

For any queries, please contact:

Reezwana Sumad | ReezwanaS@Nedbank.co.za

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(* when available)*

Key daily drivers




Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 294 1753

SNIPPETS

| | |
|----------------|---|
| (Fixed Income) | Mining Charter spooked the market somewhat on Thursday, but bids returned at the 8.50 level |
| (Currencies) | USDZAR recovers some of its recent losses |
| (Commodities) | Gold remained subdued around \$1255/oz. while oil firmed on Friday, rising to a high of \$47.6/bbl. intraday |
| (Equities) | Resource stocks wobble after the release of the much anticipated Mining Charter |
| (Economics) | US data disappoints, confidence eases; BOE sounds increasingly hawkish; Eurozone CPI and trade data disappoints |

Key overnight factors and upcoming events

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| Date | Region | Event    | Actual/expected/prior | Implications |
|-------|--------|---|-----------------------|---|
| 15/06 | UK | BOE interest rate decision | 0.25%/0.25%/0.25% | No changes but vote split presents some hawkish tone given recent political developments and surge in CPI |
| 16/06 | EZ | CPI | 1.4%/1.4%/1.9% | CPI expected to ease due to lower fuel costs |
| 16/06 | US | Michigan Confidence | 94.5/97/97.1 | Political noise may weigh on sentiment over the medium term |
| 20/06 | SA | Current account bal | --/-2.0%/-1.7% | Current account likely to show sharp portfolio outflows, deteriorating trade balance |

Source: Nedbank

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 | |
| R203-0.2 yrs | 7.40 | -0.00 | -3.10 | -30.00 | ↓ |
| R208-3.8 yrs | 7.57 | 0.00 | -4.30 | -70.60 | ↓ |
| R186-9.5 yrs | 8.48 | -0.00 | -10.60 | -43.50 | ↓ |
| R2048-30.7 yrs | 9.68 | -0.05 | 0.75 | 5.85 | ↑ |
| US 10 yr | 2.16 | 0.52 | -4.62 | -28.78 | ↓ |
| UK 10 yr | 1.02 | -1.30 | -2.80 | -22.10 | ↓ |
| German 10 yr | 0.28 | -0.60 | -2.80 | 6.80 | ↓ |
| Japan 10 yr | 0.06 | 0.60 | 1.30 | 1.60 | ↑ |
| 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) | 5.30 | | -80.00 | | ↓ |
| SA 3m JIBAR | 7.32 | 0.00 | -1.60 | -4.10 | ↓ |
| SA 3m NCD | 7.33 | 0.00 | 2.50 | -5.00 | ↑ |
| SA 6m NCD | 7.83 | -2.50 | -5.00 | -15.00 | ↓ |
| SA 12m NCD | 8.15 | 0.00 | -10.00 | -30.00 | ↓ |
| US 3m LIBOR | 1.27 | 0.61 | 6.36 | 27.57 | ↑ |
| UK 3m LIBOR | 0.30 | 0.69 | 0.18 | -7.11 | ↑ |
| Japan 3m LIBOR | -0.02 | 0.20 | 0.42 | 4.06 | ↑ |

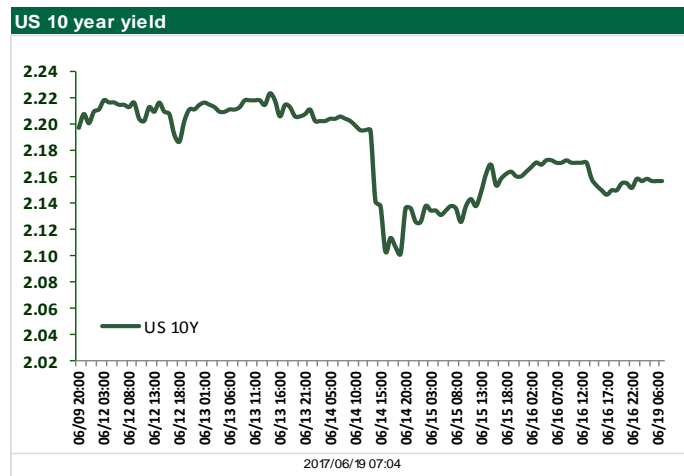
Source: Bloomberg & Nedbank CIB
Time: 2017/06/19 07:04

| FRAs and Swaps | Last price | Δ 1d | Δ MTD | Δ YTD | Month trend |
|----------------------------------|------------|-------|--------|--------|-------------|
| | % | bps | bps | bps | |
| 3X6 FRA | 7.23 | 0.00 | -2.50 | -16.50 | ↓ |
| 6X9 FRA | 7.01 | 0.00 | -8.00 | -41.00 | ↓ |
| 9X12 FRA | 6.89 | 0.00 | -11.00 | -56.00 | ↓ |
| 18X21 FRA | 6.91 | 0.00 | -13.00 | -62.00 | ↓ |
| SA 2yr Sw ap | 7.01 | 0.50 | -9.00 | -45.10 | ↓ |
| SA 3yr Sw ap | 7.07 | -0.50 | -10.00 | -49.10 | ↓ |
| SA 5yr Sw ap | 7.27 | -1.00 | -11.00 | -54.60 | ↓ |
| SA 10yr Sw ap | 7.75 | -0.50 | -12.50 | -57.60 | ↓ |
| SA 15yr Sw ap | 7.95 | 0.50 | -13.00 | -54.00 | ↓ |
| Spreads | Last price | Δ 1d | Δ MTD | Δ YTD | Month trend |
| | % | bps | bps | bps | |
| 2v10y | -0.74 | 1.00 | 3.50 | 12.50 | ↑ |
| 3v10y | -0.69 | 0.00 | 2.50 | 8.50 | ↑ |
| R186-R203 | 1.07 | 0.00 | -7.50 | -13.50 | ↓ |
| R2048-R186 | 1.20 | -0.05 | 11.35 | 49.35 | ↑ |
| 5y-R186 | -1.21 | -1.00 | -0.40 | -11.10 | ↓ |
| 10y-R186 | -0.73 | -0.50 | -1.90 | -14.10 | ↓ |
| 15y-R186 | -0.53 | 0.50 | -2.40 | -10.50 | ↓ |
| SA 5yr CDS spread - basis points | 184.50 | 0.00 | -6.50 | -30.50 | ↓ |

