



17 January 2017 | 7:32 AM

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(\* when available)*

## Key daily driver




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### SNIPPETS

(Charts of the day)	SA bond yields post sharp rally, however momentum likely to slow in the near term
(Currencies)	Dollar weakness propelled by weaker euro, global majors mixed; USDZAR strengthens overnight, markets await Theresa May's speech today
(Equities)	Top 40 rises 0.58%, led by industrials; US market closed for a public holiday; Asian equities negative this morning
(Economics)	Eurozone trade surplus widens as exports rise; Japanese industrial production upbeat in November
(Foreign flows)	SA posts large weekly outflows last week amid weak start to the year

## Key overnight factors and upcoming events

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Date	Region	Event   	Actual/expected/prior	Implications
17/01	UK	CPI y/y	--/1.4%/1.2%	CPI expected to rise marginally due to energy prices
17/01	UK	May speaks	-	PM May due to give speech on Brexit plans
18/01	SA	CPI y/y	--/6.4%/6.6%	Marginal easing in CPI may be a product of lower food inflation

Source: Nedbank

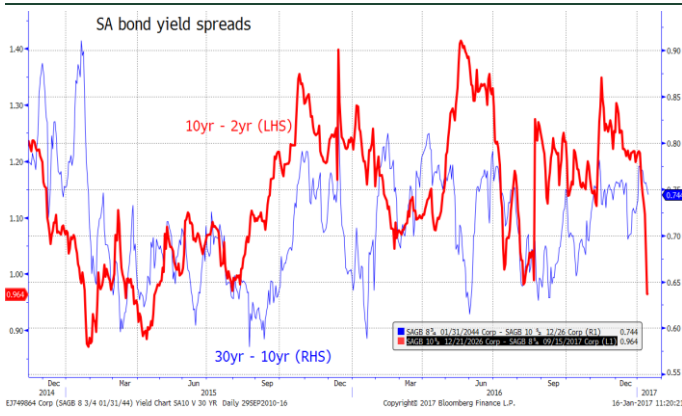
# Charts of the day

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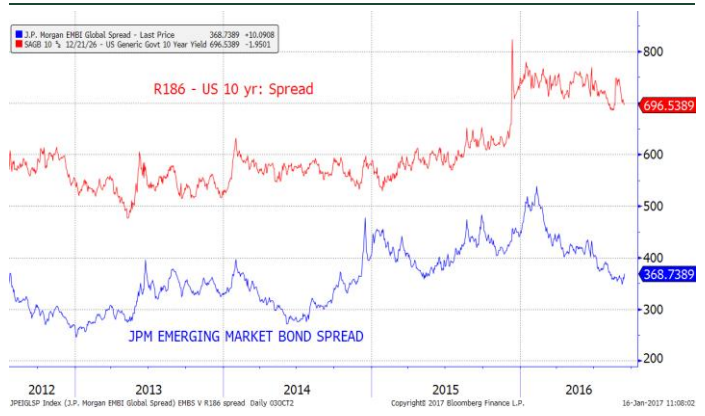
- The SA R186 yield has declined sharply this year. However, this comes after a volatile 2016 which swayed bond yields according to prevalent conditions, both local as well as global. While the year got underway with yields elevated after the Nene-gate scenario, subsequent budget speeches, political turmoil, credit ratings events and geopolitical risks kept the yield trending between gains and losses in H1/2016. Broad-based EM risk-on demand took hold, supporting the yield below 9% in H2/2016. Although CPI remained elevated in 2016, it tended to surprise on the downside, helping yields lower. The rally in the local bond market was underpinned by a stronger rand and positive foreign capital inflows (bonds) for most of the year. The fact that Pravin Gordhan remained in his position as finance minister, credit ratings agencies maintained our sovereign credit rating and the EM risk-on trade persisted, meant the bond market gathered momentum through to year-end.
- Given the sharp decline in the 10 year yield, the yield curve, particularly the shorter end, has bull flattened recently. The 10y2y spread has declined by 16 bps since the start of the year. The spread is now at the lowest since July 2015. The longer end, the 30y10y spread has also declined, but by a smaller margin compared to the short-end. This may be overdone in the near term, and we are likely to see absolute yields rising from overbought levels. The R186 yield will likely rise marginally in the near term, remain range-bound to lower over the medium term. Key target levels are 8.40% and 8% in the medium term, and support at 9%. Spreads will be impacted by inflation expectations in the near term, but may remain relatively flat for an extended while.

