

ONE Minute Brief

22 October 2020

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Economic and political news

Health Minister Zweli Mkhize has warned South Africans about the high risk of a COVID-19 spike in some provinces, drawing particular attention to a "resurgence" in the Western Cape.

In an interview, Public Enterprises Minister, Pravin Gordhan, revealed that there is a clear government mandate authorised by a cabinet decision to provide South African Airways (SAA) with ZAR10.5bn to cover the costs of restructuring.

State-owned arms manufacturer Denel stated that it faced a funding gap of around ZAR2.75bn (USD168mn) over the next five years for key capabilities such as ammunition production and aircraft maintenance and has urged the department of defence to ease its liquidity situation.

News reports indicate that African National Congress (ANC) KwaZulu-Natal deputy chairperson, Mike Mabuaykulu has been reinstated by the provincial integrity committee (PIC).

News reports indicate that the South African National Defence Force has spent ZAR215mn importing Covid-19 related drugs which are reportedly neither registered nor approved for use in the country by health authorities.

Key indices

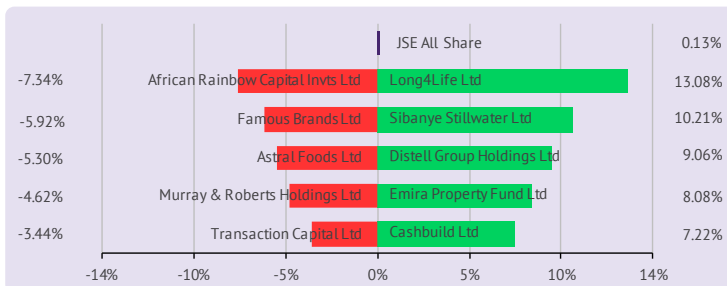
	As at 21 Oct 2020	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg	
JSE All Share (ZAR)	55345.49	▲	73.74	0.13	0.54	1.99	-2.18	-3.05
JSE Top 40 (ZAR)	50905.12	▲	53.50	0.11	0.41	1.72	-2.31	0.18
FTSE 100 (GBP)	5776.50	▼	-112.72	-1.91	-2.42	-1.53	-1.63	-23.41
DAX 30 (EUR)	12557.64	▼	-179.31	-1.41	-2.72	-1.59	-1.43	-5.22
CAC 40 (EUR)	4853.95	▼	-75.33	-1.53	-1.66	1.05	-2.91	-18.80
S&P 500 (USD)	3435.56	▼	-7.56	-0.22	-1.38	2.16	-3.92	6.34
Nasdaq Composite (USD)	11484.69	▼	-31.80	-0.28	-1.60	2.84	-5.16	28.00
DJIA (USD)	28210.82	▼	-97.97	-0.35	-1.38	1.54	-2.28	-1.15
MSCI Emerging Markets (USD)	1137.91	▲	3.97	0.35	1.23	5.17	-1.77	2.09
MSCI Developed World (USD)	2417.83	▼	-4.87	-0.20	-0.91	2.14	-3.59	2.52

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in platinum mining, banking and gold mining sector stocks. The JSE All Share Index rose 0.1% to close at 55,345.49.

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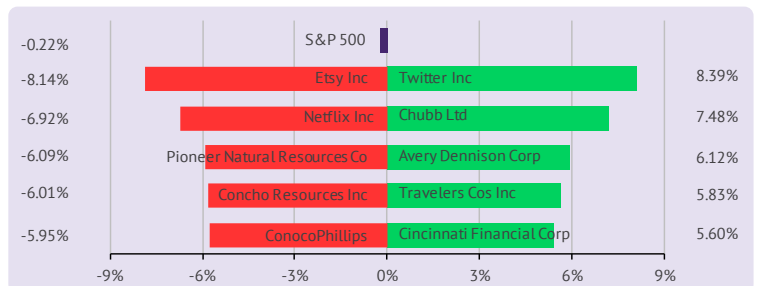


US Market ▼

US markets closed weaker

US markets closed lower yesterday, amid growing uncertainty related to fresh US fiscal stimulus. The S&P 500 Index dropped 0.2% to close at 3,435.56. Today, the S&P 500 futures are trading in the red.