Source: Bloomberg & Nedbank CIB
Time: 2017/06/19 07:04

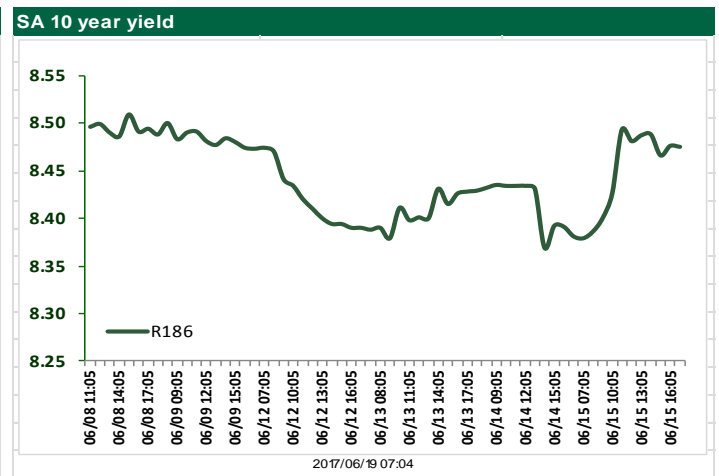
- Not a lot to report whilst we are out for the long weekend. ZAR trades well with a weaker USD and core rates trade a few beeps stronger.
- SAGBs should retain the same bias - carry seekers finding paper from locals.
- The Mining Charter spooked the market somewhat on Thursday, but bids returned at the 8.50 level, and that feels like the short term top. Sell up against 8.37 with a steepening bias.

US 10 year yield



Source: Bloomberg, Nedbank

SA 10 year yield



Source: Bloomberg, Nedbank

Currencies

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Business Banking FX | +27 11 535 4003 | Corporate FX | +2711 535 4002 | Institutional FX | +2711 535 4005

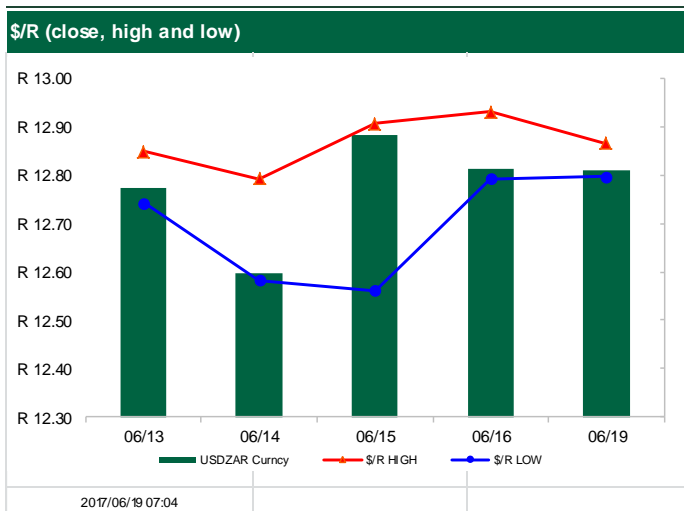
- On Thursday the rand opened the day trading in the high 12.60's, but almost from the open the local unit came under sustained pressure which saw the local unit trade to a weakest level of 12.9000, various factors contributing to this scenario including a broadly firmer dollar and the release of the local mining charter, by the time of the local close trading at 12.8825. On Friday over the local public holiday the rand again traded weaker topping out in the 12.90's, but since then it has traded firmer, this morning currently trading at 12.8100, EURZAR trading at 14.3350 and GBPZAR at 16.3585.
- The international markets saw the dollar savour an improved session, EURUSD opening the day trading at 1.1200, but trading steadily weaker from that level down to around 1.1130, this morning the euro is currently trading at 1.1194, having traded to above the 1.1200 level in the Far East this morning.
- After selling off gold has held steady around the 1250.00 level, currently trading at 1252.50.
- On the local front, the release of the mining charter has done little to create clarity and certainty and this was reflected in the local stock markets, this against the continuing back drop of the political wrangling of the ruling party, on the international front the U.K officially kicks off its Brexit talks today and the victory of Macron in gaining a majority has provided support for the euro.
- Possible trading range in the rand today 12.6800 to 12.9800

