



17 February 2017 | 7:32 AM

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(\* when available)*

## Key daily driver




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### SNIPPETS

(Charts of the day)	EM and SA credit markets not pricing in fundamental and political risks locally, SA bonds rally across the curve
(Currencies)	Rand faltered yesterday to push back above R13.00/\$ but remains on a positive footing, euro holds steady ahead of a long weekend in the US this weekend
(Equities)	Top 40 closes +0.16%, US markets take a breather trading largely flat, Asia weaker this morning
(Economics)	US housing data mixed with building activity rising, jobless claims continue to reflect upbeat labour market

## Key overnight factors and upcoming events

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Date	Region	Event   	Actual/expected/prior	Implications
16/02	US	Fedspeak	--	Fed's Dudley speaks in NY
17/02	UK	Retail sales	--/3.9%/4.9%	Trend will need to be watched closely ahead of Brexit for any slowdown in consumer demand
17/02	US	Leading index	--/0.5%/0.5%	Positive growth in the leading index likely to reflect upbeat economic momentum
17/02	US	Credit rating review	--	Moody's reviews US sovereign debt

Source: Nedbank

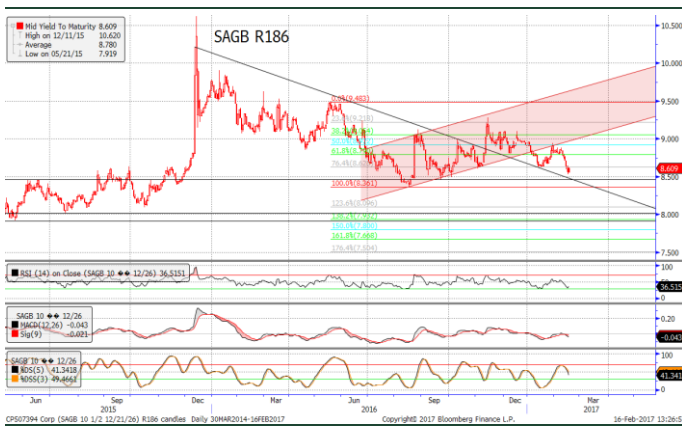
# Charts of the day

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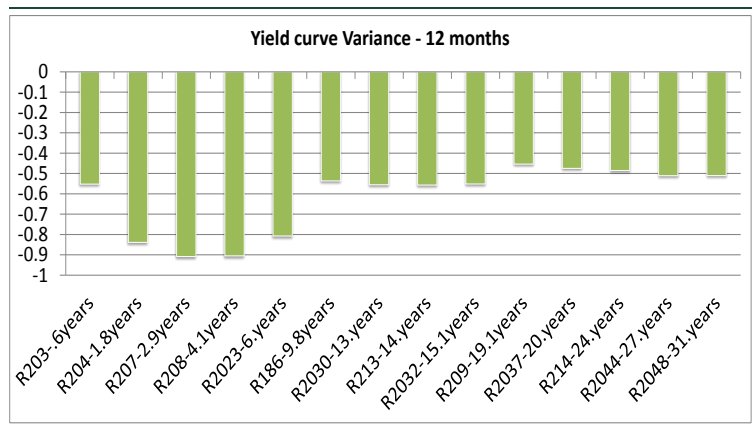
- SA markets have stayed upbeat for the most of the past year, despite on-going political tensions, threat of a credit rating downgrade, and subdued economic growth. The most recent slide in the 5 year CDS spread (cost of insurance against a sovereign default) has resulted in the spread falling below 200 bps, for the first time in over a year. This move is mainly due to a rise in risk on demand, despite uncertainty surrounding US policies. We believe that the CDS spread is too compressed at this stage and is not pricing in any risks inherent in the local economy. However, it is also true that global factors are more likely at play currently, as local markets are highly liquid and yields are relatively attractive when compared to developed markets. As the year progresses, the 5 year CDS spread will likely edge higher, especially as we near credit ratings review dates, the ANC policy conference, leadership conference and a possible cabinet reshuffle.
- The R186 benchmark 10 year yield remained elevated post Nene-gate in 2015 and only fell below pre-Nene-gate levels this week. While the long term declining pivot line from 2016 will pose resistance, the yield may test the 8.5% level and 8.36% level (2016 low) in the near term, with longer term resistance around 8.1% (123.6%Fibonacci level). At current levels, momentum indicators are mixed – the 50-, 100-, and 200-day moving averages
- At current levels, momentum indicators are mixed – the 50-, 100-, and 200-day moving averages have all converged around current levels (not shown), indicating a lack of direction, the MACD and stochastics are neutral, while the RSI is close to overbought. While local factors support a rise in bond yields from current low levels, foreign risk on demand may persist, targeting a abovementioned levels. Support will likely hold around 8.9% in the near term.
- Demand for SA bonds was not limited to the 10 year. Bond yields across all tenures declined over the last 12 months, with the short end absorbing a bulk of the boost. Inflation expectations have declined, hence the decline in SA's yield curve, but this was also representative of sharp inflows of foreign capital into the SA bond market over the year. Should SA's yield differential remain attractive and should tensions in the local economy be at a minimum, we may see further demand for bonds in the coming weeks.

