

ONE
Minute Brief

30 October 2020

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Economic and political news

In South Africa (SA), the producer price index (PPI) rose 2.5% on an annual basis in September, compared to an advance of 2.4% in the prior month. Meanwhile, growth in private sector credit demand slowed to 3.1% on a yearly basis in September, compared to 3.9% in the prior month. Moreover, expansion in M3 money supply weakened to 9.5% on an annual basis in September, compared to a revised 10.9% in the previous month.

Eskom has indicated that its Unit 2 at the Kusile power station in Mpumalanga province had attained commercial operation status and would contribute up to 800 megawatts to the national grid.

The assault case against Economic Freedom Fighters' (EFF) Deputy President Floyd Shivambu has been postponed to 11 February 2021.

Fitch Ratings stated that South Africa's plan to freeze public sector wages, announced by the finance minister in a budget speech, will face opposition from labour unions.

Key indices

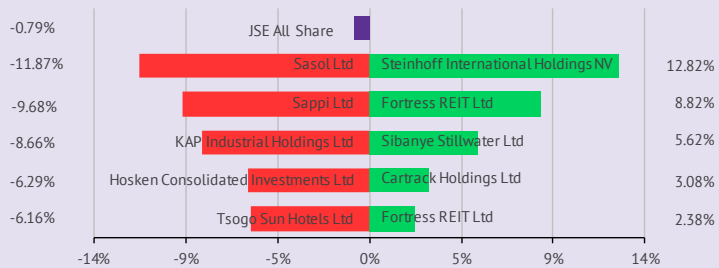
| | As at 29 Oct 2020 | | 1 Day Chg | 1 D % Chg | WTD % Chg | MTD % Chg | Prev. month % Chg | YTD % Chg |
|--------------------------------|----------------------|---|--------------|--------------|--------------|--------------|----------------------|--------------|
| JSE All Share (ZAR) | 51896.97 | ▼ | -411.17 | -0.79 | -6.22 | -4.36 | -2.18 | -9.09 |
| JSE Top 40 (ZAR) | 47576.46 | ▼ | -354.12 | -0.74 | -6.15 | -4.93 | -2.31 | -6.38 |
| FTSE 100 (GBP) | 5581.75 | ▼ | -1.05 | -0.02 | -4.75 | -4.85 | -1.63 | -26.00 |
| DAX 30 (EUR) | 11598.07 | ▲ | 37.56 | 0.32 | -8.28 | -9.11 | -1.43 | -12.46 |
| CAC 40 (EUR) | 4569.67 | ▼ | -1.45 | -0.03 | -6.92 | -4.87 | -2.91 | -23.56 |
| S&P 500 (USD) | 3310.11 | ▲ | 39.08 | 1.19 | -4.48 | -1.57 | -3.92 | 2.46 |
| Nasdaq Composite (USD) | 11185.59 | ▲ | 180.72 | 1.64 | -3.14 | 0.16 | -5.16 | 24.66 |
| DJIA (USD) | 26659.11 | ▲ | 139.16 | 0.52 | -5.92 | -4.04 | -2.28 | -6.59 |
| MSCI Emerging Markets (USD) | 1120.11 | ▼ | -0.65 | -0.06 | -1.44 | 3.52 | -1.77 | 0.49 |
| MSCI Developed World (USD) | 2318.44 | ▲ | 11.79 | 0.51 | -4.61 | -2.06 | -3.59 | -1.70 |

South Africa Market ▼

South African markets closed lower

South African markets closed in the red yesterday, weighed down by losses in banking, financial and resources sector stocks. The JSE All Share Index fell 0.8% to close at 51,896.97.

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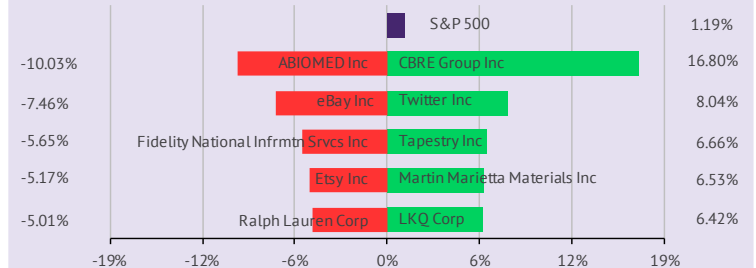


US Market ▲

US markets closed firmer

US markets closed higher yesterday, boosted by gains in technology sector stocks and amid robust domestic economic data. The S&P 500 Index climbed 1.2% to close at 3,310.11. Today, the S&P 500 futures are trading in the red.

