

# ONE Minute Brief

17 July 2020

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## Economic and political news

In South Africa (SA), the producer price index (PPI) unexpectedly rose 0.4% on an annual basis in May, compared to a rise of 1.2% in the prior month.

The South African government has announced its commitment to support and source the funding of ZAR10.1bn needed to restructure South African Airways (SAA).

The Democratic Alliance (DA) has served Finance Minister Tito Mboweni with legal notice of its intention to challenge any disbursement of public funds to SAA using his "emergency" powers under the Public Finance Management Act.

The South African Reserve Bank (SARB), in its quarterly bulletin, indicated that SA's foreign direct investment (FDI) inflows rose to ZAR29.0bn (USD1.74bn) in the 1Q20, compared to ZAR10.5bn in the previous quarter. Additionally, it indicated that the

Health Minister Zweli Mkhize confirmed that the number of COVID-19 cases in the country had increased to 324,221.

## Key indices

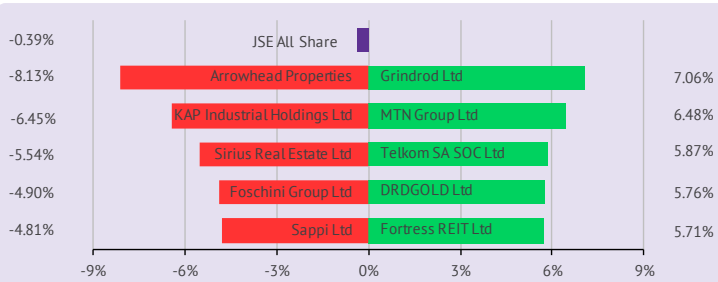
	As at 16 July 2020	1 Day Chg	1 D % Chg	WTD % Chg	MTD % Chg	Prev. month % Chg	YTD % Chg
JSE All Share (ZAR)	55729.45	▼ -217.60	-0.39	0.56	2.51	7.68	-2.37
JSE Top 40 (ZAR)	51363.49	▼ -243.21	-0.47	0.41	2.37	7.80	1.08
FTSE 100 (GBP)	6250.69	▼ -41.96	-0.67	2.55	1.31	1.53	-17.13
DAX 30 (EUR)	12874.97	▼ -56.01	-0.43	1.91	4.58	6.25	-2.82
CAC 40 (EUR)	5085.28	▼ -23.70	-0.46	2.31	3.02	5.12	-14.93
S&P 500 (USD)	3215.57	▼ -10.99	-0.34	0.96	3.72	1.84	-0.47
Nasdaq Composite (USD)	10473.83	▼ -76.66	-0.73	-1.35	4.13	5.99	16.73
DJIA (USD)	26734.71	▼ -135.39	-0.50	2.53	3.57	1.69	-6.32
MSCI Emerging Markets (USD)	1046.03	▼ -20.26	-1.90	-2.17	5.12	6.96	-6.16
MSCI Developed World (USD)	2288.81	▼ -9.97	-0.43	1.29	3.95	2.51	-2.95

## South Africa Market ▼

### South African markets closed lower

South African markets closed in the red yesterday, weighed down by losses in industrial, retail and platinum mining sector stocks. The JSE All Share Index fell 0.4% to close at 55,729.45.

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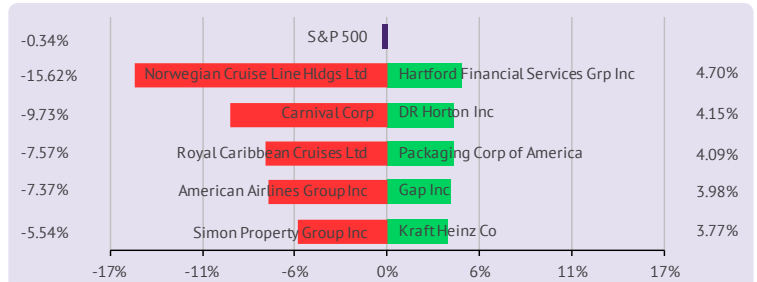


## US Market ▼

### US markets closed weaker

US markets closed lower yesterday, led by losses in technology sector stocks and amid worries over economic recovery. The S&P 500 Index dropped 0.3% to close at 3,215.57. Today, the S&P 500 futures are trading in the green.

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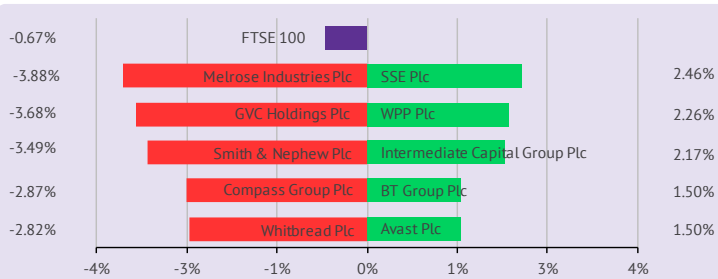


## UK Market ▼

### UK markets closed in the red

UK markets finished lower yesterday, as concerns over UK's job market and weak Chinese retail sales data dented hopes for a swift economic recovery. The FTSE 100 Index declined 0.7% to close at 6,250.69. Today, the FTSE 100 futures are trading in positive territory.

