



27 January 2017 | 7:38 AM

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(\* when available)*

## Key daily driver

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### SNIPPETS

(Charts of the day)	SA PPI rises due to higher metal and machinery costs, food inflation eases but remains key in keeping CPI and PPI elevated
(Currencies)	Stronger dollar keeps global majors on the back foot, local crosses lose ground, USDZAR at R13.41/\$ this morning
(Equities)	Top 40 rises 0.28%, led by financials; US equities post lacklustre performance; Asian markets mostly positive this morning
(Economics)	UK GDP beats expectations; US data upbeat, leading indicator rises; Japanese CPI eases in December

## Key overnight factors and upcoming events

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Date	Region	Event ↓ ↑ →	Actual/expected/prior	Implications
26/01	SA	PPI Dec 2016	7.1%/6.9%/6.9%	Expected to maintain peak before tailing off in 2017
27/01	SA	Potential Cabinet re-shuffle	--	News reports have resulted in large scale unease in markets around potential political risks in the market. This has been masked by supportive global factors
27/01	US	GDP q/q SAAR	--/2.2%/3.5%	GDP growth may come in lower than Q3, with upward revisions likely

Source: Nedbank

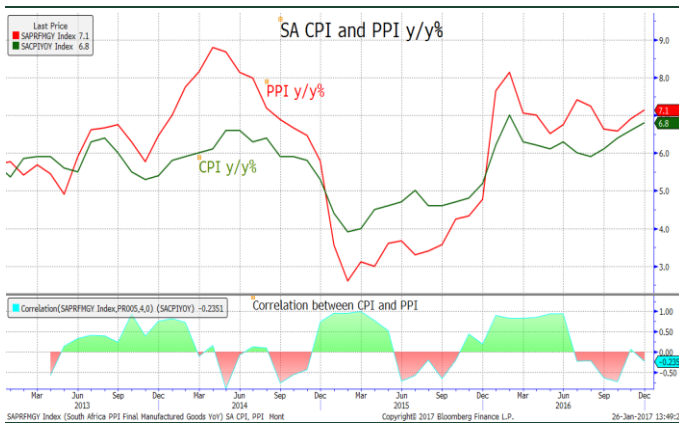
# Charts of the day

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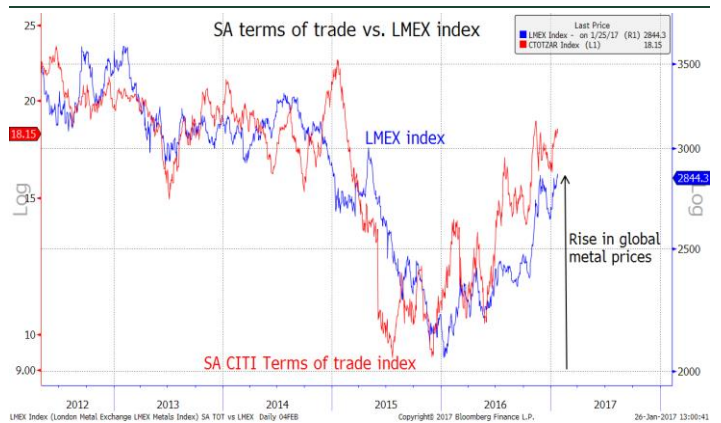
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- SA PPI rose to 7.1% y/y in December, from 6.9% previously, worse than expectations for no change from November. Over the month, PPI rose 0.5% m/m, from 0.4% and 0.3% previously and forecasted, respectively.
- While food inflation is still the key inflationary driver, PPI food eased marginally in December, along with coke, petroleum and rubber products – the largest subcomponents within the PPI basket. This was also followed by easing price pressures of wood and paper products, and furniture.
- The key reason for higher input prices in December were non-metallic minerals inflation which surged to 8.7% y/y (prev. 3.9%), while prices of transport equipment, metals and machinery also rose. CPI and PPI tend to share a positive correlation, with any breakdown in the correlation mostly due to metal, machinery and commodity prices. Over the past year, the LME index has rallied by 36% and is reflective of rising global metal and commodity prices. As a result, global and local PPI has risen sharply.
- While the inflation mix may change, with easing pressures expected from food and possibly rising price pressures from transport, petroleum and commodities, local PPI is still expected to remain elevated over the medium term, and this may keep CPI below but close to the 6% upper band. On the back of expectations for easing food inflation, local CPI is expected to drop below the 6% mark in Q1/17, and remain close to the upper target band for the rest of the year, with a low around 5.4% expected around the middle of the year. The SARB has expressed concern for elevated food prices and a vulnerable rand, with a mildly hawkish tone this week. However, we anticipate a flatter interest rate profile this year, as inflation is expected to ease from last year. Risks remain Fed policy move/s, the rand, local political events and crop conditions locally.

