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*(\* when available)*

## Key daily drivers

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

### SNIPPETS

|                 |  |
|-----------------|--|
| (Fixed Income)  | Risk-off persists as trade war concerns loom, SAGB yields rise marginally intraday   |
| (Currencies)    | The rand remains vulnerable  |
| (Commodities)   | Gold price continues to fall; Oil price eases from its recent high amid reports by Bloomberg that Saudi exports have risen, Libyan oil output remains under pressure |
| (Equities)      | Global markets retreat on intensified trade war fears as some tariffs are effective this week  |
| (Economics)     | Global PMIs were mixed in June, US ISM surprises to the upside; SA PMI falls further away from the neutral level in June   |
| (Foreign flows) | Foreign flows into the equity market rebound last week, but bond outflows persist  |

## Key overnight factors and upcoming events this week

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| Date  | Region | Event <span style="color:red">↓</span> <span style="color:green">↑</span> <span style="color:blue">→</span> | Actual/expected/prior | Implications  |
|-------|--------|---|-----------------------|---|
| 02/07 | Global | PMIs  | --                    | PMIs are expected to remain subdued, threat of global trade wars likely to weigh on manufacturing activity                |
| 02/07 | SA     | PMI   | --                    | SA PMI declines further in June as new orders and business activity eases, trade war concerns hamper purchasing decisions |
| 05/07 | US     | FOMC minutes  | --                    | Fed likely to remain hawkish in minutes   |
| 05/07 | US     | ADP employment  | --/190k/178k          | Private sector payrolls is expected to improve in line with broad-based labour market growth                              |
| 06/07 | US     | Labour market data  | --                    | NFP expected to ease in June, unemployment rate likely to remain unchanged  |

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  | Δ 12Month | MTD trend |
|----------------|------------|-------|-------|--------|-----------|-----------|
|                | %          | bps   | bps   | bps    | bps       |           |
| R204-0.5 yrs   | 6.71       | -0.60 | -1.20 | -35.60 | -84.00    | ↓         |
| R208-2.7 yrs   | 7.84       | -0.10 | 4.00  | 28.40  | 5.40      | ↑         |
| R186-8.5 yrs   | 8.87       | 0.00  | 3.80  | 28.50  | 6.10      | ↑         |
| R2048-29.7 yrs | 9.72       | -0.15 | 4.55  | 0.15   | -14.25    | ↑         |
| US 10 yr       | 2.86       | -1.28 | -0.18 | 45.29  | 50.85     | ↓         |
| UK 10 yr       | 1.26       | -2.30 | -2.30 | 6.50   | -0.20     | ↓         |
| German 10 yr   | 0.30       | 0.20  | 0.20  | -12.30 | -16.20    | ↑         |
| Japan 10 yr    | 0.03       | 0.60  | -0.50 | -1.70  | -5.50     | ↓         |

| Money Market                | Last price | Δ 1d | Δ MTD  | Δ YTD  | Δ 12Month | MTD trend |
|-----------------------------|------------|------|--------|--------|-----------|-----------|
|                             | %          | bps  | bps    | bps    | bps       |           |
| SA repo rate                | 6.50       | 0.00 | 0.00   | -25.00 | -50.00    | →         |
| SA prime rate               | 10.00      | 0.00 | 0.00   | -25.00 | -50.00    | →         |
| SA CPI (MTD=previous month) | 4.40       |      | -10.00 | -30.00 | -100.00   | ↓         |
| SA 3m JIBAR                 | 6.96       | 0.00 | 0.00   | -20.00 | -38.40    | →         |
| SA 3m NCD                   | 6.95       | 0.00 | -1.25  | -20.00 | -40.00    | ↓         |
| SA 6m NCD                   | 7.53       | 0.00 | 8.75   | -7.50  | -30.00    | ↑         |
| SA 12m NCD                  | 8.15       | 0.00 | 2.50   | 25.00  | -7.50     | ↑         |
| US 3m LIBOR                 | 2.34       | 0.68 | 0.68   | 64.82  | 104.33    | ↑         |
| UK 3m LIBOR                 | 0.68       | 0.56 | 0.56   | 15.87  | 37.31     | ↑         |
| Japan 3m LIBOR              | -0.04      | 0.15 | 0.15   | -1.93  | -4.34     | ↑         |

Source: Bloomberg & Nedbank CIB

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| FRAs and Swaps | Last price | Δ 1d  | Δ MTD | Δ YTD | Δ 12Month | MTD trend |
|----------------|------------|-------|-------|-------|-----------|-----------|
|                | %          | bps   | bps   | bps   | bps       |           |
| 3X6 FRA        | 7.07       | 0.00  | 1.00  | 18.00 | -16.00    | ↑         |
| 6X9 FRA        | 6.86       | 0.00  | 4.00  | 3.00  | 4.00      | ↑         |
| 9X12 FRA       | 7.33       | -1.00 | 3.00  | 54.00 | 29.00     | ↑         |
| 18X21 FRA      | 7.60       | 0.00  | 4.00  | 62.00 | 48.00     | ↑         |
| SA 2yr Swap    | 7.33       | -0.50 | 2.01  | 39.82 | 18.40     | ↑         |
| SA 3yr Swap    | 7.52       | 0.00  | 3.00  | 46.50 | 27.90     | ↑         |
| SA 5yr Swap    | 7.83       | 0.00  | 3.50  | 50.00 | 31.50     | ↑         |
| SA 10yr Swap   | 8.34       | 0.50  | 4.00  | 41.50 | 26.00     | ↑         |
| SA 15yr Swap   | 8.60       | -1.00 | 2.50  | 43.50 | 30.25     | ↑         |

