

ONE Minute Brief

11 July 2019

GTC
consult • partner • manage

Economic and political news

President, Cyril Ramaphosa, has reappointed Lesetja Kganyago as South African Reserve Bank (SARB) Governor for another five-year term.

The National Treasury, in its 2019/20 annual performance report, indicated that South Africa's fiscal outlook faces "significant risks" including weak economic growth, uncertainty in revenue collection and weak financial position of major state-owned companies.

Public Enterprises Minister, Pravin Gordhan, has lodged an urgent application to interdict Public Protector, Busisiwe Mkhwebane's report that recommended President, Cyril Ramaphosa, to take disciplinary action against Gordhan.

In his testimony before the commission of inquiry into state capture, former Public Investment Corporation (PIC) Chief Executive Officer, Dan Matjila, stated that he was asked by the African National Congress' former Treasurer General, Zweli Mkhize, to release funding from the PIC to support the party's 8 January celebrations in 2016.

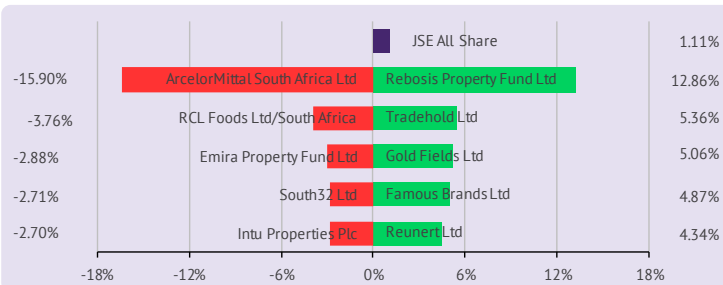
Hinting at cuts to refurbishment budgets, Public Works & Infrastructure Minister, Patricia de Lille, indicated that the government will avoid exorbitant spending on such expenditure heads and that funds saved would be directed towards the implementation of services that benefit people at large.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, boosted by gains in gold mining and banking sector stocks. The JSE All Share Index rose 1.1% to close at 57,597.87.

To Read More Click [Here](#)

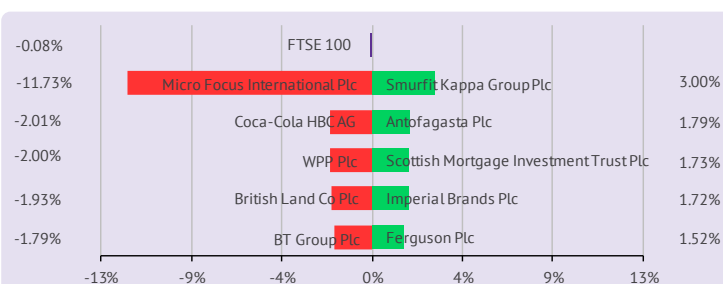


UK Market ▼

UK markets closed lower

UK markets finished lower yesterday, led by losses in export sector stocks, amid heightened prospects of an interest rate cut by the Federal Reserve (Fed). The FTSE 100 Index declined 0.1% to close at 7,530.69. Today, the FTSE 100 futures are trading in positive territory.

To Read More Click [Here](#)



Key indices

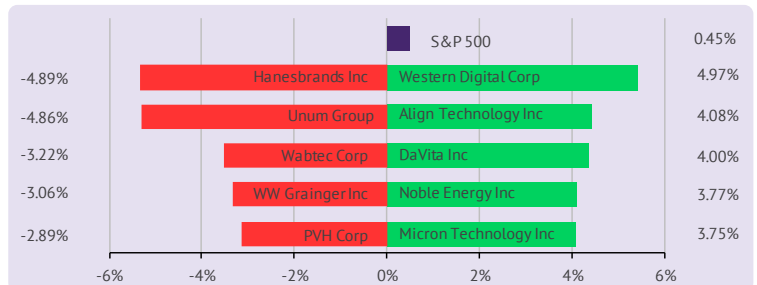
	As at 10 July 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	57597.87	▲ 634.07	1.11	0.01	-1.04	4.59	9.22
JSE Top 40 (ZAR)	51491.95	▲ 583.44	1.15	-0.09	-1.35	5.27	10.20
FTSE 100 (GBP)	7530.69	▼ -5.78	-0.08	-0.30	1.41	3.69	11.93
DAX 30 (EUR)	12373.41	▼ -63.14	-0.51	-1.55	-0.20	5.73	17.18
CAC 40 (EUR)	5567.59	▼ -4.51	-0.08	-0.47	0.52	6.36	17.69
S&P 500 (USD)	2993.07	▲ 13.44	0.45	0.09	1.74	6.89	19.40
Nasdaq Composite (USD)	8202.53	▲ 60.80	0.75	0.50	2.45	7.42	23.62
DJIA (USD)	26860.20	▲ 76.71	0.29	-0.23	0.98	7.19	15.14
MSCI Emerging Markets (USD)	1048.95	▲ 6.48	0.62	-1.04	-0.56	5.70	8.59
MSCI Developed World (USD)	2201.14	▲ 7.49	0.34	-0.20	1.05	6.46	16.84