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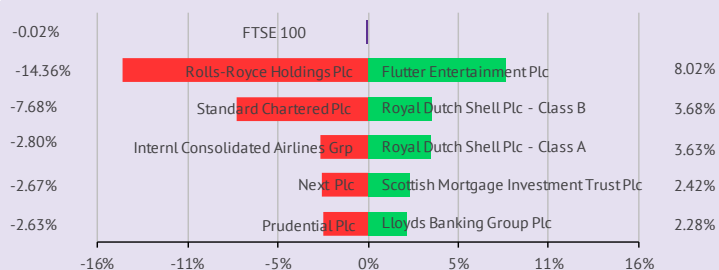


UK Market ▼

UK markets closed in the red

UK markets finished lower yesterday, amid concerns that resurgence in coronavirus cases would result in sluggish global economic recovery. The FTSE 100 Index marginally declined to close at 5,581.75. Today, the FTSE 100 futures are trading in negative territory.

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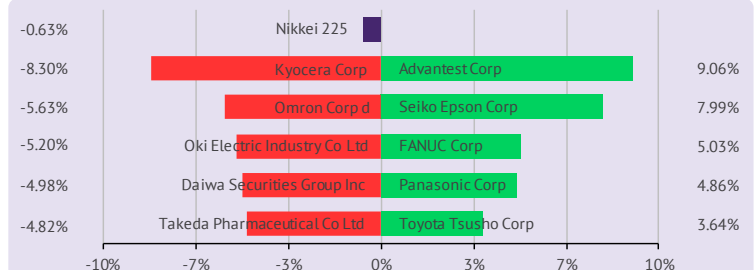


Asian Market ▼

Trading mostly lower

Asian markets are trading mostly lower this morning, amid growing fears of a prolonged economic slowdown. As at 6:00 SAST, the Nikkei 225 Index is trading 0.6% lower at 23,185.68.

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USD ZAR ▲

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar dropped 0.4% against the South African Rand to trade at R16.3314. Later today, traders will keep a close watch on the US personal income, personal spending, the Chicago Purchasing Managers' Index and the Michigan consumer sentiment index for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US preliminary annualised gross domestic product (GDP) rebounded in 3Q20. Additionally, initial jobless claims fell to a 7-month low level in the week ended 23 October 2020. Meanwhile, pending home sales unexpectedly fell on a monthly basis in September. Separately, data indicated that SA's PPI advanced on an annual basis in September. On the contrary, growth in private sector credit demand slowed for a seventh consecutive month in September. Moreover, expansion in M3 money supply weakened in September.

GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound declined 0.4% against the South African Rand to trade at R21.1228. Ahead in the day, traders will keep an eye on UK's Nationwide housing prices for further indications.

The British Pound declined against the South African Rand yesterday. Data indicated that UK's number of mortgage approvals for house purchases unexpectedly rose to a 13-year high level in September. Meanwhile, consumer credit borrowing fell in September.

EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro is trading 0.3% lower against the South African Rand at R19.0909. Going forward, market participants will keep a tab on the Eurozone's consumer price index (CPI), GDP and the unemployment rate along with Germany's retail sales and GDP for further cues.

The Euro weakened against the South African Rand yesterday. On the data front, Eurozone's final consumer confidence index dropped in October. On the other hand, the industrial confidence index rose for the sixth consecutive month in October. Additionally, the business climate indicator rose to a seven-month high in October. Further, the services sentiment indicator fell less than expected in October. Meanwhile, the economic sentiment indicator unexpectedly remained unchanged in October. Separately, Germany's consumer prices declined for the second straight month in October. Meanwhile, seasonally adjusted unemployment rate fell in October.

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% weaker against the South African Rand at R11.5150. Earlier in the session, Australia's PPI unexpectedly advanced on a quarterly basis in 3Q20. Moreover, private sector credit demand accelerated in September.