| Majors | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend | USD trend |
|-----------------------------|------------|--------|--------|--------|-------------|--------------|
| GBPUSD | 1.28 | -0.08 | -0.91 | 3.51 | ↓ | USD strength |
| EURUSD | 1.12 | -0.04 | -0.38 | 6.44 | ↓ | USD strength |
| USDJPY | 110.95 | 0.06 | 0.25 | -5.42 | ↑ | USD strength |
| USDAUD | 1.31 | 0.02 | -2.39 | -5.47 | ↓ | USD weakness |
| Rand crosses | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend | ZAR trend |
| USDZAR | 12.81 | -0.04 | -2.68 | -7.27 | ↓ | ZAR strength |
| GBPZAR | 16.36 | -0.14 | -3.64 | -3.59 | ↓ | ZAR strength |
| EURZAR | 14.34 | -0.05 | -3.09 | -0.79 | ↓ | ZAR strength |
| AUDZAR | 9.76 | -0.08 | -0.26 | -1.49 | ↓ | ZAR strength |
| ZARJPY | 8.66 | 0.15 | 2.87 | 1.54 | ↑ | ZAR strength |
| African FX | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend | ZAR trend |
| ZARMMK (Malawian kwacha) | 56.65 | 0.01 | 2.55 | 6.48 | ↑ | ZAR strength |
| ZARBWP (Botswana pula) | 0.80 | 0.43 | 2.01 | 2.69 | ↑ | ZAR strength |
| ZARKES (Kenyan shilling) | 8.08 | -0.02 | 2.80 | 7.72 | ↑ | ZAR strength |
| ZARMUR (Mauritian rupee) | 2.72 | -0.00 | 2.73 | 3.61 | ↑ | ZAR strength |
| ZARNGN (Nigerian naira) | 25.33 | 3.05 | 5.53 | 9.44 | ↑ | ZAR strength |
| ZARGHS (Ghanian cedi) | 0.34 | 0.06 | 4.77 | 9.62 | ↑ | ZAR strength |
| ZARZMW (Zambian kwacha) | 0.72 | 0.38 | 2.66 | -0.79 | ↑ | ZAR strength |
| ZARMZN (Mozambican metical) | 4.79 | -0.05 | 3.86 | -8.79 | ↑ | ZAR strength |

Source: Bloomberg & Nedbank CIB
Time: 2017/06/19 07:04

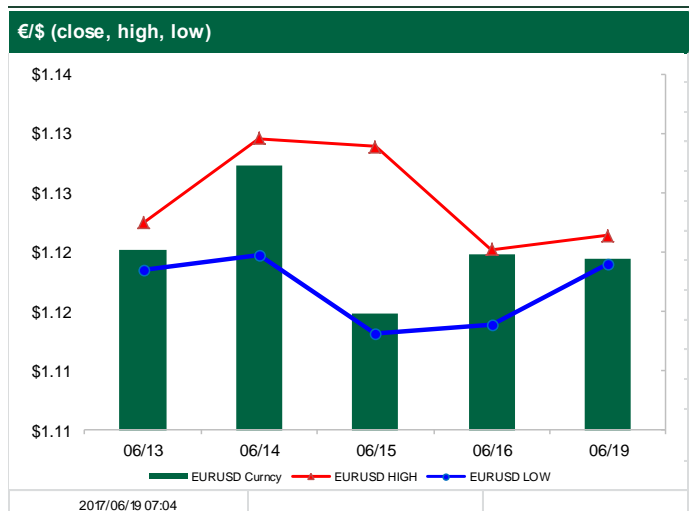
*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks

USDZAR



Source: Bloomberg, Nedbank

EUR/USD



Source: Bloomberg, Nedbank

Commodities

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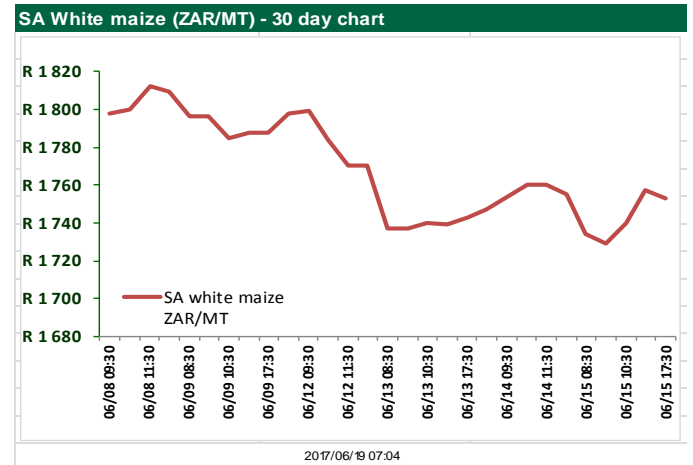
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- Bullion remained subdued throughout the Friday session, remaining below the \$1255/oz. mark. This after slumping \$20/oz. on Thursday and \$14/oz. for the week as a whole. Even though the dollar weakened overnight, this was not supportive of the gold price as markets pause in the face of rising geopolitical tensions.
- Brent rose by 41/bbl. on Friday and remains above the \$47/bbl. mark this morning. However, markets are starting to scrutinize production data out of the US, with increasing evidence of a glut in the region. Hence we continue to believe that the oil price is predisposed to further downside risk over the medium and longer term, unless geopolitical tensions rise materially, or the US imposes production restrictions themselves, which are unlikely.