| Spreads                          | Last price | Δ 1d  | Δ MTD | Δ YTD  | Δ 12Month | MTD trend |
|----------------------------------|------------|-------|-------|--------|-----------|-----------|
|                                  | %          | bps   | bps   | bps    | bps       |           |
| 2v10y                            | -1.01      | -1.00 | -1.99 | -1.68  | -7.60     | ↓         |
| 3v10y                            | -0.83      | -0.50 | -1.00 | 5.00   | 1.90      | ↓         |
| R186-R204                        | 2.17       | 0.60  | 5.00  | 64.10  | 90.10     | ↑         |
| R2048-R186                       | 0.84       | -0.15 | 0.75  | -28.35 | -20.35    | ↑         |
| 5y-R186                          | -1.04      | 0.00  | -0.30 | 21.50  | 25.40     | ↓         |
| 10y-R186                         | -0.53      | 0.50  | 0.20  | 13.00  | 19.90     | ↑         |
| 15y-R186                         | -0.28      | -1.00 | -1.30 | 15.00  | 24.15     | ↓         |
| SA 5yr CDS spread - basis points | 221.99     | 1.26  | 12.53 | 65.04  | 21.77     | ↑         |

Source: Bloomberg & Nedbank CIB

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## US 10 year yield

### US 10 year yield

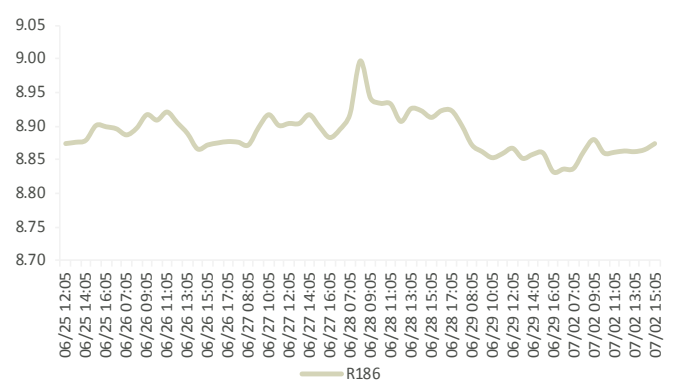


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Source: Bloomberg, Nedbank

## SA 10 year yield

### SA 10 year yield



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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

- The new week opened with the rand trading in the mid 13.70's , initial demand for dollars saw the rand trade into the low 13.80s , but volumes were limited , renewed demand on the open of the NY session saw the local unit trade to a high print of 13.9150 by the time of the local close. The overnight session was subdued, and this morning we are currently trading at 13.8850.
- International markets were relatively subdued, EURUSD confined to a trading range between 1.1592 and 1.1685 on the day, this morning it currently trades at 1.1632. Gold started the week trading at 1247.50, the session yesterday quiet, this morning it has relinquished nearly 9 dollars in value, currently trading at 1238.00.
- Data releases scheduled for today, nothing local, from Europe we have retail sales for the zone and the ECB's Praet is scheduled to speak, from the U.S we have factory orders and durable goods orders.
- The emerging markets remain on the back foot , both the ZAR and TRY trading weaker for the majority of the session yesterday , this against a backdrop of the global trade war saga , as well as the increasing oil price. Liquidity going into the time of the local close likely to be a factor as the U.S is on holiday tomorrow.
- Possible trading range in the rand today 13.7500 to 14.0500

| Majors | Last price | %Δ -1d | %Δ MTD | %Δ YTD | %Δ 12Month | MTD trend | USD trend    |
|--------|------------|--------|--------|--------|------------|-----------|--------------|
| GBPUSD | 1.31       | 0.09   | -0.54  | -2.79  | 1.38       | ↓         | USD strength |
| EURUSD | 1.16       | 0.27   | -0.45  | -3.12  | 2.41       | ↓         | USD strength |
| USDJPY | 110.89     | 0.05   | 0.12   | 1.62   | -2.26      | ↑         | USD strength |
| USDAUD | 1.36       | -0.46  | 0.81   | 6.27   | 4.20       | ↑         | USD strength |

| Rand crosses | Last price | %Δ -1d | %Δ MTD | %Δ YTD | %Δ 12Month | MTD trend | ZAR trend    |
|--------------|------------|--------|--------|--------|------------|-----------|--------------|
| USDZAR       | 13.89      | -0.22  | 1.15   | 10.82  | 4.71       | ↑         | ZAR weakness |
| GBPZAR       | 18.24      | -0.13  | 0.60   | 8.32   | 6.01       | ↑         | ZAR weakness |
| EURZAR       | 16.15      | 0.05   | 0.71   | 8.02   | 6.95       | ↑         | ZAR weakness |
| AUDZAR       | 10.20      | 0.25   | 0.36   | 5.27   | 0.71       | ↑         | ZAR weakness |
| ZARJPY       | 7.99       | 0.27   | -1.03  | -13.05 | -7.31      | ↓         | ZAR weakness |

| African FX                  | Last price | %Δ -1d | %Δ MTD | %Δ YTD | %Δ 12Month | MTD trend | ZAR trend    |
|-----------------------------|------------|--------|--------|--------|------------|-----------|--------------|
| ZARMWK (Malawian kwacha)    | 52.32      | 0.28   | -0.83  | -11.99 | -4.88      | ↓         | ZAR weakness |
| ZARBWP (Botswana pula)      | 0.75       | 0.28   | -0.88  | -6.00  | -4.33      | ↓         | ZAR weakness |
| ZARKES (Kenyan shilling)    | 7.26       | 0.22   | -1.16  | -14.78 | -8.03      | ↓         | ZAR weakness |
| ZARMUR (Mauritian rupee)    | 2.50       | 0.48   | -1.15  | -9.00  | -4.15      | ↓         | ZAR weakness |
| ZARNGN (Nigerian naira)     | 26.07      | 0.23   | -0.80  | -11.44 | 8.63       | ↓         | ZAR weakness |
| ZARGHS (Ghanian cedi)       | 0.35       | -0.06  | -0.66  | -5.64  | 4.83       | ↓         | ZAR weakness |
| ZARZMW (Zambian kwacha)     | 0.72       | 0.78   | -0.79  | -11.51 | 3.86       | ↓         | ZAR weakness |
| ZARMZN (Mozambican metical) | 4.28       | 0.22   | -0.62  | -10.64 | -6.32      | ↓         | ZAR weakness |

