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Key daily drivers




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SNIPPETS

(Fixed Income)	Marginal inflows into the bond market yesterday
(Currencies)	USDZAR remains vulnerable to political factors
(Commodities)	Gold continues lower as a result of a stronger dollar; Brent remains elevated as a result of supply concerns
(Equities)	The JSE closed lower after two days of gains with sentiment battered after the announcement of a cabinet reshuffle; European markets had another lacklustre session with the major indices all closing marginally lower; U.S. markets ended mixed; This morning Asian markets are posting modest gains
(Economics)	UK inflation rises to 3% y/y, Eurozone inflation remains well below target; US industrial activity surprisingly firmer in September

Key overnight factors and upcoming events this week

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Date	Region	Event   	Actual/expected/prior	Implications
17/10	UK	CPI yoy	3%/--/2.9%	CPI at 3%, will test the BOE's tolerance for elevated CPI
17/10	US	Industrial production	0.3%/0%/0.7%	Industrial activity surprisingly strong in September as factory activity normalises
17/10	SA	Cabinet reshuffle	--	President Zuma makes 6 changes to his Cabinet, notably removing Blade Nzimande from the HET ministry, and placing a pro-nuclear and pro-Zuma loyalist David Mohlobo as minister of energy. The sudden and unexplained changes will place downside risks to the credit rating and fuels concerns over a costly nuclear build, among others
18/10	SA	CPI	--/5%/4.8%	CPI expected to rise on the back of higher fuel costs
18/10	SA	Retail sales	--/2.7%/1.8%	Retail sales may pick up due to loose monetary conditions and lower inflation

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	7.14	8.15	18.95	-78.75	↑
R208-3.4 yrs	7.64	8.95	15.45	-63.75	↑
R186-9.2 yrs	8.73	10.15	17.95	-18.05	↑
R2048-30.4 yrs	9.87	7.80	14.90	25.20	↑
US 10 yr	2.30	-0.18	-3.55	-14.63	↓
UK 10 yr	1.28	-6.00	-8.90	3.70	↓
German 10 yr	0.37	-0.70	-9.90	15.70	↓
Japan 10 yr	0.07	-0.30	-0.10	2.10	↓

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	7.03	0.00	3.30	-33.30	↑
SA 3m NCD	7.00	0.00	2.50	-37.50	↑
SA 6m NCD	7.46	6.25	3.75	-51.25	↑
SA 12m NCD	7.88	5.00	10.00	-57.50	↑
US 3m LIBOR	1.36	0.34	2.34	35.94	↑
UK 3m LIBOR	0.38	0.50	4.88	1.71	↑
Japan 3m LIBOR	-0.03	-0.02	1.69	1.23	↑

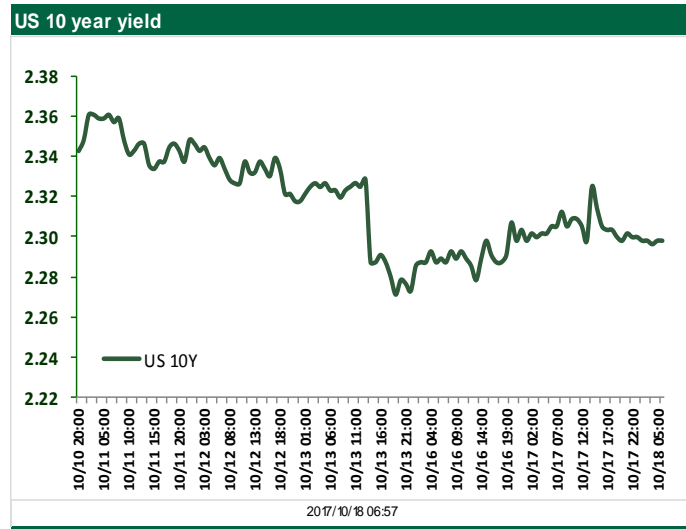
Source: Bloomberg & Nedbank CIB
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FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
3X6 FRA	6.97	0.50	5.50	-42.50	↑
6X9 FRA	6.86	-0.50	9.50	-56.50	↑
9X12 FRA	6.83	0.00	11.00	-62.00	↑
18X21 FRA	7.01	0.50	17.50	-52.50	↑
SA 2yr Sw ap	6.95	0.00	11.50	-51.60	↑
SA 3yr Sw ap	7.08	0.00	13.50	-48.10	↑
SA 5yr Sw ap	7.38	0.50	14.00	-43.10	↑
SA 10yr Sw ap	7.98	0.00	13.00	-34.60	↑
SA 15yr Sw ap	8.28	0.00	10.25	-20.75	↑

