

11 January 2018 | 7:37 AM

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## Key daily drivers

Nedbank CIB Market Commentary | [CIBMarketComm@Nedbank.co.za](mailto:CIBMarketComm@Nedbank.co.za) | +27 11 294 1753

### SNIPPETS

(Fixed Income)	A strong UST auction last night halted the bear market temporarily, SA opens stronger in line with ZAR at 12.4250
(Currencies)	News headlines continue to drive currency markets
(Commodities)	Gold rises sharply; oil supported by a decline in US crude stockpiles
(Equities)	The Top40 and global market close in the red due to profit taking. Earning season begins in the States today
(Economics)	SACCI business confidence at the highest levels since January 2017, UK industrial and trade data disappoints in November

## Key overnight factors and upcoming events this week

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Date	Region	Event ↓ ↑ →	Actual/expected/prior	Implications
08-12/01	SA	Manufacturing PMI	--/48.6	PMI is expected to improve marginally but remain below 50-points in December
10/01	UK	Industrial production	2.5%/1.8%/4.3%	Industrial activity slows in November, but positive growth still reflects better global demand as the key driver of factory output
11/01	SA	Political events	--	ANC NEC meeting underway, local media reports possible discussion of the removal of President Zuma

Source: Nedbank

# Fixed income and interest rates

[back to top](#)

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	
R204-0.9 yrs	7.10	-0.05	3.75	3.75	↑
R208-3.2 yrs	7.59	-0.05	2.65	2.65	↑
R186-8.9 yrs	8.63	-0.05	4.05	4.05	↑
R2048-30.1 yrs	9.69	-0.05	-2.05	-2.05	↓
US 10 yr	2.53	-2.56	12.58	12.58	↑
UK 10 yr	1.29	0.30	9.60	9.60	↑
German 10 yr	0.54	7.70	11.60	11.60	↑
Japan 10 yr	0.07	-1.30	2.50	2.50	↑

Money Market	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
SA repo rate	6.75	0.00	0.00	0.00	→
SA prime rate	10.25	0.00	0.00	0.00	→
SA CPI (MTD = previous month)	4.60		-20.00		↓
SA 3m JIBAR	7.16	0.00	0.00	0.00	→
SA 3m NCD	7.15	0.00	0.00	0.00	→
SA 6m NCD	7.63	0.00	2.50	2.50	↑
SA 12m NCD	8.00	0.00	10.00	10.00	↑
US 3m LIBOR	1.71	0.45	1.48	1.48	↑
UK 3m LIBOR	0.52	0.14	0.16	0.16	↑
Japan 3m LIBOR	-0.03	-0.85	-0.20	-0.20	↓

Source: Bloomberg & Nedbank CIB  
Time: 2018/01/11 07:03

FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
3X6 FRA	6.99	0.50	9.50	9.50	↑
6X9 FRA	6.89	0.00	7.00	7.00	↑
9X12 FRA	6.85	0.50	5.50	5.50	↑
18X21 FRA	7.09	0.50	10.50	10.50	↑
SA 2yr Sw ap	7.01	0.00	7.32	7.32	↑
SA 3yr Sw ap	7.16	0.00	10.50	10.50	↑
SA 5yr Sw ap	7.47	0.00	14.00	14.00	↑
SA 10yr Sw ap	8.02	0.00	9.50	9.50	↑
SA 15yr Sw ap	8.25	0.00	9.00	9.00	↑

