

ONE Minute Brief

31 October 2019

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Economic and political news

In his Medium-Term Budget Policy Statement (MBTBPS), Finance Minister, Tito Mboweni, indicated that he expects South Africa's (SA) budget deficit to reach 5.9% of gross domestic product (GDP) in the 2019/20 fiscal year, the highest since 2009/10, and to widen further to 6.5% in 2020/21. Additionally, gross government debt is projected to rise to 71.3% of GDP in 2022/23 from 60.8% estimated in the current fiscal year. Meanwhile, the Treasury slashed its economic growth forecast for this year to 0.5% from 1.5%. The budget provides for the National Prosecuting Authority (NPA) to receive an additional ZAR1.3bn over the medium term and an additional allocation of ZAR1bn to South African Revenue Service to fight corruption and improve revenue collection.

The National Union of Mineworkers (NUM) has threatened to shut down electricity generation, transmission and distribution in the nation over the government's decision to split Eskom into separate business units.

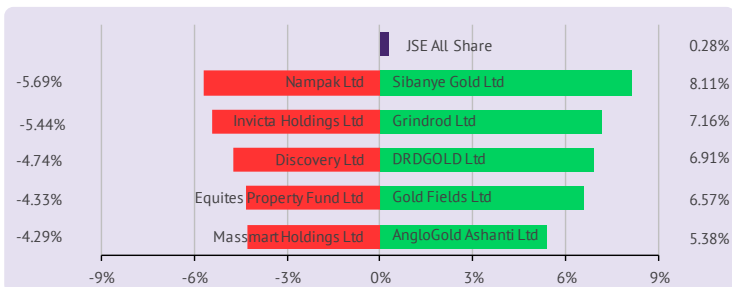
President, Cyril Ramaphosa, has appointed advocate, Elaine Zungu, as the new Director of Public Prosecutions (DPP) in the KwaZulu-Natal Division of the High Court, with effect from 1 November.

South Africa Market ▲

South African markets closed higher

South African markets closed in the green yesterday, supported by gains in gold mining sector stocks. The JSE All Share Index rose 0.3% to close at 55,872.60.

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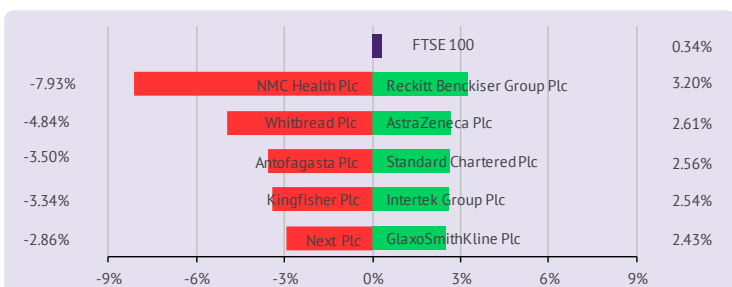


UK Market ▲

UK markets closed in the green

UK markets finished higher yesterday, boosted by gains in drugmaker stocks such as GlaxoSmithKline and AstraZeneca. The FTSE 100 Index advanced 0.3% to close at 7,330.78. Today, the FTSE 100 futures are trading in negative territory.

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Key indices

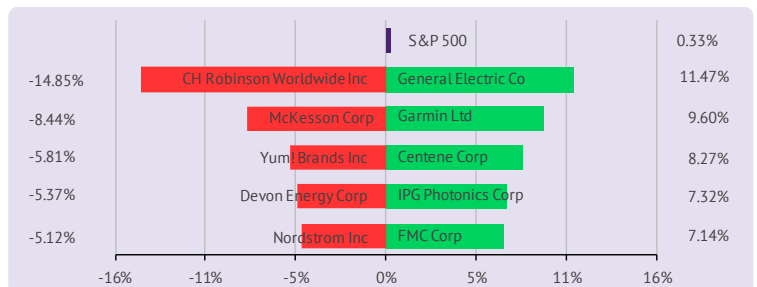
	As at 30 Oct 2019	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	55872.60	▲ 155.91	0.28	1.32	1.91	-0.79	5.95
JSE Top 40 (ZAR)	49629.32	▲ 151.88	0.31	1.58	1.67	-1.03	6.21
FTSE 100 (GBP)	7330.78	▲ 24.52	0.34	0.09	-1.05	2.79	8.96
DAX 30 (EUR)	12910.23	▼ -29.39	-0.23	0.12	3.88	4.09	22.27
CAC 40 (EUR)	5765.87	▲ 25.73	0.45	0.76	1.55	3.60	21.88
S&P 500 (USD)	3046.77	▲ 9.88	0.33	0.80	2.35	1.72	21.54
Nasdaq Composite (USD)	8303.98	▲ 27.12	0.33	0.74	3.81	0.46	25.15
DJIA (USD)	27186.69	▲ 115.27	0.43	0.85	1.00	1.95	16.54
MSCI Emerging Markets (USD)	1041.50	▼ -2.23	-0.21	0.55	4.05	1.69	7.82
MSCI Developed World (USD)	2237.32	▲ 4.87	0.22	0.66	2.63	1.94	18.76

