

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)	Markets remained cautious ahead of FOMC and SARB today, small foreign capital outflows seen in the bond market yesterday
(Currencies)	Local Focus today will be on the SARB MPC, USDZAR and global majors weaken sharply after FOMC
(Commodities)	Brent crude rises above \$56/bbl. as US inventory data disappoints; Gold price still subdued due to strong dollar
(Equities)	Local markets ended lower; Focus today will be on futures close-out and the MPC decision; European markets muted ahead of the FOMC meeting; U.S. markets closed at record highs; Asian markets are mostly higher this morning while the ASX is lagging
(Economics)	US FOMC marginally hawkish, confirms start of balance sheet normalization; UK retail sales growth accelerates; SA CPI rises, but 81% of CPI basket is now below 6%

Key overnight factors and upcoming events this week

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Date	Region	Event ↓ ↑ →	Actual/expected/prior	Implications
18-24/09	SA	BER consumer confidence	--/--/9	Confidence is expected to remain negative as unemployment is still high, growth lacklustre and elevated political uncertainty
20/09	SA	CPI y/y	4.8%/4.9%/4.6%	CPI rises due to higher transport inflation in August
20/09	US	FOMC rate decision	1.25%/1.25%/1.25%	Maintains hawkish stance despite falling inflation
21/09	SA	SARB interest rate decision	--/6.5%/6.75%	SARB expected to cut, markets watch underlying assumptions and forecasts

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	
R204-1.2 yrs	6.81	-0.35	-16.05	-111.85	↓
R208-3.5 yrs	7.25	0.85	-18.35	-102.85	↓
R186-9.2 yrs	8.41	1.70	-15.00	-50.00	↓
R2048-30.4 yrs	9.69	0.85	-11.65	6.45	↓
US 10 yr	2.27	0.00	15.06	-17.68	↑
UK 10 yr	1.34	1.30	30.80	10.30	↑
German 10 yr	0.44	-0.90	8.20	23.50	↑
Japan 10 yr	0.03	0.30	2.30	-1.40	↑

Money Market	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
SA repo rate	6.75	0.00	0.00	-25.00	→
SA prime rate	10.25	0.00	0.00	-25.00	→
SA CPI (MTD = previous month)	4.80		20.00		↑
SA 3m JIBAR	6.98	0.00	-6.70	-37.50	↓
SA 3m NCD	7.00	2.50	-2.50	-37.50	↓
SA 6m NCD	7.33	2.50	-5.00	-65.00	↓
SA 12m NCD	7.60	2.50	-6.25	-85.00	↓
US 3m LIBOR	1.32	-0.31	0.53	32.52	↑
UK 3m LIBOR	0.33	-0.46	4.91	-4.01	↑
Japan 3m LIBOR	-0.03	0.03	-0.11	1.74	↓

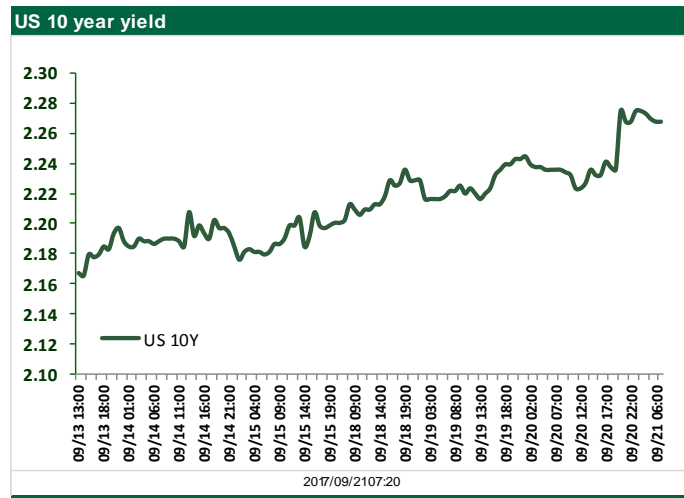
Source: Bloomberg & Nedbank CIB
Time: 2017/09/21 07:20

FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
3X6 FRA	6.70	0.50	-6.50	-69.50	↓
6X9 FRA	6.57	1.50	-8.50	-85.50	↓
9X12 FRA	6.50	0.50	-1.50	-95.50	↓
18X21 FRA	6.61	1.50	0.50	-92.50	↑
SA 2yr Sw ap	6.63	0.00	-3.30	-83.10	↓
SA 3yr Sw ap	6.74	0.00	-3.60	-81.60	↓
SA 5yr Sw ap	7.04	0.00	-7.50	-77.10	↓
SA 10yr Sw ap	7.71	0.00	-7.00	-62.10	↓
SA 15yr Sw ap	8.02	0.00	-1.50	-47.00	↓