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
2v10y	-1.04	0.00	-1.50	-17.00	↓
3v10y	-0.91	0.00	0.50	-13.50	↑
R186-R204	1.59	2.00	-1.00	60.70	↓
R2048-R186	1.14	-2.35	-3.05	43.25	↓
5y-R186	-1.35	-9.65	-3.95	-25.05	↓
10y-R186	-0.75	-10.15	-4.95	-16.55	↓
15y-R186	-0.45	-10.15	-7.70	-2.70	↓
SA 5yr CDS spread - basis points	173.50	0.00	-13.50	-41.50	↓

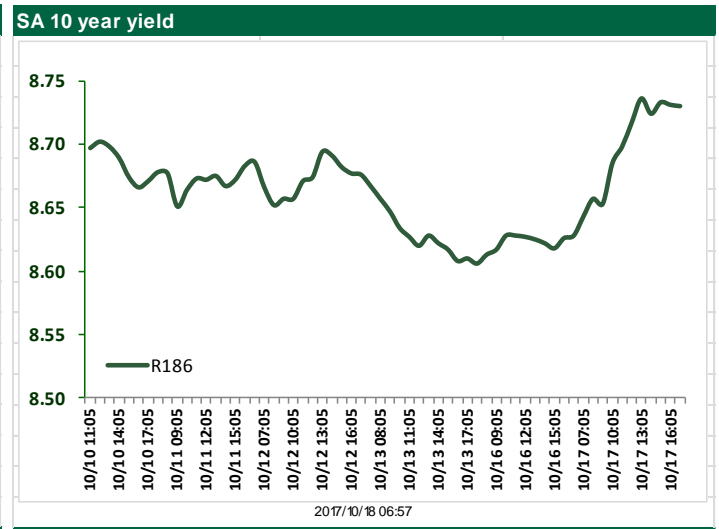
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US 10 year yield



