



24 February 2017 | 7:34 AM

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(\* when available)*

## Key daily driver

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### SNIPPETS

(Charts of the day)	SA PPI sharply lower in January to high base effect, food inflation eases, prompting lower input costs
(Currencies)	Rand strengthens as market digests budget, softer dollar aids majors stronger on the day
(Equities)	Top 40 closes marginally up on a results heavy day, US markets lacklustre leading Asia weaker this morning
(Economics)	US data marginally softer than expected, dollar weakens on Mnuchin comments

## Key overnight factors and upcoming events

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Date	Region	Event ↓ ↑ →	Actual/expected/prior	Implications
22/02	US	FOMC minutes	--	Fed indicates that rates will need to be raised 'fairly soon'
23/02	SA	PPI y/y	5.9%/6.6%/7.1%	PPI expected to ease due to high base effects
24/02	US	New home sales	--/6.3%/-10.4%	Sales of homes may slow as interest rates are expected to rise this year

Source: Nedbank

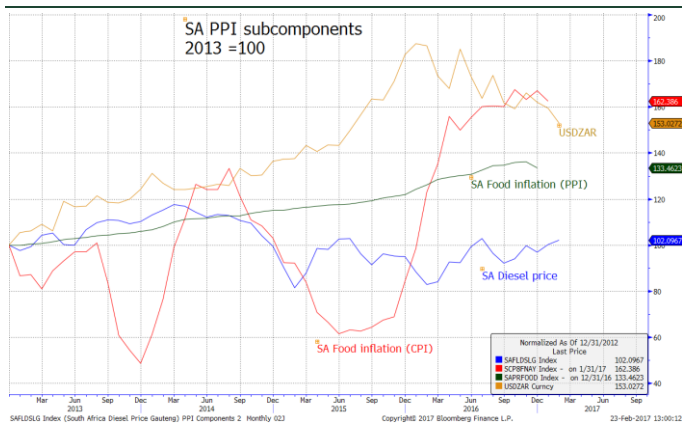
# Charts of the day

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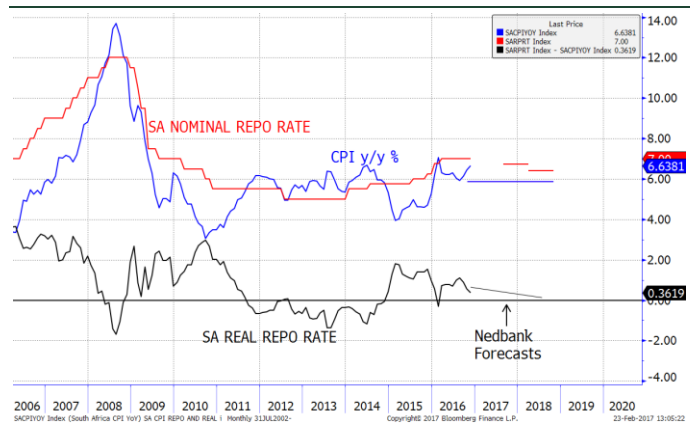
- SA PPI eased sharply in January, on the back of high base effects from last year. PPI was 5.9% y/y in January, from 7.1% previously, better than consensus of 6.6%. The key downward drivers were food and beverage inflation, wood and paper, non-metallic minerals, metals, machinery and equipment, transport equipment (now in deflation), and furniture and other manufacturing. Inflationary drivers in the economy were still textiles, clothing and footwear, and coke, petroleum and rubber products.
- As the rand strengthens, and as drought conditions ease, we may see PPI head lower, which will have a direct bearing on CPI in coming months. However, a key counterbalance may come from a rebound in global metal prices, which have risen recently. Should the Brent price remain elevated over the medium term, this will also provide some upside risk to both PPI and CPI for the first half of the year before easing in H2. A surprising development in January was the fact that transportation equipment input prices are now in deflation as the prices of all the underlying subcomponents slumped, of a relatively higher base in 2016. A lack of demand in that industry will probably keep prices low this year.
- A big risk will emanate from a volatile rand exchange rate .in H2, with any weakness in the rand eroding much of the gains in PPI close to year-end. CPI and PPI have a positive correlation, with a lag, and any rise in input costs will filter through to CPI, as will any commensurate rise in PPI. Real rates are currently restrictive, and any sustained stay of CPI below 6% may warrant interest rate cuts, which will reduce real rates over the longer term.

