations and compared to a revised drop of 1.2% in the previous month.

In the UK, the retail price index advanced 0.2% on monthly basis in June, in line with market forecast and compared to a fall of 0.1% in the previous month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
Japan	01:50	Japan Buying Foreign Bonds (10-Jul)	✓	JPY1065.70 bn*	-JPY522.80bn	Weekly
Japan	01:50	Japan Buying Foreign Stocks (10-Jul)	✓	-JPY3639.00 bn*	JPY210.40bn	Weekly
Japan	01:50	Foreign Buying Japan Bonds (10-Jul)	✓	JPY749.60 bn*	-JPY746.50bn	Weekly
Japan	01:50	Foreign Buying Japan Stocks (10-Jul)	✓	JPY67.20 bn*	-JPY77.00bn	Weekly
China	04:00	Industrial Production (YoY) (Jun)	✓✓	4.80%*	4.40%	Monthly
China	04:00	Industrial Production YTD (YoY) (Jun)	✓✓	-1.30%*	-2.80%	Monthly
China	04:00	Retail Sales (YoY) (Jun)	✓✓✓	-1.80%*	-2.80%	Monthly
China	04:00	Industrial Production (MoM) (Jun)	✓	1.30%*	1.53%	Monthly
China	04:00	Gross Domestic Product (QoQ) (Q2)	✓✓✓	11.50%*	-9.80%	Quarterly
China	04:00	Gross Domestic Product (YoY) (Q2)	✓✓✓	3.20%*	-6.80%	Quarterly
China	04:00	Real Gross Domestic Product YTD (YoY) (Q2)	✓✓✓	-1.60%*	-6.80%	Quarterly
UK	08:00	Average Earnings Excluding Bonus (3Mo/Yr) (May)	✓	0.50%	1.70%	Monthly
UK	08:00	Average Earnings Including Bonus (3Mo/Yr) (May)	✓	-0.40%	1.00%	Monthly
UK	08:00	Claimant Count Change (Jun)	✓	250.00K	528.90K	Monthly
UK	08:00	Claimant Count Rate s.a. (Jun)	✓	-	7.80%	Monthly
UK	08:00	Employment Change (3M/3M) (May)	✓	-234.00K	6.00K	Monthly
UK	08:00	ILO Unemployment Rate (3M) (May)	✓	4.20%	3.90%	Monthly
Eurozone	11:00	Trade Balance n.s.a. (May)	✓✓	-	EUR2.90bn	Monthly
Eurozone	11:00	Trade Balance s.a. (May)	✓✓✓	-	EUR1.20bn	Monthly
South Africa	11:30	Producer Price Index (MoM) (May)	✓✓	-	-0.70%	Monthly
South Africa	11:30	Producer Price Index (YoY) (May)	✓✓	-0.10%	1.20%	Monthly
Eurozone	13:45	ECB Interest Rate Decision	✓✓✓	-	0.00%	As Scheduled
Eurozone	14:30	ECB Monetary policy statement and press conference	✓✓✓	-	-	As Scheduled
US	14:30	Continuing Jobless Claims (04-Jul)	✓✓✓	17600.00K	18062.00K	Weekly
US	14:30	Initial Jobless Claims (11-Jul)	✓✓✓	1250.00K	1314.00K	Weekly
US	14:30	Advance Retail Sales (MoM) (Jun)	✓✓✓	5.00%	17.70%	Monthly
US	14:30	Philadelphia Fed Manufacturing Survey (Jul)	✓✓	20.00	27.50	Monthly
US	16:00	Business Inventories (May)	✓	-2.30%	-1.30%	Monthly
US	16:00	NAHB Housing Market Index (Jul)	✓	60.00	58.00	Monthly
US	16:30	EIA Natural Gas Storage Change (10-Jul)	✓✓✓	-	56.00 Bcf	Weekly

Note: ✓✓✓High ✓✓Medium ✓Low

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