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*(\* when available)*

## Key daily driver

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### SNIPPETS

(Charts of the day)	Global inflation starts to rise, aided by higher energy costs, UK inflationary pressures spurred by weak sterling, real rates consequently negative
(Currencies)	Rand moves exacerbated by scant liquidity, majors subdued, eyes on local CPI and US FOMC today
(Equities)	Top 40 rises 0.63%, led by financials and industrials stocks; US equities upbeat ahead of Fed today; Asian markets mostly positive this morning
(Economics)	Japanese industrial production contracts in November

## Key overnight factors and upcoming events

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Date	Region	Event ↓↑→	Actual/expected/prior	Implications
13/12	UK	CPI ↑	1.2%/1.1%/0.9%	Inflation accelerates due to higher input costs and weaker sterling
14/12	SA	CPI y/y	--/6.6%/6.4%	SA CPI expected to rise on the back of higher food and transport inflation
14/12	US	Fed interest rate decision	--/0.75%/0.50%	Market is expecting a 25 bps rate hike by the Fed this week
15/12	UK	BOE bank rates	--/0.25%/0.25%	BOE likely to keep rates unchanged, Focus on whether

Source: Nedbank

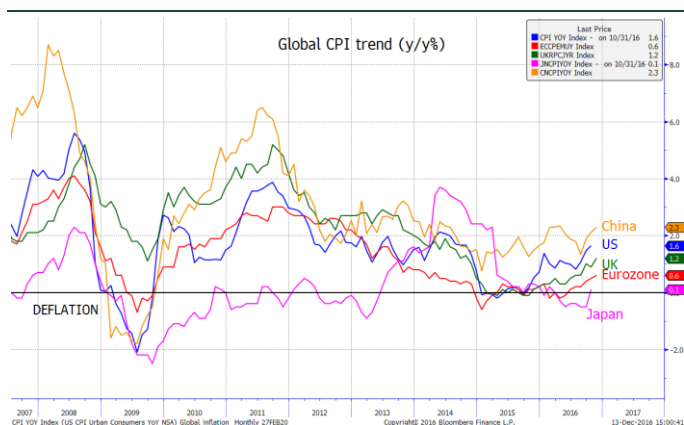
# Charts of the day

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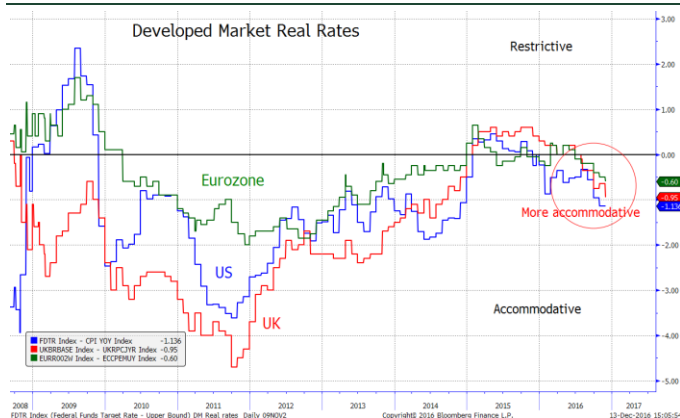
- UK CPI rose to 1.2% y/y in November, from 0.9% previously, beating consensus of 1.1%. Inflation is currently at a 2-year high and the key upward drivers were a surge in import prices, higher prices of clothing and footwear, household goods and equipment, as well as rising energy/fuel costs. The rise in input prices will likely pose some upside to CPI, which may rise over the medium term.
- PPI remained elevated at 12.9% y/y, from 12.4% in October, marginally below forecasts of 13.5%. Higher input costs have been driven by a sharply weaker sterling recently, with businesses curbing production as a result of higher prices. Key drivers of producer prices were crude oil, imported food, metals, chemicals, parts and equipment, and mining and quarrying products. Overall raw material prices have risen sharply recently and will likely remain elevated as the sterling remains weak.
- The BOE anticipates the 2% inflation target will be reached next year, and has recently indicated that the next move in interest rates may be higher, however the BOE has previously been tolerant of inflation well above the target for extended periods of time, hence we anticipate monetary policy will likely be held steady over the medium term. Should a hard Brexit materialise, this may hamper confidence, spending and overall economic activity, which may require keeping monetary policy loose for an extended period of time.
- German CPI eased to 0.8% y/y in November, from 0.9% previously, in line with consensus. Although food and goods prices rose, services inflation eased, and this was the main driver of the lower CPI print in November. Clothing, shoes and hotel prices rose, but this was offset by a sharp decline in petrol and energy costs. Higher global oil prices may prompt further inflation in Germany and the Eurozone as a whole in the coming year.
- Global inflationary pressure has started to rise, with US, China, UK and Eurozone inflation rising closer towards the central bank targets. Japan remains in deflation, while Eurozone inflation is still very low, and may likely tick higher over the medium term. Real interest rates remain accommodative across the major developed markets, and have fallen sharply in 2016/H2 as CPI has risen. This will likely remain the case over the next year, with monetary policy loose across most regions.