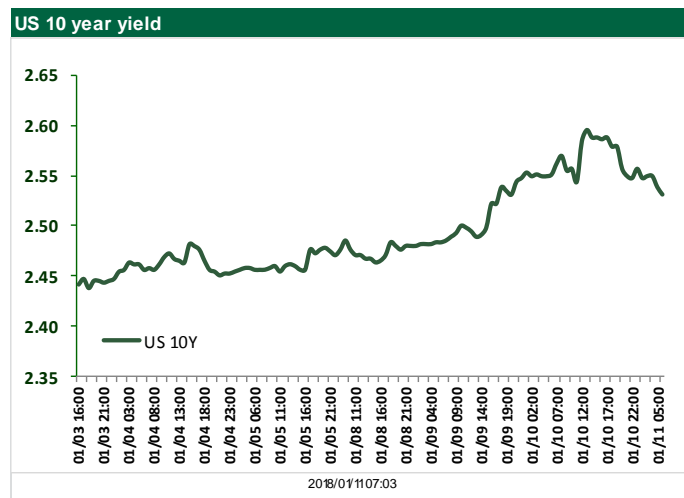
Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Month trend
	%	bps	bps	bps	
2v10y	-1.02	0.00	-2.18	-2.18	↓
3v10y	-0.86	0.00	1.00	1.00	↑
R186-R204	1.53	0.00	0.30	0.30	↑
R2048-R186	1.06	-0.00	-6.10	-6.10	↓
5y-R186	-1.16	0.05	9.95	9.95	↑
10y-R186	-0.61	0.05	5.45	5.45	↑
15y-R186	-0.38	0.05	4.95	4.95	↑
SA 5yr CDS spread - basis points	146.00	0.00	-11.00	-11.00	↓

Source: Bloomberg & Nedbank CIB  
Time: 2018/01/11 07:03

- A strong UST auction last night halted the bear market temporarily and the greenback sells off with the move lower in the 10y to 2.53.
- SA opens stronger in line with ZAR at 12.4250 (from 12.55 yesterday) and R186s taken at 8.60 (from 8.65 yesterday).
- Decent 2-way flows yesterday as locals gave offshore R186s when core rates wobbled but the back end stayed bid throughout. The non-comps are in the money this morning but will disappear easily. That said, further R186 strength may see the flattening take a breather after 14 points already this week.

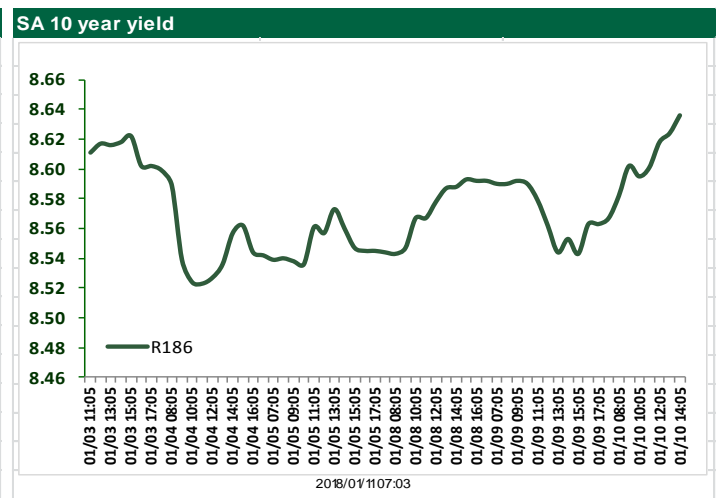
Source: Fixed Income sales and trading desk

## US 10 year yield



Source: Bloomberg, Nedbank

## SA 10 year yield



Source: Bloomberg, Nedbank

# Currencies

[back to top](#)