Source: Bloomberg, Nedbank

SA 10 year yield



Source: Bloomberg, Nedbank

Currencies

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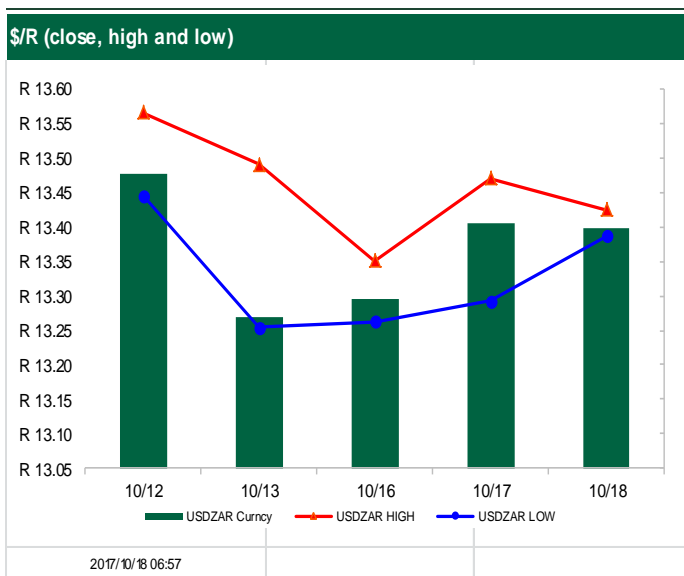
- The local trading session opened with the rand trading in the low 13.30's, initially little by way of flows, but news that the President had once again seen fit to reshuffle the cabinet saw the local unit come under pressure, this as the market perceived the new energy minister as pro-Russian nuclear deal, and this saw the local unit trade to a high of 13.4700 on the day, before recovering to close at 13.4250.
- This morning the rand is currently trading at 13.3975, EURZAR is trading at 15.7605 and GBPZAR is trading at 17.6645, this after a particularly subdued overnight session.
- On the international front another lacklustre session for the currency markets generally, EURUSD trading between 1.1737 and 1.1789, this morning currently trading at 1.1764, cable still at the mercy of Brexit negotiations headlines and dollar yen trading between 112.05 and 112.45 on the day. Gold has continued its slide, after opening the week trading above 1300.00 it currently trades at 1286.00.
- Data releases scheduled for today, locally we have CPI and retail sales, from Europe the ECB's Draghi, Praet and Couere scheduled to speak, from the U.K unemployment and average weekly earnings, from the U.S mortgage applications, housing starts, building permits and the release of the Beige book as well as Dudley and Kaplan from the FED speaking.
- As per the above the local markets driven by the news of the cabinet changes, although the extent of the move in the currency thus far limited, this scenario does contribute to the ongoing and mounting concerns regarding the political landscape going into the ANC elective conference in December. Possible trading range in the rand today 13.3000 to 13.6000.

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.32	0.06	-1.57	6.86	↓	USD strength
EURUSD	1.18	0.16	-0.41	11.87	↓	USD strength
USDJPY	112.25	-0.03	-0.23	-4.20	↓	USD weakness
USDAUD	1.27	-0.14	-0.18	-8.25	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	13.40	-0.06	-1.21	-2.56	↓	ZAR strength
GBPZAR	17.66	-0.02	-2.85	4.07	↓	ZAR strength
EURZAR	15.76	0.10	-1.63	8.31	↓	ZAR strength
AUDZAR	10.51	0.08	-1.04	5.83	↓	ZAR strength
ZARJPY	8.38	0.03	1.19	-1.80	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	54.14	0.02	0.93	2.15	↑	ZAR strength
ZARBWP (Botswana pula)	0.77	0.00	0.89	-1.37	↑	ZAR strength
ZARKES (Kenyan shilling)	7.72	0.02	1.42	3.33	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.54	0.04	1.38	-3.41	↑	ZAR strength
ZARNGN (Nigerian naira)	26.91	0.05	1.45	14.75	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.33	-0.37	0.46	4.86	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.72	0.23	1.04	-0.08	↑	ZAR strength
ZARMZN (Mozambican metical)	4.57	0.52	1.14	-13.97	↑	ZAR strength

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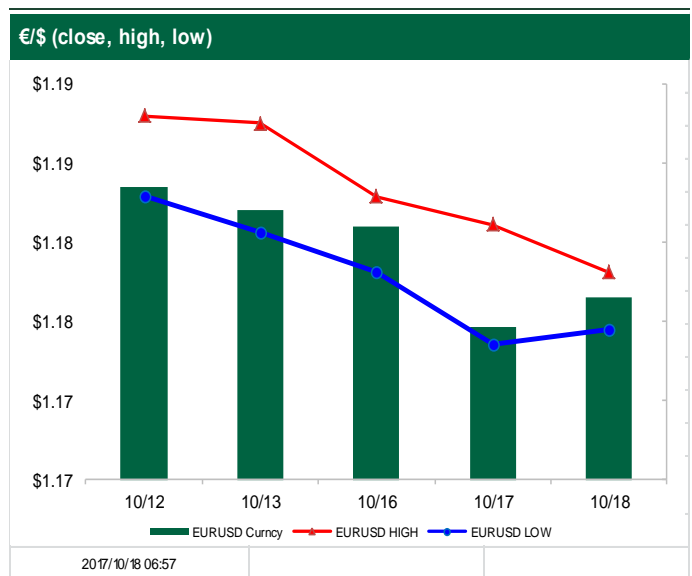
***Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks**