## Short end of YC steepens as 10 year yield slumps



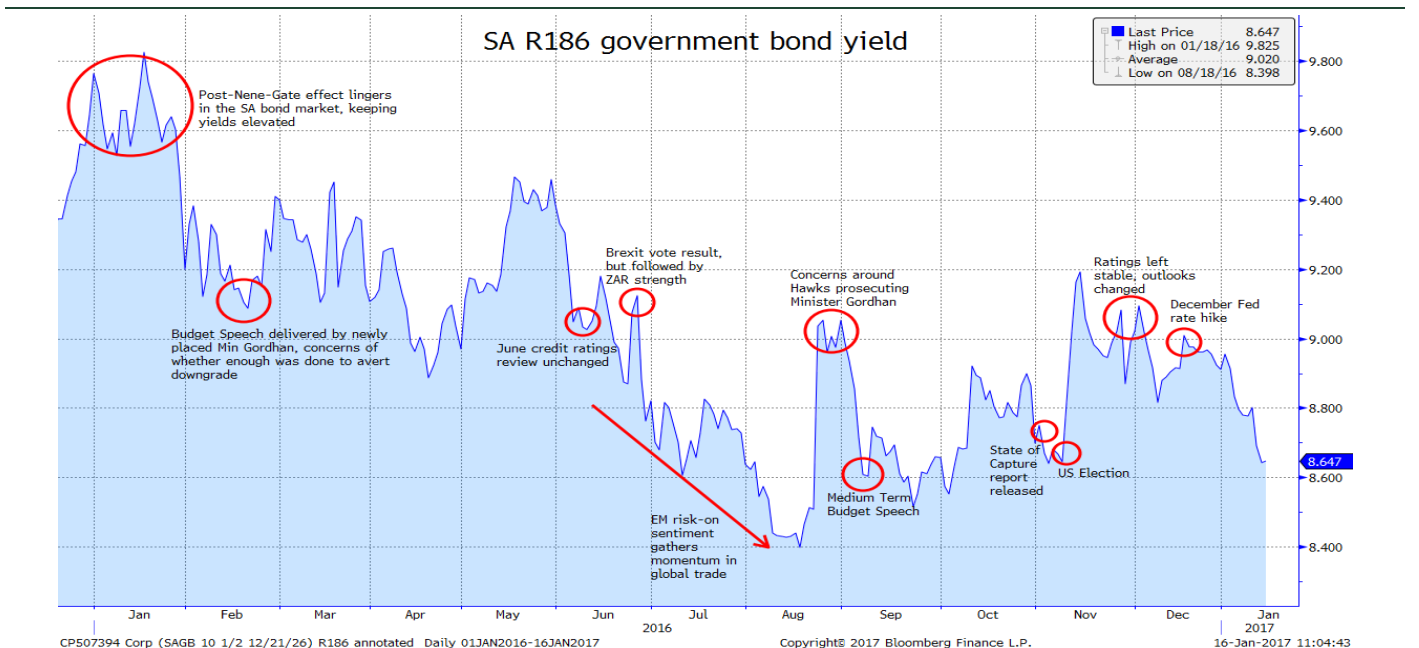
Source: Bloomberg, Nedbank

## However, relative to global peers, yield remains elevated



Source: Bloomberg, Nedbank

## SA R186 yield ends volatile year lower, likely to maintain bias this year



Source: Bloomberg, Nedbank

# Currencies

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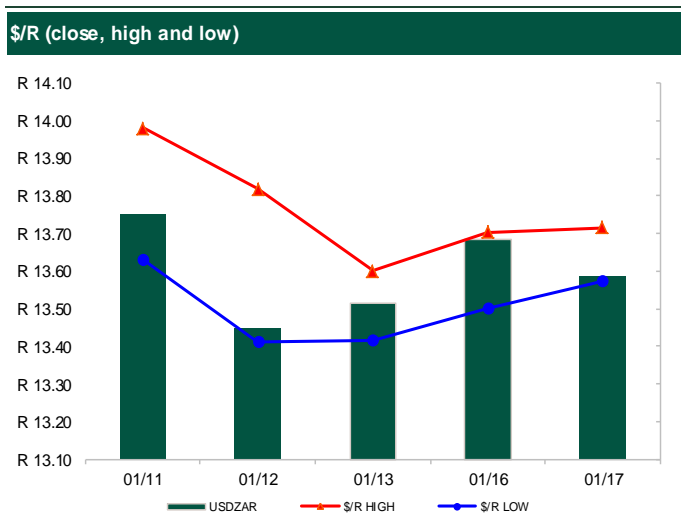
- The new week opened with the rand having opened the session trading in the mid 13.50's, however once the European markets opened steady demand for dollars, although in limited volumes, saw the local unit trade steadily weaker, topping out the session around 13.6525, around the time of the close. No real New York session due to a public holiday, the rand touching above 13.7000 late on the day, this morning in the Far East some, in exceptionally limited liquidity, the rand has found some support and is currently trading at 13.5800, EURZAR is currently trading at 14.4515 and GBPZAR at 16.4020.
- International markets were generally subdued on the day, EURUSD trading between 1.0580 and 1.0636, closing the day at 1.0607, this morning marginally firmer at 1.0645 currently; this morning gold is currently trading at 1207.50, which is fractionally firmer from the close last night.
- Data releases scheduled for today, locally we have mining production, including gold and platinum, from Germany we have ZEW index, from the U.K CPI, PPI input and output and the much anticipated announcement from the British prime minister regarding the Brexit, from the U.S Empire manufacturing.
