

# ONE Minute Brief

20 May 2016

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## Economic and Political News

The South African Reserve Bank (SARB) kept the interest rate steady at 7.0%, in line with market expectations. The central bank left room for further tightening of the policy later in the year as it faced rising inflation and low economic growth. The SARB Governor, Lesetja Kganyago, stated the bank revised its inflation outlook to 6.7% from 6.6% for the current year, while expected the inflation in 2017 and 2018 to be moderate. Further, the economic growth outlook was revised lower to 0.6% from 0.8% earlier forecasted.

The Democratic Alliance's (DA) Minister of Finance has requested the Speaker of the National Assembly, Baleka Mbete, to hold a snap debate on what it called as a political assault against Finance Minister Pravin Gordhan and the National Treasury.

State owned power utility, Eskom, announced that the second round of wage negotiations will resume next week. However, it still believed that the wage offer of 5.0% which was rejected by the National Union of Mineworkers (NUM) was reasonable.

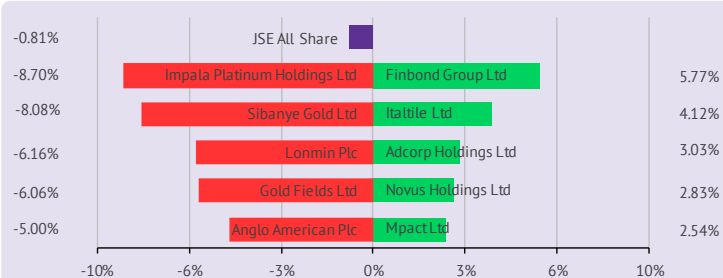
## Key Indices

	Last Close		1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
JSE All Share	52370.10	▼	-427.13	-0.81%	1.49%	-1.11%	1.35%	3.31%
JSE Top 40	46312.80	▼	-323.61	-0.69%	2.00%	-0.34%	0.72%	1.13%
FTSE 100	6053.35	▼	-112.45	-1.82%	-1.39%	-3.02%	1.08%	-3.03%
DAX 30	9795.89	▼	-147.34	-1.48%	-1.58%	-2.42%	0.74%	-8.82%
CAC 40	4282.54	▼	-36.76	-0.85%	-0.87%	-3.31%	1.00%	-7.65%
S&P 500	2040.04	▼	-7.59	-0.37%	-0.32%	-1.22%	0.27%	-0.19%
Nasdaq Composite	4712.53	▼	-26.59	-0.56%	-0.11%	-1.32%	-1.94%	-5.89%
DJIA	17435.40	▼	-91.22	-0.52%	-0.57%	-1.90%	0.50%	0.06%

## South Africa Market ▼

### South African markets closed lower

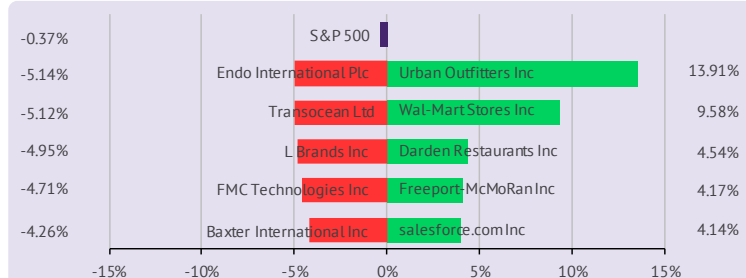
South African markets closed in the red yesterday, amid losses in platinum mining sector stocks. The SARB kept the benchmark interest rate unchanged at 7.0%, at par with market expectations. The JSE All Share Index fell 0.8% to close at 52,370.10.



## US Market ▼

### The S&P 500 futures are trading in the green

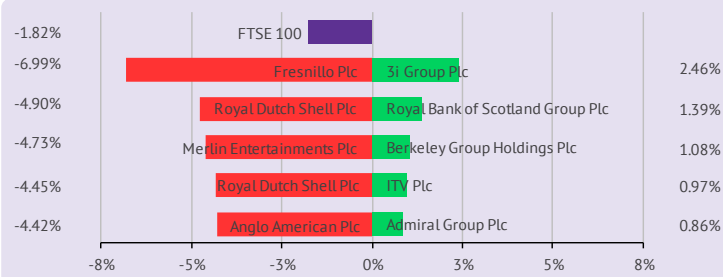
US markets closed lower yesterday, due to losses in industrial and financial sector stocks. Data revealed that US initial jobless claims registered a less-than-expected drop last week. The S&P 500 Index dropped 0.4% to close at 2,040.04.



## UK Market ▼

### The FTSE 100 futures are trading in positive territory

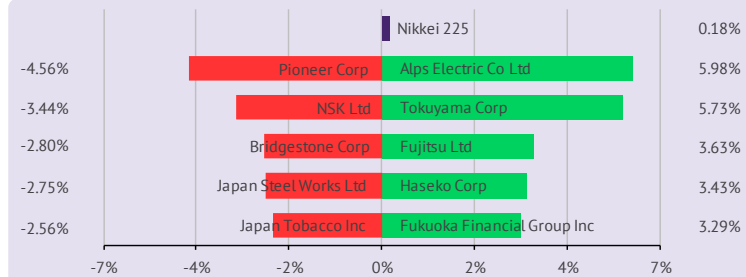
UK markets finished lower yesterday, weighed down by losses in mining sector stocks. Data indicated that UK's retail sales rebounded on a monthly basis in April. The FTSE 100 Index declined 1.8% to close at 6,053.35.