USDZAR



Source: Bloomberg, Nedbank

EUR/USD



Source: Bloomberg, Nedbank

Commodities

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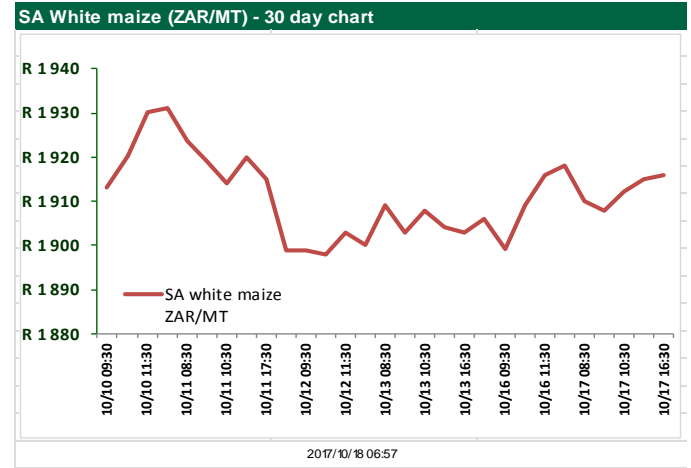
- Oil extended gains after an industry report signaled U.S. stockpiles may continue to decline. Futures rose 0.5% after adding 2.5% the past three sessions.
- Gold little changed after sliding the previous two days. Bullion for immediate delivery +0.1% to \$1,286.49/oz after -1.4% in previous two days.

Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	58.24	0.62	1.22	2.50	↑
WTI crude (\$)	52.08	0.39	0.79	-3.05	↑
Gold spot (\$)	1 286.46	0.11	0.52	12.11	↑
Platinum spot (\$)	932.80	-0.00	2.28	3.29	↑
SA white maize spot (R)	1 916.00	-0.10	1.22	-45.91	↑

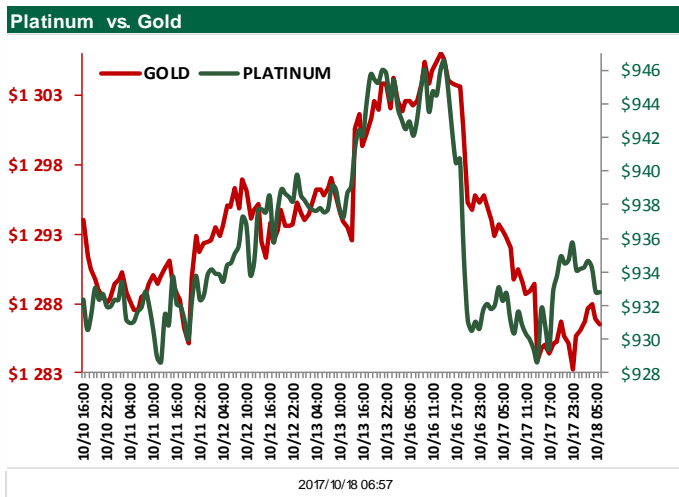
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SA white maize