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

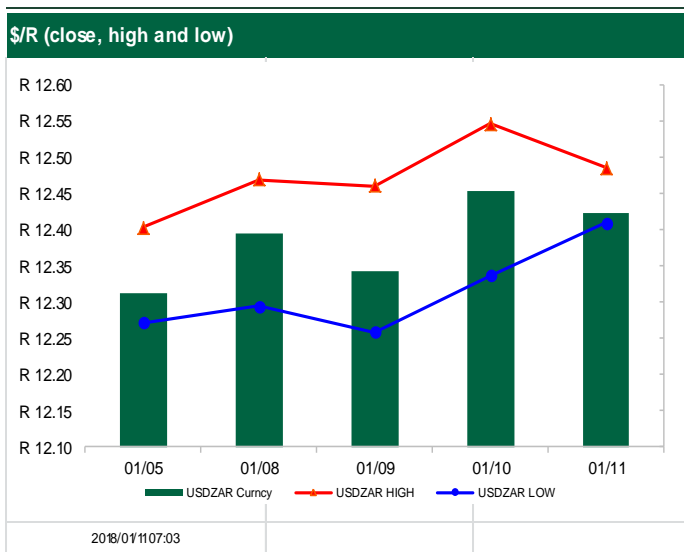
- News headlines continue to dictate movements of the local unit. The Wednesday session opened with the rand trading at 12.3650. Initial speculation of Zuma's removal at the NEC conference seemed to favour rand strength, this theory was short lived, as headlines broke that this topic was not on the agenda. The rand weakened as much as 1.7% on the back of the headline, trading to its worst level in 3 weeks at 12.5500. The rand was able to recover mildly into the session close, trading around 12.4500. New York saw the currency touch again above the 12.5100 mark, and opens this morning firmer at 12.4200. EURZAR opens this morning at 14.8525, and GBPZAR opens at 16.7725.
- International markets benefitted from the headlines that China may slow or halt their U.S treasury purchases. This found most of the major's trade firmer against a wounded dollar. Yen traded from a high of 112.77 to touch a day low of 111.40 into the day close. Gold ended the day \$ 9 stronger, opening this morning at \$1318.
- On the data front we have Eurozone Industrial production, SA manufacturing Production, US PPI, and the ECB minutes.
- The rand remains range bound in the near term, eyes still remain fixed on the NEC conference, and any sudden headlines can move the currency in either direction, possible trading range 12.3000-12.5500.

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	USD trend
GBPUSD	1.35	-0.19	-0.16	-0.16	↓	USD strength
EURUSD	1.19	-0.09	-0.47	-0.47	↓	USD strength
USDJPY	111.72	0.21	-0.87	-0.87	↓	USD weakness
USDAUD	1.27	-0.41	-0.86	-0.86	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
USDZAR	12.42	-0.23	0.33	0.33	↑	ZAR weakness
GBPZAR	16.76	-0.45	0.24	0.24	↑	ZAR weakness
EURZAR	14.85	-0.33	-0.06	-0.06	↓	ZAR strength
AUDZAR	9.78	0.18	1.22	1.22	↑	ZAR weakness
ZARJPY	8.99	0.44	-0.40	-0.40	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend	ZAR trend
ZARMWK (Malawian kwacha)	58.36	0.38	-0.41	-0.41	↓	ZAR weakness
ZARBWP (Botswana pula)	0.79	-0.32	-0.32	-0.32	↓	ZAR weakness
ZARKES (Kenyan shilling)	8.30	0.23	-0.42	-0.42	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2.70	0.35	-0.88	-0.88	↓	ZAR weakness
ZARNGN (Nigerian naira)	28.97	0.24	-0.30	-0.30	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0.37	0.25	0.27	0.27	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.78	-2.46	-3.55	-3.55	↓	ZAR weakness
ZARMZN (Mozambican metical)	4.72	0.26	-0.40	-0.40	↓	ZAR weakness

Source: Bloomberg & Nedbank CIB  
Time: 2018/01/11 07:03

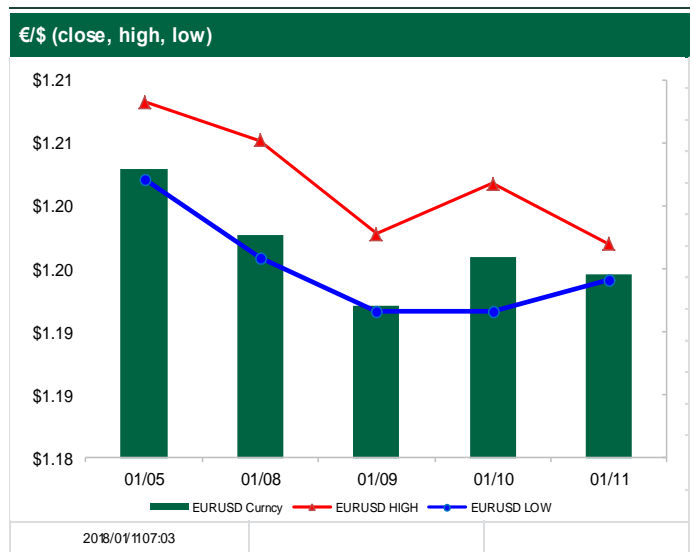
**\*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks**