- Liquidity or the lack thereof, thus far in the year remains the key driver of market activity, this week there are various event risks, including todays speech from PM May, the ECB meeting and Mr Trumps inauguration, keeping markets on the back foot.
- Possible trading range in the rand today 13.4500 to 13.7500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.21	0.12	-2.09	-2.09	↓	USD strength
EURUSD	1.06	0.41	1.24	1.24	↑	USD weakness
USDJPY	113.68	-0.38	-2.80	-2.80	↓	USD weakness
USDAUD	1.33	-0.40	-4.11	-4.11	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.59	-0.72	-1.12	-1.12	↓	ZAR strength
GBPZAR	16.41	-0.62	-3.13	-3.13	↓	ZAR strength
EURZAR	14.46	-0.33	0.09	0.09	↑	ZAR weakness
AUDZAR	10.20	-0.31	3.06	3.06	↑	ZAR weakness
ZARJPY	8.37	0.35	-1.90	-1.90	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMMK (Malawian kwacha)	53.36	0.65	0.72	0.72	↑	ZAR strength
ZARBWP (Botswana pula)	0.78	0.22	0.32	0.32	↑	ZAR strength
ZARKES (Kenyan shilling)	7.64	0.65	2.47	2.47	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.64	0.46	0.64	0.64	↑	ZAR strength
ZARNGN (Nigerian naira)	23.10	0.37	0.72	0.72	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.31	-0.13	0.13	0.13	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.73	0.51	0.81	0.81	↑	ZAR strength
ZARMZN (Mozambican metical)	5.21	1.11	-0.08	-0.08	↓	ZAR weakness

Source: Bloomberg & Nedbank CIB  
Time: 2017/01/17 07:23

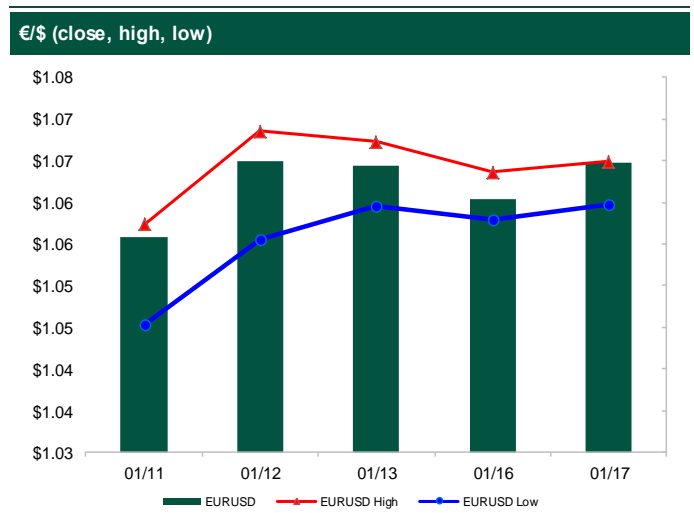
*\*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks*