| Commodities | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend |
|---------------------------|------------|-----------|-----------|-----------|----------------|
| Brent near future (\$) | 47.20 | -0.36 | -6.18 | -16.93 | ↓ |
| WTI crude (\$) | 44.56 | -0.40 | -7.78 | -17.05 | ↓ |
| Gold spot (\$) | 1 252.78 | -0.08 | -1.35 | 9.17 | ↓ |
| Platinum spot (\$) | 928.42 | -0.16 | -2.11 | 2.80 | ↓ |
| SA w white maize spot (R) | 1 753.00 | -0.11 | -1.90 | -50.51 | ↓ |

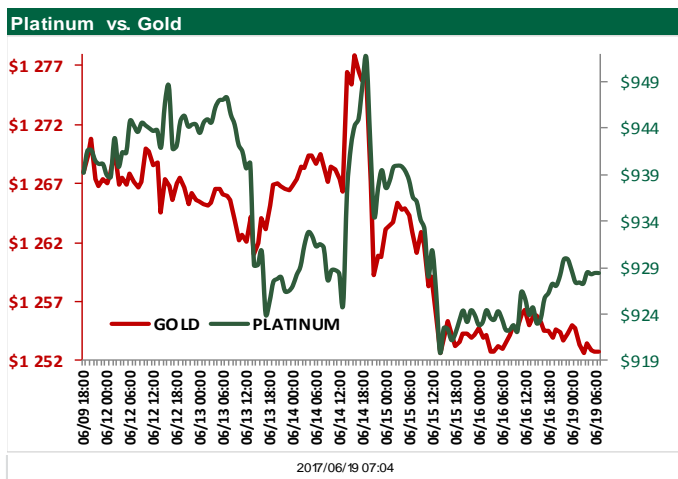
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SA white maize



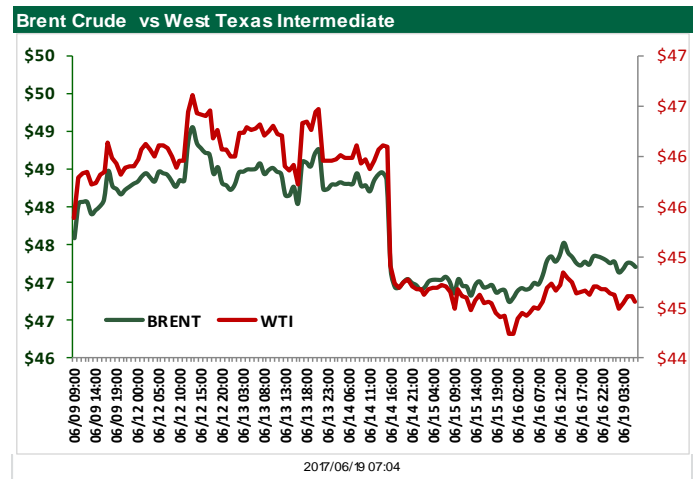
Source: Bloomberg

Platinum vs Gold



Source: Bloomberg

Brent Crude vs West Texas Intermediate



Source: Bloomberg

Equities

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Cash equities | +2711 535 4030/31

South Africa

- The All Share index started its trading day in negative territory and remained in the red ahead of futures close-out and index re-balancing. The resources stocks took the most pain after the Minister of Resources released the much anticipated Mining Charter which saw black ownership requirements increase to 30% from 26%.
- The Platinum & Precious Metals sector dropped 4.02% with the likes of Northam and Impala Platinum retreating 5.12% and 2.38% respectively.
- On corporate news, Comair Limited released a trading statement saying that they expect HEPS to be at least 20% higher than the previous comparable period. Value traded at 5pm was around R69.5bn with the currency at R12.85c vs. the USD at the close.

UK/Europe

- European markets closed in the black on Friday night with the CAC40 and Swiss Market leading the gains.
- On the economic data front, Eurozone CPI came in in line with expectations at 1.4% (y/y)
- The Stoxx 50 was up 0.52% with the likes of Safran SA and Airbus SE gaining 3.02% and 2.25% respectively

USA

- US markets closed marginally positive as the US dollar weakened with Treasury yields after disappointing housing data and a drop in consumer sentiment
- The Dow Jones and S&P 500 were up 0.11% and 0.03% respectively with the energy index leading the upside up 1.72% on the S&P 500.
- On the economic data front, US Housing Starts were below consensus estimates coming in at 1092K versus a 1220K forecast.

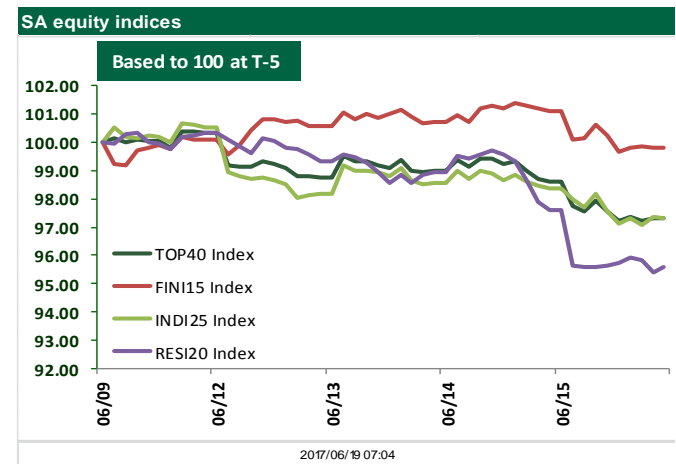
Asia

- Asian markets are trading in positive territory this morning as the global risk-on sentiment persists as projections show the centrist party of France's president winning a large majority in parliamentary elections.
- The Nikkei is up 0.61% on the back of a weaker Yen while the Hang Seng is up 0.94% ahead of a decision on whether MSCI will include China's shares in global indices.
- The Australian ASX is up 0.22% with the likes of the Southern Cross Media Group advancing 5.98%