## Most PPI subcomponents motivate for a lower PPI trajectory



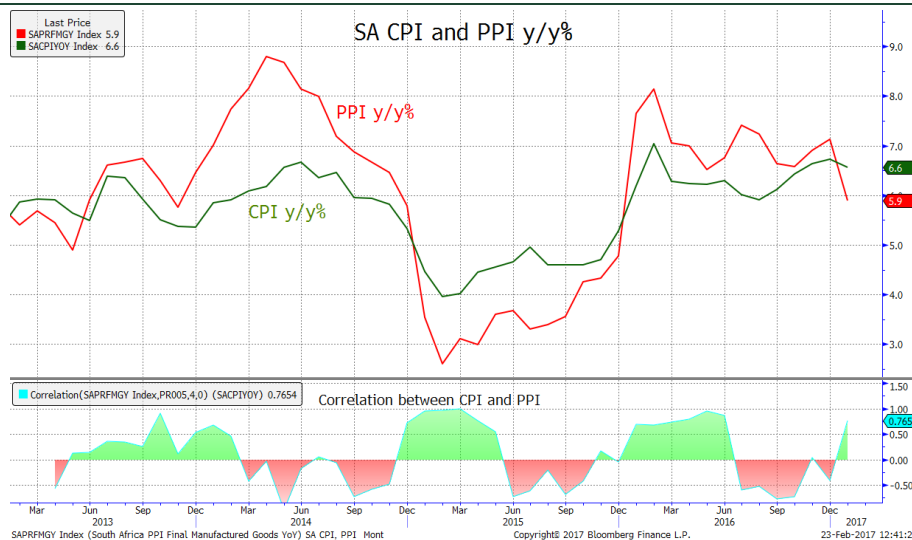
Source: Bloomberg, Nedbank

## Real rate remain restrictive, with a skew lower



Source: Bloomberg, Nedbank

## SA PPI eases sharply on food and vehicle costs



Source: Bloomberg, Nedbank

# Currencies

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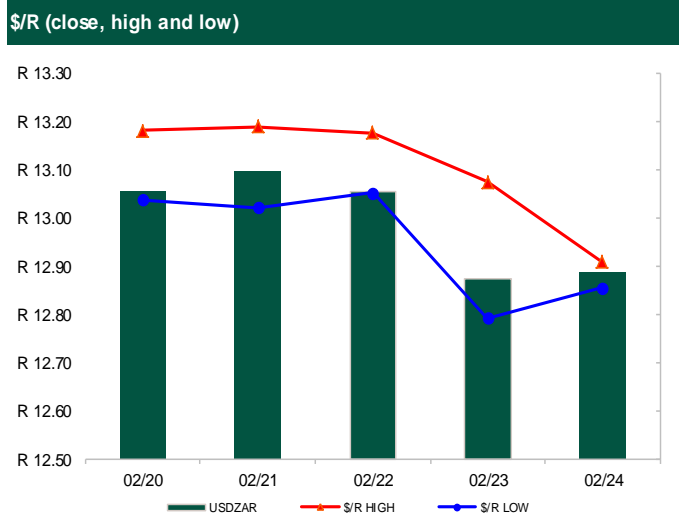
- The local session opened the day with the rand trading marginally above the 13.0000 level. After some interesting price action in the overnight session. Some broad based dollar selling saw the local unit trade to a best level of 12.7925 on the day, before trading higher into the local close, ending at 12.8800. This morning the rand is currently trading at 12.9000, and EURZAR is trading at 13.6380 and GBPZAR at 16.1850.
- As per the above the dollar was under pressure across the spectrum post the FOMC minutes release and EURUSD traded steadily firmer on the day, topping out at 1.0589. This morning currently trading at 1.0582. Gold has benefitted from the weakening dollar and has resumed its upward trajectory, this morning some 12 dollars firmer from the same time yesterday at 1249.80.
- A data light day today globally, nothing local, from France consumer spending and from the U.S we have new home sales and Michigan survey data. After the significant anticipation of the local budget, the markets appear to accept that the outcome was as good as could have been achieved given circumstances. The next major event on the horizon will be the ratings agency reviews. Yesterday Mr Molefe was sworn in as a member of parliament, and the focus will now be on his ultimate deployment. Possible trading range in the rand today 12.7500 to 13.0500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.26	0.06	-0.14	1.73	↓	USD strength
EURUSD	1.06	0.14	-1.87	0.62	↓	USD strength
USDJPY	112.80	0.06	-0.18	-3.56	↓	USD weakness
USDAUD	1.30	-0.04	-1.88	-6.67	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	12.89	0.09	-4.61	-6.21	↓	ZAR strength
GBPZAR	16.18	0.16	-4.72	-4.53	↓	ZAR strength
EURZAR	13.64	0.23	-6.39	-5.64	↓	ZAR strength
AUDZAR	9.94	0.13	-2.76	0.42	↓	ZAR strength
ZARJPY	8.75	-0.03	4.64	2.63	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	56.20	-0.27	4.90	6.08	↑	ZAR strength
ZARBWP (Botswana pula)	0.80	0.12	3.47	3.35	↑	ZAR strength
ZARKES (Kenyan shilling)	8.03	-0.09	4.46	7.68	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.76	-0.12	4.65	5.09	↑	ZAR strength
ZARNGN (Nigerian naira)	24.43	-0.20	8.01	6.49	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.36	0.31	9.98	14.41	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.74	-0.08	1.87	2.48	↑	ZAR strength
ZARMZN (Mozambican metical)	5.45	-0.08	4.32	4.62	↑	ZAR strength