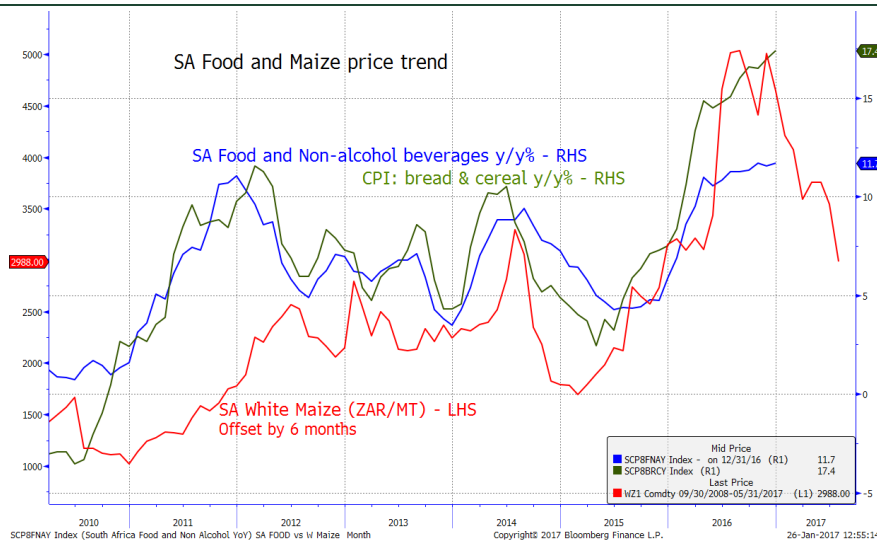
## SA CPI-PPI correlation breaks down due to metals prices