## USDZAR



Source: Bloomberg, Nedbank

## EUR/USD



Source: Bloomberg, Nedbank

# Commodities

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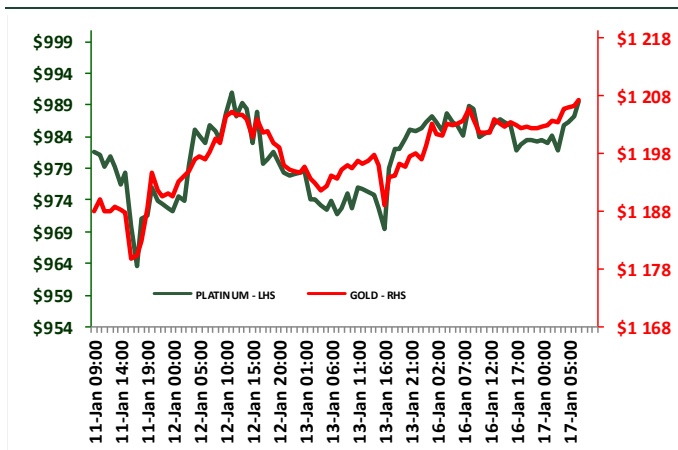
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- Bullion remained starkly range-bound yesterday, as the price continues to test the \$1200/oz. pivot level for a sustained break higher. A weaker dollar will likely provide some boost for the metal, however the medium term outlook is still for a lower gold price as the dollar rallies and weighs on bargain buying. In the overnight session, Asian traders pushed the gold price marginally higher, to \$1207/oz. this morning.
- The oil price also remained range-bound in thin liquidity yesterday, but elevated at \$55/oz. The on-going supply glut from non-OPEC members will likely keep the oil price lower for an extended period of time.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	55.70	-0.29	-1.97	-1.97	↓
WTI crude (\$)	52.42	0.10	-2.42	-2.42	↓
Gold spot (\$)	1 207.69	0.39	5.25	5.25	↑
Platinum spot (\$)	989.00	0.59	9.51	9.51	↑
SA white maize spot (R)	3 459.00	-2.81	-2.34	-2.34	↓

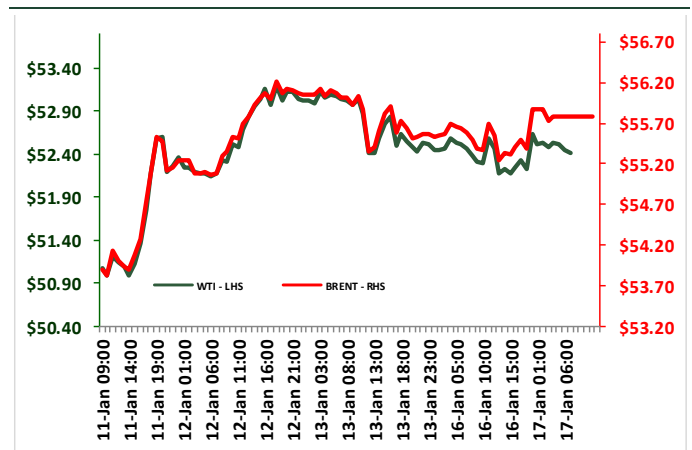
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Platinum vs Gold