## SA R186 yield likely to test 8.5% in the near term



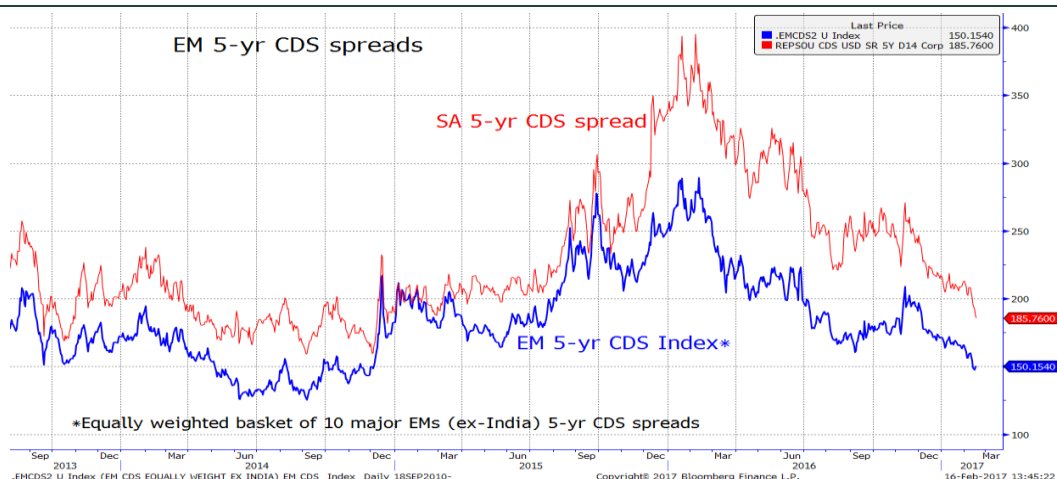
Source: Bloomberg, Nedbank

## SA bonds rally across the curve, more so in the short-end



Source: Bloomberg, Nedbank

## EM CDS spreads decline sharply amid risk on demand, SA CDS highly compressed, not pricing inherent risks in the economy



Source: Bloomberg, Nedbank

# Currencies

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- The local session opened with the rand trading in the low 12.90's. After posting gains over the most recent sessions, it faltered yesterday and traded marginally weaker for most of the day. It traded to a high of 13.0375 on the day, closing the local session at 13.0000. In the overnight session indications are that the rand traded marginally weaker. Currently it trades at 13.0050 and EURZAR is trading at 13.8750 and GBPZAR at 16.2500.
- On the international front the 1.0600 pivot in EURUSD held and the unit traded steadily firmer for the majority of the day. It closed the day around the highs at 1.0675, where it currently trades, little if any price activity in the Far East session thus far today. Gold traded marginally firmer yesterday, trading at 1241.70 at the time of the local close, currently at 1238.40.
- No local data today, from Europe we have current account data and construction output for the zone. In the U.S we have the sovereign debt rating by Moody's. The rand failed to make further gains, this possibly attributable to some caution in the markets ahead of a long weekend in the U.S, with Monday a holiday there. Technically while the local unit trades sub 13.1800 it remains positive in the medium term.
- Possible trading range in the rand today 12.9000 to 13.2000

