

# ONE Minute Brief

24 July 2020

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## Economic and political news

The South African Reserve Bank (SARB), in its latest interest rate decision, cut its key interest rate by 25bps to 3.50%, as widely expected. Further, the central bank expects GDP to contract by 7.3% in 2020, compared to the 7.0% contraction forecasted in May.

South African Airways (SAA) business rescue practitioners have scheduled another meeting of creditors today after the government failed to provide a "satisfactory" letter of confirmation regarding the loans provided by guaranteed lenders.

President Cyril Ramaphosa has authorised the Special Investigations Unit (SIU) to immediately investigate any irregularities and corruption at state institutions relating to the misuse of COVID-19 relief funds.

Health Minister Zweli Mkhize confirmed that the number of COVID-19 cases in South Africa (SA) had increased to 408,052.

Finance Minister Tito Mboweni has asked Parliament to amend a section of the Appropriation Bill that would allow him to approve urgent expenditure from the contingency reserve account.

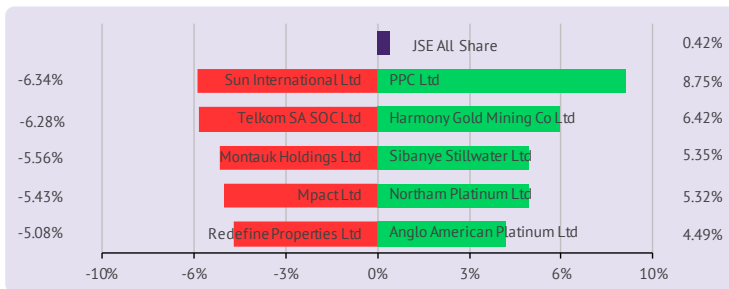
The National Council of Provinces (NCOP) has approved the 2020 Division of Revenue Amendment Bill tabled by Tito Mboweni.

## South Africa Market ▲

### South African markets closed higher

South African markets closed in the green yesterday, after the SARB cut its interest rate for the fifth time this year to support the economy affected due to the coronavirus pandemic. The JSE All Share Index rose 0.4% to close at 56,070.70.

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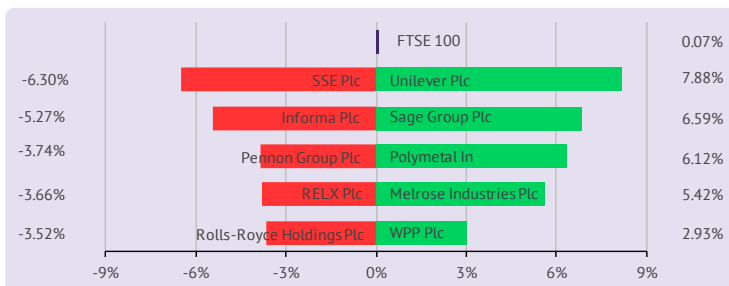


## UK Market ▲

### UK markets closed in the green

UK markets finished higher yesterday, as robust corporate earnings reports revived hopes for a smooth economic recovery. The FTSE 100 Index advanced 0.1% to close at 6,211.44. Today, the FTSE 100 futures are trading in negative territory.