## USDZAR



Source: Bloomberg, Nedbank

## EUR/USD



Source: Bloomberg, Nedbank

# Commodities

[back to top](#)

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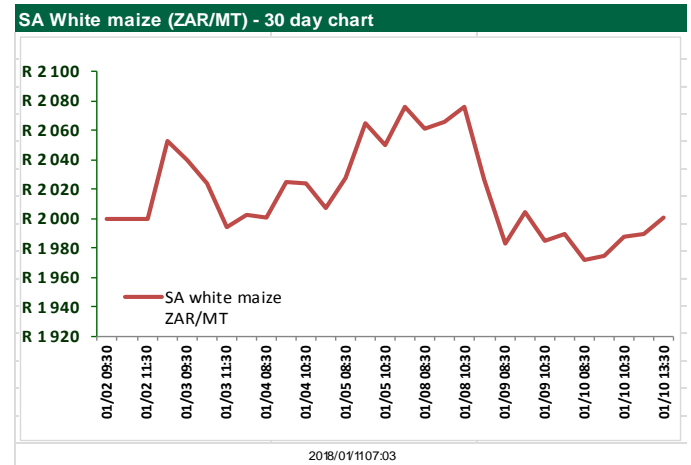
- Gold advances for second day as equity rally stalls and dollar weakens on muted demand for risk assets, climbing to \$1,327.77 Weds, highest since Sept. 15. Silver +0.3% to \$17.0346/oz, Platinum +0.5% to \$976.55/oz, Palladium +0.6% to \$1,093.07/oz.
- Aluminum extends rally as macro factors incl. weaker dollar and global growth optimism boosted industrial commodities. Copper and zinc also extend gains while nickel fell from its highest level in two and a half years.
- Oil held gains near the highest close in more than three years as U.S. crude stockpiles declined for an eighth week and production shrank the most since October. EIA data showed inventories fell by 4.95 million barrels last week.

Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Brent near future (\$)	69.10	-0.14	3.33	3.33	↑
WTI crude (\$)	63.49	-0.13	5.08	5.08	↑
Gold spot (\$)	1 317.92	0.00	1.16	1.16	↑
Platinum spot (\$)	973.39	0.09	4.86	4.86	↑
SA w white maize spot (R)	2 001.00	0.55	5.32	5.32	↑

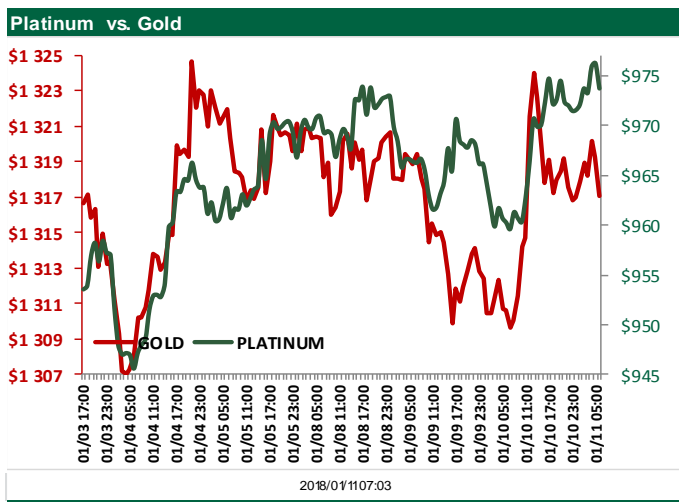
Source: Bloomberg & Nedbank CIB  
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## SA white maize