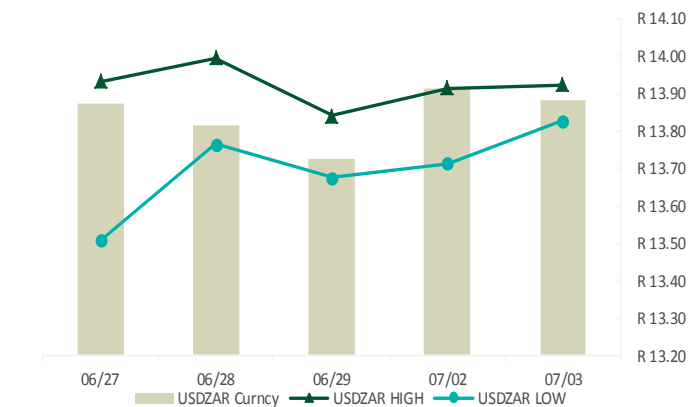
Source: Bloomberg & Nedbank CIB

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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

\$/R (close, high and low)

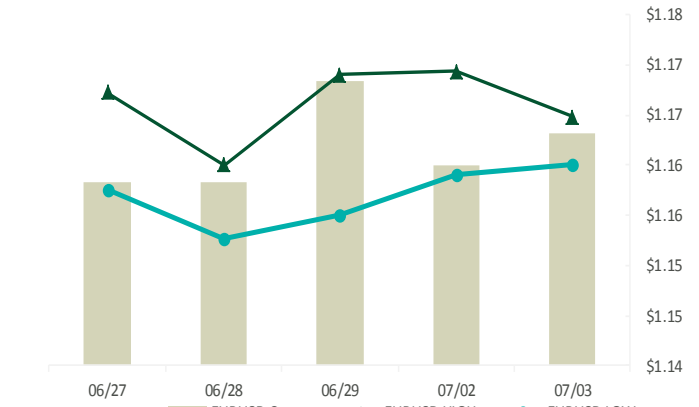


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Source: Bloomberg, Nedbank

## EUR/USD

€/€ (close, high and low)



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Source: Bloomberg, Nedbank

# Commodities

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- Oil prices climbed after Libya declared force majeure on significant amounts of its supply, but rising overall output from OPEC as well as in the United States was dragging on markets.
- Gold declines to lowest level this year as investors weigh dollar's strength, with the Trump administration's planned imposition of tariffs against China due to start Friday. Platinum trades near the lowest level in more than nine years. Bullion for immediate delivery -0.2% to \$1,239.60/oz, Silver -0.2% to \$15.8172/oz, after dropping to \$15.7729 on Mon., lowest level since Dec. 13, Palladium -0.4% to \$944.33/oz, Platinum -0.4% to \$814.39/oz, after slumping as much as 5.2% on Mon. to lowest since Dec. 2008.
- Copper posted its lowest closing price since October after China manufacturing data missed estimates and as investors brace for fallout from looming U.S. trade tariffs. Zinc, aluminium and lead fall; tin unchanged.

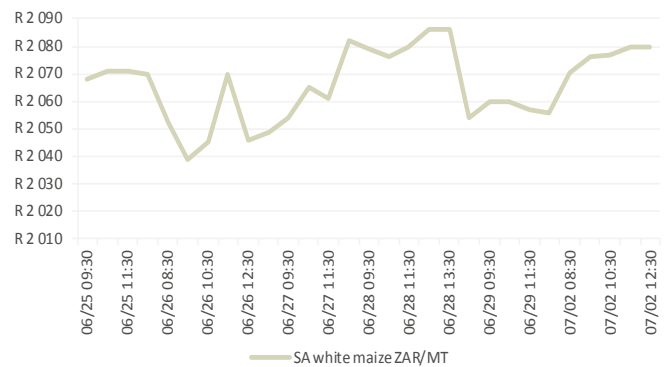
Source: Bloomberg

| Commodities             | Last price | %Δ -1d | %Δ MTD | %Δ YTD | %Δ 12Month | MTD trend |
|-------------------------|------------|--------|--------|--------|------------|-----------|
| Brent near future (\$)  | 77.72      | 0.54   | -2.17  | 16.23  | 56.44      | ↓         |
| WTI crude (\$)          | 74.54      | 0.81   | 0.53   | 23.37  | 58.36      | ↑         |
| Gold spot (\$)          | 1 238.68   | -0.27  | -1.11  | -4.92  | 1.51       | ↓         |
| Platinum spot (\$)      | 802.57     | -0.98  | -5.95  | -13.54 | -11.40     | ↓         |
| SA white maize spot (R) | 2 080.00   | 1.17   | 1.17   | 9.47   | 21.42      | ↑         |