## Asian Market ▲

### Trading higher

Asian markets are trading higher this morning. The Nikkei 225 Index is trading 0.2% higher at 16,676.86.



**Address:** GTC @Grant Thornton, The Wanderers Office Park, 52 Corlett Drive, Illovo, 2196.  
t: +27 (0) 21 412 1074 | e: oneminutebrief@gtc.co.za | w: www.gtc.co.za

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## USDZAR ▼

### USD trading lower against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% weaker against the South African Rand at R15.7891. Later today, traders will keep a close watch on US existing home sales for further cues.

The US Dollar fell against the South African Rand yesterday, after the manufacturing activity in Philadelphia dropped further into negative territory in May. Meanwhile, data revealed that the number of Americans applying for the new unemployment benefits recorded a drop last week, indicating signs that the US economy is gaining momentum. Moreover, New York Fed President, William Dudley, reiterated that raising rates in June or July would be appropriate, if the US Economy rebounds from a weak first quarter. Elsewhere, in South Africa, the SARB kept the key interest rate steady at 7.0%, in line with market estimates.

## GBPZAR ▼

### GBP trading weaker against ZAR

At 06:00 SAST, the British Pound is trading 0.1% weaker against the South African Rand at R23.0505. Later today, investors will eye UK's CBI industrial trends survey for orders for further direction.

The British Pound declined against the South African Rand yesterday, despite data indicating that UK's retail sales rebounded strongly on a monthly basis in April.

## EURZAR ▼

### EUR trading lower against ZAR

At 06:00 SAST, the Euro declined marginally against the South African Rand to trade at R17.6967. Going forward, market participants will keep a tab on the Eurozone's current account balance data as well as Germany's producer price index for April.

The Euro weakened against the South African Rand yesterday, after the European Central Bank (ECB) in the minutes of its recent monetary policy meeting, indicated concerns about weak inflation expectations within the region. It emphasized that bank's focus was to maintain a very aggressive monetary policy in the short term. Separately, Eurozone's construction output dropped on a monthly basis in March.

## AUDZAR ▼

### AUD trading weaker against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% lower against the South African Rand at R11.4124. With no major economic news in Australia today, investor sentiment will be decided by global macro-economic news.

The Australian Dollar fell against the South African Rand yesterday. Data indicated that Australia's unemployment rate remained steady at 5.7% in April, while the economy added a less-than-expected number of jobs during the same period.

## Key Currencies & Commodities

	Current		1 D % Chg	WTD % Chg	MTD % Chg	Prev. Month % Chg	YTD % Chg
USDZAR	15.7891	▼	-0.37%	2.64%	11.08%	-3.60%	2.19%
GBPZAR	23.0505	▼	-0.46%	4.36%	10.98%	-1.89%	1.24%
EURZAR	17.6967	▼	-0.55%	1.53%	8.57%	-3.01%	5.31%
AUDZAR	11.4124	▼	-0.55%	1.95%	5.51%	-4.28%	0.51%
EURUSD	1.1204	▲	-0.12%	-0.94%	-2.16%	0.62%	3.10%
GBPUSD	1.4592	▼	0.08%	1.71%	0.02%	1.72%	-0.89%
Brent (\$/barrel)	49.2	▲	-0.25%	2.05%	1.41%	19.34%	30.93%
Gold (\$/oz)	1254.9	▲	-1.54%	-1.41%	-2.77%	4.56%	18.36%
Platinum (\$/oz)	1019.6	▲	-2.80%	-3.69%	-6.04%	10.42%	13.64%
Copper (\$/MT)*	4593.8	▼	-0.64%	-0.91%	-9.29%	3.76%	-2.38%

\*As of Previous Close

## Gold ▲

### Trading in the green

At 06:00 SAST, gold prices advanced marginally to trade at \$1,254.90/oz.

Yesterday, gold prices fell 1.5% to close at \$1,254.80/oz, as increasing possibilities of a rate hike by the US Federal Reserve (Fed) in June, hurt demand for the precious yellow metal.

## Brent Crude Oil ▲

### Trading stronger

At 06:00 SAST, Brent crude oil edged 0.8% higher to trade at \$49.21/bl.

Yesterday, Brent crude oil dropped 0.3% to settle at \$48.81/bl, amid persistent fears of oversupplied oil markets, as traders shrugged off news of supply outages in Canada and Nigeria.

## Platinum ▲

### Trading in positive territory

At 06:00 SAST, platinum prices edged higher 0.6% to trade at \$1,019.60/oz.

Yesterday, platinum prices declined 2.8% to close at \$1013.30/oz, extending previous session losses.