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
2v10y	-1.08	0.00	3.70	-21.00	↑
3v10y	-0.97	0.00	3.40	-19.50	↑
R186-R204	1.60	2.05	1.05	61.85	↑
R2048-R186	1.28	-0.85	3.35	56.45	↑
5y-R186	-1.37	-1.70	7.50	-27.10	↑
10y-R186	-0.70	-1.70	8.00	-12.10	↑
15y-R186	-0.39	-1.70	13.50	3.00	↑
SA 5yr CDS spread - basis points	186.50	0.00	16.50	-28.50	↑

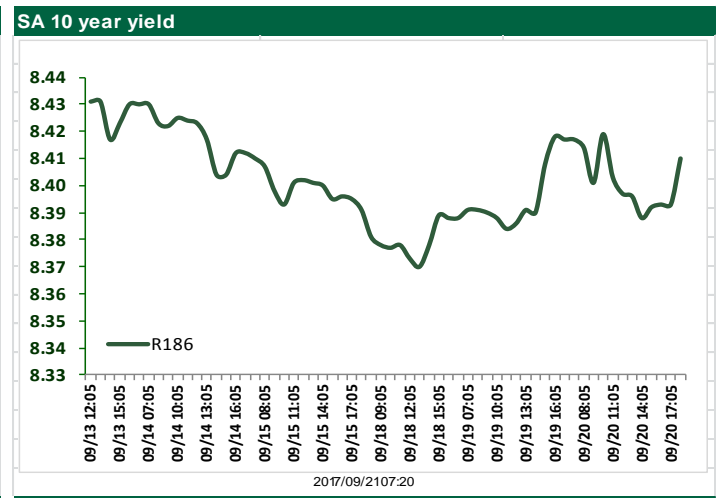
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US 10 year yield



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

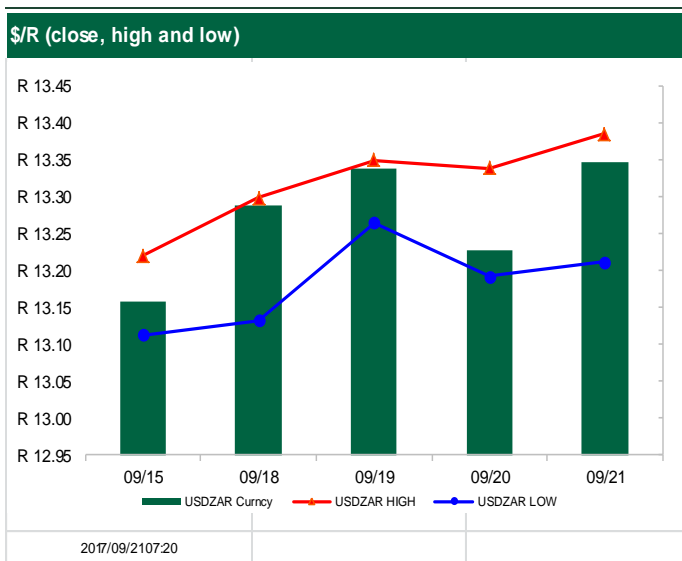
- Yesterday the rand opened the session trading above 13.3000, but the markets traded cautiously for much of the day, this ahead of the FOMC later in the day, a steady supply of dollars from various quarters saw the local unit close around the 13.2400 level. In the overnight session, the FED suggested a significant possibility of another hike before year end saw the rand relinquish those gains, to trade into the high 13.30's in the NY session; currently we are trading at 13.3400, EURZAR trading at 15.8505 and GBPZAR at 18.0003.
- On the international front the euro traded around the 1.2000 level for most of the session yesterday, post the aforementioned FED comments EURUSD traded from 1.2028 down to 1.1862 in double quick time, this morning it trades at 1.1882. Gold traded steadily for most of the day around the 1310.00 level, in the overnight session it has broken below the 1300.00 level, currently trading at 1297.50.
- Focus today locally will be on the SARB MPC announcement, no data releases though, from Europe we have the ECB economic bulletin, from the U.K we have public finances and net borrowing, and from the Eurozone consumer confidence, Mr Draghi is scheduled to speak, from the U.S jobless claims, Philly FED business, house price index, and leading index.
- Price action post the FOMC would suggest a degree of surprise regarding the interest rate outlook this year, although the extent of the move in USDZAR thus far muted relative to some of the major currency pairs.
- Possible trading range in the rand today 13.2500 to 13.4500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.35	-0.71	4.59	9.29	↑	USD weakness
EURUSD	1.19	-1.03	-0.01	12.96	↓	USD strength
USDJPY	112.45	0.94	2.05	-4.01	↑	USD strength
USDAUD	1.25	1.24	-0.63	-9.74	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.35	0.90	2.50	-2.94	↑	ZAR weakness
GBPZAR	18.00	0.19	6.77	5.86	↑	ZAR weakness
EURZAR	15.86	-0.12	2.50	8.87	↑	ZAR weakness
AUDZAR	10.65	-0.33	3.11	7.02	↑	ZAR weakness
ZARJPY	8.42	0.02	-0.48	-1.25	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	54.22	-1.16	-2.82	2.29	↓	ZAR weakness
ZARBWP (Botswana pula)	0.76	-0.93	-2.23	-2.07	↓	ZAR weakness
ZARKE\$ (Kenyan shilling)	7.74	-0.92	-2.16	3.63	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2.54	-0.94	1.01	-3.11	↑	ZAR strength
ZARNGN (Nigerian naira)	26.93	-0.93	-2.17	14.83	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0.33	-0.51	-2.77	6.38	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0.71	-1.61	2.27	-1.44	↑	ZAR strength
ZARMZN (Mozambican metical)	4.58	-0.93	-3.09	-13.89	↓	ZAR weakness