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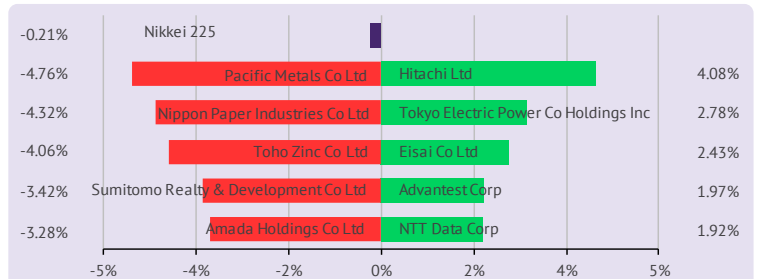


## Asian Market ▲

### Trading higher

Asian markets are trading higher this morning, amid expectations of fresh stimulus from the US government to support the economic recovery. As at 6:00 SAST, the Nikkei 225 Index is trading 0.2% lower at 22,721.80.

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## USD ZAR ▲

### USD trading lower against ZAR

At 06:00 SAST, the US Dollar is trading 0.2% weaker against the South African Rand at R16.7238. Later today, traders will keep a close watch on the US building permits, housing starts and the Michigan consumer sentiment index 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 dropped less than market expectations on a weekly basis in the week ended 10 July 2020. Additionally, business inventories fell in line with market anticipations in May. Meanwhile, the Philadelphia Fed manufacturing index dropped less-than-expected in July. Moreover, the NAHB housing market index rose in July. Also, advance retail sales climbed more than market consensus in June. Separately, in SA, the PPI unexpectedly advanced on an annual basis in May.

## GBP ZAR ▲

### GBP trading weaker against ZAR

At 06:00 SAST, the British Pound is trading marginally lower against the South African Rand at R21.0236. With no major economic releases in the UK today, investor sentiment will be determined by global macroeconomic news.

The British Pound advanced against the South African Rand yesterday. Data indicated that UK's ILO unemployment rate remained unchanged in the three months to May. Additionally, average earnings including bonus dropped less than market expectations in May.

## EUR ZAR ▲

### EUR trading lower against ZAR

At 06:00 SAST, the Euro fell 0.1% against the South African Rand to trade at R19.0528. Going forward, market participants will keep a tab on the Eurozone's consumer price index (CPI) and construction output for further cues.

The Euro strengthened against the South African Rand yesterday. On the data front, Eurozone's trade surplus widened in May.

## AUD ZAR ▼

### AUD trading higher against ZAR

At 06:00 SAST, the Australian Dollar is trading 0.1% firmer against the South African Rand at R11.6891.

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	16.7238	▲	1.01	-0.17	-3.41	-1.11	19.71
GBPZAR	21.0236	▲	0.70	-0.67	-2.26	-0.70	13.31
EURZAR	19.0528	▲	0.76	0.54	-2.12	0.09	21.53
AUDZAR	11.6891	▼	0.40	0.08	-2.55	2.35	18.65
EURUSD	1.1393	▲	-0.25	0.74	1.34	1.20	1.53
GBPUSD	1.2571	▲	-0.27	-0.55	1.23	0.47	-5.31
Brent (\$/barrel)	43.3	▼	-0.96	0.30	5.09	9.06	-34.29
Gold (\$/oz)	1798.4	▼	-0.74	-0.09	-0.01	3.66	18.20
Platinum (\$/oz)	828.8	-	-0.74	-0.93	-1.42	-3.88	-14.68
Copper (\$/MT)*	6437.8	▲	0.92	0.30	7.22	12.19	4.70

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

## Gold ▼

### Trading in the red

At 06:00 SAST, gold prices fell 0.1% to trade at \$1,798.40/oz.

Yesterday, gold prices fell 0.7% to close at \$1,800.30/oz, amid strength in the US Dollar.

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## Brent Crude Oil ▼

### Trading weaker

At 06:00 SAST, Brent crude oil edged 0.2% lower to trade at \$43.30/bl.

Yesterday, Brent crude oil declined 1.0% to settle at \$43.37/bl, after the Organisation of the Petroleum Exporting Countries and its allies agreed to trim supply curbs and as coronavirus infections continued to rise in the US.

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## Platinum ▼

### Trading in negative territory

At 06:00 SAST, platinum prices edged marginally lower to trade at \$828.80/oz.

Yesterday, platinum prices dropped 0.7% to close at \$828.80/oz.