| Developed Markets | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend |
|-------------------|------------|-----------|-----------|-----------|----------------|
| Dow Jones | 21 384.28 | 0.11 | 1.79 | 8.21 | ↑ |
| Nasdaq | 6 151.76 | -0.22 | -0.75 | 14.28 | ↓ |
| S&P 500 | 2 433.15 | 0.03 | 0.89 | 8.68 | ↑ |
| DJ Eurostoxx 50 | 3 543.88 | 0.52 | -0.30 | 7.70 | ↓ |
| DAX | 12 752.73 | 0.48 | 1.09 | 11.08 | ↑ |
| CAC | 5 263.31 | 0.89 | -0.38 | 8.25 | ↓ |
| FTSE | 7 463.54 | 0.60 | -0.75 | 4.49 | ↓ |
| ASX200 | 5 790.80 | 0.29 | 1.16 | 2.21 | ↑ |
| Nikkei 225 | 20 063.03 | 0.60 | 2.10 | 4.96 | ↑ |
| MSCI World | 1 923.24 | 0.35 | 0.60 | 9.82 | ↑ |
| Emerging Markets | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend |
| Hang Seng | 25 868.02 | 0.94 | 0.81 | 17.58 | ↑ |
| Shanghai | 3 143.77 | 0.66 | 0.85 | 1.29 | ↑ |
| Brazil Bovespa | 61 626.41 | -0.48 | -1.73 | 2.32 | ↓ |
| India - NSE | 31 212.31 | 0.50 | 0.21 | 17.22 | ↑ |
| Russia Micex | 1 822.91 | 0.28 | -4.08 | -18.35 | ↓ |
| MSCI Emerging | 1 003.12 | -0.05 | -0.22 | 16.33 | ↓ |
| SA Indices | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend |
| JSE All Share | 50 831.89 | -1.28 | -5.10 | 0.35 | ↓ |
| Top 40 | 44 512.15 | -1.27 | -5.60 | 1.39 | ↓ |
| Resi 10 | 29 275.44 | -2.05 | -6.23 | -8.83 | ↓ |
| Indi 25 | 69 174.34 | -1.03 | -6.18 | 7.61 | ↓ |
| Fini 15 | 14 367.74 | -1.32 | -2.76 | -4.71 | ↓ |

Source: Bloomberg & Nedbank CIB Time 2017/06/19 07:04

Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

Last day to trade

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Susan Correia | Scorreia@Nedbankcapital.co.za | +27 11 295 8227

| Share code | Share name | Dividend / interest rate |
|--------------|-----------------------------------|---|
| 20 June 2017 | | |
| DLT | Delta Property Fund Ltd | dividend @ 51.30719cps |
| GIVFIN | Newfunds S P Givi SA | Distribution (if any) TBA on or before 13/07/17 |
| GIVIND | Newfunds S P Givi SA | Distribution (if any) TBA on or before 13/07/17 |
| GIVISA | Newfunds S P Givi SA | Distribution (if any) TBA on or before 13/07/17 |
| GIVRES | Newfunds S P Givi SA | Distribution (if any) TBA on or before 13/07/17 |
| HCI | Hoskens Consolidated Inv Ltd | dividend @ 170cps |
| LBHP | Liberty Holdings Ltd 11 Cum Prefs | dividend @ 5.5cps |
| MDP | Mara Delta Prop Hldgs | Clean Out dividend @ USD0.0457 |
| MEI | Mediclinic International PLC | dividend @ 80.605cps |
| MRP | Mr Price Group Ltd | dividend @ 438.8cps |
| NEWFSA | Newfunds NewSA Index Fund | Distribution (if any) TBA on or before 13/07/17 |
| NFEMOM | Newfunds Equity Momentum ETF | Distribution (if any) TBA on or before 13/07/17 |
| NFGOVI | Newfunds Govi ETF | Distribution (if any) TBA on or before 13/07/17 |
| NFILBI | Newfunds ILBI ETF | Distribution (if any) TBA on or before 13/07/17 |
| NFSH40 | Newfunds Shariah Top 40 Index ETF | Distribution (if any) TBA on or before 13/07/17 |
| NFSWIX | Newfunds SWIX40 ETF | Distribution (if any) TBA on or before 13/07/17 |
| NFTRCI | Newfunds TRACI 3 Month ETF | Distribution (if any) TBA on or before 13/07/17 |
| RLO | Reunert Ltd | dividend @ 120cps |
| SCD | Schroder European real Estate | dividend @ EUR 0.012 |
| SPP | Spar Group Ltd | dividend @ 240cps |
| TCP | Transaction Capital Ltd | dividend @ 15cps |
| TDH | Tradehold Ltd | dividend @ 10cps |
| TON | Tongaat Hulett Ltd | dividend @ 200cps |
| VKE | Vukile Property Fund Ltd | DRIP @ 89.1025cps |
| VOD | Vodacom Group Limited | dividend @ 435cps |