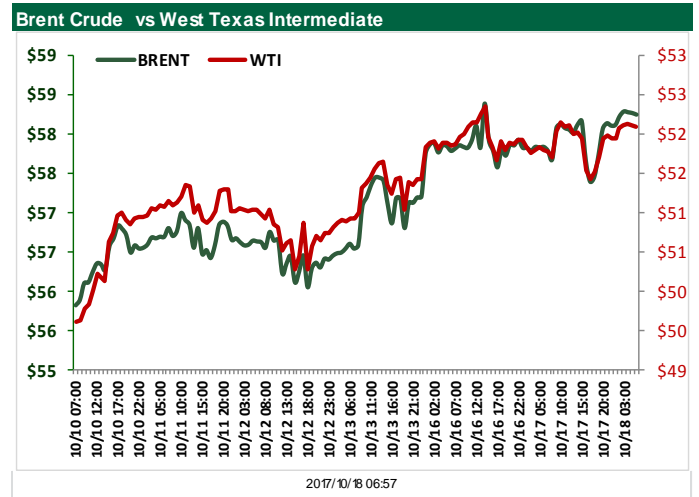
Source: Bloomberg, Nedbank

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 close lower after two days of consecutive gains with the Top40 dropping 4 tenths of a percent and the broader based All Share losing half a percent. Healthcare stocks were the biggest losers. Medi Clinic fell close to 4% as investors reacted negatively to their trading statement which said that it sees first half revenue of around £1.4bn and that the middle-east should generate strong comparative revenue followed by Life Healthcare which lost 3.5%. Luxury brands company Richemont announced that it sees a significant increase in first half earnings with operating profit surging 45% beating analyst's forecasts. The share closed flat on the day. The big news on the day was the announcement of the cabinet reshuffle which put the rand under pressure trading around R13.42 to the dollar at the close. Value traded was R20.7bn.

UK/Europe

- European markets had another lacklustre session eventually closer marginally lower as gains in media stocks were offset by weaker resource companies. The FTSE lost just over a tenth of a percent. Publisher Pearson jumped over 7% after raising its profit forecast. Data released showed that U.K. inflation climbed to its highest level since 2012 coming in at 3% last month. The DAX and the CAC both fell less than a tenth of a percent. The former was weighed down by industrials and the latter by energy stocks. Infineon technologies jumped over 3% after the company said that it has corrected an issue that it had with the encryption used for secure products and Airbus rose close to 5% after agreeing to acquire a majority stake in Bombardier's C Series jet program.

USA

- U.S. markets traded in a narrow range eventually ending mixed. The Nasdaq lost less than a tenth of a percent while the Dow and S&P closed at record highs up 2 tenths of a percent and a tenth of a percent respectively.
- Healthcare was the main contributor with United Health and Johnson & Johnson both reporting better than expected earnings. The companies gained 5.5% and 3.4% respectively. Financial shares lagged. Earnings by Goldman Sachs and Morgan Stanley showed that trading revenues slumped. Goldman's ended 2.6% lower.
- Data released by the Fed showed that industrial production rose by 0.3% in September above forecasts. IBM reported after market close with revenue topping estimates.