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## Key indices

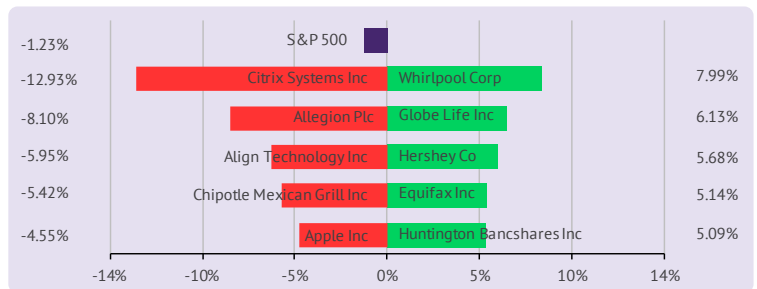
	As at 23 July 2020	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	56070.70	▲ 236.46	0.42	0.28	3.14	7.68	-1.78
JSE Top 40 (ZAR)	51683.61	▲ 271.59	0.53	0.33	3.01	7.80	1.71
FTSE 100 (GBP)	6211.44	▲ 4.34	0.07	-1.25	0.68	1.53	-17.65
DAX 30 (EUR)	13103.39	▼ -0.86	-0.01	1.42	6.44	6.25	-1.10
CAC 40 (EUR)	5033.76	▼ -3.36	-0.07	-0.70	1.98	5.12	-15.80
S&P 500 (USD)	3235.66	▼ -40.36	-1.23	0.34	4.37	1.84	0.15
Nasdaq Composite (USD)	10461.42	▼ -244.71	-2.29	-0.40	4.00	5.99	16.59
DJIA (USD)	26652.33	▼ -353.51	-1.31	-0.07	3.25	1.69	-6.61
MSCI Emerging Markets (USD)	1077.60	▼ -0.18	-0.02	2.14	8.29	6.96	-3.32
MSCI Developed World (USD)	2308.12	▼ -19.65	-0.84	0.62	4.83	2.51	-2.13

## US Market ▼

### US markets closed weaker

US markets closed lower yesterday, amid sharp sell-off in technology sector stocks and mounting concerns over worsening coronavirus pandemic. The S&P 500 Index dropped 1.2% to close at 3,235.66. Today, the S&P 500 futures are trading in the green.

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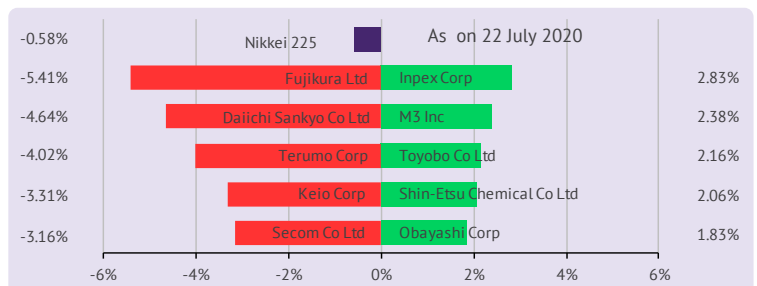


## Asian Market ▼

### Trading mostly lower

Asian markets are trading mostly lower this morning, amid rising tensions between the US and China and tracking overnight losses on Wall Street. Markets in Japan are closed today on account of a public holiday.

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## USD ZAR ▼

### USD trading firmer against ZAR

At 06:00 SAST, the US Dollar is trading 0.1% higher against the South African Rand at R16.6809. Later today, traders will keep a close watch on the US new home sales, the Markit manufacturing and services PMIs for further direction.

The US Dollar rose against the South African Rand yesterday. On the macro front, the US seasonally adjusted number of initial jobless claims unexpectedly advanced on a weekly basis in the week ended 17 July 2020. On the contrary, the Kansas City Fed manufacturing activity index rose in July. Additionally, the leading indicator rose on a monthly basis in June.

## GBP ZAR ▼

### GBP trading higher against ZAR

At 06:00 SAST, the British Pound advanced 0.1% against the South African Rand to trade at R21.2567. Ahead in the day, traders will keep an eye on UK's retail sales, the Markit manufacturing and services PMIs for further indication.

The British Pound advanced against the South African Rand yesterday. Data indicated that UK's CBI balance of firms reporting total order book above normal rose less-than-expected on a monthly basis in July. Meanwhile, the GfK consumer confidence index remained unchanged in July.

## EUR ZAR ▼

### EUR trading firmer against ZAR

At 06:00 SAST, the Euro climbed 0.2% against the South African Rand to trade at R19.3717. Going forward, market participants will keep a tab on the Markit manufacturing and services PMIs across the Eurozone.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's preliminary consumer confidence index unexpectedly dropped in July. Separately, Germany's GfK consumer confidence index improved in August.

## AUD ZAR ▼

### AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar climbed marginally against the South African Rand to trade at R11.8345. Earlier in the session, Australia's Commonwealth Bank manufacturing PMI advanced less-than-anticipated in July. Meanwhile, the Commonwealth Bank services PMI rose more than market forecast in July.