Source: JSE

JSE performance

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| Top40 constituents | Last price | %Δ -1d | %Δ MTD | %Δ YTD | Month trend |
|------------------------------------|------------|-----------|-----------|-----------|----------------|
| AGL : Anglo American Plc | 163.31 | -4.89 | -7.20 | -16.29 | ↓ |
| ANG : AngloGold Ashanti Ltd | 138.31 | -6.08 | -6.86 | -9.35 | ↓ |
| APN : Aspen Pharmacare Holdings Lt | 278.01 | 0.55 | -6.39 | -1.96 | ↓ |
| BGA : Barclays Africa Group Ltd | 146.50 | -1.45 | 5.40 | -13.15 | ↑ |
| BID : Bid Corp Ltd | 288.70 | -1.13 | -3.66 | 17.76 | ↓ |
| BIL : Bhp Billiton Plc | 189.16 | -0.98 | -6.02 | -13.50 | ↓ |
| BTI : British American Tobacco Plc | 891.13 | 1.46 | -5.61 | 14.45 | ↓ |
| BVT : Bidvest Group Ltd | 156.63 | -2.80 | -8.33 | -13.58 | ↓ |
| CFR : Financiere Richemont-Dep Rec | 104.88 | 1.21 | -5.18 | 15.58 | ↓ |
| DSY : Discovery Ltd | 124.62 | -2.90 | -2.73 | 8.84 | ↓ |
| FFA : Fortress Income Fund Ltd-A | 16.75 | -1.47 | -1.30 | 1.09 | ↓ |
| FFB : Fortress Income Fund Ltd | 34.49 | -0.61 | -1.43 | 6.68 | ↓ |
| FSR : Firstrand Ltd | 47.33 | -0.67 | -4.02 | -10.98 | ↓ |
| GFI : Gold Fields Ltd | 44.80 | -4.54 | -3.45 | 2.78 | ↓ |
| GRT : Grow thpoint Properties Ltd | 24.75 | -1.00 | -1.36 | -4.40 | ↓ |
| IMP : Impala Platinum Holdings Ltd | 36.50 | -2.38 | -0.73 | -14.60 | ↓ |
| INL : Investec Ltd | 95.10 | -0.13 | -7.80 | 4.79 | ↓ |
| INP : Investec Plc | 94.50 | -0.52 | -8.15 | 4.13 | ↓ |
| ITU : Intu Properties Plc | 44.06 | 0.87 | -4.51 | -6.22 | ↓ |
| LHC : Life Healthcare Group Holdin | 25.86 | -0.92 | -7.41 | -14.74 | ↓ |
| MEI : Mediclinic International Plc | 128.07 | -1.86 | -5.83 | -1.48 | ↓ |
| MND : Mondi Ltd | 327.31 | -0.71 | -5.21 | 16.90 | ↓ |
| MNP : Mondi Plc | 329.03 | -0.65 | -4.62 | 18.05 | ↓ |
| MRP : Mr Price Group Ltd | 157.88 | -3.14 | 5.25 | -1.05 | ↑ |
| MTN : Mtn Group Ltd | 110.41 | -1.07 | -6.03 | -12.49 | ↓ |
| NED : Nedbank Group Ltd | 207.69 | -2.26 | -5.64 | -12.78 | ↓ |
| NPN : Naspers Ltd-N Shs | 2 497.87 | -2.20 | -8.02 | 24.02 | ↓ |
| NTC : Netcare Ltd | 24.91 | 1.59 | -7.60 | -21.77 | ↓ |
| OML : Old Mutual Plc | 32.94 | -0.93 | 2.81 | -4.36 | ↑ |
| RDF : Redefine Properties Ltd | 10.50 | -2.33 | -0.47 | -6.17 | ↓ |
| REI : Reinet Investments Sa-Dr | 30.01 | 3.09 | -5.18 | 11.98 | ↓ |
| REM : Remgro Ltd | 206.88 | -1.25 | -4.97 | -7.25 | ↓ |
| RMH : Rmb Holdings Ltd | 58.26 | -1.02 | -5.28 | -12.26 | ↓ |
| SAP : Sappi Limited | 85.50 | -1.98 | -11.50 | -4.95 | ↓ |
| SBK : Standard Bank Group Ltd | 141.74 | -1.73 | -3.28 | -6.60 | ↓ |
| SHP : Shoprite Holdings Ltd | 198.50 | -2.78 | -5.02 | 15.77 | ↓ |
| SLM : Sanlam Ltd | 64.50 | -3.23 | -6.02 | 2.54 | ↓ |
| SNH : Steinhoff International H Nv | 64.42 | -1.65 | -7.97 | -9.62 | ↓ |
| SOL : Sasol Ltd | 362.88 | -0.28 | -7.45 | -9.03 | ↓ |
| TBS : Tiger Brands Ltd | 373.00 | -1.21 | -2.86 | -6.24 | ↓ |
| TRU : Truworths International Ltd | 72.87 | -1.73 | -2.65 | -8.54 | ↓ |
| VOD : Vodacom Group Ltd | 164.29 | -1.09 | -0.59 | 7.80 | ↓ |
| WHL : Woolworths Holdings Ltd | 62.27 | -1.81 | -7.61 | -12.32 | ↓ |