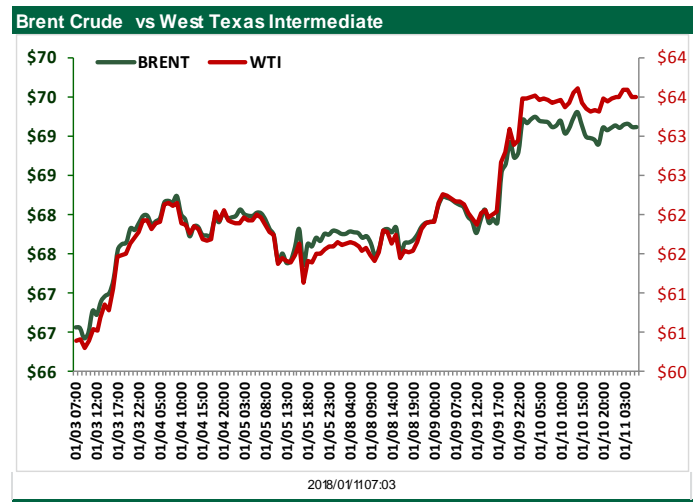
Source: Bloomberg, Nedbank

## Platinum vs Gold



Source: Bloomberg, Nedbank

## Brent Crude vs West Texas Intermediate



Source: Bloomberg, Nedbank

# Equities

[back to top](#)

Cash equities | +2711 535 4030/31

## South Africa

- The Top40 recouped earlier losses and closed flat on the day. The resources index climbed +1.4% boosted by higher commodity prices and a weaker rand. Banks and property dragged financials lower and closed down -0.9%. Industrials were down -0.3% dragged lower by Aspen, Pik 'n Pay and Clicks. The Resilient (-7%) stable (Greenbay -6%, NEPIRockCastle -7%, Fortress A -3% and Fortress B -11%) was under attack as they were perceived to be the next victim of Viceroy. The value traded was R23 billion and the rand was hovering around 12.44 to the US dollar at the close.

## UK/Europe

- The major European markets closed in negative territory, after the initial gap down, the market settled into a narrow sideways direction. The Dax shred -0.8%, the Cac dropped -0.4% and the FTSE rose +0.2%. Profit taking following the recent rally was the main factor driving markets lower. Ted Baker soared +10% after reporting sales over Christmas and Royal Bank of Scotland rallied +5% after a broker upgrade.

## USA

- US markets recovered from earlier losses but still closed in negative territory. The Dow, Nasdaq and S&P500 all slid -0.1%. On the economic front, the import prices showed a slight increase but still lower than expected for December. There was also an unexpected decrease in export prices for the same period. Profit taking and the tensions between the US and China also added pressure to the market. Real estates, utilities and telecommunications were the sectors posting the biggest losses.