Source: Bloomberg & Nedbank CIB  
Time: 20/02/24 07:08

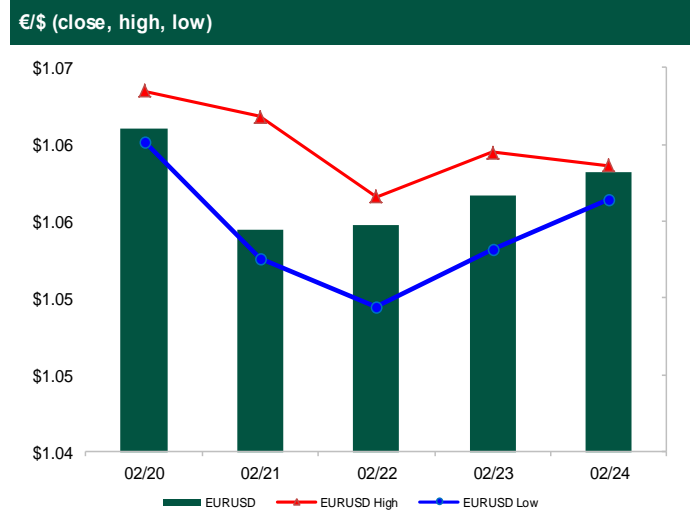
*\*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks*

## USDZAR



Source: Bloomberg, Nedbank

## EUR/USD



Source: Bloomberg, Nedbank

# Commodities

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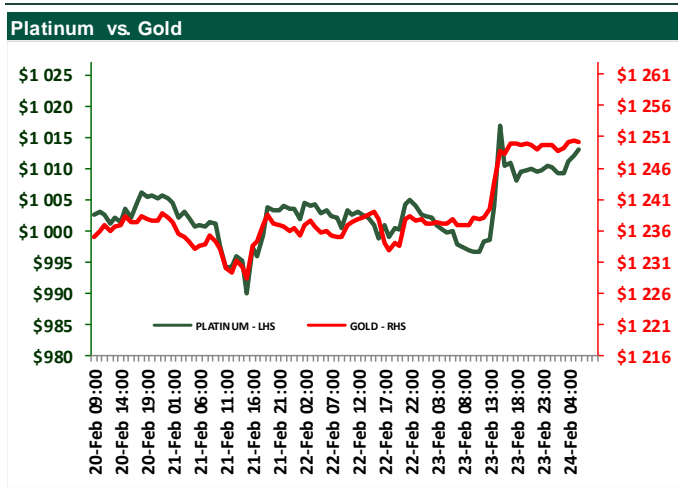
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- Brent crude oil ticked higher yesterday but is currently trading off the peaks from the US session, which saw a test of \$57/bbl. briefly. While currently marginally lower, the price has been hovering around the \$55/bbl mark for several weeks now as the market assesses OPEC ability to stick to its production cut targets. While US inventories continued to rise, the pace of increase slowed more than expected providing support to prices and a push on US crude prices specifically.
- A marginally softer dollar helped support bullion prices to test the \$1250/oz. resistance level yesterday. Some of the safe haven demand and dollar weakness attributable to commentary from US Treasury Secretary Mnuchin indicating that he expects low interest rates to persist.