## LMEX surge coincides with higher inflation



## Food inflation expected to ease but remains a key inflationary driver



Source: Bloomberg, Nedbank

# Currencies

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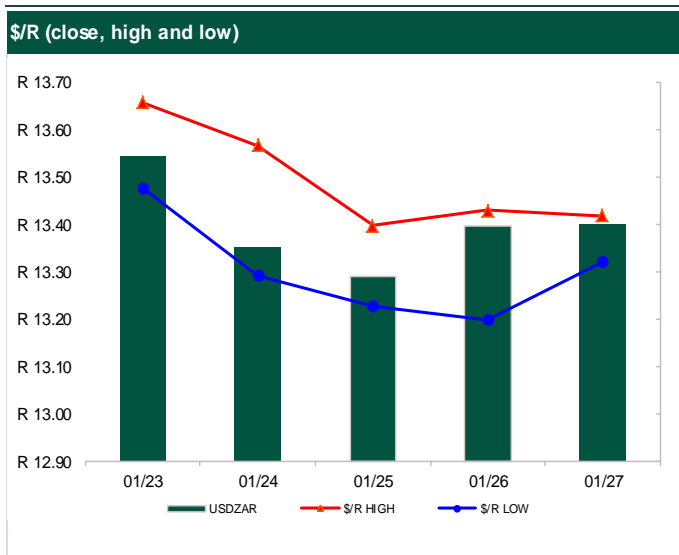
- The local trading session opened with the rand trading in the mid 13.20's, an almost inevitable attempt on the downside saw the local unit touch a best level of 13.1950, before the retracing toward the opening levels, after failing to make headway, the market traded cautiously, reports of ANCYL members storming an ABSA branch provided the catalyst for further weakness, although the dollar did find support across the board, this saw the rand trading at 13.3625 by the time of the local close. This morning the rand is currently trading at 13.4000, in the overnight session it has traded marginally higher, EURZAR is currently trading at 14.3000 and GBPZAR at 16.8385.
- International markets were again relatively subdued, although the dollar did find fairly broad support on the day, and this saw EURUSD trade down below the 1.0700 level, this morning currently trading at 1.0670, a big figure off from the same time yesterday. As the dollar has prospered, gold has shed over 30 dollars from the start of the week, currently trading at 1183.00.
- Data releases scheduled for today, no local releases, from Europe French consumer confidence and zone M3 money supply, from the U.S GDP preliminary, personal consumption, GDP price index, PCE core, durable goods and Michigan survey data.
- From a technical perspective the move to 13.1950 has largely completed the formation, and it will take a significant catalyst for the local unit to post gains below that level. Given the extent of the recent rand gains, a correction is to be expected, as per the current levels.
- Possible trading range in the rand today 14.3000 to 14.6000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.26	-0.25	1.78	1.78	↑	USD weakness
EURUSD	1.07	-0.14	1.47	1.47	↑	USD weakness
USDJPY	114.96	0.30	-1.71	-1.71	↓	USD weakness
USDAUD	1.33	0.17	-4.32	-4.32	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.40	0.02	-2.48	-2.48	↓	ZAR strength
GBPZAR	16.83	-0.21	-0.67	-0.67	↓	ZAR strength
EURZAR	14.30	-0.10	-1.03	-1.03	↓	ZAR strength
AUDZAR	10.09	-0.13	1.87	1.87	↑	ZAR weakness
ZARJPY	8.58	0.28	0.59	0.59	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMMK (Malawian kwacha)	54.06	-0.01	2.03	2.03	↑	ZAR strength
ZARBWP (Botswana pula)	0.79	0.45	0.98	0.98	↑	ZAR strength
ZARKES (Kenyan shilling)	7.76	-0.02	4.03	4.03	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.66	0.22	1.59	1.59	↑	ZAR strength
ZARNGN (Nigerian naira)	23.60	0.28	2.88	2.88	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.33	0.61	5.37	5.37	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.73	-0.18	0.68	0.68	↑	ZAR strength
ZARMZN (Mozambican metical)	5.25	-0.27	0.65	0.65	↑	ZAR strength

Source: Bloomberg & Nedbank CIB  
Time: 2017/01/27 07:07

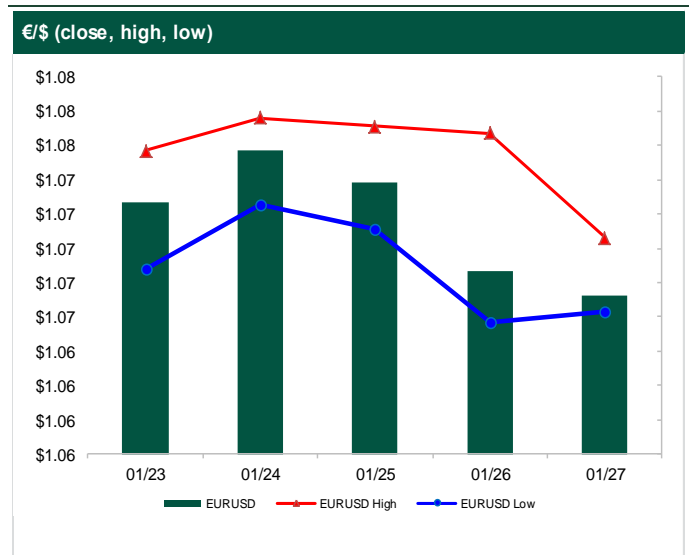
*\*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks*