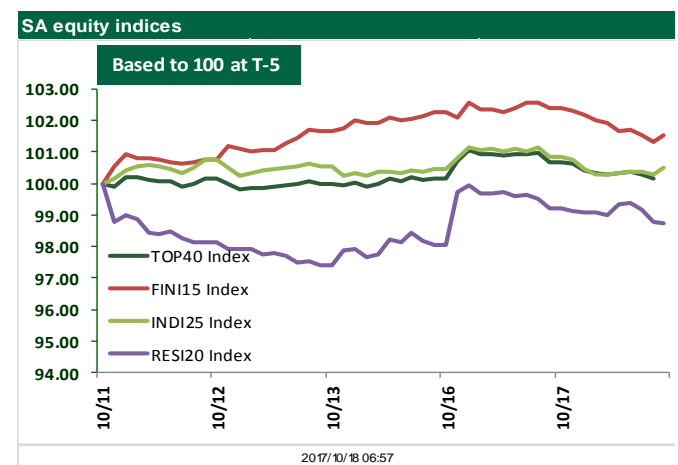
Asia

- Asian markets are posting modest gains this morning. At the time of writing the Nikkei gained a tenth of a percent led by utilities and energy shares. The Hang Seng bucked the trend losing a tenth of a percent, as industrial and non-cyclical consumer stocks fell. The Shanghai composite rose 2 tenths of a percent, investors focused on China's President Xi Jinping who spoke at the opening of the Communist Party Congress. The speech was used to set out his agenda for the next five years focussing on topics such as financial market reform, infrastructure plans and deleveraging. The ASX rose a tenth of a percent as financials gained.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	22 997.44	0.18	2.64	16.37	↑
Nasdaq	6 623.66	-0.01	1.97	23.05	↑
S&P 500	2 559.36	0.07	1.59	14.32	↑
DJ Eurostoxx 50	3 607.77	0.04	0.36	9.64	↑
DAX	12 995.06	-0.07	1.30	13.19	↑
CAC	5 361.37	-0.03	0.59	10.26	↑
FTSE	7 516.17	-0.14	1.95	5.23	↑
ASX200	5 895.80	0.11	3.77	4.06	↑
Nikkei 225	21 342.71	0.03	4.85	11.66	↑
MSCI World	2 027.36	-0.12	1.34	15.77	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	28 696.29	-0.00	4.14	30.43	↑
Shanghai	3 381.27	0.27	0.97	8.95	↑
Brazil Bovespa	76 201.25	-0.90	2.57	26.52	↑
India - NSE	32 525.80	-0.26	3.97	22.16	↑
Russia Mccx	2 092.57	-0.66	0.74	-6.28	↑
MSCI Emerging	1 125.67	-0.54	4.06	30.55	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	57 882.67	-0.48	4.14	14.27	↑
Top 40	51 510.16	-0.39	4.32	17.33	↑
Resi 10	36 185.68	-0.48	3.34	12.69	↑
Indi 25	79 425.57	-0.33	4.88	23.56	↑
Fini 15	15 650.33	-0.83	3.59	3.80	↑

Source: Bloomberg & Nedbank CIB
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Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

JSE performance

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	260.19	-0.70	7.33	33.36	↑
ANG : Anglogold Ashanti Ltd	124.30	-3.52	-2.36	-18.53	↓
APN : Aspen Pharmacare Holdings Lt	315.83	-1.92	4.03	11.37	↑
BGA : Barclays Africa Group Ltd	145.52	-1.91	4.69	-13.74	↑
BID : Bid Corp Ltd	310.50	-1.23	2.17	26.66	↑
BIL : Bhp Billiton Plc	250.87	-0.43	5.13	14.72	↑
BTI : British American Tobacco Plc	864.49	1.13	2.13	11.03	↑
BVT : Bidvest Group Ltd	176.60	-0.88	2.28	-2.57	↑
CFR : Financiere Richemont-Dep Rec	121.02	-0.09	-1.53	33.37	↓
CPI : Capitec Bank Holdings Ltd	933.00	-1.77	8.61	34.24	↑
DSY : Discovery Ltd	143.80	0.28	2.23	25.59	↑
FFA : Fortress Income Fund Ltd-A	17.38	-0.63	0.75	4.89	↑
FFB : Fortress Income Fund Ltd	40.34	-0.17	4.10	24.78	↑
FSR : Firstrand Ltd	52.58	-1.37	1.06	-1.11	↑
GFI : Gold Fields Ltd	56.12	0.00	-4.85	28.75	↓
GRT : Growthpoint Properties Ltd	25.41	-0.35	4.57	-1.85	↑
INL : Investec Ltd	98.83	0.17	0.85	8.90	↑
INP : Investec Plc	98.96	0.27	0.98	9.05	↑
ITU : Intu Properties Plc	40.96	-0.10	-1.54	-12.81	↓
LHC : Life Healthcare Group Holdin	26.21	-3.53	10.59	-13.59	↑
MEI : Mediclinic International Plc	114.42	-3.90	-2.63	-11.98	↓
MND : Mondi Ltd	335.26	-0.18	-7.25	19.74	↓
MNP : Mondi Plc	335.53	-0.21	-7.52	20.38	↓
MRP : Mr Price Group Ltd	184.94	-0.34	2.72	15.91	↑
MTN : Mtn Group Ltd	125.40	-1.02	0.82	-0.61	↑
NED : Nedbank Group Ltd	215.37	-0.37	6.28	-9.56	↑
NPN : Naspers Ltd-N Shs	3 266.50	0.42	11.87	62.30	↑
NRP : Nepi Rockcastle Plc	191.49	-0.33	4.13		↑
NTC : Netcare Ltd	25.15	-1.57	5.67	-21.01	↑
OML : Old Mutual Plc	35.31	-0.54	0.68	2.53	↑
RDF : Redefine Properties Ltd	10.86	-0.73	1.59	-2.95	↑
REI : Reinet Investments Sa-Dr	29.36	0.89	2.30	9.55	↑
REM : Rengro Ltd	227.42	-0.21	10.75	1.96	↑
RMH : Rmb Holdings Ltd	64.26	-1.12	1.20	-3.22	↑
SAP : Sappi Limited	93.33	1.39	1.38	3.76	↑
SBK : Standard Bank Group Ltd	169.00	-1.46	7.09	11.37	↑
SHP : Shoprite Holdings Ltd	213.00	-1.77	2.95	24.23	↑
SLM : Sanlam Ltd	71.75	-0.77	6.04	14.07	↑
SNH : Steinhoff International H Nv	60.00	-0.66	-0.05	-15.82	↓
SOL : Sasol Ltd	392.00	0.11	5.66	-1.73	↑
TBS : Tiger Brands Ltd	392.00	-0.63	3.88	-1.47	↑
VOD : Vodacom Group Ltd	154.30	-1.37	-4.24	1.25	↓
WHL : Woolworths Holdings Ltd	59.80	-2.21	-0.15	-15.80	↓