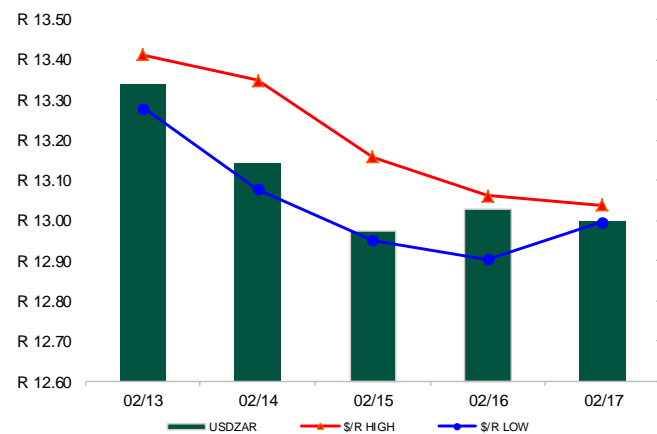
Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.25	0.26	-0.53	1.33	↓	USD strength
EURUSD	1.07	0.18	-1.04	1.47	↓	USD strength
USDJPY	113.38	0.02	0.34	-3.06	↑	USD strength
USDAUD	1.30	-0.14	-1.81	-6.60	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.00	-0.23	-3.80	-5.41	↓	ZAR strength
GBPZAR	16.25	0.04	-4.28	-4.09	↓	ZAR strength
EURZAR	13.87	-0.04	-4.79	-4.02	↓	ZAR strength
AUDZAR	10.02	-0.09	-2.01	1.19	↓	ZAR strength
ZARJPY	8.72	0.23	4.29	2.28	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	55.73	0.12	4.01	5.19	↑	ZAR strength
ZARBWP (Botswana pula)	0.80	-0.03	2.61	2.49	↑	ZAR strength
ZARKES (Kenyan shilling)	7.98	0.22	3.79	6.98	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.73	0.05	3.71	4.14	↑	ZAR strength
ZARNGN (Nigerian naira)	24.22	0.15	7.09	5.58	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.34	-1.58	4.17	8.36	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.75	0.23	2.70	3.33	↑	ZAR strength
ZARMZN (Mozambican metical)	5.42	0.18	3.74	4.04	↑	ZAR strength

Source: Bloomberg & Nedbank CIB  
Time: 20/02/17 07:17

*\*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

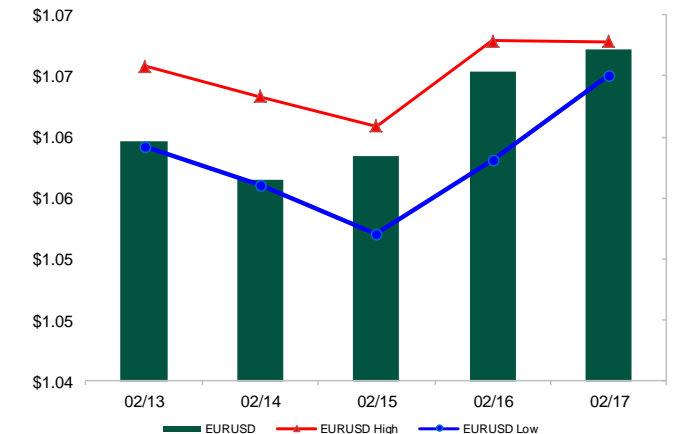
\$/R (close, high and low)



Source: Bloomberg, Nedbank

## EUR/USD

€/€ (close, high, low)