Source: Bloomberg & Nedbank CIB
Time: 2017/09/21 07:20

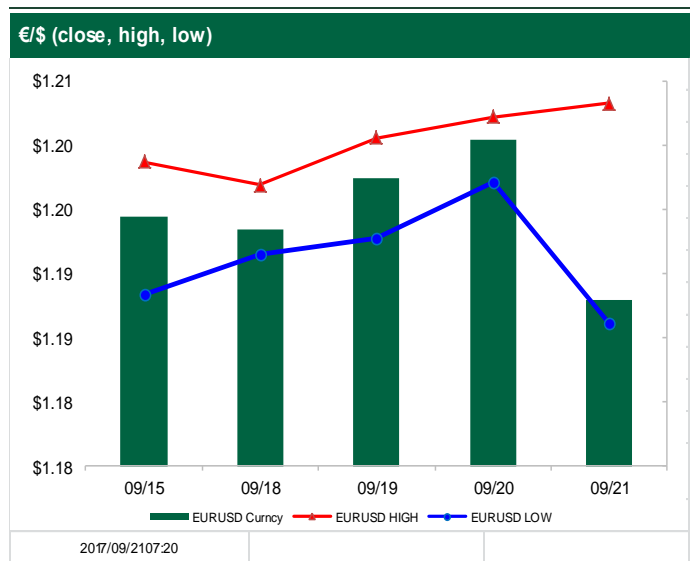
**Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks*

USDZAR



Source: Bloomberg, Nedbank

EUR/USD



Source: Bloomberg, Nedbank

Commodities

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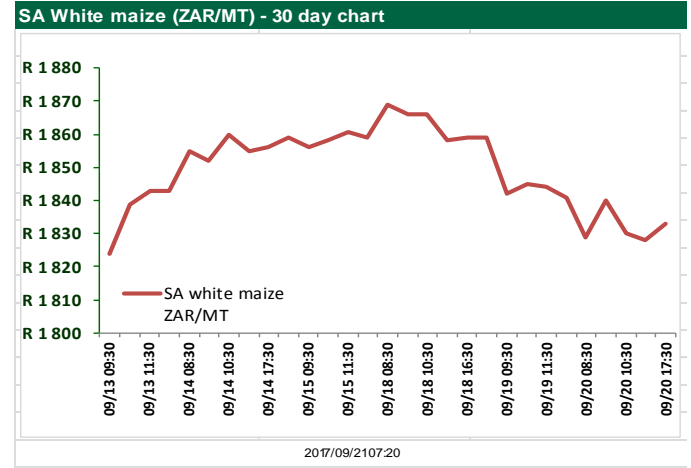
- Oil held gains above \$50 a barrel as a decline in inventories countered a bigger-than-forecast increase in stockpiles. November futures were little changed after climbing 1.6% Wednesday.
- Gold extends decline after Fed. Bullion for immediate delivery -0.4% to \$1,295.89/oz.

Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	56.17	-0.21	7.24	-1.14	↑
WTI crude (\$)	50.66	-0.06	7.26	-5.70	↑
Gold spot (\$)	1 297.99	-1.17	-1.44	13.11	↓
Platinum spot (\$)	940.65	-0.42	-5.48	4.16	↓
SA white maize spot (R)	1 833.00	-0.43	2.23	-48.25	↑

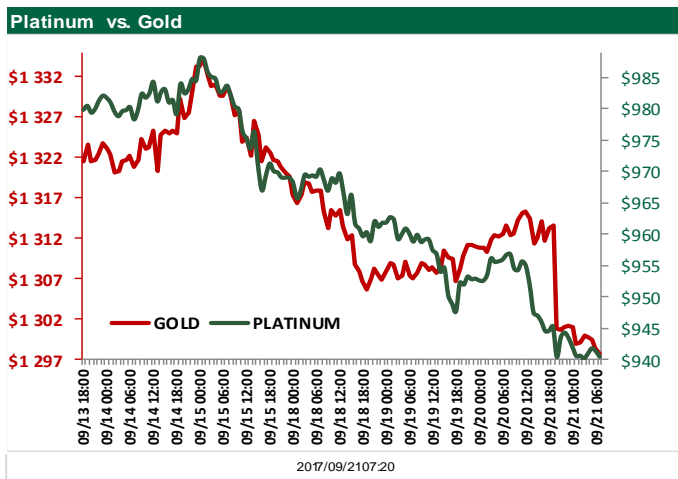
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SA white maize



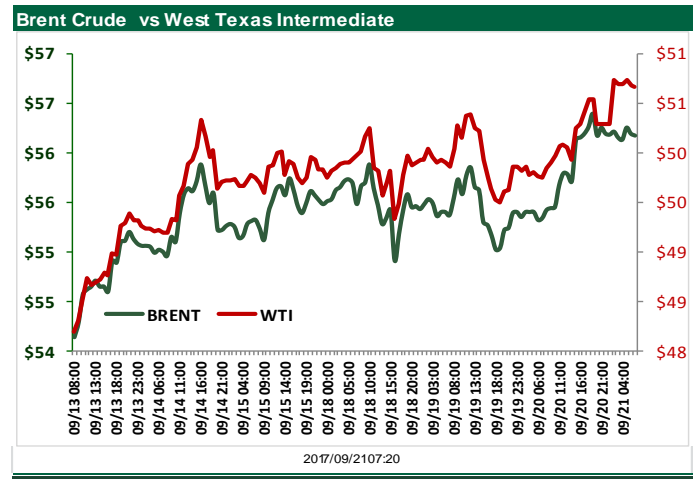
Source: Bloomberg, Nedbank

Platinum vs Gold



Source: Bloomberg, Nedbank

Brent Crude vs West Texas Intermediate



Source: Bloomberg, Nedbank

Equities

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Cash equities | +2711 535 4030/31

South Africa

- The JSE lost ground with the TOP40 losing 0.35% and the All Share dropping a quarter of a percent. Volatility in EOH continued, the stock received a broker upgrade and traded up to R103.35 eventually closing at R100.00. Sasol dropped over 6%, the company announced that it is considering a new black ownership transaction and was considering selling shares worth approximately R12bn to fund the transaction. Star listed on the JSE main board. Over 67m shares changed hands and the share closed at R21.52 a 5% premium to the listing price. Data released showed that consumer inflation rose to 4.8% in August below expectations of a 5% increase. Focus today will shift to the MPC meeting as well as futures close-out. Value traded was R24.5bn and the rand was at R13.25 to the dollar.

UK/Europe

- European markets were muted with investors reluctant to take additional risk ahead of the FOMC meeting and finished the session with minor changes. All the major markets moved less than a tenth of a percent. The FTSE lost 3 points. Data showed that UK retail sales grew in August at the fastest pace in 4 months. Retailers were supported by the data while financials lagged. Marks & Spencer and Next Plc. gained 2.3% and 1.8% respectively. The DAX rose 7 points, utilities were buoyed by E.ON and RWE both gaining over 2%. The former said that it was in advanced talks to dispose its stake in Uniper SE. Fortum. The CAC was up 4 points led by Arcelor Mittal which advanced 1.5%.

USA

- U.S. markets were mixed the DOW and S&P managed to close higher gaining 2 tenths of a percent and a tenth of a percent respectively, while the Nasdaq dropped a tenth of a percent. The Fed kept rates unchanged at the FOMC meeting but stated that it sees one more hike before the end of the year. The unwinding of the central bank's \$4.5 trillion balance sheet was finalised. Starting in October they will reduce the balance sheet by \$10bn per month. This will be split as \$6bn in treasuries and \$4bn in mortgage backed securities. They looking to increase the amounts every 3 months until treasuries reach \$30bn per month and mortgage backed securities \$20bn.