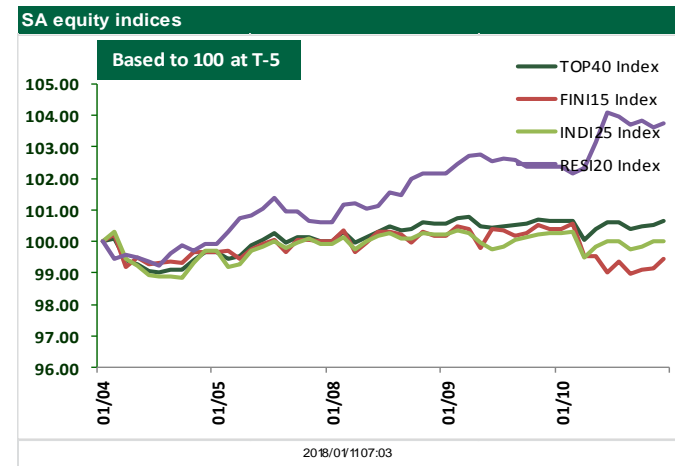
## Asia

- Asian markets are taking the lead from Wall Street and are trading in the red, the MSCI Asian Pacific ex-Japan is down -0.5%. The Australian market is extending losses from the previous session; BHP Billiton is down -0.3% and South 32 is up +0.01%. Tencent is currently down -2.4% in Hong Kong this morning.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Dow Jones	25 369.13	-0.07	2.63	2.63	↑
Nasdaq	7 153.57	-0.14	3.62	3.62	↑
S&P 500	2 748.23	-0.11	2.79	2.79	↑
DJ Eurostoxx 50	3 609.83	-0.36	3.02	3.02	↑
DAX	13 281.34	-0.78	2.82	2.82	↑
CAC	5 504.68	-0.35	3.62	3.62	↑
FTSE	7 748.51	0.23	0.79	0.79	↑
ASX200	6 069.50	-0.45	0.07	0.07	↑
Nikkei 225	23 677.01	-0.47	4.01	4.01	↑
MSCI World	2 162.29	0.02	2.80	2.80	↑
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
Hang Seng	31 010.50	-0.20	3.65	3.65	↑
Shanghai	3 416.65	-0.15	3.31	3.31	↑
Brazil Bovespa	78 200.57	-0.84	2.35	2.35	↑
India - NSE	34 432.95	-0.00	1.10	1.10	↑
Russia Micex	2 232.27	0.31	5.81	5.81	↑
MSCI Emerging	1 197.53	-0.63	3.37	3.37	↑
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
JSE All Share	59 979.63	-0.22	0.80	0.80	↑
Top 40	53 167.96	-0.03	1.21	1.21	↑
Resi 10	38 381.71	1.36	5.75	5.75	↑
Indi 25	80 138.82	-0.28	1.33	1.33	↑
Fini 15	17 155.06	-0.94	-4.02	-4.02	↓

Source: Bloomberg & Nedbank CIB  
Time 2018/01/11 07:03

## Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

## Last day to trade

[back to top](#)

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Share code	Share name	Dividend / interest rate
16 Jan 2018		
AEE	African Equity Emp Inv Ltd	dividend @ 5.50cps
AEGCB	Aveng Group Limited Conv	dividend @ 6250cps
ARL	Astral Foods Ltd	dividend @ 875cps
RLO	Reunert Ltd	dividend @ 354cps
VLE	value Group Ltd	dividend @ 8cps

Source: JSE

# JSE performance

[back to top](#)

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	Month trend
AGL : Anglo American Plc	287.72	3.13	12.56	12.56	↑
ANG : Anglogold Ashanti Ltd	133.50	3.62	3.79	3.79	↑
APN : Aspen Pharmacare Holdings Lt	243.81	-2.53	-12.14	-12.14	↓
BGA : Barclays Africa Group Ltd	174.46	-0.99	-4.14	-4.14	↓
BID : Bid Corp Ltd	297.56	-0.10	-1.14	-1.14	↓
BIL : Bhp Billiton Plc	269.01	0.25	7.37	7.37	↑
BTI : British American Tobacco Plc	836.50	0.41	0.84	0.84	↑
BVT : Bidvest Group Ltd	208.50	-1.11	-4.40	-4.40	↓
CFR : Financiere Richemont-Dep Rec	114.60	1.42	2.55	2.55	↑
CPI : Capitec Bank Holdings Ltd	1 033.58	-2.75	-5.86	-5.86	↓
DSY : Discovery Ltd	180.00	-0.10	-3.23	-3.23	↓
FFA : Fortress Reit Ltd-A	18.03	-2.91	-2.86	-2.86	↓
FFB : Fortress Reit Ltd-B	35.91	-11.22	-14.91	-14.91	↓
FSR : Firstrand Ltd	63.00	-0.62	-6.32	-6.32	↓
GFI : Gold Fields Ltd	52.45	0.87	-3.05	-3.05	↓
GRT : Grow thpoint Properties Ltd	26.50	-0.19	-4.19	-4.19	↓
INL : Investec Ltd	88.65	0.01	-1.19	-1.19	↓
INP : Investec Plc	89.30	0.19	-0.51	-0.51	↓
ITU : Intu Properties Plc	41.00	-0.49	-2.26	-2.26	↓
LHC : Life Healthcare Group Holdin	26.75	0.94	-3.60	-3.60	↓
MEI : Mediclinic International Plc	104.95	-2.01	-1.34	-1.34	↓
MND : Mondi Ltd	319.75	-0.37	0.15	0.15	↑
MNP : Mondi Plc	320.50	-0.44	0.37	0.37	↑
MRP : Mr Price Group Ltd	243.30	-1.70	-0.64	-0.64	↓
MTN : Mtn Group Ltd	135.64	0.03	-0.70	-0.70	↓
NED : Nedbank Group Ltd	254.20	-2.32	-0.74	-0.74	↓
NPN : Naspers Ltd-N Shs	3 615.02	-0.44	4.75	4.75	↑
NRP : Nepi Rockcastle Plc	188.50	-7.14	-11.74	-11.74	↓
OML : Old Mutual Plc	38.01	0.66	0.03	0.03	↑
RDF : Redefine Properties Ltd	10.46	-0.38	-2.24	-2.24	↓
REM : Remgro Ltd	231.90	0.15	-1.74	-1.74	↓
RES : Resilient Reit Ltd	134.40	-7.32	-11.09	-11.09	↓
RMH : Rmb Holdings Ltd	74.14	-1.59	-6.35	-6.35	↓
RNI : Reinet Investments Sca	264.00	0.99	-3.65	-3.65	↓
SAP : Sappi Limited	85.56	1.95	-4.40	-4.40	↓
SBK : Standard Bank Group Ltd	190.96	-0.58	-2.40	-2.40	↓
SHP : Shoprite Holdings Ltd	216.68	0.09	-2.04	-2.04	↓
SLM : Sanlam Ltd	82.80	0.94	-4.83	-4.83	↓
SNH : Steinhoff International H Nv	7.55	0.00	62.37	62.37	↑
SOL : Sasol Ltd	444.63	3.47	3.84	3.84	↑
TBS : Tiger Brands Ltd	442.21	0.43	-3.87	-3.87	↓
VOD : Vodacom Group Ltd	143.00	-0.69	-1.84	-1.84	↓
WHL : Woolworths Holdings Ltd	64.80	-1.31	-0.78	-0.78	↓