Source: Bloomberg, Nedbank

# Commodities

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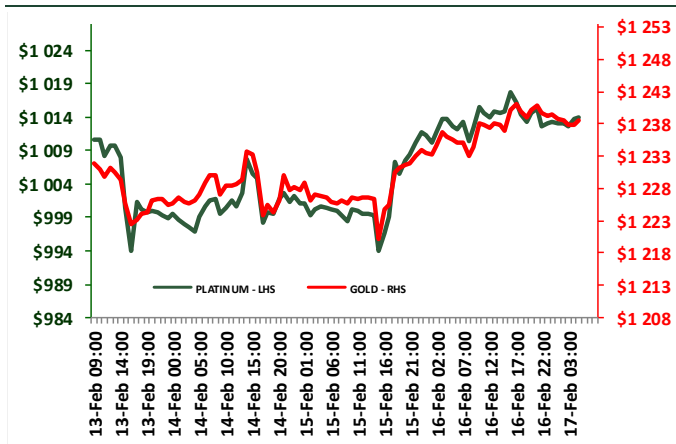
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- Bullion remained elevated at \$1240/oz. yesterday, mainly due a weaker US dollar. However upside gains were limited as the gold price is close to overbought and has been rallying for the past 2 months. Should the dollar remain volatile or weak, we are likely to see gold remain above the \$1200/oz. pivot over the near term. We anticipate a stronger dollar towards year-end, hence we may see some pressure on the gold price over the medium to longer term. Geopolitical risks remain a key swing factor for gold, with any rise in tensions likely to prompt safe haven demand.
- Brent was volatile yesterday, declining sharply in New York, but recovering just as sharply in Asia this morning, albeit settling lower. Brent has remained around \$55/bbl. over the last week, and will likely track gains made by OPEC members in cutting production in the region. We are likely to see a \$50-\$60/bbl. trading range play out until May, when OPEC meets to assess the stabilisation efforts. In the interim, US shale oil production has been given a boost by rising oil rigs, hence we may see some downside risk in oil over the medium term due to the supply glut from the US.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	55.76	0.20	0.11	-1.87	↑
WTI crude (\$)	53.43	0.13	1.17	-0.54	↑
Gold spot (\$)	1 238.42	-0.04	2.30	7.92	↑
Platinum spot (\$)	1 013.40	0.03	2.12	12.21	↑
SA white maize spot (R)	2 828.00	0.39	2.13	-20.16	↑

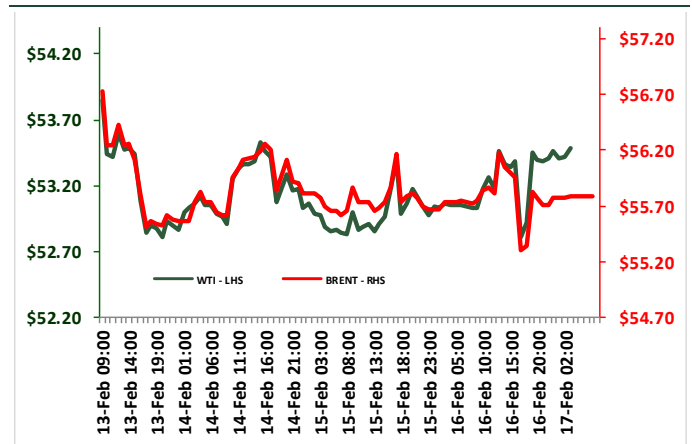
Source: Bloomberg & Nedbank CIB  
Time: 2017/02/17 07:17