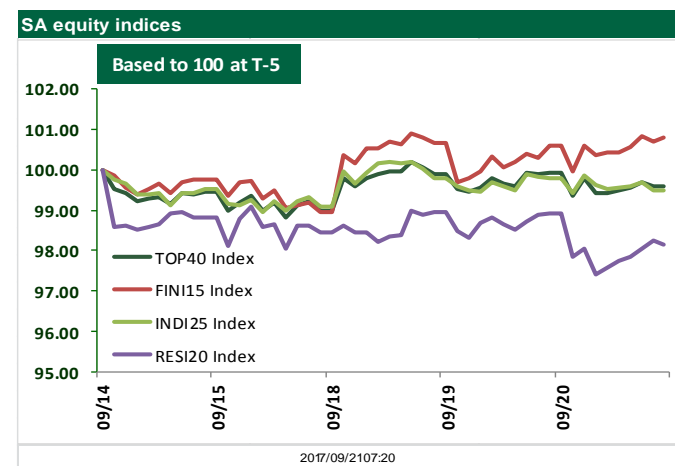
Asia

- Asian markets are trading mostly higher this morning. A weaker yen is supporting the Nikkei which was up 8 tenths of percent as energy and financial shares gained. Investors were confident ahead of the bank of Japan monetary policy decision which came in line with expectations as the central bank left interest rates unchanged. The Hang Seng rose a tenth of a percent with gains limited by weaker diversified and industrial shares. Hotel and casino operator Galaxy entertainment rose over 2.5% while China Merchants Port Holdings Company plunged over 7% after data released showed that the global container trade recovery has peaked. The Shanghai Composite was up a quarter of a percent while the ASX lagged losing a percent with sectors trading lower.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	22 412.59	0.19	2.12	13.41	↑
Nasdaq	6 456.04	-0.08	0.43	19.93	↑
S&P 500	2 508.24	0.06	1.48	12.03	↑
DJ Eurostoxx 50	3 525.55	-0.16	3.04	7.14	↑
DAX	12 569.17	0.06	4.26	9.48	↑
CAC	5 241.66	0.08	3.07	7.80	↑
FTSE	7 271.95	-0.05	-2.14	1.81	↓
ASX200	5 661.90	-0.83	-0.92	-0.07	↓
Nikkei 225	20 379.39	0.34	3.73	6.62	↑
MSCI World	1 998.69	0.13	1.99	14.13	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	28 126.87	-0.00	0.56	27.85	↑
Shanghai	3 373.48	0.22	0.38	8.69	↑
Brazil Bovespa	76 004.15	0.04	7.30	26.20	↑
India - NSE	32 265.12	-0.42	1.68	21.18	↑
Russia Micex	2 057.53	0.42	1.75	-7.85	↑
MSCI Emerging	1 112.07	0.22	2.24	28.97	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	55 867.46	-0.26	-1.16	10.29	↓
Top 40	49 575.88	-0.35	-0.84	12.92	↓
Resi 10	34 962.48	-0.79	-2.27	8.89	↓
Indi 25	75 840.69	-0.30	-0.39	17.98	↓
Fini 15	15 427.10	0.17	-1.73	2.32	↓

Source: Bloomberg & Nedbank CIB
Time: 2017/09/21 07:20

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
28 September 2017		
ARI	African Rainbow Minerals Ltd	dividend @ 650cps
CSEW40	Coreshares Top 40 Equally Weighted	Distribution (if any) TBA within 14 business days after the RD
CSP500	Coreshares S P 500	Distribution (if any) TBA within 14 business days after the RD
CTOP50	CoresharesTop50	Distribution (if any) TBA within 14 business days after the RD
DIVTRX	Coreshares Divtrax	Distribution (if any) TBA within 14 business days after the RD
DRD	DRDGold Ltd	dividend @ 5cps
GIVFIN	Newfunds S&P GIVI SA Finacials Index ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
GIVIND	Newfunds S&P GIVI SA Industrial Index ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
GIVISA	Newfunds S&P GIVI SA Top50 Index ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
GIVRES	Newfunds S&P GIVI SA Resources Index ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
GLPROP	Coreshares Global Prop	Distribution (if any) TBA within 14 business days after the RD
HYP	Hyprop Investments Ltd	dividend @ 347.8cps
IMRP4	IM Redeemable Pref 4Aug21	dividend @ 5918.0450cps
LVLTRX	Coreshares LowvolTrax	Distribution (if any) TBA within 14 business days after the RD
MAPPSG	Newfunds MAPPS Growth ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
MAPPSP	Newfunds MSPPS Protect ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
MFI	M-FITec Int Ltd	Capital distribution
MMI	MMI Holdings Ltd	dividend @ 92cps
MST	Mustek Ltd	dividend @ 16cps
NEWFSA	Newfunds NEWSA Index Portfolio	Distribution (if any) will be made on or before Thursday, 19 October 2017
NFEMOM	Newfunds Equity Momentum ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
NFGOVI	Newfunds GOVI ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
NFILBI	Newfunds ILBI ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
NHSH40	Newfunds Shariah Top40 Index ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
NFSWIX	Newfunds Swix40 ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
NFTRCI	Newfunds TRACI 3 Month ETF	Distribution (if any) will be made on or before Thursday, 19 October 2017
NRP	NEPIRockcastle plc	Dividend Option @ EUR0.2346
PREFTX	Coreshares Preftrax	Distribution (if any) TBA within 14 business days after the RD
PTXSPY	Coreshares Proprtax SAPY	Distribution (if any) TBA within 14 business days after the RD
PTXTEN	Coreshares Proprtax TEN	Distribution (if any) TBA within 14 business days after the RD
SAC	SA Corporate Real Estate Fund	dividend @ 22.38cps
STXRAF	Satrix RAFI 40	Distribution (if any) will be made on or before Thursday, 6 October 2017
SUR	Spur Corporation Ltd	dividend @ 61cps