## Actual inflation starts to rise



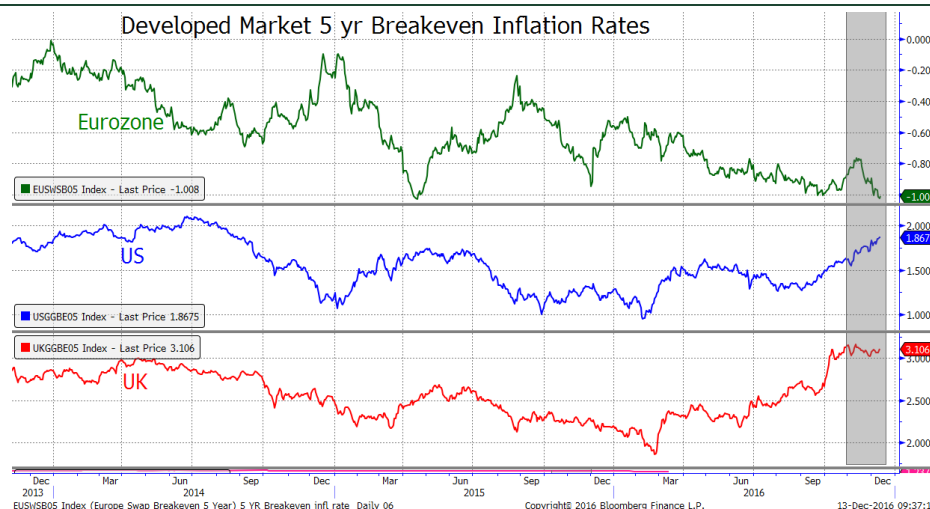
Source: Bloomberg, Nedbank

## ...Keeping real rates negative



Source: Bloomberg, Nedbank

## Breakeven inflation trend remains divergent across developed markets



Source: Bloomberg, Nedbank

# Currencies

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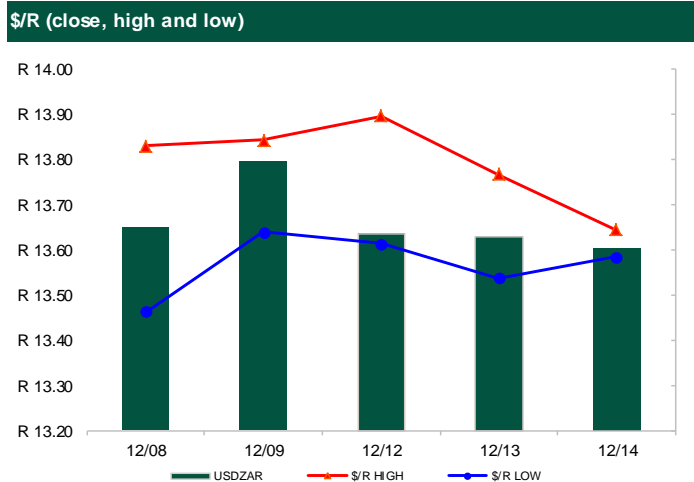
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- The local trading session opened with the rand trading in the low 13.60's. Once again, the momentum and direction of moves in the rand exacerbated as a result of the scant liquidity in the markets. During the local session, a foray to the downside, which saw the local unit trade to a best level of 13.5450 on the day, thereafter, once New York opened a change of direction and pace and the rand topping out at 13.7650, and a close at 13.6300. Activity in the overnight session particularly subdued, and thus far in the far east almost zero trading activity. The rand is currently trading at 13.6050. EURZAR is trading at 14.4650 and GBPZAR 17.2050.
- International markets were similarly subdued on the day. EURUSD trading between 1.0604 and 1.0655, on the day, this morning literally unchanged from the same time yesterday at 1.0635. Gold has also held largely steady over the last 24 hours after a slightly weaker close last night, this morning once again trading at 1160.00.
- Data releases scheduled for today, locally we have CPI and retail sales, from Europe we have French CPI, Eurozone industrial production and U.K unemployment. From the U.S retail sales, mortgage applications, PPI, industrial production, capacity utilisation and business inventories, as well as the much anticipated announcement from the FOMC.