US Market ▲

US markets closed firmer

US markets closed higher yesterday, after the US Federal Reserve (Fed) announced an interest rate cut for the third time this year. The S&P 500 Index climbed 0.3% to close at 3,046.77. Today, the S&P 500 futures are trading weaker.

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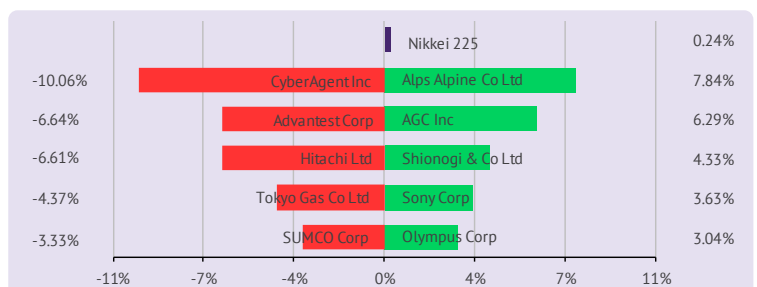


Asian Market ▲

Trading mostly higher

Asian markets are trading mostly higher this morning, following the Fed's interest rate decision. Data showed that Japan's monthly industrial production rebounded in September. The Nikkei 225 Index is trading 0.2% higher at 22,898.80.

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USD ZAR ▲

USD trading lower against ZAR

At 06:00 SAST, the US Dollar is trading 0.3% weaker against the South African Rand at R14.9645. Later today, traders will keep a close watch on the US initial jobless claims, the Chicago Purchasing Managers' Index (PMI), personal income and spending data for further direction.

The US Dollar rose against the South African Rand yesterday. On the data front, the US GDP rose better than market expectations on a quarterly basis in the third quarter of 2019. Additionally, the ADP employment increased more than market consensus in October. Moreover, the MBA mortgage applications advanced in the week ended 25 October 2019. Separately, the South African Rand fell against the US Dollar, after Finance Minister, Tito Mboweni, projected wider budget deficits and an increase in debt during his medium-term budget policy statement.

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GBP ZAR ▼

GBP trading higher against ZAR

At 06:00 SAST, the British Pound marginally climbed against the South African Rand to trade at R19.3545. With no major economic releases in the UK today, investor sentiment will be determined by global macroeconomic news. Data revealed that UK's GfK consumer confidence index dropped more than market expectations in October.

The British Pound advanced against the South African Rand yesterday, as British lawmakers approved a legislation to hold a snap election in December.

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EUR ZAR ▲

EUR trading weaker against ZAR

At 06:00 SAST, the Euro retreated 0.1% against the South African Rand to trade at R16.7148. Going forward, market participants will keep a tab on Eurozone's GDP and consumer price index (CPI) along with Germany's retail sales data for further indication.

The Euro strengthened against the South African Rand yesterday. Data indicated that Eurozone's economic sentiment indicator dropped more than market forecast in October. Moreover, the consumer confidence index dropped in line with market expectations in the same month. Meanwhile, the region's business climate indicator unexpectedly rose in October. Separately, Germany's CPI climbed at par with market anticipations on an annual basis in October. Further, unemployment rate remained unchanged in October.

AUD ZAR ▼

AUD trading firmer against ZAR

At 06:00 SAST, the Australian Dollar advanced 0.1% against the South African Rand to trade at R10.3669. Earlier in the session, Australia's private sector credit rose meeting market consensus on a monthly basis in September. Additionally, monthly building permits jumped more than market expectations in September. Meanwhile, in China, Australia's largest trading partner, the NBS manufacturing PMI unexpectedly declined for a sixth consecutive month in October.