Source: Bloomberg & Nedbank CIB

Time 2017/06/19 07:04

US

- US industrial production did not grow in June, after a 1.1% m/m surge in May, much worse than consensus of +0.2%. The main reason was the contraction in manufacturing output of 0.4% m/m, again after a 1.1% rise in May. This was also worse than consensus. The main driver of the slump in industrial activity was sharply lower motor vehicle production, as well as computer and electronics production. This is concerning because vehicle sales and vehicle production have been key leading indicators of consumer activity – the fact that this is slowing will likely bode negatively for growth in Q2. Electricity production declined due to the warmer weather and lower usage. On the other hand, positive drivers of industrial activity were, unsurprisingly, natural gas production, machinery and mining production.
- Philadelphia Fed business outlook index fell to 27.6 points in June, from 38.8 previously, better than expectations of 24.9. The outlook was weighed by lower shipments, lower prices paid, a drop in new orders in 6 months' time.
- US housing starts declined by 5.5% m/m in May, from -2.8% in April, worse than expectations of growth of 4.1%. Both single and multifamily home starts declined sharply and remained downbeat for 3 consecutive months.
- Building permits also declined by 4.9% m/m in May, from -2.5% previously. Permits for both single and multifamily homes declined. Even the number of homes under construction declined. The cooling housing market activity is a concern if sustained, and will likely bode negatively for growth if it persists.
- University of Michigan consumer confidence index fell to 94.5 in June, from 97.1 last month, worse than consensus. Expectations, sentiment over current conditions fell, while long run inflation expectations picked up.

Synopsis: The Fed's dual mandate may be achieved over the medium term; hence we anticipate one more rate hike this year, with the Fed funds rate rising towards the long run target of 3% over the long term. Shrinkage of the balance sheet may begin from the latter part of the year, when the Fed has further clarity on the inflation outlook and on economic momentum in the economy.

UK

- UK retail sales growth slumped to 0.9% y/y in May, from 4.2% previously, worse than consensus of 1.6%. Purchases of food and household goods declined sharply, non-store retailing also saw diminished volumes, while most other subcomponents saw lower sales in May. However, sales of auto fuel surged, while sales of textiles and clothing remained positive – these were the only positive drivers of retail activity in May.
- The BOE left interest rates and the asset purchase programme unchanged, however with an increasingly hawkish twist - the voting split of 3 to 5 (5 policymakers voted for no change whereas 3 voted for a hike) was the highest in 6 years. This was up from 7 to 1 at the previous meeting. Some discomfort is seen with inflation close to 3% and set to remain close to that level over the medium term.
- Fears over a further currency fuelled inflation uptick is warranted, given renewed political turmoil and a plunge in confidence levels. However, the BOE has previously stated that they remain tolerant of temporary inflation breaches above 2%. But given the current sustained trend in inflation, it is unlikely to fall back below 2% this year.
- Any further slippage in economic data and in inflation will likely hamper growth, employment and industrial activity over the medium term. Import costs will likely rise, keeping inflation elevated.

Synopsis: The BOE has indicated that the next move in policy rates is higher, however the recent vote split may imply a move higher in policy rates sooner than expected. Markets will watch political developments in the UK closely over the coming weeks due to uncertainty over Brexit negotiations.

Europe

- Eurozone CPI eased to 1.4% y/y in May, from 1.9% previously, in line with forecasts. Core inflation also eased as underlying price pressures remained subdued.
- The key negative drivers of CPI are energy and services inflation which were sharply lower in May. Airfares, transport, fuel, recreation and leisure prices declined sharply after the Easter holiday peak period, resulting in the fall in headline inflation.
- The Eurozone trade surplus fell to €19.6 billion in April, from €22.2 billion previously, worse than forecasts. Exports declined sharply, while imports were roughly unchanged. An uptick in global growth and trade activity may boost exports from the region, while strong consumer spending within the Eurozone will likely buoy imports as well.

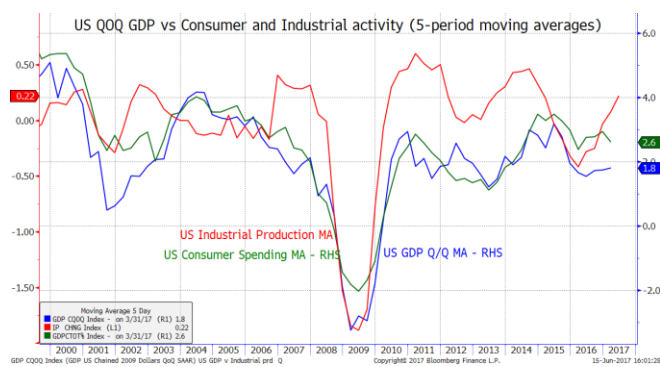
Synopsis: The ECB is unlikely to change their dovish tone just yet, particularly as Draghi has indicated recently that monetary policy will remain ultra-loose, even while inflation has risen. The ECB needs to be convinced of the sustainability of inflation increases in order to begin normalising monetary policy. We anticipate some form of tapering to begin in early 2018 if inflation does remain upbeat.

Japan

- The Japanese trade surplus narrowed marginally to ¥133.8 billion in May, from ¥157.6 billion previously, worse than expectations of ¥345 billion. Even though exports yielded a strong growth rate of 14.9% y/y in May, imports surged by 17.8%, which more than offset gains made from higher exports. However, even exports were affected by the low base effect from last year when Japan experienced an earthquake and this hampered exports then.
- Despite this, a pickup in global growth, demand and trade has been keeping exports buoyant, and this trend is expected to persist this year. Exports to China, the US and the EU surged by double digits. Better manufacturing activity will likely boost both imports and export growth in coming months.