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	
R203-0.6 yrs	7.61	13.17	-11.23	-8.93	↓	3X6 FRA	7.31	0.00	-10.00	-8.00	↓
R208-4.1 yrs	7.91	0.00	-22.00	-37.20	↓	6X9 FRA	7.31	0.00	-16.00	-11.00	↓
R186-9.8 yrs	8.62	0.20	-19.70	-29.00	↓	9X12 FRA	7.31	0.00	-17.00	-14.00	↓
R2048-31 yrs	9.43	0.10	-15.60	-19.20	↓	18X21 FRA	7.34	0.00	-20.00	-19.00	↓
US 10 yr	2.46	0.96	0.36	1.26	↑	SA 2yr Swap	7.32	0.00	-15.70	-13.80	↓
UK 10 yr	1.26	-2.93	-11.15	1.61	↓	SA 3yr Swap	7.39	0.00	-16.70	-16.80	↓
German 10 yr	0.35	-6.43	-19.95	99.43	↓	SA 5yr Swap	7.61	-1.50	-15.50	-20.10	↓
Japan 10 yr	0.09	-10.10	2.30	93.48	↑	SA 10yr Swap	8.07	-1.00	-16.00	-27.50	↓
						SA 15yr Swap	8.23	-1.00	-15.50	-25.50	↓
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	-0.75	1.00	0.30	13.70	↑
SA prime rate	10.50	0.00	0.00	0.00	→	3v10y	-0.69	1.00	-0.70	10.70	↓
SA CPI (MTD = previous month)	6.60		-10.00		↓	R186-R203	1.14	-12.97	-8.47	-20.07	↓
SA 3m JIBAR	7.33	0.00	-4.20	-3.30	↓	R2048-R186	0.81	-0.10	4.10	9.80	↑
SA 3m NCD	7.38	7.50	5.00	0.00	↑	5y-R186	-0.99	-1.70	4.20	8.90	↑
SA 6m NCD	7.89	1.25	-6.25	-8.75	↓	10y-R186	-0.54	-1.20	3.70	1.50	↑
SA 12m NCD	8.33	-2.50	-12.50	-12.50	↓	15y-R186	-0.38	-1.20	4.20	3.50	↑
US 3m LIBOR	1.04	0.44	0.72	4.39	↑	SA 5yr CDS spread - basis points	186.00	-1.13	-26.01	-31.01	↓
UK 3m LIBOR	0.36	0.00	0.22	-0.86	↑						
Japan 3m LIBOR	-0.02	-0.81	-0.02	4.00	↓						
Source: Bloomberg & Nedbank CIB		Time		2017/02/17 07:17		Source: Bloomberg & Nedbank CIB		Time		2017/02/17 07:17	

# Equities

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Cash equities | +2711 535 4030/31

## South Africa

- The Top40 ended the day slightly firmer up 0.16% at 45845.50. The construction sector was the best performer, after Murray & Roberts surged 33.69%, closing at 1500, with more than 95million shares changing hands, this a day after posting a trading statement and a few days after announcing their intention to dispose of their infrastructure and building businesses. In other corporate new, both Woolworths and City Lodge Hotels fell more than 3% after reporting disappointing first half earnings. Gold stocks closed marginally higher, while platinum and general miners lost ground. The value at the close was R17.9 Billion and the rand was trading at R12.93 vs the dollar.

## UK/Europe

- European markets ended Thursday's session lower, snapping a seven day winning streak. In the UK, weaker metal prices weighed on mining stocks, while a number of heavyweights traded ex dividend. Engineering firm Cobham tumbled 15%, following a profit warning and Drax Group dipped 5.3% after reporting weaker than expected results. On the upside, airline stocks rose, given a boost by Air-France KLM, which rallied 12.5% after reporting a solid set of results, while in Germany Hugo Boss gained more than 6%, after a report that Albert Frere, Belgium's richest man, had taken an almost 3% stake in the company and wanted to increase it further.

## USA

- US markets closed firmer, with the Dow Jones touching a new record high, while the S&P500 edged lower, weighed down by declining energy stocks. Oil prices eased lower as traders weighed record US inventories against possible renewed efforts by major oil producers to reduce a price glut. Consumer discretionary stocks were also lower, dragged lower by TripAdvisor, which fell 10.97%, after posting weaker than expected results. Cisco Systems added 2.4%, a day after its quarterly earnings beat estimates, helping the Dow close in positive territory..