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	56.66	0.14	1.72	-0.28	↑
WTI crude (\$)	54.50	0.09	3.20	1.45	↑
Gold spot (\$)	1 250.05	0.05	3.26	8.94	↑
Platinum spot (\$)	1 012.50	0.32	2.03	12.11	↑
SA white maize spot (R)	2 986.00	-3.24	7.84	-15.70	↑

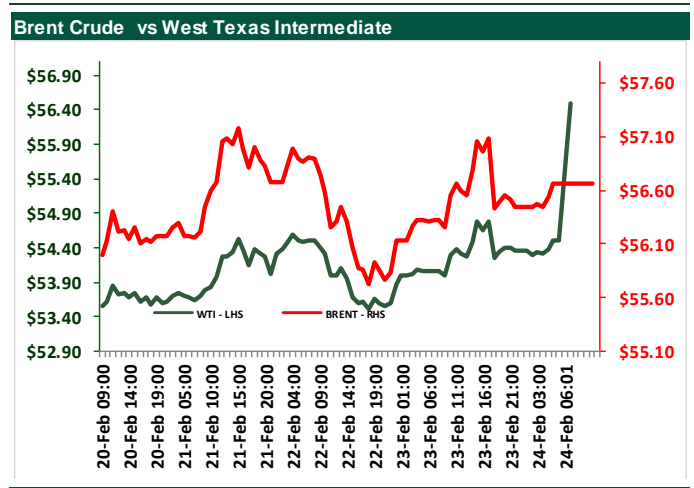
Source: Bloomberg & Nedbank CIB Time: 2017/02/24 07:08

## 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 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
R203-0.6 yrs	7.51	6.70	-21.40	-19.10	↓
R208-4.1 yrs	7.89	-8.80	-23.60	-38.80	↓
R186-9.8 yrs	8.67	-6.15	-14.25	-23.55	↓
R2048-31 yrs	9.52	-5.40	-6.10	-9.70	↓
US 10 yr	2.37	0.08	-8.02	-7.12	↓
UK 10 yr	1.15	-4.07	-18.56	-6.86	↓
German 10 yr	0.23	-16.49	-46.56	33.14	↓
Japan 10 yr	0.06	-29.76	-32.18	28.26	↓

Money Market	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	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)	6.60		-10.00		↓
SA 3m JIBAR	7.33	0.80	-3.40	-2.50	↓
SA 3m NCD	7.38	7.50	5.00	0.00	↑
SA 6m NCD	7.93	2.50	-2.50	-5.00	↓
SA 12m NCD	8.38	2.50	-7.50	-7.50	↓
US 3m LIBOR	1.05	0.06	1.94	5.61	↑
UK 3m LIBOR	0.35	-0.16	-0.16	-1.23	↓
Japan 3m LIBOR	-0.03	-1.33	-1.06	2.96	↓

FRA's and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
3X6 FRA	7.36	4.00	-5.00	-3.00	↓
6X9 FRA	7.32	0.00	-15.00	-10.00	↓
9X12 FRA	7.30	0.00	-18.00	-15.00	↓
18X21 FRA	7.32	0.00	-22.00	-21.00	↓
SA 2yr Swap	7.32	0.00	-16.20	-14.30	↓
SA 3yr Swap	7.39	0.00	-16.20	-16.30	↓
SA 5yr Swap	7.62	0.00	-14.50	-19.10	↓
SA 10yr Swap	8.07	0.00	-16.00	-27.50	↓
SA 15yr Swap	8.23	-1.00	-15.50	-25.50	↓