Source: JSE

JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	232.00	0.08	-1.30	18.91	↓
ANG : Anglogold Ashanti Ltd	128.21	0.79	-2.62	-15.97	↓
APN : Aspen Pharmacare Holdings Lt	303.32	-0.47	4.63	6.96	↑
BGA : Barclays Africa Group Ltd	141.34	2.53	-4.74	-16.21	↓
BID : Bid Corp Ltd	305.33	0.93	3.35	24.55	↑
BIL : Bhp Billiton Plc	242.20	0.49	-1.92	10.76	↓
BTI : British American Tobacco Plc	830.13	-1.28	2.80	6.62	↑
BVT : Bidvest Group Ltd	166.02	1.85	-3.17	-8.40	↓
CFR : Financiere Richemont-Dep Rec	118.35	0.34	2.24	30.43	↑
CPI : Capitec Bank Holdings Ltd	897.83	1.25	-0.30	29.18	↓
DSY : Discovery Ltd	144.72	0.65	-3.90	26.39	↓
FFA : Fortress Income Fund Ltd-A	17.23	1.23	-1.77	3.98	↓
FFB : Fortress Income Fund Ltd	38.99	1.14	-1.07	20.60	↓
FSR : Firstrand Ltd	54.42	0.33	-2.00	2.35	↓
GFI : Gold Fields Ltd	59.58	3.08	2.72	36.68	↑
GRT : Grow thpoint Properties Ltd	24.65	0.44	-1.99	-4.79	↓
INL : Investec Ltd	99.96	-0.85	0.90	10.15	↑
INP : Investec Plc	99.56	-1.49	0.82	9.71	↑
ITU : Intu Properties Plc	41.45	-0.81	-0.46	-11.77	↓
LHC : Life Healthcare Group Holdin	23.25	-1.69	-11.83	-23.35	↓
MEI : Mediclinic International Plc	123.34	-1.33	-3.44	-5.12	↓
MND : Mondi Ltd	364.00	-0.30	2.62	30.00	↑
MNP : Mondi Plc	364.01	-0.27	2.68	30.60	↑
MRP : Mr Price Group Ltd	186.50	1.17	2.90	16.89	↑
MTN : Mtn Group Ltd	123.72	0.98	-4.26	-1.94	↓
NED : Nedbank Group Ltd	207.29	0.68	-5.72	-12.95	↓
NPN : Naspers Ltd-N Shs	2 972.44	-0.09	1.14	47.69	↑
NRP : Nepi Rockcastle Plc	187.80	0.08	-0.37		↓
NTC : Netcare Ltd	23.00	0.00	-4.60	-27.76	↓
OML : Old Mutual Plc	35.10	0.67	1.01	1.92	↑
RDF : Redefine Properties Ltd	10.79	0.75	1.22	-3.57	↑
REI : Reinet Investments Sa-Dr	28.03	-1.13	0.79	4.59	↑
REM : Rengro Ltd	213.29	0.58	-1.87	-4.38	↓
RMH : Rmb Holdings Ltd	66.20	0.81	-0.38	-0.30	↓
SAP : Sappi Limited	85.78	-0.24	-1.85	-4.64	↓
SBK : Standard Bank Group Ltd	163.42	1.36	-2.40	7.69	↓
SHP : Shoprite Holdings Ltd	206.04	-0.72	-8.59	20.17	↓
SLM : Sanlam Ltd	68.20	0.07	-5.01	8.43	↓
SNH : Steinhoff International H Nv	62.13	-1.11	-1.16	-12.84	↓
SOL : Sasol Ltd	373.00	-6.40	-4.82	-6.49	↓
TBS : Tiger Brands Ltd	374.50	0.35	-7.07	-5.86	↓
VOD : Vodacom Group Ltd	160.17	1.05	-11.80	5.10	↓
WHL : Woolworths Holdings Ltd	60.89	0.98	2.61	-14.26	↑