## USDZAR



Source: Bloomberg, Nedbank

## EUR/USD



Source: Bloomberg, Nedbank

# Commodities

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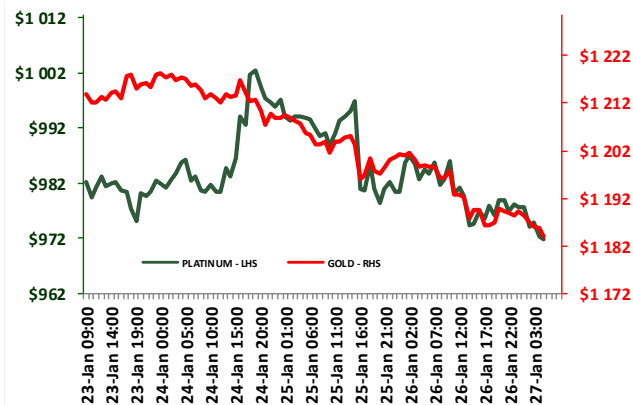
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- Bullion continued to decline yesterday, falling to \$1183/oz. this morning due to a lack of demand from Asia, and as a stronger dollar limited bargain buying of gold. The gold price is expected to remain within a medium term bear trend as the dollar strengthens, but any flare up in geopolitical tensions will act to boost safe haven demand.
- Brent crude surged to \$56.50/bbl. yesterday, and remains elevated this morning as OPEC continues with its promised production cuts. The oil price will likely remain elevated in the interim, before easing in the latter part of the year as US shale oil production comes on stream.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	56.16	-0.14	-1.16	-1.16	↓
WTI crude (\$)	53.77	-0.02	0.09	0.09	↑
Gold spot (\$)	1 183.84	-0.27	3.17	3.17	↑
Platinum spot (\$)	970.17	-0.61	7.43	7.43	↑
SA white maize spot (R)	2 988.00	-3.24	-15.64	-15.64	↓

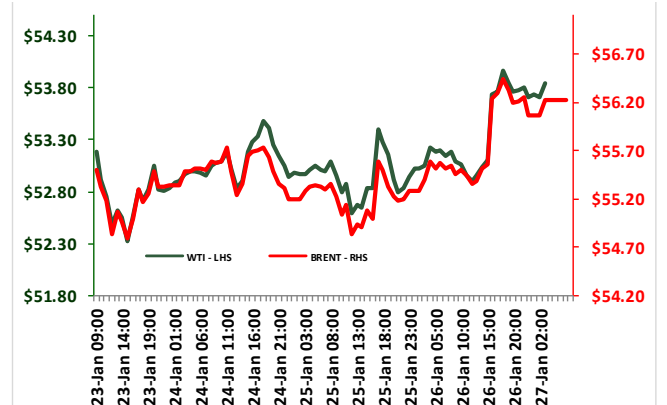
Source: Bloomberg & Nedbank CIB  
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Platinum vs Gold