Source: Bloomberg & Nedbank CIB

Time 2018/01/11 07:03

## UK

- The UK trade deficit widened to £2.8 billion in November, from £2.3 billion previously, worse than consensus of £1.5 billion.
- Exports contracted marginally, while imports rose 0.7% m/m, resulting in the wider deficit. Imports were driven by food and beverages, and semi-manufactured items, probably for manufacturing and re-export. However, lower exports were due to a decline in manufactured items.
- Industrial production growth slipped to 2.5% y/y in November, from 4.3% previously, worse than consensus of 1.8%. This as energy production contracted, and production of non-durable goods slowed.
- The decline in energy production was driven by coke and refined petroleum, while pharmaceutical production also contracted. The only positive drivers of industrial activity in November were food and beverages, textiles clothing and footwear, and chemicals production.
- Global growth may be supportive of UK industrial activity this year, while local demand has also recovered, hence we may see improved activity levels in the next few data prints.

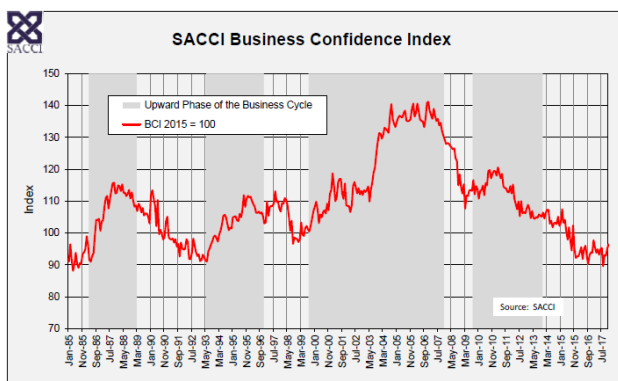
**Synopsis: The BOE maintains its hawkishness, which is needed as inflation remains well above the BOE target of 2%. Furthermore, the BOE sees gradual upside pressures to inflation as the economic recovery is expected to improve. This may necessitate gradual monetary policy tightening over the long run, but the BOE stressed that these increases will be limited and gradual. The market is currently forecasting a rate hike towards the end of 2018.**

## SA

- The SACCI Business Confidence Index (BCI) rose to 96.4 points in December, from 95.1 previously, and is now at the highest level since January 2017.
- Better business mood and political developments have been the key drivers of the BCI in December. Of the 13 BCI subcomponents, 4 made positive contributions, 5 were unchanged and 4 were negative. Most real economic indicators were either neutral or positive. Some of the key drivers of confidence in the real economy were better trade volumes, vehicle sales, and construction activity.
- Even financial market conditions improved on an annualised basis, boosted by a stronger rand exchange rate.