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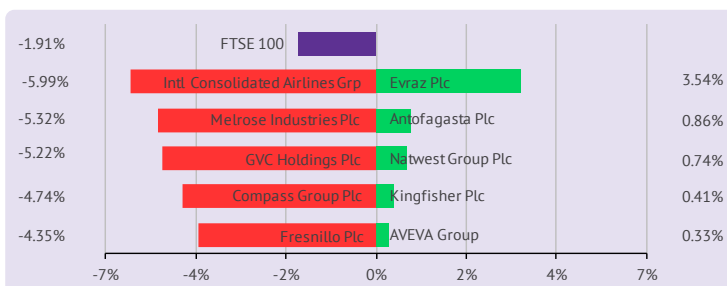


UK Market ▼

UK markets closed in the red

UK markets finished lower yesterday, amid strength in the British Pound and ongoing concerns over prospects of more coronavirus-led restrictions. The FTSE 100 Index declined 1.9% to close at 5,776.50. Today, the FTSE 100 futures are trading in negative territory.

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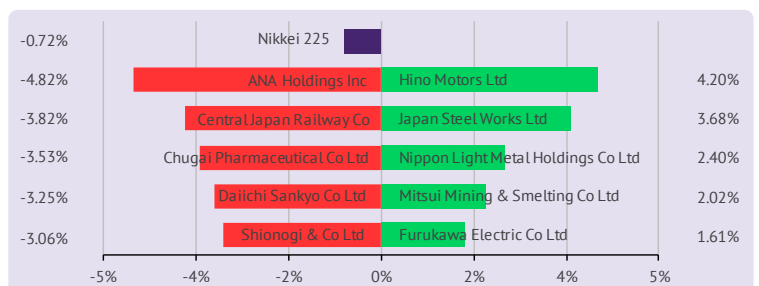


Asian Market ▼

Trading lower

Asian markets are trading lower this morning, as the International Monetary Fund (IMF) downgraded its growth forecast for Asia-Pacific region. As at 6:00 SAST, the Nikkei 225 Index is trading 0.7% lower at 23,469.82.

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USD ZAR ▼

USD trading firmer against ZAR

At 06:00 SAST, the US Dollar climbed 0.4% against the South African Rand to trade at R16.3948. Later today, traders will keep a close watch on the US initial jobless claims and existing home sales for further direction.

The US Dollar fell against the South African Rand yesterday, after US President Donald Trump and House speaker Nancy Pelosi boosted hopes for a large fiscal stimulus package. On the macro front, the US MBA mortgage applications fell on a weekly basis in the week ended 16 October 2020.

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GBP ZAR ▼

GBP trading higher against ZAR

At 06:00 SAST, the British Pound is trading 0.3% firmer against the South African Rand at R21.5203. Ahead in the day, traders will keep an eye on UK's CBI industrial trends survey and the GfK consumer confidence index for further indication.

The British Pound advanced against the South African Rand yesterday, after European Union (EU) Brexit negotiator Michel Barnier stated that a trade deal with Britain was still possible. Data indicated that UK's consumer price inflation accelerated in September. Also, the retail price index advanced in September. Meanwhile, public sector net borrowing deficit widened to its highest level since 1960 in September. Additionally, the non-seasonally adjusted output producer price index (PPI) fell in September. Moreover, the DCLG house price index rose less-than-expected in August.

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EUR ZAR ▼

EUR trading firmer against ZAR

At 06:00 SAST, the Euro is trading 0.2% higher against the South African Rand at R19.4139. Going forward, market participants will keep a tab on Eurozone's consumer confidence index along with Germany's GfK consumer confidence index 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 marginally higher against the South African Rand at R11.6226.

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	16.3948	▼	-0.95	-1.42	-2.52	-1.14	16.61
GBPZAR	21.5203	▼	0.58	0.37	-0.88	-4.39	15.62
EURZAR	19.4139	▼	-0.61	-0.16	-1.32	-2.94	23.37
AUDZAR	11.6226	▼	0.04	-0.89	-3.13	-3.98	18.12
EURUSD	1.1842	▼	0.33	1.22	1.19	-1.80	5.78
GBPUSD	1.3126	▼	1.55	1.81	1.77	-3.37	-0.81
Brent (\$/barrel)	41.5	▼	-3.31	-2.80	-1.35	-6.58	-36.77
Gold (\$/oz)	1916.8	▼	0.74	1.25	1.97	-4.21	26.36
Platinum (\$/oz)	889.1	▼	1.91	2.87	-1.32	-3.93	-8.47
Copper (\$/MT)*	6977.8	▲	1.44	3.78	4.65	-0.44	13.48

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

Gold ▼

Trading in the red

At 06:00 SAST, gold prices edged 0.4% lower to trade at \$1,916.80/oz.

Yesterday, gold prices rose 0.7% to close at \$1,924.60/oz, amid weakness in the US Dollar and renewed hopes for a fresh US fiscal stimulus package.

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Brent Crude Oil ▼

Trading weaker

At 06:00 SAST, Brent crude oil fell 0.5% to trade at \$41.52/bl.