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	Last price	Δ		Δ YTD	Month trend
		1d	MTD		
	%	bps	bps	bps	
R203-0.6 yrs	7.87	14.50	16.30	16.30	↑
R208-4.2 yrs	8.09	0.10	-19.40	-19.40	↓
R186-9.9 yrs	8.76	0.10	-14.80	-14.80	↓
R2048-31.1 yrs	9.51	2.40	-11.50	-11.50	↓
US 10 yr	2.51	0.30	6.30	6.30	↑
UK 10 yr	1.52	2.99	22.28	22.28	↑
German 10 yr	0.48	4.31	132.69	176.57	↑
Japan 10 yr	0.08	-16.48	65.22	65.22	↑
Money Market	Last price	Δ		Δ YTD	Month trend
	%	1d	MTD		
	%	bps	bps	bps	
SA repo rate	7.00	0.00	0.00	0.00	→
SA prime rate	10.50	0.00	0.00	0.00	→
SA CPI (MTD = previous month)	6.80		20.00		↑
SA 3m JIBAR	7.37	0.00	0.90	0.90	↑
SA 3m NCD	7.33	0.00	-5.00	-5.00	↓
SA 6m NCD	7.93	0.00	-5.00	-5.00	↓
SA 12m NCD	8.40	0.00	-5.00	-5.00	↓
US 3m LIBOR	1.04	0.56	3.94	3.94	↑
UK 3m LIBOR	0.36	0.13	-0.20	-0.20	↓
Japan 3m LIBOR	-0.01	-0.58	5.09	5.09	↑

Source: Bloomberg & Nedbank CIB  
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FRAs and Swaps	Last price	Δ		Δ YTD	Month trend
		1d	MTD		
	%	bps	bps	bps	
3X6 FRA	7.40	0.00	1.00	1.00	↑
6X9 FRA	7.44	0.00	2.00	2.00	↑
9X12 FRA	7.45	0.00	0.00	0.00	→
18X21 FRA	7.51	0.00	-2.00	-2.00	↓
SA 2yr Swap	7.46	0.00	-0.30	-0.30	↓
SA 3yr Swap	7.53	0.00	-2.80	-2.80	↓
SA 5yr Swap	7.74	0.00	-7.10	-7.10	↓
SA 10yr Swap	8.21	0.00	-11.60	-13.50	↓
SA 15yr Swap	8.37	0.00	-12.00	-12.00	↓
Spreads	Last price	Δ		Δ YTD	Month trend
	%	1d	MTD		
	%	bps	bps	bps	
2v10y	-0.75	0.00	11.30	13.20	↑
3v10y	-0.68	0.00	8.80	10.70	↑
R186-R203	1.04	-14.40	-31.10	-31.10	↓
R2048-R186	0.72	2.30	3.30	3.30	↑
5y-R186	-1.02	-0.10	7.70	7.70	↑
10y-R186	-0.55	-0.10	3.20	1.30	↑
15y-R186	-0.40	-0.10	2.80	2.80	↑
SA 5yr CDS spread - basis points	208.33	-1.33	-8.67	-8.67	↓

Source: Bloomberg & Nedbank CIB  
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# Equities

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## South Africa

- The All Share index starting its trading session in positive territory on Thursday and remained range bound for most of the day, bobbing between gains and losses eventually ending the day 0.29% higher. It was a tale of two stories on as the resources and gold sectors were in the red while the telecommunications and Industrial sectors were in the green.
- Lonmin published a very disappointing 1Q production report which saw the stock plummet 22.56% while the likes of MTN advanced 3.60%.
- Spur released a sales update for the six months ended 31 December 2016 showing a 10.4% increase in sales from continuing operations to R3.8bn. The stock closed 1.98% higher on the day.
- Value traded at 5pm was around R21bn with the currency at R 13.33 vs. the USD at the close.

## UK/Europe

- European markets were mixed on the day with the CAC40 down 0.21% while the DAX advanced 0.36%.
- UK GDP data came in higher than expected at 0.6% for the 4Q and 2.2 % (y/y) however the FTSE 100 closed marginally down 0.04% dragged down by the mining sector which was down 1.91%.
- The Euro Stoxx 50 retreated 0.21% with the likes of Unilever and Daimler AG giving up 4.23% and 1.09% respectively.