Source: Bloomberg & Nedbank CIB

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US

- The Fed left interest rates unchanged at between 1% to 1.25% and confirmed the start to its balance sheet normalization in October. This was supported by better economic activity and solid labour market gains. Household spending improved and business investment has picked up. This will warrant gradual increases in the Fed funds rate over the medium term. Fed policymakers are still anticipating one more rate hike this year and 3 rate hikes of 25 bps each in 2018.
- However, Yellen admitted that the low inflation has confounded policymakers. While higher gasoline prices after the hurricane may result in a near term rise in prices, inflation is expected to remain below 2% in the near term and rise towards 2% over the long run. However, she left the door open to alter the pace of monetary policy tightening should that not materialise. Overall, a slightly hawkish statement with the Fed unfazed by the low inflation rate as they continue to believe full employment will ultimately lead to inflationary pressures in the economy.
- The Fed's forecasts were adjusted to reflect better growth, lower unemployment and inflation still below 2% this year.

Synopsis: The Fed's dot plot still reflects policymaker's forecast for a final rate hike for the year in December, thereafter for 3 rate hikes in 2018. Our base case is for inflation to be maintained at current levels and for economic activity to expand at a moderate pace, which may warrant a rate hike in December.

UK

- UK retail sales growth accelerated to 2.4% y/y in August, from 1.4% previously, better than consensus of 1.1%. Sales were led by non-food items, textiles, clothing and footwear, non-store retailing and sales at all other retailers.
- Sales of food, auto fuel and household goods contracted in August. Nonetheless, the uptick in total sales does signal better consumer spending in the UK despite sharply higher inflation and a decline in real earnings.
- Despite the uptick in sales, the BOE noted some changes to consumer behaviour with many consumers cutting back gym memberships and opting for cheaper brands.
- The uncertainty over Brexit will mean lower confidence levels across the economy. This may weigh on spending and growth over the medium term.

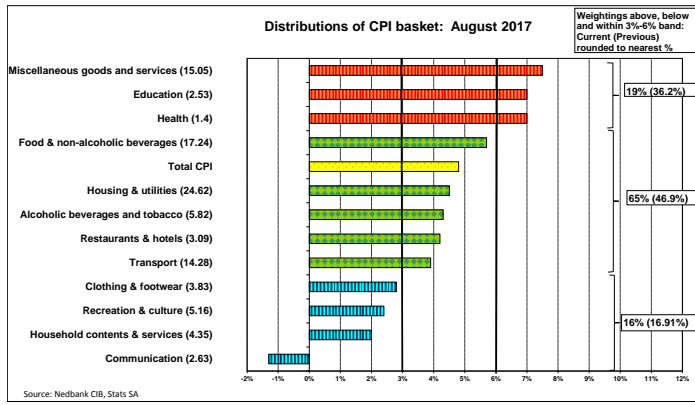
Synopsis: The BOE has had to contend with inflation well above target for an extended period of time and sluggish economic growth after confidence levels slumped and uncertainty surged after the Brexit decision. The BOE has stated that the next move in policy rates will be higher, but is unlikely to act soon due to the still low growth levels. Once growth is reignited, the BOE will probably gradually end its loose monetary policy stance.

SA

- SA CPI again surprised to the downside, at 4.8% y/y in August, from 4.6% in July, compared to consensus of 4.9%. Core inflation was lower and in line with expectations of 4.6% y/y. Administered price inflation surged from 1.8% y/y in July, to 4.4% in August – this was predominantly due to the rise in the petrol price. This is expected to accelerate further in the next two months, after the 67-cent/litre hike in September and the projected 32-cent/litre rise in October. Goods price inflation rose to 4% y/y, while services inflation remained unchanged at 5.6%.
- Higher prices of alcoholic beverages, tobacco and petrol had been the key upward drivers of inflation. Disinflationary drivers which muted the impact of the steep petrol price hike were food and NAB, recreation and culture, and miscellaneous goods inflation. In the food basket, more subcomponents registered deflationary prices in August: breads, cereals, fruit, veg and oil. Food and NAB inflation is now below the 6% upper target band, at 5.7% y/y in August. This is a major development, as it is the first time since December 2015 that food inflation is below 6% and it carries the second largest weighting in the CPI basket.
- We anticipate continued food price disinflation, but meat inflation is expected to remain elevated until 1Q18. Transport inflation will remain at the mercy of global oil prices and the rand exchange rate. Utilities prices does pose an upside risk from July 2018 onwards if Eskom gets approval for a steep tariff hike from NERSA. Overall, CPI is expected to remain within the target band over the next 12-18 months, and close to the 5% mark for the next 9 months, barring significant rand depreciation.