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	
R203-0.7 yrs	7.84	14.39	13.69	13.69	↑	3X6 FRA	7.37	0.00	-2.00	-2.00	↓
R208-4.2 yrs	8.05	-0.40	-23.20	-23.20	↓	6X9 FRA	7.39	0.00	-3.00	-3.00	↓
R186-9.9 yrs	8.66	-0.40	-25.40	-25.40	↓	9X12 FRA	7.40	0.00	-5.00	-5.00	↓
R2048-31.1 yrs	9.40	-0.40	-22.40	-22.40	↓	18X21 FRA	7.42	0.00	-11.00	-11.00	↓
US 10 yr	2.36	-3.71	-8.51	-8.51	↓	SA 2yr Swap	7.40	0.00	-6.20	-6.20	↓
UK 10 yr	1.31	-3.81	5.89	5.89	↑	SA 3yr Swap	7.46	-1.30	-9.20	-9.20	↓
German 10 yr	0.32	-4.44	55.29	84.57	↑	SA 5yr Swap	7.67	-1.00	-14.60	-14.60	↓
Japan 10 yr	0.05	0.00	15.22	15.22	↑	SA 10yr Swap	8.08	-1.25	-24.60	-26.50	↓
						SA 15yr Swap	8.23	-1.00	-26.00	-26.00	↓
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	0.00	→	2v10y	-0.68	1.25	18.40	20.30	↑
SA prime rate	10.50	0.00	0.00	0.00	→	3v10y	-0.62	-0.05	15.40	17.30	↑
SA CPI (MTD = previous month)	6.60		20.00		↑	R186-R203	0.96	-14.79	-39.09	-39.09	↓
SA 3m JIBAR	7.36	0.00	0.00	0.00	→	R2048-R186	0.74	0.00	3.00	3.00	↑
SA 3m NCD	7.33	0.00	-5.00	-5.00	↓	5y-R186	-0.99	-0.60	10.80	10.80	↑
SA 6m NCD	7.93	0.00	-5.00	-5.00	↓	10y-R186	-0.57	-0.85	0.80	-1.10	↑
SA 12m NCD	8.40	0.00	-5.00	-5.00	↓	15y-R186	-0.43	-0.60	-0.60	-0.60	↓
US 3m LIBOR	1.02	0.06	2.58	2.58	↑	SA 5yr CDS spread - basis points	211.19	3.63	-5.81	-5.81	↓
UK 3m LIBOR	0.36	-0.19	-1.00	-1.00	↓						
Japan 3m LIBOR	-0.03	-0.46	3.04	3.04	↑						
Source: Bloomberg & Nedbank CIB						Source: Bloomberg & Nedbank CIB					
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# Equities

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Cash equities | +2711 535 4030/31

## South Africa

- The Top 40 recovered from earlier losses and closed the day up +0.6%. A weakening rand supported resources and industrials as they rallied +1.5% and +0.7% respectively while financials fell -0.7% dragged lower by Brait (-2.2%) and Capital and Counties (-2%). Volumes dried up again and there was no economic news which led to a subdued trading day. The Foschini Group surged +5% after their sales update revealed Christmas holiday sales topped expectations increasing +15% yoy, this spilled over to its peers which also gained on the day. The value traded was R16.8 billion and the rand was hovering around 13.63 to the US dollar at the close.

## UK/Europe

- The major European markets closed firmly in the red, the Dax sunk -0.6%, the Cac slid -0.8% and the FTSE lost -0.2%. Oil prices retreated ahead of OPEC's production data following the agreed production cuts, the pound lost ground against the dollar ahead of Theresa May speech where she is rumoured to talk about a hard Brexit, Bank around the region were weak after Italian banks were downgraded by a Canadian ratings company and car manufacturers retreated after Trump tweeted Mexican manufactured cars exported to the US would be taxed 35%, all these facts added pressure to the market.

## USA

- The US market was closed for a public holiday.

## Asia

- Without a lead from Wall Street, Asian markets are trading mixed this morning, the Nikkei, ASX200 and Shanghai are down while the Hang Seng and Sensex indexes are up. Oil markets have bounced in Asian trade adding support to the region. The Australian market is down despite vehicle sales and new home loans data showed an improving economy, BHP billion and South 32 up +0.6% and +1.4%. The Japanese market is weaker weighed by a stronger yen hurting the index heavyweight exporters. Ten cent is currently up +0.7% in Hong Kong this morning.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	19 885.73	-0.03	0.62	0.62	↑
Nasdaq	5 574.12	0.48	3.55	3.55	↑
S&P 500	2 274.64	0.18	1.60	1.60	↑
DJ Eurostoxx 50	3 324.34	1.15	1.03	1.03	↑
DAX	11 554.71	-0.64	0.64	0.64	↑
CAC	4 882.18	-0.82	0.41	0.41	↑
FTSE	7 327.13	-0.15	2.58	2.58	↑
ASX200	5 699.40	-0.85	0.59	0.59	↑
Nikkei 225	18 931.62	-0.86	-0.96	-0.96	↓
MSCI World	1 783.76	-0.25	1.86	1.86	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	22 813.42	0.42	4.69	3.69	↑
Shanghai	3 087.37	-0.52	-0.52	-0.52	↓
Brazil Bovespa	63 831.28	0.28	5.98	5.98	↑
India - NSE	27 265.59	-0.08	2.40	2.40	↑
Russia Micex	2 189.07	-0.28	-1.96	-1.96	↓
MSCI Emerging	889.11	-0.77	3.11	3.11	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	53 158.54	0.69	4.95	4.95	↑
Top 40	46 333.08	0.58	5.54	5.54	↑
Resi 10	35 261.30	1.50	9.82	9.82	↑
Indi 25	67 771.23	0.75	5.43	5.43	↑
Fini 15	15 214.63	-0.40	0.91	0.91	↑