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## Major South Africa Corporate News

### Afrimat Limited

In its FY16 results, the company stated that its revenue decreased to R1.97bn from R2.00bn posted in the previous year. However, its diluted headline EPS rose 16.1% from the prior year to 154.20c. Its profit before tax stood at R315.12mn, compared with R273.38mn recorded in the same period in the preceding year.

### Ascension Properties Limited

The firm announced that it remains in advanced stages of negotiation with Mutodo Properties Proprietary Limited to acquire a property letting enterprise.

### DataTec Limited

The company, indicated that its subsidiary, Logicalis Group Limited, has decided to acquire Lantares SL, a Spanish IBM Cognos Partner and professional services provider specialising in business intelligence and data analytics.

### Investec Plc

In its FY16 results, the company stated that on an ongoing basis its net interest income increased by 6.1% to GBP571.90mn from GBP539.00mn posted in the previous year, due to strong book growth and an increase in margin earned on early recovery of loans. Its headline diluted EPS rose 8.3% from the prior year to 36.70p. The group's ongoing operating profit increased 0.6% to GBP583.90 mn, compared with GBP580.70mn recorded in the preceding year.

### Investec Property Fund Limited

In its FY16 results, the firm revealed that its revenue advanced 41.2% from the prior year to R1.19bn. Its headline EPS stood at 165.24c, compared with 142.17c recorded in the previous year. The board of directors announced a dividend of 124.66c for FY16. For FY17, the firm expects its dividend to remain unchanged at the same level.

## Major Global Economic News

### US

The President of the Federal Reserve Bank of New York, William Dudley, indicated that the central bank was on track to raise the interest rate in June or July, if the US economy rebounds following weak economic growth in 1Q16.

In the US, the seasonally adjusted initial jobless claims dropped to 278.00K in the week ended May 14, 2016, higher than market expectations of a fall to a level of 275.00K. Initial jobless claims had registered a reading of 294.00K in the previous week.

In April, the Chicago Fed national activity index in the US climbed to 0.10, compared to market expectations of an advance to a level of -0.20. The index had registered a revised level of -0.55 in March.

In the US, the Philadelphia Fed manufacturing index registered an unexpected drop to a level of -1.80 in May, compared to a reading of -1.60 in the prior month.

### UK

On a monthly basis, retail sales in the UK rose 1.3% in April, compared to a revised drop of 0.5% in the previous month. Markets were anticipating retail sales to advance 0.6%.

### Eurozone

The ECB's April 21 policy meeting minutes revealed that the central bank is worried about weak inflation expectations within the Eurozone and emphasized that the central bank's focus was to maintain a very aggressive monetary policy in the short term. Moreover, the ECB pointed towards the need for patience with time for the policy measures to take effect. The bank further stated that the Eurozone's incoming data pointed to ongoing output growth at a moderate pace, but risks to the growth outlook were still tilted to the downside.

In the Eurozone, the seasonally adjusted construction output recorded a drop of 0.9%, on a monthly basis, in March. The construction output had registered a revised drop of 0.6% in the prior month.

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## Economic Calendar

Country	SAST	Economic Indicator	Relevance	Consensus/ *Actual	Previous/ **Previous Est.	Frequency
Japan	07:00	Nationwide Department Store Sales (YoY) (Apr)	✓	-	-2.90%	Monthly
Japan	07:00	Tokyo Department Store Sales (YoY) (Apr)	✓	-	-1.10%	Monthly
Germany	08:00	Producer Price Index (MoM) (Apr)	✓✓	0.10%	0.00%	Monthly
Japan	09:00	Convenience Store Sales (YoY) (Apr)	✓	-	-0.10%	Monthly
Spain	10:00	Trade Balance (Mar)	✓	-	-EUR1.76bn	Monthly
Eurozone	10:00	Current Account s.a (Mar)	✓	-	EUR19.00bn	Monthly
UK	12:00	CBI Trends Selling Prices (May)	✓✓	-	4.00	Monthly
UK	12:00	CBI Industrial Trends Survey - Orders (May)	✓	-13.00	-11.00	Monthly
Canada	14:30	Retail Sales (MoM) (Mar)	✓✓	-0.60%	0.40%	Monthly
Canada	14:30	Bank of Canada Consumer Price Index Core (YoY) (Apr)	✓✓✓	2.00%	2.10%	Monthly
Canada	14:30	Consumer Price Index (MoM) (Apr)	✓✓	0.30%	0.60%	Monthly
Canada	14:30	Bank of Canada Consumer Price Index Core (MoM) (Apr)	✓✓	0.10%	0.70%	Monthly
Canada	14:30	Consumer Price Index s.a. (MoM) (Apr)	✓✓	0.20%	0.20%	Monthly
US	16:00	Existing Home Sales (MoM) (Apr)	✓	1.30%	5.10%	Monthly

Note: ✓✓✓ High    ✓✓ Medium    ✓ Low

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**Address:** GTC @Grant Thornton, The Wanderers Office Park, 52 Corlett Drive, Illovo, 2196.  
t: +27 (0) 21 412 1074 | e: oneminutebrief@gtc.co.za | w: www.gtc.co.za

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