## USA

- US markets were little changed as the Dow Jones advanced 0.16%, remaining above the 20,000 mark yet the S&P 500 declined 0.07%.
- US-Mexico relations took a turn for the worst as the Mexican President, Enrique Pena Nieto cancelled his trip to Washington as the US President Donald Trump re-irritated campaign pledges to rewrite the North American Trade Agreement.
- We saw plethora of economic data with Initial Jobless Claims coming in in line with estimates, New Home Sales below expectations while Wholesale Inventories were in line with consensus forecasts at 1.0%

## Asia

- Most Asian markets were closed or had shortened trading sessions for start of Lunar New Year.
- The Nikkei was one of a few that were opened with the Yen weakening, spurring investors to buy bonds in search for yield. The index advanced 0.22%
- The Australian ASX is trading in positive territory up 0.66% this after the release of its PPI data which showed a 0.7% (y/y) increase while the Export Price Index was up 12.4% in 4Q.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	20 100.91	0.16	1.71	1.71	↑
Nasdaq	5 655.18	-0.02	5.05	5.05	↑
S&P 500	2 296.68	-0.07	2.58	2.58	↑
DJ Eurostoxx 50	3 319.13	-0.21	0.87	0.87	↑
DAX	11 848.63	0.36	3.20	3.20	↑
CAC	4 867.24	-0.21	0.10	0.10	↑
FTSE	7 161.49	-0.04	0.26	0.26	↑
ASX200	5 714.00	0.75	0.85	0.85	↑
Nikkei 225	19 433.00	0.16	1.67	1.67	↑
MSCI World	1 803.75	-0.11	3.00	3.00	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	23 360.78	-0.06	7.20	6.18	↑
Shanghai	3 159.17	0.31	1.79	1.79	↑
Brazil Bovespa	66 190.63	0.53	9.90	9.90	↑
India - NSE	27 943.32	0.85	4.95	4.95	↑
Russia Micex	2 229.20	2.44	-0.16	-0.16	↓
MSCI Emerging	916.73	0.50	6.32	6.32	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	53 405.74	0.29	5.43	5.43	↑
Top 40	46 497.50	0.28	5.91	5.91	↑
Resi 10	35 325.93	-1.06	10.02	10.02	↑
Indi 25	67 999.45	0.89	5.78	5.78	↑
Fini 15	15 328.15	0.29	1.66	1.66	↑

## Economics

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### US

- Wholesale inventories rose by 1% m/m in December, unchanged from November, and better than expectations of 0.10%. Inventories of nondurable goods surged, led by motor vehicle and parts. Rising inventories in Q4 will probably add positively to GDP growth and typically reflects an inventory build-up period ahead of the first quarter (winter).
- Chicago Fed national activity index rose to 0.14, from -0.33 points in November, better than expectations of -0.05. However, the skew of the index was concerning and polarized. Only 37/85 indicators were positive, while the remaining 48 were negative. Nonetheless, the few sharply positive subcomponents led the headline index positive, indicating above trend growth for the US economy in coming months.
- New home sales declined by 10.4% m/m in December, from 4.7% growth previously, worse than expectations of -0.7%. Despite the disappointing print on the back of rising mortgage rates, 2016 saw the highest sales of new homes in almost a decade, with median home prices also rising by 5.7% y/y. This trend is expected to wane as interest rates rise and real wage growth slows.
- The leading indicator rose 0.5% m/m in December, from 0.1% previously, in line with forecasts. A rising index indicates an upbeat economic outlook over the next 6 to 9 months. Positive drivers were stock prices, the interest rate spread, consumer expectations and new orders.

**Synopsis: Recent housing data has been positive and has indicated the resilience of the US housing market. Should the Fed consider a more aggressive hiking cycle, this momentum will likely reverse. Strong housing data is premised on rising disposable incomes and net gains in the labour market. The impact of the incoming administration's policies will need to be gauged over the medium to longer term. We maintain a view of 1 Fed hike in Q3 2017 and a stronger dollar into the end of this year.**

### UK

- UK GDP growth remained unchanged at 0.6% q/q in Q4/16, better than expectations of 0.5%. On an annualised basis, GDP was also unchanged at 2.2% y/y, better than forecasts of 2.1%.
- The key drivers of growth were a sharp increase in the growth of hotels and restaurants, finance, agriculture, manufacturing, utilities and construction output.
- However, mining and quarrying activity contracted sharply and was the only drag on growth over the quarter. Consumer spending remained upbeat in Q4, and this may be due to seasonal influences.

