

ONE
Minute Brief

3 September 2020

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Economic and political news

In a briefing, Auditor-General Kimi Makwetu stated that some of the money in its ZAR500bn (USD30bn) COVID-19 relief package may have been fraudulently paid to improper beneficiaries. In a separate briefing, Labour Minister Thulas Nxesi announced that Unemployment Insurance Fund (UIF) Commissioner Teboho Maruping, responsible for paying out jobless claims, has been placed on precautionary suspension along with three other executives following an investigation by the auditor-general.

In a presentation to the parliament, Eskom stated that gross debt increased to ZAR488bn (USD29.3bn) as of March 2020, from ZAR440bn a year earlier. Separately, Eskom Chief Financial Officer (CFO) Calib Cassim told parliament's Standing Committee on Appropriations that power prices need to rise 25% in real terms for Eskom to become sustainable.

Eskom has indicated that it would implement Stage 4 load shedding from 8.00am to 10.00pm today and has warned that it would persist throughout the weekend.

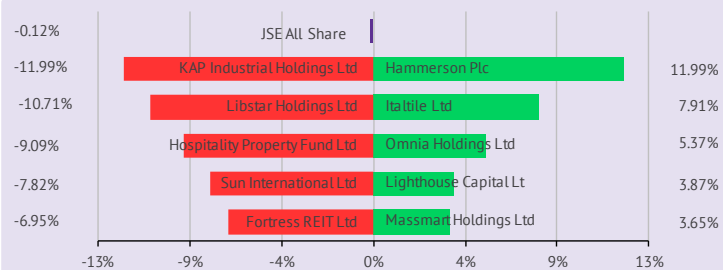
The National Treasury has appointed Airports Company SA (Acsa) group executive Badisa Matshego as the accounting authority for the Passenger Rail Agency of SA (Prasa), with effect from 1 September.

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, weighed down by losses in banking, gold mining and financial sector stocks. The JSE All Share Index fell 0.1% to close at 55,861.88.

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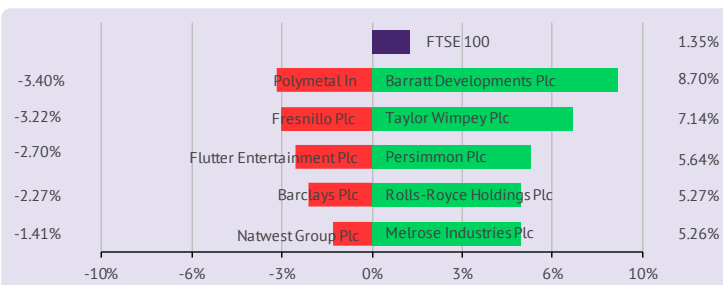


UK Market ▲

UK markets closed in the green

UK markets finished higher yesterday, as homebuilder stocks gained driven by rise in UK house prices and amid weakness in the British Pound. The FTSE 100 Index advanced 1.4% to close at 5,940.95. Today, the FTSE 100 futures are trading in positive territory.

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Key indices

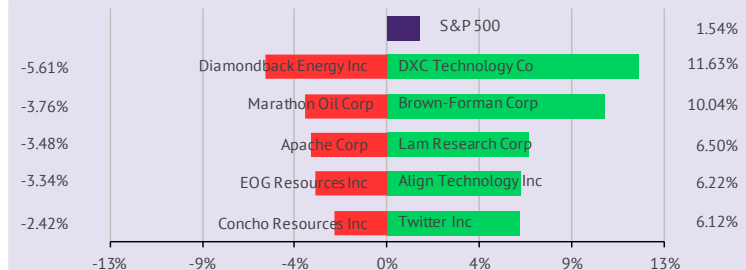
	As at 02 Sept 2020	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	55861.88	▼	-65.81	-0.12	-0.35	0.70	-0.44
JSE Top 40 (ZAR)	51678.30	▼	-25.80	-0.05	-0.14	0.88	-0.28
FTSE 100 (GBP)	5940.95	▲	78.90	1.35	-0.38	-0.38	1.12
DAX 30 (EUR)	13243.43	▲	269.18	2.07	1.61	2.30	5.13
CAC 40 (EUR)	5031.74	▲	93.64	1.90	0.58	1.71	3.42
S&P 500 (USD)	3580.84	▲	54.19	1.54	2.08	2.30	7.01
Nasdaq Composite (USD)	12056.44	▲	116.77	0.98	3.08	2.39	9.59
DJIA (USD)	29100.50	▲	454.84	1.59	1.56	2.36	7.57
MSCI Emerging Markets (USD)	1118.90	▼	-1.12	-0.10	-0.24	1.58	2.09
MSCI Developed World (USD)	2494.10	▲	26.85	1.09	1.52	1.57	6.53

US Market ▲

US markets closed firmer

US markets closed higher yesterday, buoyed by gains in defensive, consumer staples and property sector stocks. The S&P 500 Index climbed 1.5% to close at 3,580.84. Today, the S&P 500 futures are trading in the red.