Source: Bloomberg & Nedbank CIB Time 2017/01/17 07:23

## Economics

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### Europe

- Eurozone trade surplus widened to €22.7 billion in November, from €19.9 billion in the previous month, better than forecasts of €20.8 billion.
- Exports rose by 3.2% in November and were led by exports of food and drink and manufactured goods. Imports rose by 1.8% over the month and were led by imports of chemicals, machinery and vehicles.
- Resilient exports were the key reason for the wider surplus, despite imports remaining upbeat as well. Most export heavy countries saw surpluses rising in November (and deficits narrowing), propped up by a weak euro. A bulk of exports originated from Germany, the Eurozone's biggest economy, and an export-oriented economy. Other major export regions are France, Italy and the Netherlands.

**Synopsis: While trade activity has remained upbeat in the Eurozone, a hard Brexit threatens to uproot these gains within the EU. The UK is one of Germany's biggest trading partners and any trade negotiations will have an impact on trade between the two countries and the regions as a whole. While inflationary pressure has risen and growth remains on a slow recovery, monetary policy will likely remain ultra-loose over the medium term.**

### Japan

- Japanese industrial production growth was confirmed at 4.6% y/y in November, from -1.4% previously. The uptick was led by a surge in shipments which resulted in a rundown of inventories.
- Production of iron and steel, non-ferrous metals, machinery, transport equipment, chemicals and petroleum surged in November, and led by seasonal demand.
- Global demand conditions are still subdued despite the seasonal uptick, but a weaker yen should support Japanese exports marginally over coming months, thereby supporting industrial activity as well.

**Synopsis: Japan is battling deflation, and subdued economic growth. Inflation is expected to pick up in coming months, while economic activity remains at a tepid pace. Monetary policy by the BOJ will likely persist ultra-loose until CPI rises sustainably above their 2% target. Should a flare up in geopolitical tensions and isolationist trade materialise, this may hamper trade activity in coming months, further weighing on growth.**

# Foreign flows

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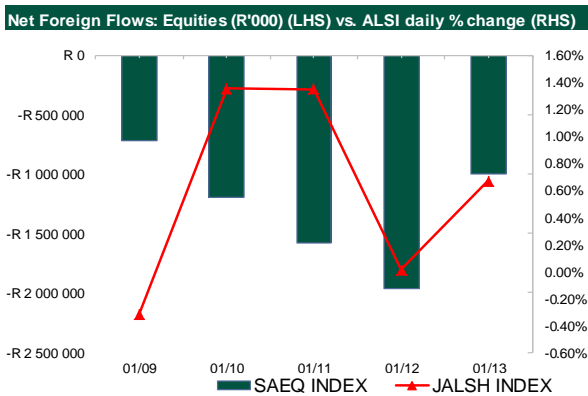
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- The first full trading week of the New Year yielded an outflow of R6.4 billion, concentrated mainly in the equity market. Bond flows were flat to marginal. Outflows for the month thus far is R6 billion, led by sharp outflows from the equity market and marginal inflows in the bond market.
- While 2016 began on an optimistic note as the risk on trade dominated flows, particularly into the bond market, the extent of optimism this year has waned sharply. This is expected to persist amid on-going geopolitical tensions globally, and political event-risks locally. This may weigh on the flow of capital into our markets over the medium term.
- The cumulative trend is now firmly lower and this reflects subdued conditions this year, unless we have a resumption of the risk-on trade.