Yesterday, Brent crude oil declined 3.3% to settle at \$41.73/bl, on demand concerns. Meanwhile, the US Energy Information Administration (EIA) reported that crude oil inventories fell by 1mn bls to 488.1mn bls in the week ended 16 October 2020.

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Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices edged slightly lower to trade at \$889.10/oz.

Yesterday, platinum prices climbed 1.9% to close at \$889.10/oz.

Major South African corporate news

Adcorp Holdings Limited

The company announced that Mr. Noel Prendergast has been appointed as Chief Financial Officer (CFO) and Director, with immediate effect.

Cashbuild Limited

In its 1Q21 operational update, the company announced that revenues were up 22.0% on 1Q20. 13 new stores opened since 1 July 2019 contributed 3.0% of the increase, whilst the 304 existing stores increased by 19.0%. Further, transactions for the company increased by 19.0%, with new stores contributing 3.0% and existing stores increasing by 16.0%.

Major global economic news

UK

In the UK, the consumer price index (CPI) advanced 0.5% on an annual basis in September, in line with market expectations and compared to a rise of 0.2% in the previous month.

In September, the non-seasonally adjusted output PPI dropped 0.9% on an annual basis in the UK, compared to a similar fall in the prior month.

In the UK, the DCLG house price index climbed 2.5% on a yearly basis in August, less than market anticipations and compared to a revised rise of 2.1% in the previous month.

In September, public sector net borrowing deficit widened to GBP35.40bn in the UK, compared to a revised deficit of GBP29.40bn in the previous month.

In the UK, the retail price index rose 0.3% on a monthly basis in September, compared to a drop of 0.3% in the prior month.

US

In the US, the MBA mortgage applications fell 0.6% on a weekly basis in the week ended 16 October 2020, compared to a drop of 0.7% in the prior week.

The US Federal Reserve (Fed), in its latest Beige Book report, revealed that the US economic activity grew at a “slight to modest” pace in most parts of the country. Moreover, manufacturing, residential housing and banking industries reporting steady growth while commercial real estate and overall consumer spending remained weak. Also, employment levels were growing across the country but at a slow pace. On the inflation front, the Beige Book indicated that prices rose modestly across districts since the previous report.

Eurozone

European Central Bank (ECB) President, Christine Lagarde, in her speech, warned that the unexpectedly early pickup in coronavirus infections is a “clear risk” to the economic outlook, in a sign that policy makers are gearing up for more monetary stimulus.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus	Previous	Frequency
Germany	8:00	GfK Consumer Confidence Survey (Nov)	✓✓✓	-2.80	-1.60	Monthly
France	8:45	Business Climate (Oct)	✓	-	92.00	Monthly
France	8:45	Business Survey Overall Demand (Oct)	✓	-	-45.00	Monthly
France	8:45	Own-Company Production Outlook (Oct)	✓	-	12.00	Monthly
France	8:45	Production Outlook Indicator (Oct)	✓	-	-2.00	Monthly
UK	11:25	BoE Governor Bailey Speech	✓	-	-	As Scheduled
UK	12:00	CBI Trends Selling Prices (Oct)	✓	-	-1.00	Monthly
UK	12:00	CBI Business Optimism (Q4)	✓	-	-1.00%	Quarterly
UK	12:00	CBI Industrial Trends Survey - Orders (Oct)	✓	-45.00	-48.00	Monthly
US	14:30	Continuing Jobless Claims (10-Oct)	✓✓✓	9500.00K	10018.00K	Weekly
US	14:30	Initial Jobless Claims (17-Oct)	✓✓✓	860.00K	898.00K	Weekly
US	14:30	Continuing Jobless Claims - Net Change (10-Oct)	✓	-	-1165.00K	Weekly
US	14:30	Initial Jobless Claims - Net Change (17-Oct)	✓	-	53.00K	Weekly
Eurozone	16:00	Consumer Confidence (Oct) (P)	✓✓✓	-15.00	-13.90	Monthly
US	16:00	Leading Indicator (MoM) (Sep)	✓✓✓	0.70%	1.20%	Monthly
US	16:00	Existing Home Sales (Sep)	✓✓✓	6.30mn	6.00mn	Monthly
US	16:00	Existing Home Sales (MoM) (Sep)	✓✓✓	5.00%	2.40%	Monthly
US	16:30	EIA Natural Gas Storage Change (16-Oct)	✓✓✓	-	46.00Bcf	Weekly
US	17:00	Kansas City Fed Manufacturing Activity (Oct)	✓✓✓	-	11.00	Monthly

Note: ✓✓✓High ✓✓Medium ✓Low

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