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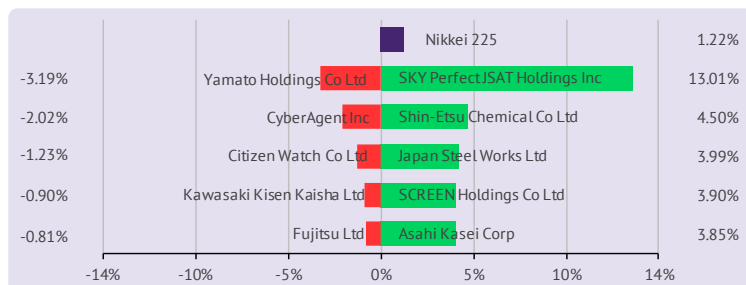


Asian Market ▲

Trading higher

Asian markets are trading higher this morning, as investors assessed recent economic data from China and the US. As at 6:00 SAST, the Nikkei 225 Index is trading 1.2% higher at 23,529.93.

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USD ZAR ▲

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% lower against the South African Rand at R16.8013. Later today, traders will keep a close watch on the US trade balance, initial jobless claims, the Markit services PMI and the ISM services PMI for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US private sector employment increased less-than-expected in August. Additionally, the MBA mortgage applications fell on a weekly basis in the week ended 28 August 2020. Meanwhile, both, durable goods orders and factory orders advanced in July.

GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound is trading 0.3% weaker against the South African Rand at R22.3875. Ahead in the day, traders will keep an eye on UK's Markit services PMI and Bank of England (BoE) Governor Andrew Bailey's speech for further indication.

The British Pound advanced against the South African Rand yesterday. Data indicated that UK's seasonally adjusted Nationwide house prices climbed in August, registering its biggest gain in 16 years.

EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading 0.4% lower against the South African Rand at R19.8617. Going forward, market participants will keep a tab on Eurozone's Markit services PMI and retail sales along with Germany's Markit services PMI for further cues.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's producer price index (PPI) dropped less than market forecast in July. On the other hand, Germany's retail sales declined for a second straight month in July.

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar fell 0.4% against the South African Rand to trade at R12.2935. Earlier in the session, Australia's AiG performance of construction index dropped in August. Additionally, trade surplus narrowed more-than-anticipated in July. Meanwhile, the Commonwealth Bank services PMI unexpectedly advanced in August. Elsewhere, in China, Australia's largest trading partner, the Caixin services PMI eased in August.

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	16.8013	▲	0.98	1.33	-0.74	-0.76	20.11
GBPZAR	22.3875	▲	0.73	1.34	-0.86	1.40	20.95
EURZAR	19.8617	▲	0.50	0.91	-1.40	0.57	27.00
AUDZAR	12.2935	▲	0.51	0.94	-1.25	2.45	25.41
EURUSD	1.1822	▼	-0.48	-0.40	-0.68	1.34	5.73
GBPUSD	1.3326	▼	-0.25	-0.02	-0.15	2.18	0.70
Brent (\$/barrel)	44.5	▲	-2.52	-3.01	-1.88	4.04	-32.68
Gold (\$/oz)	1951.4	▲	-1.72	-1.52	-1.71	0.39	27.17
Platinum (\$/oz)	915.7	▲	-5.10	-3.82	-3.60	2.07	-6.93
Copper (\$/MT)*	6709.8	▲	0.01	0.18	0.18	4.29	9.12

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices climbed 0.7% to trade at \$1,951.40/oz.

Yesterday, gold prices fell 1.7% to close at \$1,936.90/oz, amid strength in the US Dollar and as upbeat economic data renewed hopes for a smooth economic recovery.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 0.1% higher to trade at \$44.46/bl.

Yesterday, Brent crude oil declined 2.5% to settle at \$44.43/bl, as gasoline demand fell in the US and amid fears that economic recovery may be weaker than expected. Separately, the US Energy Information Administration (EIA) reported that crude oil inventories fell by 9.4mn bls to 498.40mn bls in the week ended 28 August 2020.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices gained 1.3% to trade at \$915.70/oz.

Yesterday, platinum prices dropped 5.1% to close at \$904.10/oz.

Major South African corporate news

Blue Label Telecoms Limited

The company announced that it is considering moving into electricity-revenue collection for cash-strapped municipalities.

Major global economic news

US

In the US, the final durable goods orders jumped 11.4% on a monthly basis in July, compared to a revised rise of 7.7% in the prior month. The preliminary figures had indicated a rise of 11.2%.

In July, factory orders advanced 6.4% on a monthly basis in the US, compared to a revised rise of 6.4% in the prior month.

In the US, private sector employment climbed by 428.00K in August, less than market forecast and compared to a revised increase of 212.00K jobs in the prior month.

In the week ended 28 August 2020, the MBA mortgage applications slid 2.0% on a weekly basis in the US, compared to a drop of 6.5% in the prior week.