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
2v10y	-0.75	0.00	-0.20	13.20	↓
3v10y	-0.68	0.00	-0.20	11.20	↓
R186-R203	1.29	-12.85	7.15	-4.45	↑
R2048-R186	0.84	0.75	8.15	13.85	↑
5y-R186	-1.12	6.15	-0.25	4.45	↓
10y-R186	-0.67	6.15	-1.75	-3.95	↓
15y-R186	-0.50	5.15	-1.25	-1.95	↓
SA 5yr CDS spread - basis points	189.55	-5.63	-22.46	-27.46	↓

Source: Bloomberg & Nedbank CIB Time 2017/02/24 07:08

# Equities

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Cash equities | +2711 535 4030/31

## South Africa

- The JSE closed marginally higher as the afternoon session saw the market give back the gains from the morning session. The Top 40 gained a tenth of a percent and the All Share closed 2 tenths of a percent higher. Even though the rand continued to strengthen and weighed on rand hedged stocks, company earnings were responsible for the big moves on the day. Bid Corp. Ltd released 1H earnings which showed that earnings per share rose 20%. The company also advised that it had access to R15bn for acquisitions and was looking at various deals over the next 6 months. The share jumped over 11%. Massmart gained 10% after reporting that trading profits rose 12% while Discovery gained over 4% after reporting results which showed that new business, operating profit and headline earnings all gained by double digits. Economic data showed that year on year headline producer inflation dropped to 5.9% below forecasts of 6.6%. Value traded was R22.6bn and the rand was at R12.82 to the dollar.

## UK/Europe

- Weaker banking and resource sectors weighed on European markets as concern around politics in the region resurfaced and investors analysed corporate earnings. The FTSE lost 4 tenths of a percent. HSBC and Barclay's lost 3.9% and 2.5% respectively.
- Barclay's released 4th quarter profit that missed analyst's forecasts. Rio Tinto dragged resources lower falling over 5%. Glencore Plc. Managed to gain 1.7% after reporting earnings that beat estimates as profits rose over 40% on higher commodity prices. The DAX also lost 4 tenths of a percent led by weaker industrial and consumer stocks. Heidelberg Cement and Bayer both dropped over 2.5%. In France, the CAC closed a tenth of a percent lower. Bouygues rose over 4% while waste contractor Veolia fell over 5% after issuing a profit warning to investors that it will not meet earnings targets for the year ahead.

## USA

- US markets were mixed as the DOW and S&P closed marginally higher with the former closing at a record high for the 10th consecutive session while the Nasdaq lost 4 tenths of a percent. Losses in industrial and raw materials weighed on the market. The dollar lost further ground after minutes from the Federal Reserve's last meeting showed that officials were happy to raise rates gradually as this would not trigger inflation while a report from the Labor department showed that initial jobless claims last week increased by 6,000 to 244,000 from the previous weeks revised level of 238,000. Gains in Johnson & Johnson and Exxon mobile supported the DOW while Caterpillar fell over 2.5% while the S&P saw First Solar and Transocean Ltd, gain 10% and 7% respectively. Today investors will be keeping an eye on earnings results from Hewlett Packard, Gap and Nordstrom Energy Corp.