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	16.6809	▼	1.10	-0.18	-3.95	-1.11	19.04
GBPZAR	21.2567	▼	1.14	1.26	-1.35	-0.70	14.37
EURZAR	19.3717	▼	1.32	1.30	-0.86	0.09	23.10
AUDZAR	11.8345	▼	0.50	1.35	-1.25	2.35	20.23
EURUSD	1.1613	▲	0.22	1.47	3.22	1.20	3.42
GBPUSD	1.2743	▲	0.05	1.38	2.74	0.47	-3.89
Brent (\$/barrel)	43.5	▲	-2.21	0.39	4.94	9.06	-34.38
Gold (\$/oz)	1886.8	▼	1.34	4.42	4.97	3.66	24.09
Platinum (\$/oz)	955.1	▼	0.61	13.45	13.61	-3.88	-1.68
Copper (\$/MT)*	6570.0	▲	1.03	1.77	9.42	12.19	6.85

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

## Gold ▼

### Trading in the red

At 06:00 SAST, gold prices edged 0.2% lower to trade at \$1,886.80/oz.

Yesterday, gold prices rose 1.3% to close at \$1,890.00/oz, hitting a nine-year high level, as rising tensions between the US and China increased demand for the safe haven metal.

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## Brent Crude Oil ▲

### Trading stronger

At 06:00 SAST, Brent crude oil rose 0.4% to trade at \$43.47/bl.

Yesterday, Brent crude oil declined 2.2% to settle at \$43.31/bl, as increasing US crude inventories as well as rising coronavirus cases renewed concerns over energy demand.

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## Platinum ▼

### Trading in negative territory

At 06:00 SAST, platinum prices edged marginally lower to trade at \$955.10/oz.

Yesterday, platinum prices climbed 0.6% to close at \$955.10/oz.

## Major South African corporate news

### Invicta Holdings Limited

In its FY20 trading statement, the company announced that it expects its EPS to decrease by between 825.00c and 851.00c compared to an EPS of 126.00c for the previous year. It expects its HEPS to drop by between 43.00c and 65.00c, compared to a HEPS of 112.00c during the previous year.

### Sasol Limited

In its FY20 production and sales update, the company announced that the last remaining LCCP unit to come online is the Low Density Polyethylene (LDPE) plant, which was damaged during a fire in January 2020. Furthermore, repair work to the unit is ongoing and the unit is expected to achieve beneficial operation (BO) before the end of October 2020. Some challenges were experienced in the completion of the restoration process, resulting in a slight delay to the previous market guidance of a BO date before September 2020.

### PPC Limited

In its trading update, the company announced that it expects basic EPS and HEPS to decrease by more than 20.0%, compared to the 16.00c per share and the 20.00c per share, achieved respectively for the prior comparable period ended 31 March 2019. Its cement operations ramped up in May 2020 post the lifting of the COVID-19 restrictions imposed at the end of March 2020 across most of the jurisdictions in which the company operates.

### Spur Corp Limited

In its FY20 sales update, the company announced that total franchised restaurant sales declined by 21.7% to ZAR6.00bn, as the COVID-19 global pandemic and resultant trading restrictions in all countries of operation hampered trading in the last four months of the financial year. Sales from franchised restaurants in South Africa decreased by 22.3% with sales from international restaurants decreasing by 16.7%.

### Reinet Investments SCA

In its 1Q20 management statement, the company announced that the net asset value at 30 June 2020 reflects an increase of EUR408.00mn or a compound return of 9.3%. Commitments totalling EUR20.00mn in respect of new and existing investments were made during the quarter.

### Vodacom Group Limited

In its trading update for the quarter ended 30 June 2020, the company announced that group service revenue was up 7.6% and group revenue grew by 5.6%, benefitting from strong growth in SA with customer demand increasing during the lock down period, while the international operations were negatively impacted by lower economic activity from the effects of COVID-19.

## Major global economic news

### US

In the US, seasonally adjusted number of initial jobless claims unexpectedly rose to 1416.00K on a weekly basis in the week ended 17 July 2020, compared to a revised reading of 1307.00K in the prior week.

In July, the Kansas City Fed manufacturing activity index advanced to 7.00 in the US, compared to a level of 2.00 in the prior month.