Source: Bloomberg & Nedbank CIB Time 2018/07/03 07:34

## SA white maize

SA White maize (ZAR/MT) - 30 day chart

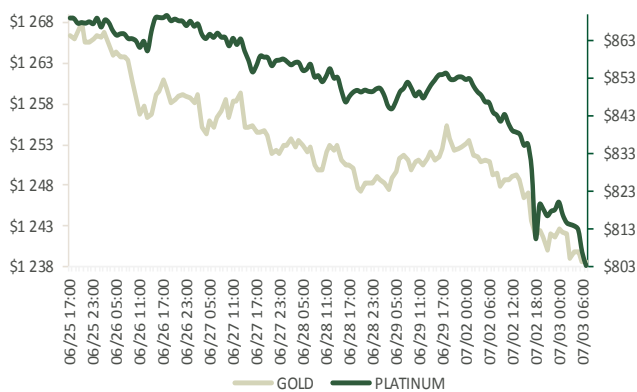


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Source: Bloomberg, Nedbank

## Platinum vs Gold

Platinum vs. Gold

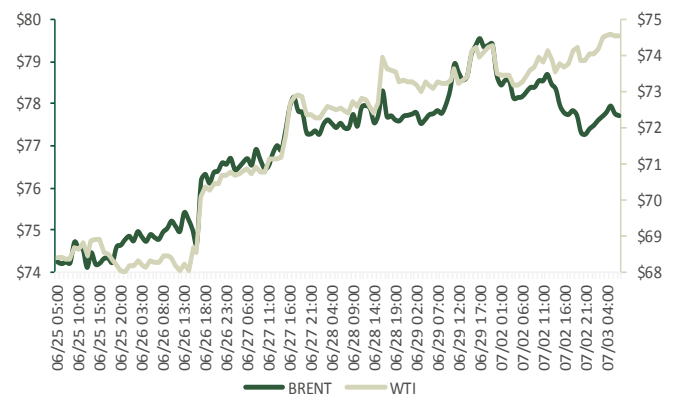


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Source: Bloomberg, Nedbank

## Brent Crude vs West Texas Intermediate

Brent Crude vs West Texas Intermediate



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Source: Bloomberg, Nedbank

# Equities

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Cash equities | +2711 535 4030/31

## South Africa

- After Friday's massive 1700 point rally, traders took profits dragging the Top40 -1000 points down in the morning, the index clawed its way back and closed down only -536 points.
- We tracked global markets lower amid intensified trade war concerns and weak data from Asian.
- In economic news, manufacturing PMI for June came in lower than the previous month while vehicle sales topped expectations.
- The value traded was R18.6 billion and the rand was trading around 13.89 to the US dollar at the close.

## UK/Europe

- European closed firmly in negative territory after recovering from losses made earlier in the day. The Dax shed -0.5%, the FTSE plunged -1.2% and the Cac dropped -0.9%. The selloff was wide spread as all the subsectors barring utilities were in the red.
- The weakness was on the back of global growth fears as the \$34 billion worth of tariffs the US and China have imposed on each other are effective on the 6th July.
- Airbus tanked -2.5% after a report stated they will miss a jet body parts delivery for a major clients and Vedanta Resources rallied +26% after the majority owner made an offer to the minorities.

## USA

- Given that \$34 billion worth of tariffs were effective this week, there was initial weakness on Wall Street but positive data lifted the market to close in positive territory.
- The ISM manufacturing PMI was reported at 60.2 for June increasing from the previous month and exceeding this months expectations.
- The Nasdaq climbed +0.8%, the S&P500 rose +0.3% and the Dow added +0.2%

## Asia

- Asian markets are trading in negative territory despite the positive lead from Wall Street last night, the MSCI Asia Pacific ex-Japan is down -1.5%
- The Australian central bank has left interest rates unchanged at record lows of 1.5%. Bhp Billiton trading down -1%.
- Tencent is currently trading down -2.3% in Hong Kong this morning.

| Developed Markets | Last price | %Δ    |       |       |         | 2017 Performance | MTD trend |
|-------------------|------------|-------|-------|-------|---------|------------------|-----------|
|                   |            | -1d   | MTD   | YTD   | 12Month |                  |           |
| Dow Jones         | 24 307.18  | 0.15  | 0.15  | -1.67 | 13.17   | 24.33            | ↑         |
| Nasdaq            | 7 567.69   | 0.76  | 0.76  | 9.62  | 23.86   | 27.16            | ↑         |
| S&P 500           | 2 726.71   | 0.31  | 0.31  | 1.99  | 12.26   | 18.42            | ↑         |
| DJ Eurostoxx 50   | 3 372.21   | -0.69 | -0.69 | -3.76 | -3.43   | 5.70             | ↓         |
| DAX               | 12 238.17  | -0.55 | -0.55 | -5.26 | -1.90   | 11.51            | ↓         |
| CAC               | 5 276.76   | -0.88 | -0.88 | -0.67 | 1.56    | 8.43             | ↓         |
| FTSE              | 7 547.85   | -1.17 | -1.17 | -1.82 | 2.31    | 7.10             | ↓         |
| ASX200            | 6 215.10   | 0.60  | 0.33  | 2.47  | 9.33    | 6.42             | ↑         |
| Nikkei 225        | 21 583.87  | -1.05 | -3.23 | -5.19 | 7.62    | 16.18            | ↓         |
| MSCI World        | 2 082.08   | -0.35 | -0.35 | -1.02 | 8.41    | 19.65            | ↓         |

| Emerging Markets | Last price | %Δ    |       |        |         | 2017 Performance | MTD trend |
|------------------|------------|-------|-------|--------|---------|------------------|-----------|
|                  |            | -1d   | MTD   | YTD    | 12Month |                  |           |
| Hang Seng        | 28 240.03  | -2.47 | -2.47 | -5.61  | 9.61    | 35.19            | ↓         |
| Shanghai         | 2 757.32   | -0.66 | -3.16 | -16.63 | -13.72  | 5.46             | ↓         |
| Brazil Bovespa   | 72 839.74  | 0.11  | 0.11  | -4.66  | 15.11   | 28.22            | ↑         |
| India - NSE      | 35 311.50  | 0.13  | -0.32 | 3.68   | 13.10   | 27.91            | ↓         |
| Russia Micex     | 2 319.31   | 1.02  | 1.02  | 9.93   | 21.90   | -7.69            | ↑         |
| MSCI Emerging    | 1 059.32   | -0.95 | -0.95 | -8.56  | 4.44    | 34.35            | ↓         |