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 | 16.3314 | ▲ | 0.12 | 1.33 | -2.09 | -1.14 | 17.13 |
| GBPZAR | 21.1228 | ▲ | -0.39 | 0.35 | -2.08 | -4.39 | 14.22 |
| EURZAR | 19.0909 | ▲ | -0.49 | -0.37 | -2.45 | -2.94 | 21.95 |
| AUDZAR | 11.5150 | ▲ | -0.23 | -0.39 | -3.94 | -3.98 | 17.13 |
| EURUSD | 1.1689 | ▲ | -0.61 | -1.57 | -0.40 | -1.80 | 4.11 |
| GBPUSD | 1.2933 | ▲ | -0.41 | -0.84 | 0.08 | -3.37 | -2.47 |
| Brent (\$/barrel) | 37.9 | ▲ | -3.76 | -9.86 | -10.99 | -6.58 | -42.95 |
| Gold (\$/oz) | 1876.2 | ▲ | -0.60 | -1.79 | -1.03 | -4.21 | 22.64 |
| Platinum (\$/oz) | 858.2 | ▲ | -2.91 | -5.79 | -5.72 | -3.93 | -12.55 |
| Copper (\$/MT)* | 6716.5 | ▼ | -0.20 | -1.98 | 0.73 | -0.44 | 9.23 |

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.4% higher to trade at \$1,876.20/oz.

Yesterday, gold prices fell 0.6% to close at \$1,868.00/oz, amid strength in the US Dollar.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil rose 0.6% to trade at \$37.88/bl.

Yesterday, Brent crude oil declined 3.8% to settle at \$37.65/bl, amid mounting concerns over energy demand.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices edged 1.0% higher to trade at \$858.20/oz.

Yesterday, platinum prices dropped 2.9% to close at \$849.50/oz.

Major South African corporate news

Nedbank Limited

In its 9M20 trading update, the company announced that net interest income growth decreased from the 1.0% growth reported for 1H20, as overall loan growth slowed and the group's net interest margin contracted slightly to just below the 330 bps reported in 1H20.

Sibanye Stillwater Limited

In its 3Q20 operating update, the company announced that net debt reduced by further ZAR11.16bn following conversion of convertible bond during October 2020. Production build-up at South African operations post lockdown restrictions delivered ahead of schedule. By the end of 3Q20, the South African gold operations had recalled approximately 92.0% of the workforce and achieved a production run rate of approximately 99.0% of planned levels, with the SA PGM operation having recalled approximately 88.0% of the workforce with a production run rate of 93.0% of planned levels achieved.

Major global economic news

Eurozone

In the Eurozone, the services sentiment indicator dropped less-than-expected to -11.80 in October, compared to a revised level of -11.20 in the prior month.

In October, the final consumer confidence index dropped to a level of -15.50 in the Eurozone, compared to a level of -13.90 in the previous month. The preliminary figures had also indicated a fall to -15.50.

In the Eurozone, the economic sentiment indicator unexpectedly remained steady at 90.90 in October.

In October, the industrial confidence index advanced to -9.60 in the Eurozone, more than market consensus and compared to a revised level of -11.40 in the prior month.

In the Eurozone, the business climate indicator unexpectedly rose to -0.74 in October, compared to a revised level of -1.20 in the previous month.

In Germany, the preliminary CPI fell 0.2% on an annual basis in October, less than market expectations and compared to a similar drop in the previous month.

In October, the unemployment rate dropped to 6.2% in Germany, compared to 6.3% in the previous month.

The European Central Bank (ECB), in its latest monetary policy decision, kept its interest rate unchanged at 0.0%, citing a highly uncertain outlook amid a resurgence in the Covid-19 pandemic. Additionally, the ECB kept its existing asset purchase program unchanged at EUR1.35tn. The central bank stated that it expects the interest rates to remain at their present or lower levels until the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon.

In a statement following the interest rate decision, European Central Bank President Christine Lagarde, signalled additional policy action could come as soon as December. Further, she stated that risks are tilted to the downside due to a resurgence in the coronavirus infections that is going to significantly soften economic activity in the euro area in the fourth quarter of this year.

Asia

In Japan, the consumer confidence index climbed to 33.60 in October, compared to a level of 32.70 in the prior month.

In October, the Tokyo CPI eased 0.3% on an annual basis in Japan, compared to a rise of 0.2% in the previous month.

In Japan, the unemployment rate unexpectedly remained unchanged at 3.0% in September.

In September, the industrial production advanced 4.0% on a monthly basis in Japan, more than market expectations and compared to a rise of 1.0% in the prior month.

In Australia, the PPI unexpectedly rose 0.4% on a quarterly basis in 3Q20, compared to a drop of 1.2% in the previous quarter.

In September, private sector credit demand rose 0.1% on a monthly basis in Australia, compared to a flat reading the previous month.

US

In the US, preliminary annualised GDP surged 33.1% in 3Q20, more than market expectations and compared to a plunge of 31.4% in the previous quarter.

In the week ended 23 October 2020, initial jobless claims dropped to 751.00K on a weekly basis in the US, compared to a revised level of 791.00K in the previous week.