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	14.9645	▲	2.60	2.60	-0.85	-0.39	4.60
GBPZAR	19.3545	▼	2.81	3.12	3.98	0.78	5.63
EURZAR	16.7148	▲	2.95	3.26	1.44	-1.13	1.68
AUDZAR	10.3669	▼	3.18	3.76	1.40	-0.10	2.34
EURUSD	1.1169	▲	0.35	0.64	2.31	-0.76	-2.76
GBPUSD	1.2933	▲	0.31	0.58	4.99	1.09	1.16
Brent (\$/barrel)	60.9	▲	-1.59	-2.27	2.30	0.00	12.66
Gold (\$/oz)	1500.3	▲	0.40	-0.19	2.12	-3.76	16.81
Platinum (\$/oz)	932.2	▲	0.59	0.16	5.34	-5.18	16.92
Copper (\$/MT)*	5882.3	▼	-0.41	-0.42	3.28	0.70	-1.12

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

Gold ▲

Trading in the green

At 06:00 SAST, gold prices edged 0.2% higher to trade at \$1,500.30/oz.

Yesterday, gold prices rose 0.4% to close at \$1,496.70/oz, after the Fed cut its interest rate and signalled that it will hold future rate cuts.

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Brent Crude Oil ▲

Trading stronger

At 06:00 SAST, Brent crude oil edged 0.4% higher to trade at \$60.86/bl, amid expectations of additional stimulus from China, following weak PMI data.

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Yesterday, Brent crude oil dropped 1.6% to settle at \$60.61/bl, after the US Energy Information Administration reported that crude oil inventories increased more-than-expected by 5.7mn bls last week.

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Platinum ▲

Trading in positive territory

At 06:00 SAST, platinum prices edged 0.2% higher to trade at \$932.20/oz.

Yesterday, platinum prices climbed 0.6% to close at \$930.60/oz.

Major South African corporate news

Ascendis Health Limited

In its FY19 results, the company announced that revenues rose 1.0% to ZAR5.60bn, compared to ZAR5.51bn posted in the previous year. The company's basic and diluted loss per share stood at 982.90c, compared to an EPS of 7.40c in the prior year. Further, the firm stated that Remedica negotiations with preferred bidder are at an advanced stage.

City Lodge Hotels Limited

The company announced that Chief Financial Officer, Mr. Alastair Dooley, would resign from the Board and as a member of the Risk Committee, with effect from 31 January 2020.

MTN Group Limited

In its subsidiary, MTN Nigeria's 9M19 results, the company announced that mobile subscribers increased by 0.10mn to 61.60mn, compared to the corresponding period of the previous year. Active data users rose by 1.60mn to 22.30mn. Service revenue advanced by 12.10% to NGN854.90bn. Further, in MTN Ghana's 9M19 results, the company indicated that subscribers increased by 1.1% to 21.60mn, compared to the corresponding period of the previous year and that EBITDA rose by 63.0% to GHc1,875.00mn.

Major global economic news

US

The US Fed, in its latest monetary policy decision, cut its benchmark interest rate for the third time this year by 25 basis points to a range of 1.5% to 1.75%, as widely expected and citing slowdown in the US economic growth and ongoing trade tensions. Additionally, the Fed downplayed expectations of further cuts for now and indicated that the central bank may put further monetary policy easing on hold.

In his post-meeting press conference, Fed Chairman, Jerome Powell, indicated that the central bank would keep interest rates steady for the foreseeable future, given the Fed's economic outlook of moderate economic growth, a strong labour market and inflation growing at around 2.0%. Further, he stated that the current stance of monetary policy is "likely to remain appropriate" as long as "the outlook remains broadly in keeping with our expectations."

In the US, preliminary annualised GDP climbed 1.9% on a quarterly basis in 3Q19, more than market expectations. In the previous quarter, annualised GDP had registered a rise of 2.0%.

In the US, the ADP private sector employment increased more-than-anticipated by 125.00K in October, compared to a revised increase of 93.00K in the previous month.

In the US, the MBA mortgage applications climbed 0.6% on a weekly basis in the week ended 25 October 2019. In the prior week, the MBA mortgage applications fell 11.9%.

Eurozone

In the Eurozone, the economic sentiment indicator fell to a level of 100.80 in October, more than market expectations. In the previous month, the indicator had registered a reading of 101.70.

In the Eurozone, the business climate indicator unexpectedly climbed to -0.19 in October, compared to a revised level of -0.23 in September.