- Despite the wide spread conviction of a rate hike in the U.S later today, and the inevitable consequences to emerging markets, the rand has traded resiliently over the most recent sessions. Anticipation of some caution ahead of the local close today.
- Possible trading range in the rand today 13.5000 to 13.8000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.27	-0.23	1.23	-14.13	↑	USD weakness
EURUSD	1.06	0.11	0.35	-2.12	↑	USD weakness
USDJPY	115.25	-0.03	0.98	-4.12	↑	USD strength
USDAUD	1.34	0.10	-1.28	-2.64	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.60	-0.18	-3.34	-12.15	↓	ZAR strength
GBPZAR	17.21	-0.41	-2.14	-24.55	↓	ZAR strength
EURZAR	14.47	-0.06	-2.99	-14.00	↓	ZAR strength
AUDZAR	10.19	-0.28	-2.08	-9.74	↓	ZAR strength
ZARJPY	8.47	0.15	4.45	9.13	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	53.48	-0.16	3.77	23.96	↑	ZAR strength
ZARBWP (Botswana pula)	0.78	0.18	1.63	7.39	↑	ZAR strength
ZARKES (Kenyan shilling)	7.51	0.15	3.75	13.60	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.64	0.22	3.19	13.95	↑	ZAR strength
ZARNGN (Nigerian naira)	23.26	0.71	3.88	80.67	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.31	0.69	-0.55	23.97	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0.72	-0.11	3.34	1.80	↑	ZAR strength
ZARMZN (Mozambican metical)	5.36	0.21	1.27	72.94	↑	ZAR strength

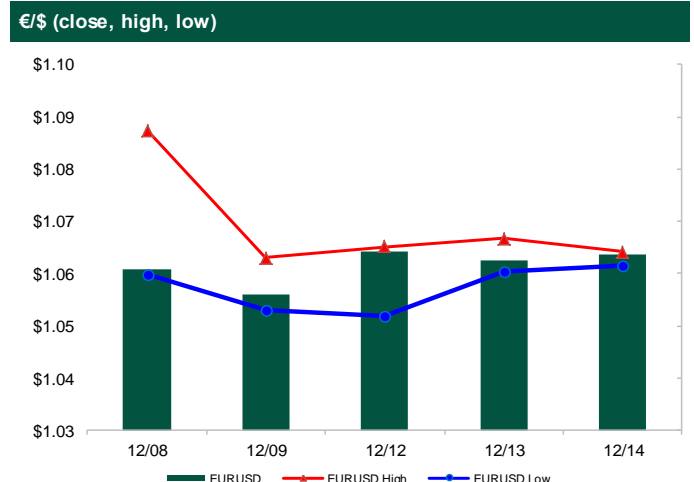
\*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks

## USDZAR



Source: Bloomberg, Nedbank

## EUR/USD



Source: Bloomberg, Nedbank

# Commodities

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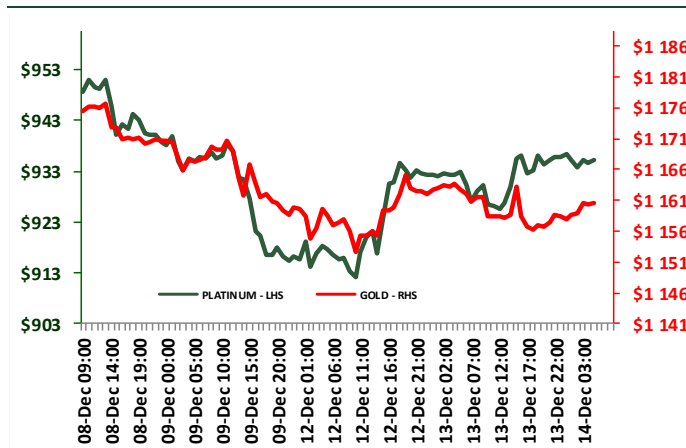
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- Bullion remained within a narrow \$10/oz. trading range yesterday, with the bias for the price action lower for most of the day. Some support came through in the US session and in Asia this morning, but this was limited. Gold is expected to remain within a bear trend over the medium term, due to waning safe haven demand and limited bargain buying.
- Brent rose by \$1/bbl. intraday yesterday, and remained elevated on the back of developments from OPEC last weekend. Stabilisation efforts by OPEC have supported the oil price by more than 20% over the past month, with Brent expected to remain elevated over the medium term if all members keep to their production quotas, and if US shale oil producers don't ramp up production to fill the gap in the market. If the latter occurs, it would essentially negate OPEC's efforts over the last month, and keep the oil price subdued. This morning, Asian markets caused a \$1/bbl. decline in the Brent price, possibly due to profit-taking.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	54.99	-1.31	8.96	47.51	↑
WTI crude (\$)	52.24	-1.40	5.66	41.04	↑
Gold spot (\$)	1 159.88	0.25	-1.28	9.20	↓
Platinum spot (\$)	934.65	-0.12	2.72	4.59	↑
SA white maize spot (R)	4 023.00	0.27	7.02	-13.69	↑

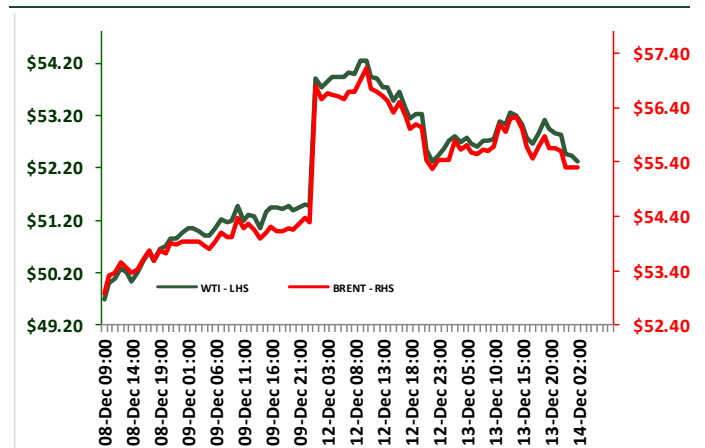
Source: Bloomberg & Nedbank CIB  
Time: 2016/12/14 07:12

Platinum vs Gold



Source: Bloomberg

Brent Crude vs West Texas Intermediate



Source: Bloomberg

# Fixed income and interest rates

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Bond flow sales | +2711 535 4021 | Corporate Money Markets | +2711 535 4007 | Business Bank Money Markets | +2711 535 4006