## Asia

- Asian markets are trading lower this morning taking direction from the mediocre trading session in the US overnight. At the time of writing the Nikkei was down just under 2 tenths of a percent as weaker basic materials and industrial shares offset gains in non-cyclical consumer stocks. Komatsu and Hitachi lost 4% and 3% respectively. Shares in Hong Kong traded 3 tenths of a percent lower. CK Hutchinson Holdings rose over 3% buoying the diversified sector while all other sectors traded lower. Tencent lost just over a percent. In mainland China, the Shanghai Composite fell 3 tenths of a percent while markets in Australia dropped 7 tenths of a percent as commodity prices traded lower. Rio Tinto lost close to 4% while BHP Billiton and Fortescue Metals both dropped over 2%. Gold miners traded marginally higher as the yellow metal advanced overnight.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	20 810.32	0.17	4.76	5.30	↑
Nasdaq	5 835.51	-0.43	3.93	8.40	↑
S&P 500	2 363.81	0.04	3.73	5.58	↑
DJ Eurostoxx 50	3 333.96	-0.16	3.20	1.32	↑
DAX	11 947.83	-0.42	3.58	4.07	↑
CAC	4 891.29	-0.09	3.00	0.60	↑
FTSE	7 271.37	-0.42	2.43	1.80	↑
ASX200	5 736.90	-0.83	2.06	1.25	↑
Nikkei 225	19 272.80	-0.51	1.22	0.83	↑
MSCI World	1 845.35	0.16	2.95	5.38	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	24 031.23	-0.35	2.87	9.23	↑
Shanghai	3 242.12	-0.28	2.63	4.46	↑
Brazil Bovespa	67 461.39	-1.64	4.91	12.01	↑
India - NSE	28 892.97	0.10	4.47	8.51	↑
Russia Micex	2 106.30	-1.01	-5.01	-5.66	↓
MSCI Emerging	952.12	0.12	4.72	10.42	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	52 183.10	0.18	-1.15	3.02	↓
Top 40	45 105.98	0.07	-1.79	2.74	↓
Resi 10	32 979.17	0.11	-6.97	2.71	↓
Indi 25	66 860.16	-0.18	-0.25	4.01	↓
Fini 15	15 111.71	1.10	1.22	0.22	↑

Source: Bloomberg &amp; Nedbank CIB

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## Economics

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### US

- Initial jobless claims for last week rose by 6000 to 244 000, marginally worse than consensus of 240 000. However, the 4 week average claim level fell to 241 000 indicating that the overall trend in the labour market remains supportive and is currently at the lowest since 1973. Continuing claims dropped to 2.06m from 2.077m last week.
- The Chicago Fed Activity index slipped from 0.18 to -0.05 and the Kansas City Fed Index ticked higher to 14 index points from 9. The former is deemed more market relevant and indicates that the pace and mix of economic growth remains diverse across regions.

**Synopsis: Recent rhetoric from the Fed has been decidedly hawkish and stronger data tends to support a more accelerated time frame to hikes. While March remains a 'live' meeting, we see the chance for hikes from June onward as having escalated materially. This supports our view of a stronger dollar. We still see the 3 hikes priced into the Fed dot plot for this year as too aggressive.**

## Last day to trade

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Share code	Share name	Dividend / interest rate
28 February 2017		
HDC	Hudaco Industries Ltd	dividend @ 355cps
HPB	Hospitality Property Fund B	dividend @ 56.09cps
ILU	Indluplace Properties Ltd	dividend @ 23.829510cps
ITE	Italtile Ltd	dividend @ 16cps
MDP	Mara Delta Property Holdings Ltd	dividend @ 80.17445cps
NEWGBP	Newwave GBP ETN 12Mar42	Interest @ 1cps
NEWUSD	Newwave USD ETN 12Mar42	interest @ 2cps
RES	Resilient REIT Limited	dividend @ 270.22cps
SCP	Schroder European Real Estate	dividend @ 13.8525cps

Source: JSE

## Economic calendar

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Time	Country	Event	Period	Survey	Actual	Prior	Revised
<b>23-Feb</b>							
09:00	GE	GDP SA QoQ	4Q F	0.40%	0.40%	0.40%	--
09:00	GE	GDP NSA YoY	4Q F	1.20%	1.20%	1.20%	--
09:00	GE	GfK Consumer Confidence	Mar	10.2	10	10.2	--
11:30	SA	PPI YoY	Jan	6.60%	5.90%	7.10%	--
15:30	US	Chicago Fed Nat Activity Index	Jan	0.00	-0.05	0.14	0.18
15:30	US	Initial Jobless Claims	18-Feb	240k	244k	239k	238k
15:30	US	Continuing Claims	11-Feb	2068k	2060k	2076k	2077k
18:00	US	Kansas City Fed Manf. Activity	Feb	9	14	9	--
<b>24-Feb</b>							
17:00	US	New Home Sales	Jan	575k	--	536k	--
17:00	US	New Home Sales MoM	Jan	7.30%	--	-10.40%	--
17:00	US	U. of Mich. Sentiment	Feb F	96	--	95.7	--