In October, the final consumer confidence index eased to -7.60 in the Eurozone, meeting market expectations. The index had registered a revised reading of -6.50 in the prior month.

In Germany, the preliminary CPI rose 1.1% on a yearly basis in October, in line with market expectations and compared to a rise of 1.2% in the prior month.

In Germany, seasonally adjusted unemployment rate remained unchanged at 5.0% in October.

Asia

The Bank of Japan (BoJ), in its latest monetary policy meeting, kept its key interest rates unchanged at -0.10%, as widely expected. However, the central bank indicated that it may lower interest rates in future, amid ongoing global trade tensions.

In Japan, industrial production rose 1.4% on a monthly basis in September, more than market expectations. In the prior month, industrial production had fallen 1.2%.

In China, the NBS manufacturing PMI unexpectedly dropped to a level of 49.30 in October. The NBS manufacturing PMI had registered a reading of 49.80 in the prior month.

In Australia, private sector credit rose 0.2% on a monthly basis in September, at par with market expectations. In the prior month, the private sector credit had registered a similar rise.

In September, seasonally adjusted building approvals rose 7.6% on a monthly basis in Australia, more than market expectations. Building approvals had dropped by a revised 0.6% in the previous month.

UK

In the UK, the GfK consumer confidence dropped to -14.00 in October, more than market forecast and compared to a reading of -12.00 in the prior month.

Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous/ **Previous est.	Frequency
Japan	01:50	Industrial Production (MoM) (Sep) (P)	✓✓✓	1.40%*	-1.20%	Monthly
Japan	01:50	Industrial Production (YoY) (Sep) (P)	✓✓✓	1.10%*	-4.70%	Monthly
UK	02:01	GfK Consumer Confidence (Oct)	✓✓✓	-14.00*	-12.00	Monthly
China	03:00	NBS Manufacturing PMI (Oct)	✓✓	49.30*	49.80	Monthly
Japan	05:00	BoJ Outlook Report (Q3)	✓✓✓	-	-	As scheduled
Japan	05:00	BoJ Monetary Policy Statement and Press Conference	✓✓✓	-	-	As scheduled
Japan	06:00	Vehicle Production (YoY) (Aug)	✓	-2.20%*	-1.50%	Monthly
Japan	07:00	Construction Orders (YoY) (Sep)	✓	-	-25.90%	Monthly
Japan	07:00	Annualised Housing Starts (Sep)	✓✓	-	0.89mn units	Monthly
Japan	07:00	Consumer Confidence Index (Oct)	✓✓	35.50	35.60	Monthly
Japan	07:00	Housing Starts (YoY) (Sep)	✓	-6.70%	-7.10%	Monthly
South Africa	11:30	Producer Price Index (MoM) (Sep)	✓✓	-	0.30%	Monthly
South Africa	11:30	Producer Price Index (YoY) (Sep)	✓✓	-	4.50%	Monthly
Eurozone	12:00	Gross Domestic Product s.a. (QoQ) (Q3) (P)	✓✓✓	-	0.20%	Quarterly
Eurozone	12:00	Gross Domestic Product s.a. (YoY) (Q3) (P)	✓✓	-	1.20%	Quarterly
Eurozone	12:00	Unemployment Rate (Sep)	✓✓✓	-	7.40%	Monthly
Eurozone	12:00	Consumer Price Index (MoM) (Oct)	✓✓✓	-	0.20%	Monthly
Eurozone	12:00	Consumer Price Index (YoY) (Oct) (F)	✓✓✓	-	0.90%**	Monthly
South Africa	13:00	Electricity Consumption (YoY) (Sep)	✓	-	-4.70%	Monthly
South Africa	13:00	Electricity Production (YoY) (Sep)	✓	-	-2.40%	Monthly
South Africa	14:00	Trade Balance (Sep)	✓✓	-	ZAR6.84bn	Monthly
US	14:30	Personal Income (MoM) (Sep)	✓✓	-	0.40%	Monthly
US	14:30	Personal Spending (Sep)	✓✓	-	0.10%	Monthly
US	14:30	Continuing Jobless Claims (19-Oct)	✓✓✓	-	1682.00K	Weekly
US	14:30	Initial Jobless Claims (26-Oct)	✓✓✓	-	212.00K	Weekly
US	15:45	Chicago PMI (Oct)	✓✓✓	-	47.10	Monthly

Note: ✓✓✓High ✓✓Medium ✓Low

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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

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