Source: Bloomberg & Nedbank CIB

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US

- US industrial production rose 0.3% m/m in September, from -0.7% in August, in line with consensus. Most of the improvement in production came from manufacturing, with output up 0.1% m/m, from the 0.2% contraction previously. Production of machinery, electronics, and motor vehicles rose sharply in September, along with utilities and mining output. This despite adverse weather conditions as much of the factory closures were captured in the August print. The ISM manufacturing index remained upbeat in September, which may reflect improving conditions in coming months as well.

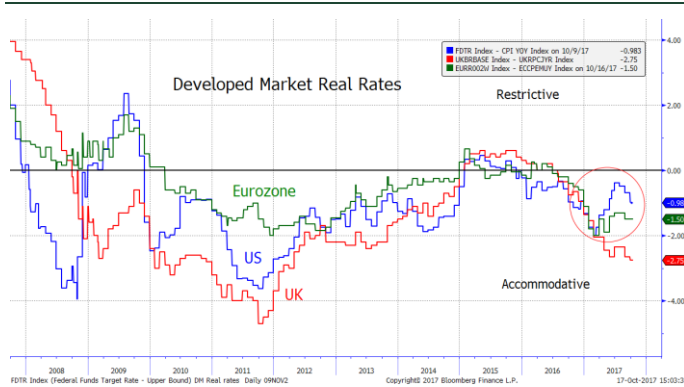
Synopsis: Overall, upbeat economic data has allowed the Fed to maintain its hawkishness, despite inflation surprising to the downside. The Fed's dot plot still reflects policymaker's forecast for a final rate hike for the year in December, thereafter for 3 rate hikes in 2018. Our base case is for inflation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

Europe

- Eurozone CPI remained unchanged at 1.5% y/y in September, in line with consensus. Key upward drivers were higher food, alcohol and tobacco prices, which were mostly neutralised by lower services and energy prices. Inflation is expected to remain low, but rise gradually to the ECB's 2% target over the long term.
- UK CPI accelerated to 3% y/y in September, from 2.9% previously, in line with forecasts. Key upward drivers were transport, recreation and food and non-alcoholic beverages. A weaker sterling and continued uncertainty over Brexit will probably keep the inflation rate well above target over the medium term.