Source: Bloomberg

## JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	213.27	0.74	-7.43	9.31	↓
ANG : Anglogold Ashanti Ltd	155.01	-1.76	-8.76	1.59	↓
APN : Aspen Pharmacare Holdings Lt	286.31	0.46	-7.04	0.96	↓
BAT : Brait Se	74.88	0.58	-5.22	-14.48	↓
BGA : Barclays Africa Group Ltd	156.85	-0.46	-1.23	-7.02	↓
BID : Bid Corp Ltd	257.25	11.12	10.76	4.94	↑
BIL : Bhp Billiton Plc	221.84	-0.02	-9.32	1.45	↓
BTI : British American Tobacco Plc	804.80	-1.11	-1.81	3.36	↓
BVT : Bidvest Group Ltd	165.50	2.34	4.38	-8.69	↑
CFR : Financiere Richemont-Dep Rec	96.84	-2.70	-7.77	6.72	↓
DSY : Discovery Ltd	124.70	4.35	8.37	8.91	↑
FFA : Fortress Income Fund Ltd-A	17.50	0.00	1.80	5.61	↑
FFB : Fortress Income Fund Ltd	35.40	0.14	1.78	9.50	↑
FSR : Firstrand Ltd	50.62	1.20	0.84	-4.80	↑
GFI : Gold Fields Ltd	42.46	0.38	-8.04	-2.59	↓
GRT : Grow thpoint Properties Ltd	26.71	0.26	1.56	3.17	↑
IMP : Impala Platinum Holdings Ltd	47.00	-4.63	-12.05	9.97	↓
INL : Investec Ltd	94.01	-0.10	-0.79	3.59	↓
INP : Investec Plc	93.51	-0.09	-1.93	3.04	↓
ITU : Intu Properties Plc	47.70	5.74	5.34	1.53	↑
LHC : Life Healthcare Group Holdin	33.82	1.65	0.65	3.74	↑
MEI : Mediclinic International Plc	121.10	-0.50	-8.12	-6.85	↓
MND : Mondi Ltd	308.00	2.67	4.03	10.00	↑
MNP : Mondi Plc	307.52	2.58	3.56	10.33	↑
MRP : Mr Price Group Ltd	170.80	2.13	5.00	7.05	↑
MTN : Mtn Group Ltd	120.29	0.66	-4.13	-4.66	↓
NED : Nedbank Group Ltd	243.32	1.91	4.78	2.18	↑
NPN : Naspers Ltd-N Shs	2 177.33	-1.13	1.85	8.10	↑
NTC : Netcare Ltd	32.35	0.47	0.15	1.60	↑
OML : Old Mutual Plc	35.35	0.71	0.03	2.64	↑
RDF : Redefine Properties Ltd	11.23	-0.18	0.81	0.36	↑
REI : Reinnet Investments Sa-Dr	27.69	-0.75	-2.12	3.32	↓
REM : Remgro Ltd	225.48	0.80	0.03	1.09	↑
RMH : Rmb Holdings Ltd	64.50	0.81	-0.72	-2.86	↓
SAP : Sappi Limited	82.35	-1.92	-4.87	-8.45	↓
SBK : Standard Bank Group Ltd	144.73	0.53	0.56	-4.63	↑
SHP : Shoprite Holdings Ltd	192.50	0.32	7.54	12.27	↑
SLM : Sanlam Ltd	68.78	3.40	5.83	9.35	↑
SNH : Steinhoff International H Nv	70.76	-0.25	9.20	-0.73	↑
SOL : Sasol Ltd	374.00	-0.40	-6.39	-6.24	↓
TBS : Tiger Brands Ltd	423.00	2.06	4.29	6.33	↑
VOD : Vodacom Group Ltd	149.61	-0.39	-0.92	-1.83	↓
WHL : Woolworths Holdings Ltd	70.50	1.38	-4.92	-0.73	↓

Source: Bloomberg & Nedbank CIB

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