**Synopsis: Despite Brexit risks, growth has remained resilient, premised on strong consumer spending. However, this is expected to wane this year as businesses become cautious and consumer real income growth eases as inflation rises. This will likely slow down economic activity this year, with the BOE expected to keep rates accommodative as a result.**

### Japan

- Japanese CPI declined to 0.3% y/y in December, from 0.5% previously, better than consensus of 0.2%.
- Prices of food, household goods, clothing, footwear, medical care and entertainment eased, contributing to the decline in headline CPI. Most CPI subcomponents remain in deflation, hence keeping CPI very low and close to deflation.

**Synopsis: The BOJ has further impetus to keep monetary policy accommodative as they combat sluggish consumer inflation and growth. Interest rates will remain low for as long as inflation shows no evidence of rising to 2%.**

## JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	228.44	-0.64	17.09	17.09	↑
ANG : Anglogold Ashanti Ltd	160.00	-1.77	4.86	4.86	↑
APN : Aspen Pharmacare Holdings Lt	313.49	0.16	10.55	10.55	↑
BAT : Brait Se	79.50	-0.44	-9.21	-9.21	↓
BGA : Barclays Africa Group Ltd	163.73	-0.81	-2.94	-2.94	↓
BID : Bid Corp Ltd	235.02	-0.04	-4.13	-4.13	↓
BIL : Bhp Billiton Plc	243.31	-0.68	11.26	11.26	↑
BTI : British American Tobacco Plc	824.94	1.79	5.95	5.95	↑
BVT : Bidvest Group Ltd	168.89	-0.18	-6.82	-6.82	↓
CFR : Financiere Richemont-Dep Rec	103.75	-0.37	14.34	14.34	↑
DSY : Discovery Ltd	118.00	0.85	3.06	3.06	↑
FFA : Fortress Income Fund Ltd-A	17.57	-0.45	6.04	6.04	↑
FFB : Fortress Income Fund Ltd	35.29	0.83	9.16	9.16	↑
FSR : Firstrand Ltd	52.44	-0.53	-1.37	-1.37	↓
GFI : Gold Fields Ltd	45.95	-0.76	5.41	5.41	↑
GRT : Grow thpoint Properties Ltd	26.62	0.87	2.82	2.82	↑
IMP : Impala Platinum Holdings Ltd	54.60	2.06	27.75	27.75	↑
INL : Investec Ltd	97.11	-0.22	7.01	7.01	↑
INP : Investec Plc	96.75	-0.52	6.61	6.61	↑
ITU : Intu Properties Plc	45.87	0.97	-2.36	-2.36	↓
LHC : Life Healthcare Group Holdin	34.69	0.73	6.41	6.41	↑
MEI : Mediclinic International Plc	135.99	1.41	4.61	4.61	↑
MND : Mondi Ltd	296.00	-1.33	5.72	5.72	↑
MNP : Mondi Plc	295.05	-1.65	5.86	5.86	↑
MRP : Mr Price Group Ltd	166.56	2.78	4.39	4.39	↑
MTN : Mtn Group Ltd	132.04	3.60	4.65	4.65	↑
NED : Nedbank Group Ltd	235.76	-1.48	-1.00	-1.00	↓
NPN : Naspers Ltd-N Shs	2 160.00	1.15	7.24	7.24	↑
NTC : Netcare Ltd	32.62	2.58	2.45	2.45	↑
OML : Old Mutual Plc	35.87	1.04	4.15	4.15	↑
RDF : Redefine Properties Ltd	11.23	0.18	0.36	0.36	↑
REI : Reinnet Investments Sa-Dr	28.52	0.74	6.42	6.42	↑
REM : Remgro Ltd	231.12	0.37	3.62	3.62	↑
RMH : Rmb Holdings Ltd	67.50	-0.74	1.66	1.66	↑
SAP : Sappi Limited	86.35	0.06	-4.00	-4.00	↓
SBK : Standard Bank Group Ltd	149.68	-0.12	-1.36	-1.36	↓
SHP : Shoprite Holdings Ltd	176.00	1.49	2.65	2.65	↑
SLM : Sanlam Ltd	67.78	2.65	7.76	7.76	↑
SNH : Steinhoff International H Nv	68.24	0.87	-4.26	-4.26	↓
SOL : Sasol Ltd	409.26	-3.02	2.60	2.60	↑
TBS : Tiger Brands Ltd	415.00	0.66	4.32	4.32	↑
VOD : Vodacom Group Ltd	151.36	0.24	-0.68	-0.68	↓
WHL : Woolw orths Holdings Ltd	75.36	0.16	6.11	6.11	↑