Bonds						FRAs and Swaps					
	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend		Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps			%	bps	bps	bps	
R203-0.8 yrs	7.84	14.18	6.88	-68.72	↑	3X6 FRA	7.42	1.00	-2.00	0.50	↓
R208-4.3 yrs	8.34	0.20	-11.70	-107.50	↓	6X9 FRA	7.51	3.00	-3.00	-26.50	↓
R186-10 yrs	8.92	0.00	-10.60	-84.80	↓	9X12 FRA	7.56	5.00	-7.00	-69.00	↓
R2048-31.2 yrs	9.65	0.00	-10.80	-75.40	↓	18X21 FRA	7.60	0.00	-16.00	-141.00	↓
US 10 yr	2.46	-1.52	7.48	18.68	↑	SA 2yr Swap	7.51	0.50	-10.00	-64.60	↓
UK 10 yr	1.44	-1.77	1.62	-26.48	↑	SA 3yr Swap	7.61	0.00	-13.00	-93.40	↓
German 10 yr	0.36	-9.77	30.91	-42.77	↑	SA 5yr Swap	7.88	0.00	-16.00	-111.50	↓
Japan 10 yr	0.07	-23.26	164.00	-75.09	↑	SA 10yr Swap	8.39	1.50	-13.00	-107.50	↓
						SA 15yr Swap	8.54	2.00	-13.25	-112.25	↓
Money Market						Spreads					
	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend		Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps			%	bps	bps	bps	
SA repo rate	7.00	0.00	0.00	75.00	→	2v10y	-0.88	-1.00	3.00	42.90	↑
SA prime rate	10.50	0.00	0.00	75.00	→	3v10y	-0.77	-1.50	-0.00	14.10	↓
SA CPI (MTD = previous month)	6.40		30.00		↑	R186-R203	1.22	-14.18	-17.48	-16.08	↓
SA 3m JIBAR	7.36	0.00	0.00	73.30	→	R2048-R186	0.73	0.00	-0.20	9.40	↓
SA 3m NCD	7.33	0.00	-5.00	72.50	↓	5y-R186	-1.04	0.00	-5.40	-26.70	↓
SA 6m NCD	7.95	0.00	0.00	43.75	→	10y-R186	-0.54	1.50	-2.40	-22.70	↓
SA 12m NCD	8.45	-1.25	-3.75	1.25	↓	15y-R186	-0.40	2.00	-2.65	-27.45	↓
US 3m LIBOR	0.96	0.47	2.93	35.07	↑	SA 5yr CDS spread - basis points	220.00	-3.00	-20.50	-115.02	↓
UK 3m LIBOR	0.38	0.12	-0.78	-21.35	↓						
Japan 3m LIBOR	-0.09	-1.22	0.36	-16.40	↑						
Source: Bloomberg & Nedbank CIB		Time		2016/12/14 07:12		Source: Bloomberg & Nedbank CIB		Time		2016/12/14 07:12	

# Equities

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Cash equities | +2711 535 4030/31

## South Africa

- The Top 40 Index closed up +0.63% with gains in the financial and industrial space outweighing a weak resource sector. Local currency weakness ahead of the Fed's rate announcement, supported rand hedged counters.
- Making the news, MTN led the index after announcing plans to extract money out of Iran with OML stating that it will reduce its stake in OMAM via a public offering. Plans for Eskom to go ahead and receive proposals for the nuclear plant, also dented investor sentiment
- Value traded at 5pm was around R21bn with the currency at R 13.66 vs. the USD at the close.

## UK/Europe

- European markets moved higher in Tuesday's trade after investors cheered UniCredit's plans to raise capital and cut costs.
- The FTSE100 closed up 1.1% with real estate and healthcare counters leading the pack. Miners however came under pressure after metal prices moved lower. A broker upgrade lifted Unilever however Tesco fell after the release of its sales update.
- On the economic front, the German ZEW survey remained unchanged however UK inflation accelerated more than expected.

## USA

- Wall Street closed at new highs yesterday with the Dow ending at 19 911, just shy of the 20 000 milestone, Intel and Exxon Mobil leading the bourse. 9 of the 11 sectors on the S&P gained ground, with tech and energy producers outperforming.
- AB Inbev advanced 1.3% after selling 5 European brands to Japan's Asahi Group for \$7.8 billion.
- All eyes will be on the Fed, who is expected to raise rates today. The key takeaway will be the pace of these rate hikes going into 2017.

## Asia

- Positive sentiment is flowing into Asian markets with the region gaining ground after Wall Street's record breaking close. Trade however remains cautious ahead of the Fed announcement.
- Advances in utilities and telco's helped the Nikkei reverse earlier losses to trade relatively flat. The Tankan survey came in at 10 vs 6 in the previous quarter. A possible move by Sinopec to list its retail business saw the energy producer jump over 6%. Crude oil futures however eased in Asian trade.
- The ASX rebounded from losses in the previous session with banks higher this morning. Weak commodity prices weighed on mining stocks