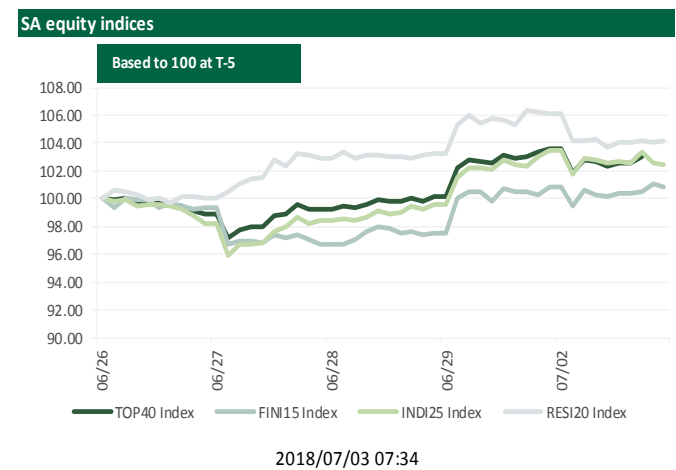
  

| SA Indices    | Last price | %Δ    |       |       |         | 2017 Performance | MTD trend |
|---------------|------------|-------|-------|-------|---------|------------------|-----------|
|               |            | -1d   | MTD   | YTD   | 12Month |                  |           |
| JSE All Share | 57 159.59  | -0.78 | -0.78 | -3.94 | 9.58    | 17.47            | ↓         |
| Top 40        | 50 979.87  | -1.04 | -1.04 | -2.96 | 10.84   | 19.66            | ↓         |
| Resi 10       | 41 355.76  | -1.84 | -1.84 | 13.95 | 33.73   | 13.03            | ↓         |
| Indi 25       | 74 604.88  | -0.98 | -0.98 | -5.67 | 4.62    | 23.03            | ↓         |
| Fini 15       | 16 154.38  | 0.09  | 0.09  | -9.62 | 10.97   | 18.54            | ↑         |

Source: Bloomberg & Nedbank CIB

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## Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

## Last day to trade

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| Share code         | Share name                      | Dividend / interest rate |
|--------------------|---------------------------------|--------------------------|
| <b>3 July 2018</b> |                                 |                          |
| AFH                | Alexander Forbes Group Holdings | dividend @ 24cps         |
| AOVP               | African                         | dividend @ 6cps          |
| CSG                | CSG Holdings Ltd                | dividend @ 5cps          |
| CTK                | Cartrack Holdings Ltd           | dividend @ 28cps         |
| GAI                | Gaia Infrastruct Cap Ltd        | dividend @ 42cps         |
| NTC                | Netcare Limited                 | dividend @ 44cps         |
| RTOP               | Rex Trueform Grp 6% Pref        | dividend @ 6cps          |
| SCD                | Schroder Eur REIT Plc           | dividend @ 28.939550cps  |