In the US, pending home sales unexpectedly dropped 2.2% on a monthly basis in September, compared to a rise of 8.8% in the previous month.

UK

In the UK, the number of mortgage approvals for house purchases unexpectedly advanced to a level of 91.45K in September, compared to a revised level of 85.53K in the previous month.

In September, consumer credit borrowing unexpectedly fell by GBP0.6bn in the UK, compared to a revised increase of GBP0.28bn in the previous month.

Economic calendar

| Country | SAST | Economic indicator | Relevance | Consensus/ *Actual | Previous | Frequency |
|--------------|-------|---|-----------|-----------------------|--------------|-----------|
| Japan | 01:30 | Unemployment Rate (Sep) | ✓✓ | 3.00%* | 3.00% | Monthly |
| Japan | 01:30 | Tokyo Consumer Price Index (YoY) (Oct) | ✓✓✓ | -0.30%* | 0.20% | Monthly |
| Japan | 01:50 | Industrial Production (MoM) (Sep) (P) | ✓✓✓ | 4.00%* | 1.00% | Monthly |
| Japan | 01:50 | Industrial Production (YoY) (Sep) (P) | ✓✓✓ | -9.00%* | -13.80% | Monthly |
| UK | 09:00 | Nationwide House Prices n.s.a. (YoY) (Oct) | ✓ | 5.20% | 5.00% | Monthly |
| UK | 09:00 | Nationwide House Prices s.a. (MoM) (Oct) | ✓ | 0.40% | 0.90% | Monthly |
| Japan | 06:00 | Vehicle Production (YoY) (Aug) | ✓ | - | -22.10% | Monthly |
| Japan | 07:00 | Construction Orders (YoY) (Sep) | ✓ | - | 28.50% | Monthly |
| Japan | 07:00 | Annualised Housing Starts (Sep) | ✓✓ | - | 0.82mn units | Monthly |
| Japan | 07:00 | Housing Starts (YoY) (Sep) | ✓ | -8.60% | -9.10% | Monthly |
| Germany | 09:00 | Retail Sales (MoM) (Sep) | ✓✓✓ | - | 3.10% | Monthly |
| Germany | 09:00 | Gross Domestic Product n.s.a. (YoY) (Q3) (P) | ✓✓ | -5.30% | -11.30% | Quarterly |
| Germany | 09:00 | Gross Domestic Product s.a. (QoQ) (Q3) (P) | ✓✓✓ | 7.30% | -9.70% | Quarterly |
| Germany | 09:00 | Gross Domestic Product w.d.a. (YoY) (Q3) (P) | ✓✓ | -5.20% | -11.30% | Quarterly |
| Japan | 11:30 | Industrial Production Index (Sep) | ✓ | - | 88.10 | Monthly |
| Eurozone | 12:00 | Unemployment Rate (Sep) | ✓✓✓ | 8.30% | 8.10% | Monthly |
| Eurozone | 12:00 | Consumer Price Index (MoM) (Oct) (P) | ✓✓✓ | - | 0.10% | Monthly |
| Eurozone | 12:00 | Consumer Price Index (YoY) (Oct) (P) | ✓✓✓ | -0.30% | -0.30% | Monthly |
| Eurozone | 12:00 | Gross Domestic Product s.a. (QoQ) (Q3) (P) | ✓✓✓ | 9.40% | -11.80% | Quarterly |
| Eurozone | 12:00 | Gross Domestic Product s.a. (YoY) (Q3) (P) | ✓✓ | -7.00% | -14.70% | Quarterly |
| South Africa | 14:00 | Budget Balance (Sep) | ✓ | - | -ZAR63.70bn | Monthly |
| South Africa | 14:00 | Trade Balance (Sep) | ✓✓ | - | ZAR38.87bn | Monthly |
| US | 14:30 | Personal Income (MoM) (Sep) | ✓✓ | 0.40% | -2.70% | Monthly |
| US | 14:30 | Personal Spending (Sep) | ✓✓ | 1.00% | 1.00% | Monthly |
| US | 15:45 | Chicago PMI (Oct) | ✓✓✓ | 58.00 | 62.40 | Monthly |
| US | 16:00 | Reuters/Michigan Consumer Sentiment Index (Oct) (F) | ✓✓✓ | 81.20 | 80.40 | Monthly |
| US | 19:00 | Baker Hughes US Oil Rig Count (30-Oct) | ✓ | - | 211.00 | Weekly |

Note: ✓✓✓High ✓✓Medium ✓Low

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