SA equities and bonds	Week of 09 to 13 Jan 2017	Month to 13 Jan 2017	Year to 13 Jan 2017
Foreign flows into SA equity market	-R 6.459bn	-R 6.435bn	-R 6.435bn
Foreign flows into SA bond market	R 0.037bn	R 0.480bn	R 0.480bn
Total foreign flows	-R 6.422bn	-R 5.954bn	-R 5.954bn

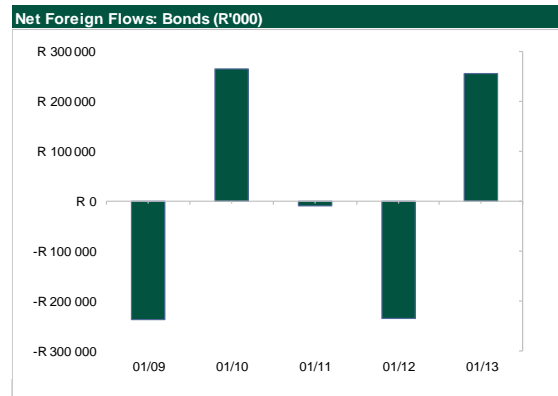
Source : Bloomberg

## Foreigners continue to sell SA Equities



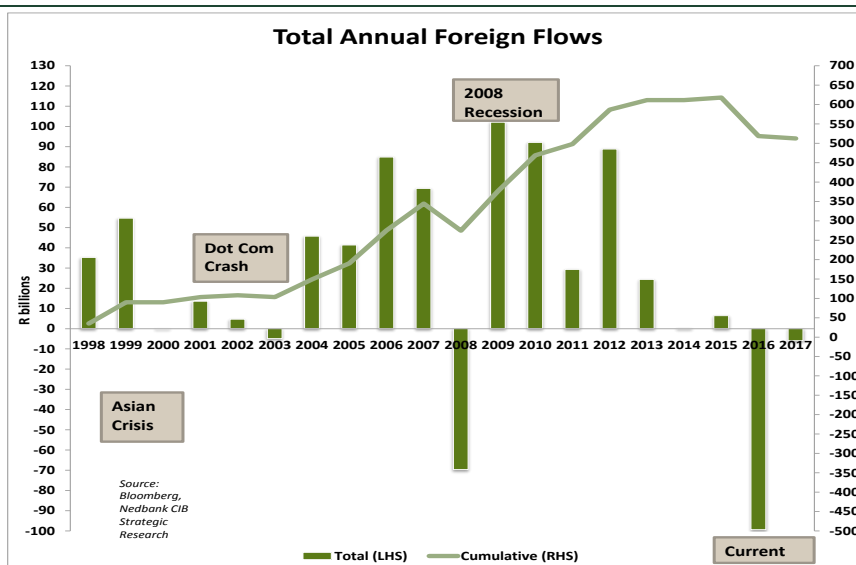
Source: Bloomberg, Nedbank

## Bond market flows remain patchy



Source: Bloomberg, Nedbank

## SA foreign flows start the year off on a negative footing



Source: Bloomberg, Nedbank



## JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	223.00	1.64	14.30	14.30	↑
ANG : Anglogold Ashanti Ltd	168.29	4.46	10.30	10.30	↑
APN : Aspen Pharmacare Holdings Lt	296.76	2.05	4.65	4.65	↑
BAT : Brait Se	77.71	-2.23	-11.25	-11.25	↓
BGA : Barclays Africa Group Ltd	169.19	-1.12	0.30	0.30	↑
BID : Bid Corp Ltd	238.50	-1.45	-2.71	-2.71	↓
BIL : Bhp Billiton Plc	242.89	1.72	11.07	11.07	↑
BTI : British American Tobacco Plc	782.32	0.90	0.48	0.48	↑
BVT : Bidvest Group Ltd	176.00	1.15	-2.90	-2.90	↓
CFR : Financiere Richemont-Dep Rec	103.90	0.23	14.50	14.50	↑
DSY : Discovery Ltd	118.02	1.26	3.07	3.07	↑
FFA : Fortress Income Fund Ltd-A	17.65	-0.28	6.52	6.52	↑
FFB : Fortress Income Fund Ltd	34.81	0.81	7.67	7.67	↑
FSR : Firstrand Ltd	53.30	-0.47	0.24	0.24	↑
GFI : Gold Fields Ltd	47.46	4.54	8.88	8.88	↑
GRT : Grow thpoint Properties Ltd	26.40	-0.38	1.97	1.97	↑
IMP : Impala Platinum Holdings Ltd	49.00	1.77	14.65	14.65	↑
INL : Investec Ltd	94.27	0.50	3.88	3.88	↑
INP : Investec Plc	93.66	0.42	3.21	3.21	↑
ITU : Intu Properties Plc	46.10	0.22	-1.87	-1.87	↓
LHC : Life Healthcare Group Holdin	34.35	1.30	5.37	5.37	↑
MEI : Mediclinic International Plc	132.89	1.52	2.22	2.22	↑
MND : Mondi Ltd	288.50	-0.52	3.04	3.04	↑
MNP : Mondi Plc	288.30	-1.07	3.44	3.44	↑
MRP : Mr Price Group Ltd	163.85	2.82	2.70	2.70	↑
MTN : Mtn Group Ltd	127.60	-1.83	1.13	1.13	↑
NED : Nedbank Group Ltd	236.91	-1.10	-0.51	-0.51	↓
NPN : Naspers Ltd-N Shs	2 176.00	0.24	8.04	8.04	↑