Source: JSE

# JSE performance

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| Top40 constituents                 | Last price | %Δ    |       | %Δ     |         | 2017 Performance | MTD trend |
|------------------------------------|------------|-------|-------|--------|---------|------------------|-----------|
|                                    |            | -1d   | MTD   | YTD    | 12Month |                  |           |
| AGL : Anglo American Plc           | 299.80     | -2.48 | -2.48 | 17.28  | 65.35   | 29.43            | ↓         |
| ANG : Anglogold Ashanti Ltd        | 112.88     | 0.68  | 0.68  | -12.24 | -9.72   | -14.78           | ↑         |
| APN : Aspen Pharmacare Holdings Lt | 256.77     | -0.56 | -0.56 | -7.47  | -9.94   | -1.62            | ↓         |
| BGA : Barclays Africa Group Ltd    | 159.78     | -0.13 | -0.13 | -12.20 | 11.34   | 7.05             | ↓         |
| BID : Bid Corp Ltd                 | 272.50     | -1.02 | -1.02 | -9.47  | -9.26   | 20.93            | ↓         |
| BIL : Bhp Billiton Plc             | 302.61     | -2.62 | -2.62 | 20.78  | 46.28   | 11.95            | ↓         |
| BTI : British American Tobacco Plc | 697.00     | 0.74  | 0.74  | -15.97 | -22.20  | 6.38             | ↑         |
| BVT : Bidvest Group Ltd            | 193.59     | -1.74 | -1.74 | -11.23 | 21.57   | 21.18            | ↓         |
| CFR : Financiere Richemont-Dep Rec | 115.65     | -0.56 | -0.56 | 3.49   | 5.77    | 24.15            | ↓         |
| CLS : Clicks Group Ltd             | 197.28     | 0.38  | 0.38  | 8.92   | 41.42   | 54.21            | ↑         |
| CPI : Capitec Bank Holdings Ltd    | 888.00     | 2.30  | 2.30  | -19.12 | 8.65    | 58.44            | ↑         |
| DSY : Discovery Ltd                | 150.58     | 2.09  | 2.09  | -19.04 | 18.39   | 61.26            | ↑         |
| FSR : Firstrand Ltd                | 64.23      | 0.53  | 0.53  | -4.49  | 34.15   | 25.00            | ↑         |
| GFI : Gold Fields Ltd              | 48.19      | -2.05 | -2.05 | -10.92 | 8.32    | 23.12            | ↓         |
| GRT : Growthpoint Properties Ltd   | 26.09      | -2.25 | -2.25 | -5.68  | 6.27    | 6.59             | ↓         |
| INL : Investec Ltd                 | 94.99      | -1.11 | -1.11 | 5.87   | -2.92   | -1.57            | ↓         |
| INP : Investec Plc                 | 96.99      | -0.65 | -0.65 | 8.05   | -1.08   | -1.52            | ↓         |
| LHC : Life Healthcare Group Holdin | 24.93      | 0.20  | 0.20  | -10.16 | -2.43   | -9.23            | ↑         |
| MEI : Mediclinic International Plc | 94.54      | -0.89 | -0.89 | -11.13 | -25.23  | -18.17           | ↓         |
| MND : Mondi Ltd                    | 369.97     | -0.44 | -0.44 | 20.81  | 13.32   | 14.66            | ↓         |
| MNP : Mondi Plc                    | 370.93     | -0.50 | -0.50 | 21.46  | 13.16   | 14.14            | ↓         |
| MRP : Mr Price Group Ltd           | 228.34     | 0.92  | 0.92  | -6.75  | 46.84   | 53.52            | ↑         |
| MTN : Mtn Group Ltd                | 107.09     | -0.75 | -0.75 | -21.60 | -6.33   | 5.08             | ↓         |
| NED : Nedbank Group Ltd            | 255.73     | 2.46  | 2.46  | -0.14  | 21.61   | 6.16             | ↑         |
| NPN : Naspers Ltd-N Shs            | 3407.73    | -2.22 | -2.22 | -1.25  | 31.08   | 69.72            | ↓         |
| NRP : Nepi Rockcastle Plc          | 121.42     | -0.85 | -0.85 | -43.15 |         |                  | ↓         |
| NTC : Netcare Ltd                  | 27.49      | -0.47 | -0.47 | 9.30   | 8.79    | -20.66           | ↓         |
| OMU : Old Mutual Ltd               | 27.50      | -1.04 | -1.04 |        |         |                  | ↓         |
| RDF : Redefine Properties Ltd      | 10.42      | -0.67 | -0.67 | -2.62  | -0.95   | -6.96            | ↓         |
| REM : Remgro Ltd                   | 204.44     | 0.07  | 0.07  | -13.37 | -5.79   | 4.19             | ↑         |
| RMH : Rmb Holdings Ltd             | 77.26      | 1.94  | 1.94  | -2.41  | 30.68   | 18.13            | ↑         |
| SAP : Sappi Limited                | 91.00      | -0.55 | -0.55 | 1.68   | 3.20    | 0.56             | ↓         |
| SBK : Standard Bank Group Ltd      | 192.15     | 0.15  | 0.15  | -1.79  | 32.87   | 28.22            | ↑         |
| SHP : Shoprite Holdings Ltd        | 220.50     | -0.05 | -0.05 | -0.31  | 12.03   | 27.89            | ↓         |
| SLM : Sanlam Ltd                   | 70.19      | 0.17  | 0.17  | -19.32 | 6.48    | 36.30            | ↑         |
| SOL : Sasol Ltd                    | 496.00     | -1.36 | -1.36 | 15.84  | 33.15   | 5.32             | ↓         |
| SPP : Spar Group Limited/The       | 186.57     | 0.62  | 0.62  | -8.24  | 21.15   | 2.82             | ↑         |
| TBS : Tiger Brands Ltd             | 333.67     | 0.68  | 0.68  | -27.46 | -10.18  | 16.65            | ↑         |
| TFG : The Foschini Group Ltd       | 177.87     | 2.22  | 2.22  | -9.86  | 27.43   | 24.11            | ↑         |
| TRU : Truworths International Ltd  | 78.87      | 2.10  | 2.10  | -16.51 | 10.62   | 17.70            | ↑         |
| VOD : Vodacom Group Ltd            | 123.09     | 0.24  | 0.24  | -15.51 | -25.00  | -3.27            | ↑         |
| WHL : Woolworths Holdings Ltd      | 55.62      | 0.31  | 0.31  | -14.84 | -11.43  | -9.09            | ↑         |

Source: Bloomberg & Nedbank CIB

Time 2018/07/03 07:34

# Economics

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## Global

Global PMIs were mixed in June – while some countries in Asia reported higher PMIs, and the US ISM surprised to the upside, Chinese and Eurozone PMI deteriorated, while the UK remained stable. This as businesses become increasingly concerned about protectionist trade policies being considered by the US.

- Chinese PMI fell to 51.5 index points in June, from 51.9 previously, worse than consensus of 51.6. Most subcomponents were lower in June, as trade war concerns weighed on factories. Most notable though, were new export orders which declined sharply in June and are now in contraction. The medium and large enterprises were hardest hit, while small business PMI actually improved over the month.
- The Japanese PMI rose to 53 index points in June, from 52.8 previously – output was slightly higher, while new orders declined to a 10-month low. PMIs in many Asian economies improved in June, however the current concern is that this might not be sustained into 3Q18 as a result of trade barriers by the US.
- The Eurozone manufacturing PMI fell sharply in June, to 54.9 points, from 55.5, worse than expectations of 55. The drop was led by Germany, who saw new orders fall to the lowest level since March 2016. Here again, companies are concerned about two things: the Brexit negotiations, and the trade policies of the US.
- The UK saw its PMI rise marginally in June, to 54.4 points, from 54.3 previously, better than forecasts of 54. Both output and new orders rose. The average in Q2 was 54.2. While still above 50-points reflecting expansionary manufacturing conditions, the business optimism dropped to a 7-month low (due to trade wars and Brexit negotiations) which may mean that activity may slow in the manufacturing sector going forward.
- The US ISM manufacturing index rose to 60.2 index points in June, from 58.7 previously, better than consensus of 58.5. The higher print was mainly boosted by increased production, supplier deliveries, new export orders and imports. Total new orders however, declined, along with the level of inventories.