Source: Bloomberg & Nedbank CIB

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## Last day to trade

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Share Code	Share name	Dividend / interest rate
31 January 2017		
CULP	Cullinana Hldgs Prefs	dividend @ 5.5cps
ESR	Esor Limited	Rights Offer 25:100 @ 38cps
GDN	Gooderson Leisure Corp Ltd	Merger @ 85cps
NPKP	Nampak Ltd Prefs	dividend @ 6cps
NPP1	Nampak Ltd Prefs	dividend @ 6.5cps

Source: JSE

## Economic calendar

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
<b>26-Jan</b>							
09:00	GE	GfK Consumer Confidence	Feb	10.00	10.20	9.90	--
11:30	UK	GDP QoQ	4Q A	0.50%	0.60%	0.60%	--
11:30	UK	GDP YoY	4Q A	2.10%	2.20%	2.20%	--
11:30	SA	PPI MoM	Dec	0.30%	0.50%	0.40%	--
11:30	SA	PPI YoY	Dec	6.90%	7.10%	6.90%	--
15:30	US	Wholesale Inventories MoM	Dec P	0.10%	1.00%	1.00%	--
15:30	US	Chicago Fed Nat Activity Index	Dec	(0.05)	0.14	(0.27)	(0.33)
15:30	US	Initial Jobless Claims	2017/01/21	247k	259k	234k	237k
15:30	US	Continuing Claims	2017/01/14	2040k	2100k	2046k	2059k
16:45	US	Markit US Services PMI	Jan P	--	55.1	53.90	--
16:45	US	Markit US Composite PMI	Jan P	--	55.4	54.10	--
17:00	US	New Home Sales	Dec	586k	536K	592k	598K
17:00	US	Leading Index	Dec	0.50%	0.50%	0.00%	0.10%
<b>27-Jan</b>							
01:30	JN	Natl CPI YoY	Dec	0.20%	0.30%	0.50%	--
01:30	JN	Natl CPI Ex Food, Energy YoY	Dec	-0.10%	--	0.10%	--
11:00	EC	M3 Money Supply YoY	Dec	4.90%	--	4.80%	--
15:30	US	GDP Annualized QoQ	4Q A	2.10%	--	3.50%	--
15:30	US	Personal Consumption	4Q A	2.50%	--	3.00%	--
15:30	US	Core PCE QoQ	4Q A	--	--	1.70%	--
15:30	US	Durable Goods Orders	Dec P	2.90%	--	-4.50%	--
15:30	US	Durables Ex Transportation	Dec P	0.50%	--	0.60%	--
15:30	US	Cap Goods Orders Nondef Ex Air	Dec P	0.50%	--	0.90%	--
17:00	US	U. of Mich. Sentiment	Jan F	98.10	--	98.10	--
	GE	Retail Sales MoM	Dec	--	--	-1.80%	-1.70%
	GE	Retail Sales YoY	Dec	--	--	3.20%	--

Source: Bloomberg

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