The US Federal Reserve (Fed), in its latest Beige Book, revealed that economic activity increased among most districts, but gains were generally modest and activity remained well below levels prior to the Covid-19 pandemic. Moreover, US business activity and employment increased through late August, but economic growth was generally sluggish. On the inflation front, price pressures increased since the last Beige Book in July but remained modest.

Eurozone

In the Eurozone, the producer price index (PPI) fell 3.3% on an annual basis in July, less than market consensus and compared to a drop of 3.7% in the previous month.

In Germany, retail sales unexpectedly fell 0.9% on a monthly basis in July, compared to a revised drop of 1.9% in the previous month.

Asia

In Australia, the AiG performance of construction index dropped to 37.90 in August, compared to a level of 42.70 in the previous month.

In August, the Commonwealth Bank services PMI unexpectedly rose to a level of 49.00 in Australia, compared to a level of 48.10 in the prior month.

In Australia, trade surplus narrowed more-than-expected to AUD4.61bn in July, compared to a surplus of AUD8.20bn in the previous month.

In China, the Caixin services PMI eased to 54.00 in August, less than market anticipations and compared to a level of 54.10 in the previous month.

In Japan, the Jibun Bank services PMI declined to 45.00 in August, compared to a level of 45.40 in the prior month.

UK

In the UK, the seasonally adjusted Nationwide house prices rose 2.0% on a monthly basis in August, more than market expectations and compared to a revised rise of 1.8% in the previous month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
Japan	2:30	Nikkei Japan Services PMI (Aug) (F)	✓✓	45.00*	45.40	Monthly
Japan	2:30	Nikkei Japan Composite PMI (Aug) (F)	✓✓✓	45.20*	44.90	Monthly
China	3:45	Caixin/Markit Services PMI (Aug)	✓✓✓	54.00*	54.10	Monthly
China	3:45	HSBC China Composite PMI (Aug)	✓✓✓	55.10*	54.50	Monthly
Switzerland	8:30	Consumer Price Index (MoM) (Aug)	✓✓	0.10%	-0.20%	Monthly
Switzerland	8:30	Consumer Price Index (YoY) (Aug)	✓✓	-0.80%	-0.90%	Monthly
Spain	9:15	Markit Services PMI (Aug)	✓✓✓	48.00	51.90	Monthly
Italy	9:45	Markit Services PMI (Aug)	✓✓✓	49.20	51.60	Monthly
France	9:50	Markit Services PMI (Aug) (F)	✓✓✓	51.90	57.30	Monthly
France	9:50	Markit Composite PMI (Aug) (F)	✓✓✓	51.70	57.30	Monthly
Germany	9:55	Markit Services PMI (Aug) (F)	✓✓✓	50.80	55.60	Monthly
Germany	9:55	Markit Composite PMI (Aug) (F)	✓✓✓	53.70	55.30	Monthly
Eurozone	10:00	Markit Composite PMI (Aug) (F)	✓✓✓	51.60	54.90	Monthly
Eurozone	10:00	Markit Services PMI (Aug) (F)	✓✓✓	50.10	54.70	Monthly
UK	10:30	Markit Services PMI (Aug) (F)	✓	60.10	56.50	Monthly
UK	10:30	Markit Composite PMI (Aug) (F)	✓	60.30	57.00	Monthly
Eurozone	11:00	Retail Sales (MoM) (Jul)	✓✓✓	1.50%	5.70%	Monthly
Eurozone	11:00	Retail Sales (YoY) (Jul)	✓✓✓	3.50%	1.30%	Monthly
Eurozone	11:00	Retail Sales Index s.a. (Jul)	✓✓	-	110.50	Monthly
South Africa	13:00	Electricity Consumption (YoY) (Jul)	✓	-	-4.90%	Monthly
South Africa	13:00	Electricity Production (YoY) (Jul)	✓	-	-5.80%	Monthly
US	14:30	Non-Farm Productivity (Q2) (F)	✓	-	-0.30%	Quarterly
US	14:30	Unit Labour Costs (Q2) (F)	✓	12.10%	9.80%	Quarterly
US	14:30	Continuing Jobless Claims (22-Aug)	✓✓✓	14000.00K	14535.00K	Weekly
US	14:30	Initial Jobless Claims (29-Aug)	✓✓✓	950.00K	1006.00K	Weekly
US	14:30	Trade Balance (Jul)	✓✓✓	-USD58.00bn	-USD50.70bn	Monthly
US	15:45	Markit Services PMI (Aug) (F)	✓✓✓	54.80	50.00	Monthly
US	15:45	Markit Composite PMI (Aug) (F)	✓✓✓	54.70	50.30	Monthly
UK	16:00	BoE Governor Bailey Speech	✓	-	-	As Scheduled
US	16:30	EIA Natural Gas Storage Change (28-Aug)	✓✓✓	-	45.00Bcf	Weekly

Note: ✓✓✓High ✓✓Medium ✓Low

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