US Market ▲

US markets closed firmer

US markets closed higher yesterday, as comments by the Fed Chairman, Jerome Powell, raised expectations of an interest rate cut. Data indicated that the US MBA mortgage applications fell in the week ended 5 July 2019. The S&P 500 Index climbed 0.5% to close at 2,993.07. Today, the S&P 500 futures are trading in the green.

To Read More Click [Here](#)

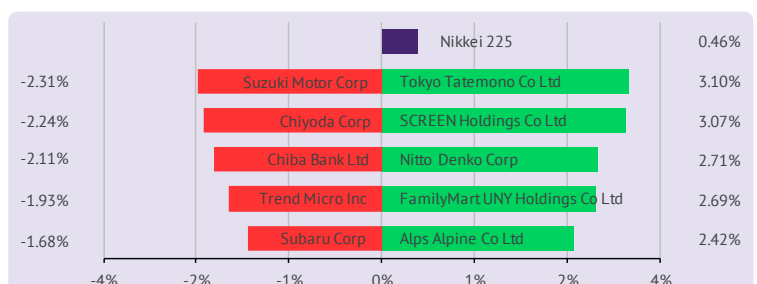


Asian Market ▲

Trading higher

Asian markets are trading higher this morning, following positive comments by the US Fed Chairman. The Nikkei 225 Index is trading 0.5% higher at 21,632.91.

To Read More Click [Here](#)



USD ZAR ▲

USD trading weaker against ZAR

At 06:00 SAST, the US Dollar declined 0.3% against the South African Rand to trade at R13.9441. Later today, traders will keep a close watch on the US Fed Chairman, Jerome Powell's testimony along with the US consumer price index (CPI), initial jobless claims, average hourly earnings and monthly budget statement for further indication.

The US Dollar fell against the South African Rand yesterday. On the data front, MBA mortgage applications in the US declined in the week ended 5 July 2019.

GBP ZAR ▲

GBP trading lower against ZAR

At 06:00 SAST, the British Pound is trading marginally weaker against the South African Rand at R17.4796. Ahead in the day, traders will keep an eye on the Bank of England's financial stability report for further cues. Data indicated that UK's RICS house price balance recorded an unexpected rise in June.

The British Pound declined against the South African Rand yesterday. On the macro front, UK's industrial and manufacturing production recorded a less-than-expected rise on a monthly basis in May. On the other hand, the nation's GDP climbed in line with market expectations on a monthly basis in May. Additionally, monthly construction output advanced more-than-anticipated in May. Moreover, trade deficit narrowed more than market forecast in May.

EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro slightly declined against the South African Rand to trade at R15.7258. Going forward, market participants will keep a tab on the European Central Bank's monetary policy meeting minutes along with German CPI for further direction.

The Euro weakened against the South African Rand yesterday.

AUD ZAR ▲

AUD trading lower against ZAR

At 06:00 SAST, the Australian Dollar dropped 0.1% against the South African Rand to trade at R9.7282. Earlier in the session, Australia's consumer inflation expectations declined in July. Additionally, monthly home loan approvals eased in May.