## Asia

- Asian markets are trading lower this morning, with a stronger yen and financial stocks weighing on the Nikkei, after US bond yields fell. Indices in China and Hong Kong were dragged lower by resource counters, while a rise in Chinese brokerage shares offset some of the losses, after authorities relaxed some rules on stock index futures trading. Weaker iron ore and copper prices dragged resources counters lower in Australia, with the likes of BHP Billiton and Rio Tinto losing 1.3% and 2.1% respectively. Energy stocks followed US stocks lower, while financials were lifted by Australian and New Zealand Banking Group, which rose 1.85% after its first quarter profit rose 31%.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	20 619.77	0.04	3.80	4.34	↑
Nasdaq	5 814.90	-0.08	3.56	8.02	↑
S&P 500	2 347.22	-0.09	3.00	4.84	↑
DJ Eurostoxx 50	3 311.04	-0.38	2.49	0.62	↑
DAX	11 757.24	-0.31	1.92	2.41	↑
CAC	4 899.46	-0.52	3.17	0.76	↑
FTSE	7 277.92	-0.34	2.52	1.89	↑
ASX200	5 805.80	-0.18	3.29	2.47	↑
Nikkei 225	19 235.30	-0.58	1.02	0.63	↑
MSCI World	1 836.56	0.16	2.46	4.87	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	24 005.67	-0.42	2.76	9.11	↑
Shanghai	3 212.39	-0.53	1.68	3.50	↑
Brazil Bovespa	67 814.24	-0.24	5.46	12.60	↑
India - NSE	28 469.71	0.60	2.94	6.92	↑
Russia Micex	2 148.48	0.53	-3.11	-3.77	↓
MSCI Emerging	945.62	0.41	4.00	9.67	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	52 586.37	0.19	-0.38	3.82	↓
Top 40	45 485.46	0.16	-0.97	3.61	↓
Resi 10	33 820.66	-0.86	-4.60	5.33	↓
Indi 25	66 730.72	0.54	-0.45	3.81	↓
Fini 15	15 320.60	0.34	2.62	1.61	↑

Source: Bloomberg &amp; Nedbank CIB

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## Economics

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### US

- US Housing starts contracted by 2.6% m/m in January, from 11.3% growth previously, worse than consensus for no growth. This was mainly as a result of a sharp decline in multifamily home starts. Single family starts rose modestly.
- Building permits rose by 4.6% in January, from 1.3% previously, well ahead of expectations of 0.2%. Permits were mostly driven by substantially higher multifamily homes rather than single family homes. More homes came under construction in January, but there was also a significant decline in the number of buildings completed. This may be due to seasonal factors as construction activity tends to get delayed in the colder seasons. The housing market remains resilient, but any decline in real wages or labour market disappointments may hamper sales and buying activity over the longer term.
- Initial jobless claims rose marginally last week, to 239k, from 234k previously, better than forecasts of 245k. As a result, the 4-week moving average rose slightly. Despite the rise in weekly claims, continuing claims edged lower, which is a sign that more jobs are being created in the economy. Labour market momentum is expected to remain positive, until full employment is reached. The supply of labour remains constrained and this may keep nominal wage growth positive.

**Synopsis: Our base case is for one rate hike by the Fed in Q3 this year, however, if the Fed's inflation target is met and if the economy reaches full employment, the risk of more than one hike will rise with a possibility of a shift forward in the hiking profile to the June meeting. We will continue to assess the higher frequency economic data to inform probabilities of a faster hiking cycle.**

## JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	219.89	-3.06	-4.56	12.71	↓
ANG : Anglogold Ashanti Ltd	172.38	0.29	1.47	12.98	↑
APN : Aspen Pharmacare Holdings Lt	296.57	-3.97	-3.71	4.58	↓
BAT : Brait Se	76.83	0.30	-2.75	-12.25	↓
BGA : Barclays Africa Group Ltd	162.97	-0.48	2.62	-3.39	↑
BID : Bid Corp Ltd	232.87	-0.23	0.27	-5.01	↑
BIL : Bhp Billiton Plc	229.05	-0.38	-6.37	4.74	↓
BTI : British American Tobacco Plc	803.16	-0.07	-2.01	3.15	↓
BVT : Bidvest Group Ltd	166.91	-0.05	5.27	-7.91	↑
CFR : Financiere Richemont-Dep Rec	98.97	-0.14	-5.74	9.07	↓
DSY : Discovery Ltd	122.80	1.89	6.72	7.25	↑
FFA : Fortress Income Fund Ltd-A	17.77	-0.17	3.37	7.24	↑
FFB : Fortress Income Fund Ltd	35.79	0.53	2.90	10.70	↑
FSR : Firstrand Ltd	52.48	0.36	4.54	-1.30	↑
GFI : Gold Fields Ltd	45.00	-0.38	-2.53	3.23	↓
GRT : Grow thpoint Properties Ltd	26.96	-0.04	2.51	4.13	↑
IMP : Impala Platinum Holdings Ltd	50.65	-1.27	-5.22	18.51	↓
INL : Investec Ltd	96.59	-0.14	1.93	6.44	↑
INP : Investec Plc	96.17	-0.01	0.86	5.97	↑
ITU : Intu Properties Plc	44.03	-0.74	-2.76	-6.28	↓
LHC : Life Healthcare Group Holdin	34.27	1.24	1.99	5.12	↑
MEI : Mediclinic International Plc	135.00	0.01	2.43	3.85	↑
MND : Mondi Ltd	301.86	1.53	1.96	7.81	↑
MNP : Mondi Plc	300.00	1.18	1.03	7.63	↑
MRP : Mr Price Group Ltd	172.80	0.88	6.23	8.30	↑
MTN : Mtn Group Ltd	119.50	2.14	-4.76	-5.29	↓
NED : Nedbank Group Ltd	249.19	0.08	7.31	4.64	↑
NPN : Naspers Ltd-N Shs	2 166.45	2.24	1.34	7.56	↑
NTC : Netcare Ltd	32.40	-0.40	0.31	1.76	↑
OML : Old Mutual Plc	35.35	1.00	0.03	2.64	↑
RDF : Redefine Properties Ltd	11.42	0.26	2.51	2.06	↑
REI : Reinnet Investments Sa-Dr	27.86	0.14	-1.52	3.96	↓
REM : Remgro Ltd	231.21	-0.64	2.57	3.66	↑
RMH : Rmb Holdings Ltd	66.45	-0.82	2.28	0.08	↑
SAP : Sappi Limited	82.00	0.22	-5.28	-8.84	↓
SBK : Standard Bank Group Ltd	148.32	-0.03	3.06	-2.26	↑
SHP : Shoprite Holdings Ltd	176.65	0.71	-1.31	3.03	↓
SLM : Sanlam Ltd	68.70	1.48	5.71	9.22	↑
SNH : Steinhoff International H Nv	67.73	-0.29	4.52	-4.98	↑
SOL : Sasol Ltd	376.10	-0.76	-5.86	-5.72	↓
TBS : Tiger Brands Ltd	421.58	-0.83	3.94	5.97	↑
VOD : Vodacom Group Ltd	151.20	0.07	0.13	-0.79	↑
WHL : Woolworths Holdings Ltd	70.50	-3.94	-4.92	-0.73	↓

Source: Bloomberg & Nedbank CIB

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## Last day to trade

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Share Code	Share name	Dividend / interest rate
<b>21 February 2017</b>		
FSRP	Firststrand Ltd B Pref	dividend @ 395.603180cps
IAPN	Investec Australia Property Fund Npl's	take up @ 1350cps
IMRP3	IM Redeemable Pref 3 Nov21	dividend @ 2425.139490cps
IMRP6	im Redeemable Pref 6 Aug21	dividend @ 6162.41670cps
MIX	Mix Telematics Ltd	dividend @ 2cps
NFGOVI	Newfunds GOVi ETF	dividend TBA
NFILBI	Newfunds ILBI ETF	dividend TBA
NFTRCI	Newfunds TRACI 3-M ETF	dividend TBA
STXRAF	Satrix RAFI 40 Portfolio	dividend TBA
TDHP	Tradehold Ltd A Pref	dividend @ 19.597220cps
WNH	Winhold Ltd	dividend @ 4cps

Source: JSE

## Economic calendar

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
<b>16-Feb</b>							
15:30	US	Housing Starts	Jan	1226k	1246k	1226k	1279I
15:30	US	Housing Starts MoM	Jan	0.00%	-2.60%	11.30%	--
15:30	US	Building Permits	Jan	1230k	1285k	1210k	1228k
15:30	US	Building Permits MoM	Jan	0.20%	4.60%	-0.20%	1.30%
15:30	US	Initial Jobless Claims	11-Feb	245k	239k	234k	--
15:30	US	Continuing Claims	04-Feb	2050k	2076k	2078k	2079k
15:30	US	Philadelphia Fed Business Outlook	Feb	18.0	43.3	23.6	--
<b>17-Feb</b>							
11:00	EC	ECB Current Account SA	Dec	--	--	36.1b	--
11:30	UK	Retail Sales Inc Auto Fuel YoY	Jan	2.40%	--	4.30%	--
17:00	US	Leading Index	Jan	0.40%	--	0.50%	--

Source: Bloomberg

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