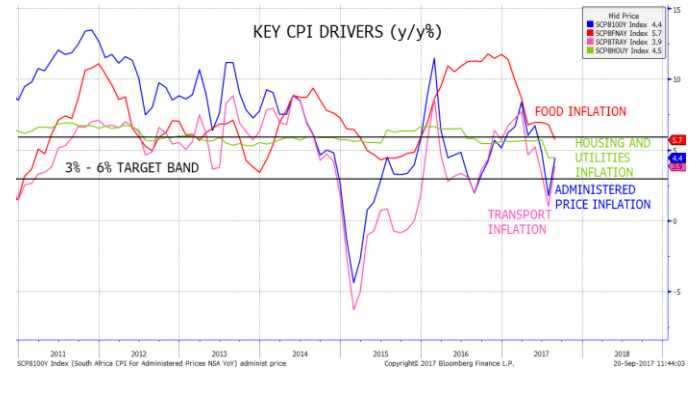
Synopsis: The SARB is expected to lower the repo rate by 25 bps today, however this inflation print would not be incorporated into the SARB's assumptions and inflation forecasts. At the July MPC meeting the MPC's focus seems to have shifted to the benign growth outlook because inflation showed evidence of falling and remaining within the target band over the medium term. Despite the growth recovery in Q2, this does not change the low growth trajectory expected over the next two years. Inflation has surprised to the downside in the last 6 out of 8 months and this inflation print also firmly supports calls for a cut tomorrow. As a result, low growth and low inflation breeds an environment conducive of interest rate cuts. However, we remain of the view that the current loosening cycle will remain shallow and short-lived and therefore unlikely to boost growth meaningfully. We anticipate one more repo rate cut of 25 bps before the end of 1H18, after the cut priced in for tomorrow.

81% of the CPI basket is now below 6%



Source: Bloomberg, Nedbank

Petrol was the main driver of higher inflation in August



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
20-September							
01:50 AM	JN	Exports YoY	AUG	14.30%	18.10%	13.40%	-
01:50 AM	JN	Imports YoY	AUG	11.60%	15.20%	16.30%	-
01:50 AM	JN	Trade Balance Adjusted	AUG	JPY 404.5b	JPY 367.3b	JPY 337.4b	JPY 363.1b
08:00 AM	GE	PPI YoY	AUG	2.50%	2.60%	2.30%	-
10:00 AM	SA	CPI YoY	AUG	4.90%	4.80%	4.60%	-
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	AUG	1.10%	2.40%	1.30%	1.40%
01:00 PM	US	MBA Mortgage Applications	JUN 30	-	-9.70%	9.90%	-
04:00 PM	US	Existing Home Sales	AUG	5.45m	5.35m	5.44m	-
04:00 PM	US	Existing Home Sales MoM	AUG	0.18%	-1.65%	-1.30%	-
08:00 PM	US	FOMC Rate Decision (Lower Bound)	SEP 20	1.00%	1.00%	1.00%	-
08:00 PM	US	FOMC Rate Decision (Upper Bound)	SEP 20	1.25%	1.25%	1.25%	-
21-September							
12:00 AM	SA	SARB Announce Interest Rate	MAY F	6.50%	6.75%	6.75%	-
05:15 AM	JN	BOJ 10-Yr Yield Target	SEP 21	0.00%	0.00%	0.00%	-
05:15 AM	JN	BOJ Policy Balance Rate	SEP 21	-0.10%	-0.10%	-0.10%	-
10:30 AM	UK	PSNB ex Banking Groups	AUG	GBP 7.1b	-	GBP -0.2b	-
02:30 PM	US	Philadelphia Fed Business Outlook	SEP	17.1	-	18.9	-
04:00 PM	EC	Consumer Confidence	SEP A	-1.50	-	-1.50	-
04:00 PM	US	Leading Index	AUG	0.30%	-	0.30%	-
22-September							
09:30 AM	GE	Markit Germany Services PMI	SEP P	53.7	-	53.5	-
09:30 AM	GE	Markit/BME Germany Manufacturing PMI	SEP P	59.0	-	59.3	-
10:00 AM	EC	Markit Eurozone Services PMI	SEP P	54.8	-	54.7	-
10:00 AM	EC	Markit Eurozone Manufacturing PMI	SEP P	57.2	-	57.4	-
03:45 PM	US	Markit US Services PMI	SEP P	55.7	-	56.0	-
03:45 PM	US	Markit US Manufacturing PMI	SEP P	53.0	-	52.8	-

Source: Bloomberg

2017/09/21 07:20

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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