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	13.9441	▲	-1.38	-1.36	-0.73	-3.38	-2.53
GBPZAR	17.4796	▲	-1.07	-1.56	-2.24	-2.92	-4.58
EURZAR	15.7258	▲	-1.02	-1.17	-1.81	-1.65	-4.41
AUDZAR	9.7282	▲	-0.91	-1.60	-1.55	-2.20	-3.85
EURUSD	1.1278	▲	0.38	0.23	-1.07	1.83	-1.88
GBPUSD	1.2535	▲	0.30	-0.15	-1.53	0.53	-1.98
Brent (\$/barrel)	67.2	▲	4.44	4.33	3.51	4.44	24.55
Gold (\$/oz)	1426.1	▲	0.86	0.89	-0.08	8.26	10.24
Platinum (\$/oz)	824.1	-	1.85	2.35	-1.36	5.20	3.54
Copper (\$/MT)*	5928.5	▲	2.07	0.65	-0.89	3.03	-0.34

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices climbed 1.0% to trade at \$1,426.10/oz.

Yesterday, gold prices rose 0.9% to close at \$1,412.50/oz, as the US Dollar weakened, following dovish comments from the US Fed Chairman, Jerome Powell.

To Read More Click [Here](#)

Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil advanced 0.3% to trade at \$67.20/bl, as a potential hurricane raised concerns over crude oil output in the Gulf of Mexico.

To Read More Click [Here](#)

Yesterday, Brent crude oil advanced 4.4% to settle at \$67.01/bl, after the US Energy Information Administration reported that crude oil inventories fell for a fourth consecutive week by 9.5mn barrels in the week ended 5 July 2019.

To Read More Click [Here](#)

Platinum ▼

Trading in negative territory

At 06:00 SAST, platinum prices are trading marginally lower at \$824.10/oz.

Yesterday, platinum prices climbed 1.9% to close at \$824.10/oz.

Major South African corporate news

ArcelorMittal South Africa Limited

In its 1H19 trading statement, the company stated that it expects its loss per share to improve by at least 64.00c. Further, the company announced that it will commence with a consultation process in terms of section 189(3) of the Labour Relations Act 66 of 1995 in which it is anticipated that in excess of 2,000.00 positions may be affected. The final out-come and number of positions affected is subject to a formal consultation process.

Major global economic news

US

The Fed, in its June meeting minutes, indicated that the central bank is prepared to cut interest rates at its meeting at the end of this month. The Fed officials also supported a near-term rate cut as it could help reduce the effects of possible future adverse shocks to the economy.

The Fed Chairman, Jerome Powell, in his testimony, raised the possibilities of an interest rate cut by the end of this month. Powell expressed concerns over ongoing uncertainties about trade tensions between the US and its counterparts and worries over strength of the global economic growth as they are dampening the US economic outlook.

In the US, MBA mortgage applications recorded a drop of 2.4% on a weekly basis in the week ended 5 July 2019. In the previous week, the MBA mortgage applications had recorded a drop of 0.1%.

Asia

In Australia, consumer inflation expectations dropped to 3.2% in July. In the previous month, the consumer inflation expectations had registered a level of 3.3%.

In Australia, seasonally adjusted home loan approvals dropped 0.1% on a monthly basis in May, less than market expectations. Home loan approvals had dropped by a revised 0.9% in the previous month.

In the UK, GDP rose 0.3% on a monthly basis in May, meeting market forecast compared to a fall of 0.4% in the previous month.

In the UK, construction output registered a more-than-expected rise of 0.6% on a monthly basis in May. Construction output had registered a revised drop of 0.5% in the prior month.

In the UK, total trade deficit narrowed more-than-anticipated to GBP2.32bn in May, from a revised total deficit of GBP3.72bn in the previous month.

In the UK, industrial production rose 1.4% on a monthly basis in May, less than market expectations and compared to a revised drop of 2.9% in the prior month.

In May, manufacturing production advanced 1.4% on a monthly basis in the UK, less than market expectations and compared to a revised drop of 4.2% in the previous month.