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	19 911.21	0.58	4.12	14.27	↑
Nasdaq	5 463.83	0.95	2.63	9.11	↑
S&P 500	2 271.72	0.65	3.32	11.14	↑
DJ Eurostoxx 50	3 236.71	1.18	6.07	-0.94	↑
DAX	11 284.65	0.84	6.06	5.04	↑
CAC	4 803.87	0.91	4.93	3.60	↑
FTSE	6 968.57	1.13	2.72	11.63	↑
ASX200	5 586.80	0.75	2.69	5.49	↑
Nikkei 225	19 261.97	0.06	5.21	1.20	↑
MSCI World	1 774.01	0.78	3.62	6.69	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	22 581.41	0.60	-0.91	3.04	↓
Shanghai	3 157.06	0.06	-2.86	-10.80	↓
Brazil Bovespa	59 280.57	0.17	-4.24	36.75	↓
India - NSE	26 650.76	-0.18	-0.01	2.04	↓
Russia Micex	2 247.02	0.90	6.75	27.57	↑
MSCI Emerging	877.20	0.57	1.67	10.46	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	50 839.25	0.62	1.25	0.29	↑
Top 40	44 170.66	0.63	1.10	-3.55	↑
Resi 10	33 284.49	-1.11	-0.21	31.07	↓
Indi 25	63 952.50	1.24	1.23	-10.87	↑
Fini 15	15 047.98	1.16	2.88	-1.23	↑

Source: Bloomberg & Nedbank CIB  
Time 2016/12/14 07:12

## Economics

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### Japan

- Industrial production contracted by 1.4% y/y in October, from 1.5% growth in September, as mining and manufacturing production contracted sharply. Production of steel, fabricated metals, machinery, and electronic parts declined, while vehicle production rose.
- The weak yen has boosted exports, along with a seasonal uptick in demand in November, and this resulted in a sharp rundown of inventories and a sharp rise in capacity utilization. Production is expected to rebound in the coming months as a result of the depletion of inventories.

**Synopsis: Despite unprecedented amounts of monetary stimulus and ultra-loose monetary policy, consumer demand has not picked up, and this has kept price pressures benign. The BoJ will probably keep monetary policy ultra-loose as it battles to contain deflation, while further fiscal stimulus may also be extended in order to spur demand-pull inflation over the medium term.**

## Economic calendar

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
<b>13-Dec</b>							
04:00	CH	Industrial Production YoY	Nov	6.10%	6.20%	6.10%	--
04:00	CH	Retail Sales YoY	Nov	10.20%	10.80%	10.00%	--
09:00	GE	CPI YoY	Nov F	0.80%	0.80%	0.80%	--
11:30	UK	CPI YoY	Nov	1.10%	1.20%	0.90%	--
11:30	UK	PPI Input NSA YoY	Nov	13.50%	12.90%	12.20%	12.40%
12:00	GE	ZEW Survey Expectations	Dec	13.5	13.8	13.8	--
12:00	EC	ZEW Survey Expectations	Dec	--	18.1	15.8	--
<b>14-Dec</b>							
15-Dec	CH	Aggregate Financing CNY	Nov	1098.2b	--	896.3b	--
15-Dec	CH	New Yuan Loans CNY	Nov	720.0b	--	651.3b	--
15-Dec	CH	Money Supply M2 YoY	Nov	11.50%	--	11.60%	--
06:30	JN	Industrial Production YoY	Oct F	--	-1.40%	-1.30%	--
10:00	SA	CPI YoY	Nov	6.60%	--	6.40%	--
11:30	UK	Average Weekly Earnings 3M/YoY	Oct	2.30%	--	2.30%	--
11:30	UK	ILO Unemployment Rate 3Mths	Oct	4.80%	--	4.80%	--
12:00	EC	Industrial Production WDA YoY	Oct	1.00%	--	1.20%	--
13:00	SA	Retail Sales Constant YoY	Oct	1.10%	--	1.40%	--
14:00	US	MBA Mortgage Applications	09-Dec	--	--	-0.70%	--
15:30	US	Retail Sales Advance MoM	Nov	0.30%	--	0.80%	--
15:30	US	PPI Final Demand YoY	Nov	0.90%	--	0.80%	--
16:15	US	Industrial Production MoM	Nov	-0.20%	--	0.00%	--
16:15	US	Manufacturing (SIC) Production	Nov	-0.40%	--	0.20%	--
21:00	US	FOMC Rate Decision (Upper Bound)	14-Dec	0.75%	--	0.50%	--
21:00	US	Fed Summary of Economic Projections					