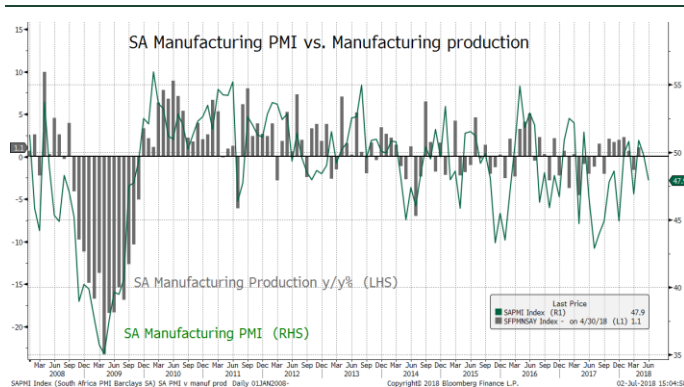
**Synopsis: Global growth and trade activity will hinge on global demand holding up. For now it seems like global growth may have peaked and that trade activity is likely to be hindered by global trade wars intensifying or persisting. This will likely hamper global manufacturing activity over the medium term if it does materialise.**

## SA

- The SA manufacturing PMI deteriorated again in June, to 47.9 index points, from 49.8 in May. Below 50-index points implies a contractionary manufacturing industry. The average PMI for 2Q18 at 49.6, is only 0.3 points above the average in 2Q17 and still below 50, which tells us that the manufacturing industry could again contribute negatively towards Q2 GDP growth.
- Key subcomponents which deteriorated last month were business activity, new sales orders, employment (was sharply lower in June) and inventories.
- Purchasing managers are concerned that the improvement in new sales orders over the quarter may not be sustained into Q3; load-shedding has dampened confidence, while export-oriented companies are concerned about the ramifications of the on-going trade war between the US and China/rest of the world. A slight increase in purchasing prices also muted confidence. On the brighter side, respondents in the survey still expect business conditions to improve from current levels over the medium term, but less so than before.

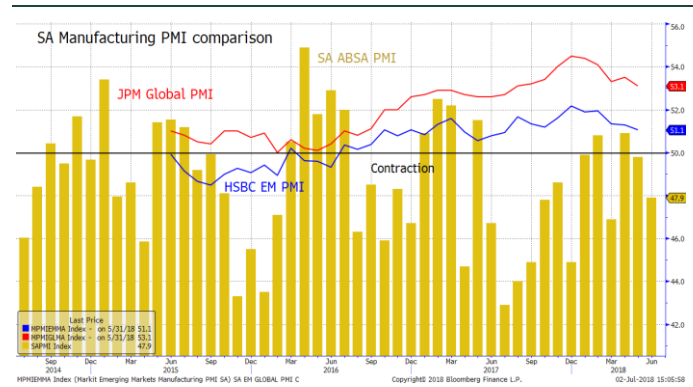
**Synopsis: Manufacturing conditions are likely to remain constrained over the medium term. Global demand and global growth, along with global trade conditions will remain the key catalysts for the local industrial sector, followed by local/regional demand. European demand conditions are positive for now, but the global protectionist stance may hamper demand for SA exports, if it does intensify.**

### SA PMI points to further manufacturing sector weakness



Source: Bloomberg, Nedbank

### SA PMI continues to lag behind global peers



Source: Bloomberg, Nedbank



# Foreign flows

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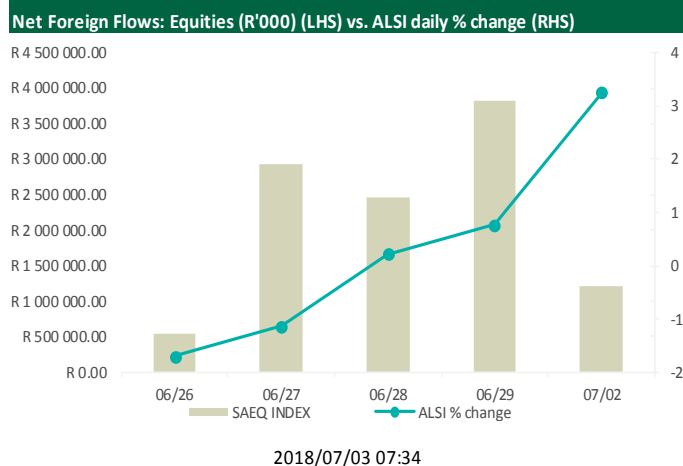
- Last week, SA bond markets saw foreign capital outflows of R1.9 billion, while the equity market saw inflows of just under R11 billion. Given the significant risk-off that has rattled local markets in the past two months, this is the first weekly inflow in over 7 weeks. It is also the largest inflow in 13 weeks which is a welcome relief for SA markets.
- The R34 billion outflow from the SA bond market in June was the largest monthly outflow ever recorded. While the risk-off sentiment still persists, it has eased recently. The main reason behind the sell-off was global trade fears as the US announced harsher tariffs against Chinese imports, and policies to limit foreign investment in the US. Significant uncertainty over these policies still remains, which could fuel further risk-off if global trade tensions escalate. EM and risk assets in general are likely to remain on the back-foot for as long as these issues are not resolved.
- YTD foreign capital outflows are R21.6 billion, with inflows of R17.6 billion into the equity market easing the R39 billion worth of outflows from bonds.