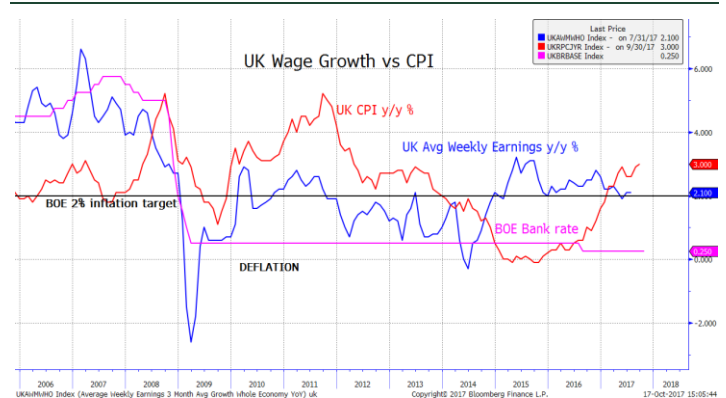
Synopsis: There have been growing calls for tighter monetary policy from the ECB as the economic recovery strengthens. We may see further debate within the GC for tapering of QE to begin next year. The BOE continues to battle with high inflation and may find that it's tolerance of inflation breaches is wearing thin, hence we may see some tightening measures adopted over the next year.

UK real rates highly accommodative



Source: Bloomberg, Nedbank

Real wage growth still compressed



Source: Bloomberg, Nedbank

Economic calendar

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	Country	Event	Period	Survey	Actual	Prior	Revised
17-October							
10:30 AM	UK	CPI YoY	SEP	3.00%	3.00%	2.90%	-
10:30 AM	UK	PPI Input NSA YoY	SEP	8.20%	8.40%	7.60%	8.40%
11:00 AM	EC	CPI Core YoY	SEP F	1.10%	1.10%	1.10%	-
11:00 AM	EC	ZEW Survey Expectations	OCT	-	26.7	31.7	-
11:00 AM	GE	ZEW Survey Current Situation	OCT	88.5	87.0	87.9	-
11:00 AM	GE	ZEW Survey Expectations	OCT	20.0	17.6	17.0	-
11:00 AM	EC	CPI YoY	SEP F	1.50%	1.50%	1.50%	-
03:15 PM	US	Capacity Utilization	SEP	76.20%	75.98%	76.10%	75.80%
03:15 PM	US	Industrial Production MoM	SEP	0.25%	0.28%	-0.90%	-0.70%
03:15 PM	US	Manufacturing (SIC) Production	SEP	0.20%	0.10%	-0.30%	-0.20%
10:00 PM	US	Net Long-term TIC Flow s	AUG	-	USD 67.2b	USD 1.3b	USD 1.2b
10:00 PM	US	Total Net TIC Flow s	AUG	-	USD 125.0b	USD -7.3b	-
18-October							
10:00 AM	SA	CPI YoY	SEP	5.00%	-	4.80%	-
10:30 AM	UK	ILO Unemployment Rate 3Mths	AUG	4.30%	-	4.30%	-
01:00 PM	SA	Retail Sales Constant YoY	AUG	2.70%	-	1.80%	-
02:30 PM	US	Building Permits	SEP	1245k	-	1300k	-
02:30 PM	US	Building Permits MoM	SEP	-2.12%	-	5.70%	-
02:30 PM	US	Housing Starts	SEP	1175k	-	1180k	-
02:30 PM	US	Housing Starts MoM	SEP	-0.42%	-	-0.80%	-
19-October							
01:50 AM	JN	Exports YoY	SEP	15.00%	-	18.10%	-
01:50 AM	JN	Imports YoY	SEP	14.70%	-	15.20%	-
01:50 AM	JN	Trade Balance Adjusted	SEP	JPY 309.1b	-	JPY 367.3b	-
04:00 AM	CH	Industrial Production YoY	SEP	6.50%	-	6.00%	-
04:00 AM	CH	Retail Sales YoY	SEP	10.20%	-	10.10%	-
04:00 AM	CH	GDP SA QoQ	3Q	1.70%	-	1.70%	-
04:00 AM	CH	GDP YoY	3Q	6.80%	-	6.90%	-
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	SEP	2.10%	-	2.40%	-
02:30 PM	US	Philadelphia Fed Business Outlook	OCT	22.0	-	23.8	-
04:00 PM	US	Leading Index	SEP	0.10%	-	0.40%	-

Source: Bloomberg

2017/10/18 06:57

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