## Major South African corporate news

### Anglo American Platinum Limited

In its 2Q20 production report, the company announced that total platinum group metals (PGM) production dropped 41.0% to 665,100 ounces compared to prior year, largely due to the impact of shutdowns implemented in SA and Zimbabwe in response to curbing the outbreak of COVID-19. This led to a loss of 521,600 PGM ounces in the quarter. Moreover, refined PGM production excluding tolling, decreased by 67.0% to 407,000 ounces. Additionally, PGM sales volumes decreased 55.0% to 548,000 ounces due to lower refined production, partially supplemented by a drawdown in refined inventory.

### ArcelorMittal South Africa Limited

In its 1H20 trading update, the company announced that it expects headline loss for the period to increase by at least ZAR2.00bn. Extraordinary cash management and cost control measures were implemented to ensure sufficient liquidity in response to disrupted and seized supply chains due to the pandemic. The company anticipated that it would take some time for steel demand to return to historical levels and taking cognisance of the asset footprint review, a large scale labour re-organisation in terms of Section 189(3) of the Labour Relations Act 66 of 1995, was announced on 18 June 2020.

### Hyprop Investments Limited

In its FY20 trading statement, the company announced that its dividend per share (DPS) would be at least 15.0%, or 111.70c per share, less than the DPS for the prior year.

### Kumba Iron Ore Limited

In its 1H20 trading statement, the company announced that following the lockdown and subsequent re-opening with reduced workforce levels, total production decreased by 11.0% to 17.90 Mt, driven by a 19.6% decline in 2Q20 to 8.50 Mt. Moreover, total sales were further impacted by severe coastal weather conditions and reduced by 13.0% to 18.60 Mt. Export sales decreased by 8.0% to 18.30 Mt and domestic off-take fell by 1.10 Mt to 0.40 Mt. Both production and sales are being closely managed in line with Transnet's logistical capacity, which increased to 80.0% in June 2020 after also re-opening at 50.0% of workforce capacity.

## Major global economic news

### US

In the US, the NAHB housing market index climbed to a level of 72.00 in July, compared to a level of 58.00 in the previous month.

In May, business inventories fell 2.3% on a monthly basis in the US, in line with market anticipations and compared to a revised drop of 1.4% in the previous month.

In the US, advance retail sales climbed 7.5% on a monthly basis in June, more than market forecast and compared to a revised advance of 18.2% in the prior month.

In the week ended 10 July 2020, seasonally adjusted number of initial jobless claims fell to a level of 1300.00K on a weekly basis in the US, less than market consensus and compared to a revised reading of 1310.00K in the prior week.

In the US, the Philadelphia Fed manufacturing index dropped less-than-expected to 24.10 in July, compared to a level of 27.50 in June.

### Eurozone

In the Eurozone, seasonally adjusted trade surplus widened to EUR8.00bn in May, compared to a revised surplus of EUR1.60bn in the prior month.














The European Central Bank (ECB), in its latest monetary policy meeting, kept its key interest rate unchanged at a record low of 0%, as widely expected. Additionally, the central bank kept its huge bond-buying programme at its current size. Moreover, the ECB stated that it expects rates to remain at their "present or lower" levels until it has seen the inflation outlook "robustly converge to a level sufficiently close to, but below, 2% within its projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics."

### UK

In the UK, the ILO unemployment rate remained unchanged at 3.9% in the three months to May.

In May, average earnings including bonus fell 0.3% in an annual basis in the UK, less than market anticipations and compared to a rise of 1.0% in the previous month.

## Economic calendar

Country	SAST	Economic indicator	Relevance	Consensus	Previous	Frequency
 Eurozone	11:00	Construction Output s.a. (MoM) (May)	✓✓✓	-	-14.60%	Monthly
 Eurozone	11:00	Construction Output w.d.a. (YoY) (May)	✓	-	-28.40%	Monthly
 Eurozone	11:00	Consumer Price Index - Core (YoY) (Jun) (F)	✓✓✓	0.80%	0.90%	Monthly
 Eurozone	11:00	Consumer Price Index (MoM) (Jun) (F)	✓✓✓	0.30%	-0.10%	Monthly
 Eurozone	11:00	Consumer Price Index (YoY) (Jun) (F)	✓✓✓	0.30%	0.10%	Monthly
 UK	12:00	BoE Governor Bailey Speech	✓	-	-	As Scheduled
 Canada	14:30	Wholesale Sales (MoM) (May)	✓✓✓	8.50%	-21.60%	Monthly
 US	14:30	Building Permits (Jun)	✓✓✓	1290.00K	1220.00K	Monthly
 US	14:30	Housing Starts (MoM) (Jun)	✓✓✓	-	4.30%	Monthly
 US	14:30	Building Permits (MoM) (Jun)	✓✓✓	-	14.40%	Monthly
 US	16:00	Reuters/Michigan Consumer Sentiment Index (Jul) (P)	✓✓✓	79.00	78.10	Monthly
 South Africa	17:30	SACCI Business Confidence Index (Jun)	✓	-	77.80	Monthly
 US	19:00	Baker Hughes US Oil Rig Count (17-Jul)	✓	-	181.00	Weekly

Note: ✓✓✓High    ✓✓Medium    ✓Low

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