In the US, the leading indicator rose 2.0% on a monthly basis in June, compared to a revised rise of 3.2% in the prior month.

### Eurozone

In the Eurozone, the preliminary consumer confidence index unexpectedly dropped to -15.00 in July, compared to a level of -14.70 in the previous month.

In Germany, the GfK consumer confidence index jumped to a level of -0.30 in August, more than market forecast and compared to a revised level of -9.40 in the prior month.

### UK

In the UK, the CBI balance of firms reporting total order book above normal climbed to -46.0% on a monthly basis in July, less than market anticipations and compared to a level of -58.0% in the prior month.

In the UK, the GfK consumer confidence index remained unchanged at -27.00 in July.

### Asia

In Australia, the Commonwealth Bank manufacturing PMI rose less-than-expected to 53.40 in July, compared to a level of 51.20 in the prior month.

In July, the Commonwealth Bank services PMI climbed to 58.50 in Australia, compared to a revised level of 53.00 in the previous month.

## Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus/ *Actual	Previous	Frequency
UK	01:01	GfK Consumer Confidence (Jul) (P)	✓	-27.00*	-27.00	Monthly
Canada	08:00	Retail Sales (MoM) (Jun)	✓✓	-	18.70%	Monthly
UK	08:00	Retail Sales (MoM) (Jun)	✓	8.00%	12.00%	Monthly
UK	08:00	Retail Sales (YoY) (Jun)	✓	-6.40%	-13.10%	Monthly
France	09:15	Markit Manufacturing PMI (Jul) (P)	✓✓✓	53.20	52.30	Monthly
France	09:15	Markit Services PMI (Jul) (P)	✓✓✓	52.30	50.70	Monthly
France	09:15	Markit Composite PMI (Jul) (P)	✓✓✓	53.50	51.70	Monthly
Germany	09:30	Markit Manufacturing PMI (Jul) (P)	✓✓✓	48.00	45.20	Monthly
Germany	09:30	Markit Services PMI (Jul) (P)	✓✓✓	50.50	47.30	Monthly
Germany	09:30	Markit Composite PMI (Jul) (P)	✓✓✓	50.30	47.00	Monthly
Eurozone	10:00	Markit Composite PMI (Jul) (P)	✓✓✓	51.10	48.50	Monthly
Eurozone	10:00	Markit Manufacturing PMI (Jul) (P)	✓✓✓	50.00	47.40	Monthly
Eurozone	10:00	Markit Services PMI (Jul) (P)	✓✓✓	51.00	48.30	Monthly
Italy	10:00	Manufacturing Confidence (Jul)	✓✓✓	85.50	79.80	Monthly
Italy	10:00	Consumer Confidence (Jul)	✓✓✓	103.80	100.60	Monthly
Italy	10:00	Economic Sentiment Index (Jul)	✓✓✓	-	65.40	Monthly
UK	10:30	Markit Manufacturing PMI (Jul) (P)	✓	52.00	50.10	Monthly
UK	10:30	Markit Services PMI (Jul) (P)	✓	51.50	47.10	Monthly
UK	10:30	Markit Composite PMI (Jul) (P)	✓	-	47.70	Monthly
Italy	11:00	Trade Balance Non-EU (Jun)	✓✓✓	-	EUR4.15bn	Monthly
US	15:45	Markit Manufacturing PMI (Jul) (P)	✓✓✓	51.50	49.80	Monthly
US	15:45	Markit Services PMI (Jul) (P)	✓✓✓	51.00	47.90	Monthly
US	15:45	Markit Composite PMI (Jul) (P)	✓✓✓	-	47.90	Monthly
US	16:00	New Home Sales (Jun)	✓✓✓	700.00K	676.00K	Monthly
US	16:00	New Home Sales (MoM) (Jun)	✓✓✓	4.00%	16.60%	Monthly
US	19:00	Baker Hughes US Rig Count (24-Jul)	✓✓✓	-	253.00	Weekly
US	19:00	Baker Hughes US Oil Rig Count (24-Jul)	✓	-	180.00	Weekly

Note: ✓✓✓High    ✓✓Medium    ✓Low

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