Source: Bloomberg

## JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	206.32	-2.82	-2.68	199.06	↓
ANG : Anglogold Ashanti Ltd	145.00	-0.36	-6.66	36.46	↓
APN : Aspen Pharmacare Holdings Lt	266.25	-0.95	-8.17	-13.97	↓
BAT : Brait Se	87.42	2.86	2.67	-47.18	↑
BGA : Barclays Africa Group Ltd	168.40	0.62	7.05	17.36	↑
BID : Bid Corp Ltd	250.00	1.09	1.39		↑
BIL : Bhp Billiton Plc	238.59	-1.92	2.01	37.17	↑
BTI : British American Tobacco Plc	766.00	1.72	-1.96	-12.27	↓
BVT : Bidvest Group Ltd	183.09	4.80	12.45	79.24	↑
CFR : Financiere Richemont-Dep Rec	90.62	0.97	-0.61	-18.80	↓
DSY : Discovery Ltd	115.75	1.35	3.89	-12.94	↑
FFA : Fortress Income Fund Ltd-A	16.60	1.90	2.28	3.23	↑
FFB : Fortress Income Fund Ltd	33.35	3.06	9.20	-4.25	↑
FSR : Firstrand Ltd	53.85	1.85	6.63	27.09	↑
GFI : Gold Fields Ltd	39.35	-1.03	-11.77	-6.75	↓
GRT : Growthpoint Properties Ltd	25.51	1.55	2.53	9.81	↑
IMP : Impala Platinum Holdings Ltd	41.96	-0.10	-5.07	67.57	↓
INL : Investec Ltd	92.05	0.11	2.31	-15.94	↑
INP : Investec Plc	92.99	-0.01	2.07	-15.53	↑
ITU : Intu Properties Plc	46.66	1.72	-1.12	-36.88	↓
LHC : Life Healthcare Group Holdin	31.50	-1.87	1.48	-10.18	↑
MEI : Mediclinic International Plc	128.76	1.64	3.26		↑
MND : Mondi Ltd	268.81	-0.10	-5.11	-12.52	↓
MNP : Mondi Plc	270.50	0.10	-5.05	-12.32	↓
MRP : Mr Price Group Ltd	156.90	0.63	8.17	-21.55	↑
MTN : Mtn Group Ltd	125.85	2.49	11.17	-5.30	↑
NED : Nedbank Group Ltd	234.90	0.50	2.13	24.54	↑
NPN : Naspers Ltd-N Shs	1 970.00	0.42	-4.13	-7.08	↓
NTC : Netcare Ltd	31.50	0.74	0.83	-7.08	↑
OML : Old Mutual Plc	33.47	0.21	1.12	-19.25	↑
RDF : Redefine Properties Ltd	10.67	2.40	3.09	10.00	↑
REI : Reinnet Investments Sa-Dr	26.27	1.39	-5.03	-17.60	↓
REM : Remgro Ltd	226.24	3.92	8.19	-6.01	↑
RMH : Rmb Holdings Ltd	66.82	2.05	7.08	20.16	↑
SBK : Standard Bank Group Ltd	155.00	1.47	2.65	36.56	↑
SGL : Sibanye Gold Ltd	24.73	2.57	-15.22	8.23	↓
SHP : Shoprite Holdings Ltd	192.80	1.47	3.13	34.58	↑
SLM : Sanlam Ltd	62.00	0.03	0.54	2.41	↑
SNH : Steinhoff International H Nv	75.98	2.75	16.75	-3.22	↑
SOL : Sasol Ltd	403.99	1.16	6.50	-3.67	↑
TBS : Tiger Brands Ltd	404.88	0.91	2.74	27.95	↑
VOD : Vodacom Group Ltd	144.72	1.76	-0.01	-5.05	↓
WHL : Woolworths Holdings Ltd	67.10	0.34	3.34	-33.00	↑

Source: Bloomberg & Nedbank CIB

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