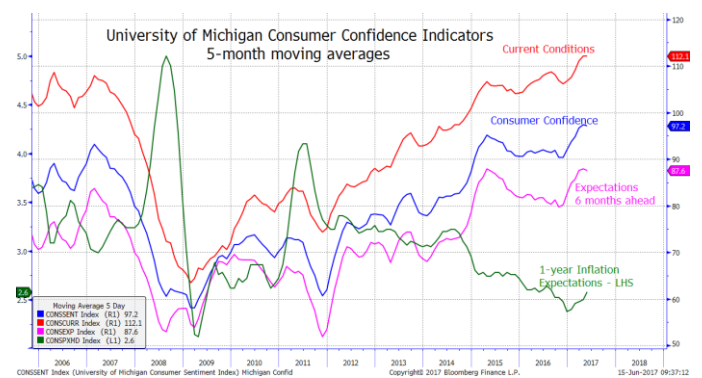
Synopsis: The BOJ is unlikely to change the current loose stance of monetary policy as inflation remains well below the 2% target. While the output gap has narrowed, labour market has tightened and economic activity has picked up, the country has battled with deflation and disinflation for a prolonged period. Hence we may see ultra-loose policy being maintained for at least the medium term.

Industrial activity trend diverges from GDP growth



Source: Bloomberg, Nedbank

Confidence levels remain upbeat, may prompt spending over the medium term



Source: Bloomberg, Nedbank

Economic calendar

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Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 294 1753

| | Country | Event | Period | Survey | Actual | Prior | Revised |
|----------------|---------|--------------------------------------|--------|------------|------------|------------|------------|
| 16-June | | | | | | | |
| 04:54 AM | JN | BOJ 10-Yr Yield Target | JUN 16 | 0.00% | 0.00% | 0.00% | - |
| 04:54 AM | JN | BOJ Policy Balance Rate | JUN 16 | -0.10% | -0.10% | -0.10% | - |
| 11:00 AM | EC | CPI Core YoY | MAY F | 0.90% | 0.90% | 0.90% | - |
| 11:00 AM | EC | CPI YoY | MAY F | 1.40% | 1.40% | 1.90% | - |
| 02:30 PM | US | Building Permits | MAY | 1249k | 1168k | 1229k | 1228k |
| 02:30 PM | US | Building Permits MoM | MAY | 1.70% | -4.90% | -2.50% | -2.50% |
| 02:30 PM | US | Housing Starts | MAY | 1220k | 1092k | 1172k | 1156k |
| 02:30 PM | US | Housing Starts MoM | MAY | 4.10% | -5.50% | -2.60% | -2.80% |
| 04:00 PM | US | Labor Market Conditions Index Change | MAY | 3.0 | 2.3 | 3.5 | 3.7 |
| 04:00 PM | US | U. of Mich. Sentiment | JUN P | 97.0 | 94.5 | 97.1 | - |
| 19-June | | | | | | | |
| 01:50 AM | JN | Exports YoY | MAY | 16.00% | 14.90% | 7.50% | - |
| 01:50 AM | JN | Imports YoY | MAY | 14.50% | 17.80% | 15.10% | - |
| 01:50 AM | JN | Trade Balance Adjusted | MAY | JPY 345.5b | JPY 133.8b | JPY 97.6b | JPY 157.6b |
| 20-June | | | | | | | |
| 08:00 AM | GE | PPI YoY | MAY | 2.90% | - | 3.40% | - |
| 09:00 AM | SA | Leading Indicator | APR | - | - | 97.6 | - |
| 10:00 AM | EC | Current Account NSA | APR | - | - | EUR 44.8b | - |
| 10:00 AM | EC | ECB Current Account SA | APR | - | - | EUR 34.1b | - |
| 10:00 AM | SA | Current Account as a % GDP | 1Q | -1.80% | - | -1.70% | - |
| 10:00 AM | SA | Current Account Balance | 1Q | ZAR -0.1b | - | ZAR -76.4b | - |

Source: Bloomberg 2017/06/19 07:04

Contacts

Treasury: Economic Analyst
Reezwana Sumad
 (011) 294 1753

ALM Portfolio Management
 (011) 535 4042

Equities Sales and Distribution
 (011) 535 4030/31

Forex Institutional Sales Desk
 (011) 535 4005

Interest Rate Swaps & FRA's Trading
 (011) 535 4004

Money Market Institutional Sales Desk
 (011) 535 4008

Bond Trading
 (011) 535 4021

Forex Business Banking Sales Desk
 (011) 535 4003

Forex Retail Sales Desk
 (011) 535 4020

Money Market Business Banking Sales Desk
 (011) 535 4006

Non Soft & Soft Commodities Trading
 (011) 535 4038

Credit Derivatives
 (011) 535 4047

Forex Corporate Sales Desk
 JHB (011) 535 4002; DBN (031) 327 3000;
 CTN (021) 413 9300

Inflation Trading
 (011) 535 4026

Money Market Corporate Sales Desk
 JHB (011) 535 4007; DBN (031) 327 3000;
 CTN (021) 413 9300

Preference shares desk
 (011) 535 4072

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