| Foreign flows (bn)                  | Week to 29 Jun 2018 | Month to 29 Jun 2018 | Year to 29 Jun 2018 |
|-------------------------------------|---------------------|----------------------|---------------------|
| Foreign flows into SA equity market | R 10.959            | R 4.844              | R 17.612            |
| Foreign flows into SA bond market   | -R 1.893            | -R 33.663            | -R 39.184           |
| Total foreign flows                 | R 9.066             | -R 28.819            | -R 21.572           |

Source: Bloomberg

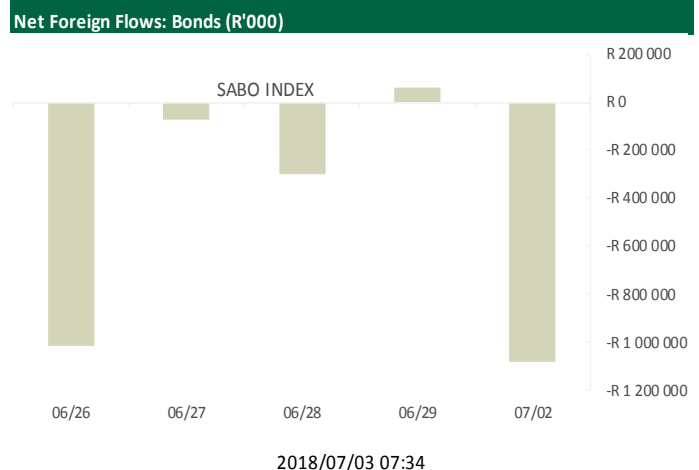
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## Foreign equity flows: 5-day history



Source: Bloomberg, Nedbank

## Foreign bond flows: 5-day history



Source: Bloomberg, Nedbank

## Economic calendar

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|                | Country | Event                                | Period | Survey | Actual | Prior | Revised |
|----------------|---------|--------------------------------------|--------|--------|--------|-------|---------|
| <b>02-July</b> |         |                                      |        |        |        |       |         |
| 12:00 AM       | SA      | Naamsa Vehicle Sales YoY             | JUN    | -      | 3.0%   | 2.4%  | -       |
| 02:30 AM       | JN      | Nikkei Japan PMI Mfg                 | JUN F  | -      | 53.0   | 53.0  | -       |
| 03:45 AM       | CH      | Caixin China PMI Mfg                 | JUN    | 51.1   | 51.0   | 51.1  | -       |
| 09:55 AM       | GE      | Markit/BME Germany Manufacturing PMI | JUN F  | 55.9   | 55.9   | 55.9  | -       |
| 10:00 AM       | EC      | Markit Eurozone Manufacturing PMI    | JUN F  | 55.0   | 54.9   | 54.9  | -       |
| 10:30 AM       | UK      | Markit UK PMI Manufacturing SA       | JUN    | 54.0   | 54.4   | 54.4  | 54.3    |
| 11:00 AM       | SA      | Barclays Manufacturing PMI           | JUN    | -      | 47.9   | 49.8  | -       |
| 11:00 AM       | EC      | PPI YoY                              | MAY    | 2.7%   | 2.0%   | 2.0%  | -       |
| 11:00 AM       | EC      | Unemployment Rate                    | MAY    | 8.50%  | 8.40%  | 8.50% | 8.40%   |
| 03:45 PM       | US      | Markit US Manufacturing PMI          | JUN F  | 54.6   | 55.4   | 55.4  | -       |
| 04:00 PM       | US      | ISM Manufacturing                    | JUN    | 58.5   | 60.2   | 58.7  | -       |
| <b>03-July</b> |         |                                      |        |        |        |       |         |
| 11:00 AM       | EC      | Retail Sales YoY                     | MAY    | 1.6%   | -      | 1.7%  | -       |
| 04:00 PM       | US      | Factory Orders                       | MAY    | 0.0%   | -      | -0.8% | -       |
| 04:00 PM       | US      | Factory Orders Ex Trans              | MAY    | -      | -      | 0.4%  | -       |
| <b>04-July</b> |         |                                      |        |        |        |       |         |
| 03:45 AM       | CH      | Caixin China PMI Services            | JUN    | 52.7   | -      | 52.9  | -       |
| 09:55 AM       | GE      | Markit Germany Services PMI          | JUN F  | 53.9   | -      | 53.9  | -       |
| 10:00 AM       | EC      | Markit Eurozone Services PMI         | JUN F  | 55.0   | -      | 55.0  | -       |
| 10:30 AM       | UK      | Markit/CIPS UK Services PMI          | JUN    | 54.0   | -      | 54.0  | -       |
| <b>05-July</b> |         |                                      |        |        |        |       |         |
| 08:00 AM       | GE      | Factory Orders WDA YoY               | MAY    | 1.7%   | -      | -0.1% | -       |
| 02:15 PM       | US      | ADP Employment Change                | JUN    | 190k   | -      | 178k  | -       |
| 03:45 PM       | US      | Markit US Services PMI               | JUN F  | 56.5   | -      | 56.5  | -       |
| 08:00 PM       | US      | FOMC Meeting Minutes                 | JUN 13 | -      | -      | 0     | -       |

Source: Bloomberg 2018/07/03 07:30

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