

## **Eskom PIC rescue; Rand rebound; Woolies improved outlook; SAA chair flies off; Q2 recovery?**

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A proposal by the Public Investment Corporation, which is the owner of Eskom debt to convert its \$6.4bn holding into equity has become a rescue option for the troubled power utility. If the proposal is implemented, the PIC would likely get shares in the transmission unit, which is seen as a stable part of the business. In return the PIC wants a say over Eskom's messy finances, including board representation. This is according to five unidentified sources. In February last year, the PIC lent Eskom R5bn for a month to help it out of its liquidity crisis. The move could be resisted by the Public Servants Association which has described Eskom as nuclear waste.

The rand strengthened as the Eskom proposal soothed traders' nerves rising to a five month high against the dollar. The currency buoyed by a global rally closed at R13.93 to the greenback and is now eyeing the R13.90 level. US Federal Reserve chair Jerome Powell reinforced the expectation of interest rate cuts boosting risk assets across the globe. The yield on South Africa's benchmark 2026 government bond dropped 7 basis points to 8.04%, reflecting higher bond prices.

Woolworths shares rose to their best level in six months after the retailer revealed a 5.99% rise in sales in the year ending in June. This is thanks to its South African food business, which Woolies says was boosted by further investment in price, innovation and convenience. The Australian retailer, David Jones remains a concern as retail conditions remain challenging in the country. On the Johannesburg Stock Exchange, Woolies was the biggest mover ending the day 7.86% higher. INTU properties, Goldfields, Sasol and Glencore were the biggest downward movers losing around 3% of their share value.

News from global markets is that Bitcoin shares fell by almost 8% yesterday, extending losses after Powell poured cold water on Facebook's Libra currency. He called for a halt to the project until privacy and money-laundering concerns were addressed and said existing rules did not fit the cryptocurrencies. Ethereum and Ripple were also dragged down by the news.

Business Day reports that evidence is mounting that South Africa may have experienced a modest recovery in the second quarter with mining and manufacturing data for May providing some hope that South Africa has escaped a recession. This is after a shocking 3.2% contraction in the first quarter. Mining production increased by 3% in May from April pushed up by iron ore, which jumped by 68.7% and platinum that surged by 37.6%. While manufacturing output dropped by 1.5% from April to May, April was a surprisingly good month for the sector.

In another tempestuous day for Public Enterprises Minister Pravin Gordhan, he announced that the chair of South African Airways board, JB Magwaza has resigned. Magwaza said it was for personal reasons. This is after the airline's CEO Vuyani Jarana left SAA two months ago. Economic Freedom Fighters were thrown out of minister Gordhan's budget vote in Parliament yesterday after their MPs heckled and insulted Gordhan. This is after the Public Protector, Busisiwe Mkhwebane who is involved in a spat with Gordhan, which is now going to the courts, was described as "aggrieved and angry" as she told the justice portfolio committee her office was independent.