NTC : Netcare Ltd	32.65	1.65	2.54	2.54	↑
OML : Old Mutual Plc	34.80	-0.88	1.05	1.05	↑
RDF : Redefine Properties Ltd	11.35	-1.13	1.43	1.43	↑
REI : Reinnet Investments Sa-Dr	26.80	-0.37	0.00	0.00	→
REM : Remgro Ltd	226.90	-0.15	1.73	1.73	↑
RMH : Rmb Holdings Ltd	67.53	0.10	1.70	1.70	↑
SAP : Sappi Limited	86.19	-3.05	-4.18	-4.18	↓
SBK : Standard Bank Group Ltd	151.69	-0.02	-0.04	-0.04	↓
SHP : Shoprite Holdings Ltd	178.70	2.41	4.22	4.22	↑
SLM : Sanlam Ltd	64.61	-0.60	2.72	2.72	↑
SNH : Steinhoff International H Nv	72.94	2.95	2.33	2.33	↑
SOL : Sasol Ltd	429.00	1.42	7.55	7.55	↑
TBS : Tiger Brands Ltd	397.98	1.71	0.04	0.04	↑
VOD : Vodacom Group Ltd	152.19	0.07	-0.14	-0.14	↓
WHL : Woolworths Holdings Ltd	71.79	4.83	1.08	1.08	↑

Source: Bloomberg & Nedbank CIB

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## Last day to trade

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Share Code	Share name	Dividend / interest rate
<b>17 January 2017</b>		
ARL	Astral Foods Ltd	dividend @ 100cps
ASHINF	Ashburton Inflation ETF	dividend TBA
ASHMID	Ashburton Mid Cap ETF	dividend TBA
ASHT40	Ashburton Top 40 ETF	dividend TBA
CUL	Cullinan Holdings Ltd	dividend @ 1cps
LEW	Lewis Group Ltd	dividend @ 100cps
OMN	Omnia Holdings Ltd	dividend @ 160cps
VLE	Value Group Ltd	dividend @ 6cps

Source: JSE

## Economic calendar

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
<b>16-Jan</b>							
01:50	JN	Machine Orders YoY	Nov	8.10%	10.40%	-5.60%	--
01:50	JN	PPI YoY	Dec	-1.40%	-1.20%	-2.20%	--
12:00	EC	Trade Balance SA	Nov	--	22.7b	19.7b	19.9b
12:00	EC	Trade Balance NSA	Nov	24.0b	25.9b	20.1b	--
<b>17-Jan</b>							
06:30	JN	Industrial Production YoY	Nov F	--	4.60%	4.60%	--
11:30	UK	CPI YoY	Dec	1.40%	--	1.20%	--
11:30	UK	PPI Input NSA YoY	Dec	15.50%	--	12.90%	--
11:30	SA	Mining Production YoY	Nov	-1.50%	--	-2.90%	--
12:00	GE	ZEW Survey Expectations	Jan	18.8	--	13.8	--
12:00	EC	ZEW Survey Expectations	Jan	--	--	18.1	--
15:30	US	Empire Manufacturing	Jan	8	--	9	--

Source: Bloomberg

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