In the UK, the RICS house price balance unexpectedly rose to a level of 1.0% in June, compared to a revised reading of 9.0% in the previous month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous/ **Previous est.	Frequency
UK	01:01	RICS Housing Price Balance (Jun)	✓✓✓	-1.00%*	-10.00%	Monthly
Germany	08:00	Consumer Price Index (MoM) (Jun) (F)	✓✓✓	0.30%	0.30%**	Monthly
Germany	08:00	Consumer Price Index (YoY) (Jun) (F)	✓✓✓	1.60%	1.60%**	Monthly
France	08:45	Consumer Price Index (Jun)	✓	-	104.00	Monthly
France	08:45	Consumer Price Index (MoM) (Jun) (F)	✓✓✓	0.20%	0.20%**	Monthly
Eurozone	11:00	ECB's Visco presents Bank of Italy's annual AML report	✓	-	-	As scheduled
South Africa	11:30	Gold Production (YoY) (May)	✓	-	-19.50%	Monthly
UK	11:30	FPC Meeting Minutes	✓	-	-	As scheduled
UK	11:30	Bank of England Financial Stability Report	✓✓	-	-	As scheduled
South Africa	11:30	Mining Production (YoY) (May)	✓✓	-2.40%	-1.50%	Monthly
Eurozone	12:15	ECB Executive Board's Benoit Coeure Speaks in Frankfurt	✓	-	-	As scheduled
South Africa	13:00	Manufacturing Production Index (YoY) (May)	✓✓	1.30%	4.60%	Monthly
South Africa	13:00	Manufacturing Production s.a. (MoM) (May)	✓✓	-0.60%	2.80%	Monthly
Eurozone	13:30	ECB Publishes Account of June 5-6 Policy Meeting	✓✓	-	-	As scheduled
US	14:30	Consumer Price Index n.s.a. (MoM) (Jun)	✓	-	0.20%	Monthly
US	14:30	Consumer Price Index (MoM) (Jun)	✓✓✓	0.00%	0.10%	Monthly
US	14:30	Consumer Price Index (YoY) (Jun)	✓✓✓	1.60%	1.80%	Monthly
US	14:30	Initial Jobless Claims (06-Jul)	✓✓✓	221.00K	221.00K	Weekly
US	14:30	Consumer Price Index Core s.a. (Jun)	✓	262.56	262.03	Monthly
US	16:00	Fed's Chair Powell testifies	✓✓✓	-	-	As scheduled
US	17:10	Fed's Williams To Speak on Revitalization in Albany, New York	✓	-	-	As scheduled
US	18:15	Fed's Bostic Speaks on Monetary Policy at Fiscal Conference	✓	-	-	As scheduled
US	18:30	Fed's Barkin to Speak at Rocky Mountain Economic Summit	✓	-	-	As scheduled
US	20:00	Monthly Budget Statement (Jun)	✓✓✓	-USD7.90bn	-USD207.80bn	Monthly
US	23:00	Fed's Kashkari Speaks at Townhall Event in South Dakota	✓	-	-	As scheduled
China	-	Actual FDI (YoY) (Jun)	✓✓	-	8.50%	Monthly

Note: ✓✓✓ High ✓✓ Medium ✓ Low

Disclaimer

This report and its contents are confidential, privileged and only for the information of the intended recipient. GTC (Pty) Ltd make no representations or warranties in respect of this report or its content and will not be liable for any loss or damage of any nature arising from this report, the content thereof, your reliance thereon its unauthorised use or any electronic viruses associated therewith. Please note that content does not necessarily represent or reflect the views and opinions of GTC (Pty) Ltd. This report is proprietary to GTC (Pty) Ltd and you may not copy or distribute the report without the prior written consent of the authors. Any feedback or contributions are most welcome.

formerly Grant Thornton Capital

a GTC @Grant Thornton, The Wanderers Office Part,
52 Corlett Drive, Illovo, 2196
p P O Box 55118, Illovo, 2118

t +27 (0) 10 597 6800
f +27 (0) 10 597 6801
w www.gtc.co.za

GTC (Pty) Ltd.
reg. no. 1996/001488/07
Directors: G.K. Mockler, F.Dildar

An Authorised Financial
Services Provider
FSP no. 731

GTC is nationally represented in Johannesburg, Cape Town and Durban.

GTC Group of products and services include: Employee Benefits Consulting • Employee Benefits Administration • Private Client Wealth Management • Healthcare Consulting • Short-Term Risk Solutions • Stockbroking • Derivatives Trading • Unit Trust Management • Asset Management • Fiduciary Services