**Synopsis: Confidence levels have turned marginally positive, and should political uncertainty dissipate and we get more policy clarity from government, then this will go further in raising confidence among businesses. This could propel investment and employment; however it is a slow process with a two quarter lag between confidence and investment. Nonetheless, business confidence still remains very fragile, and close to historic lows achieved in August 2017 and could easily slip if no real changes are seen between government and businesses.**

### Business confidence rebounds marginally



Source: SACCI



## Economic calendar

[back to top](#)

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	Country	Event	Period	Survey	Actual	Prior	Revised
<b>10-January</b>							
03:30 AM	CH	CPI YoY	DEC	1.90%	1.80%	1.70%	-
03:30 AM	CH	PPI YoY	DEC	4.80%	4.90%	5.80%	-
11:30 AM	UK	Industrial Production YoY	NOV	1.80%	2.50%	3.60%	4.30%
11:30 AM	UK	Manufacturing Production YoY	NOV	2.80%	3.50%	3.90%	4.70%
11:30 AM	UK	Trade Balance	NOV	GBP -1500m	GBP -2804m	GBP -1405m	GBP -2270m
11:30 AM	SA	SACCI Business Confidence	DEC	-	96.4	95.1	-
02:00 PM	US	MBA Mortgage Applications	JAN 5	-	8.30%	0.70%	-1.60%
02:03 PM	UK	NIESR GDP Estimate	DEC	0.50%	0.60%	0.50%	0.60%
05:00 PM	US	Wholesale Inventories MoM	NOV F	0.70%	0.80%	0.80%	-
05:00 PM	US	Wholesale Trade Sales MoM	NOV	0.60%	1.50%	0.70%	0.80%
<b>11-January</b>							
07:00 AM	JN	Leading Index CI	NOV P	108.6	-	106.5	-
12:00 PM	EC	Industrial Production WDA YoY	NOV	3.10%	-	3.70%	-
01:00 PM	SA	Manufacturing Prod NSA YoY	NOV	1.75%	-	2.20%	-
03:30 PM	US	PPI Final Demand YoY	DEC	3.00%	-	3.10%	-
09:00 PM	US	Monthly Budget Statement	DEC	USD -26.0b	-	USD -138.5b	-
<b>12-January</b>							
12:00 AM	CH	Exports YoY CNY	DEC	6.72%	-	10.30%	-
12:00 AM	CH	Imports YoY CNY	DEC	11.80%	-	15.60%	-
12:00 AM	CH	Trade Balance CNY	DEC	CNY 235.2b	-	CNY 263.6b	-
12:00 AM	CH	Exports YoY	DEC	10.8%	-	12.3%	-
12:00 AM	CH	Imports YoY	DEC	15.05%	-	17.70%	-
12:00 AM	CH	Trade Balance	DEC	USD 37.0b	-	USD 40.2b	-
01:50 AM	JN	BoP Current Account Adjusted	NOV	JPY 2169b	-	JPY 2442b	-
01:50 AM	JN	Trade Balance BoP Basis	NOV	JPY 311b	-	JPY 430b	-
11:00 AM	SA	Barclays Manufacturing PMI	DEC	-	-	48.6	-
03:30 PM	US	CPI YoY	DEC	2.10%	-	2.20%	-
03:30 PM	US	Real Avg Weekly Earnings YoY	DEC	-	-	0.80%	-
03:30 PM	US	Real Avg Hourly Earning YoY	DEC	-	-	0.20%	-
03:30 PM	US	Retail Sales Advance MoM	DEC	0.50%	-	0.80%	-

Source: Bloomberg

2018/01/11 07:01

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