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[Charts of the day](#) | [Currencies](#) | [Commodities](#) | [Fixed income & interest rates](#) | [Equities](#) | [Equity derivatives](#)
| [Economics](#) | [*Foreign flows](#) | [JSE performance](#) | [LDT](#) | [Economic calendar](#) | [Other reports](#)
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Key daily drivers

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SNIPPETS

(Fixed Income)	SAGBs remain bid, but slightly more volatile intraday
(Currencies)	USDZAR strengthens overnight, local focus will be on the MPC this afternoon
(Commodities)	Gold price remains low after recent slump; Brent crude marginally higher as markets assess rising OPEC production and US stockpiles
(Equities)	Global markets ended higher as sentiment improved on the back of corporate earnings and comments from the Federal Reserve Governor
(Economics)	US housing market data disappoints in June; Eurozone inflation rises to 2% in June; UK CPI eases but PPI remains elevated due to fuel and commodity prices; SA CPI rises in line with our forecast, retail sales growth remains subdued in May

Key overnight factors and upcoming events this week

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Date	Region	Event ↓ ↑ →	Actual/expected/prior	Implications
18/07	SA	Retail sales	1.9%/0.8%/0.5%	Retail sales growth accelerates as a result of higher clothing, and other retail product sales
18/07	SA	CPI	4.6%/4.8%/4.4%	SA CPI below consensus but in line with our forecast as transport inflation rises, but rest of the subcomponents saw benign price pressures
19/07	US	Leading index	--/0.4%/0.2%	Leading index is expected to continue to show strong economic activity over the next 6 months
19/07	SA	SARB interest rate decision	--/6.5%/6.5%	SARB unlikely to change interest rate but may sound more cautious given recent rand weakness and EM sell-off
24/07	SA	Leading index	--/--/105.9	Leading indicator may decline marginally signalling possibility

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				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
R204-0.4 yrs	6.72	-0.30	0.50	-33.90	-68.30	↕
R208-2.7 yrs	7.67	0.00	-13.20	11.20	6.30	↕
R186-8.4 yrs	8.67	-0.10	-16.80	7.90	5.60	↕
R2048-29.6 yrs	9.58	-0.00	-8.90	-13.30	-16.50	↕
US 10 yr	2.89	1.65	2.56	48.03	61.62	↕
UK 10 yr	1.23	-3.20	-5.20	3.60	1.90	↕
German 10 yr	0.34	-0.40	4.00	-8.50	-21.20	↕
Japan 10 yr	0.04	-0.30	0.60	-0.60	-3.30	↕

Money Market	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	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)	4.60		20.00	-10.00	-50.00	↕
SA 3m JIBAR	6.96	0.00	0.00	-20.00	-38.40	↕
SA 3m NCD	6.95	-1.25	-1.25	-20.00	-37.50	↕
SA 6m NCD	7.53	1.25	8.75	-7.50	-30.00	↕
SA 12m NCD	8.10	1.25	-2.50	20.00	-5.00	↕
US 3m LIBOR	2.35	0.56	1.18	65.32	104.06	↕
UK 3m LIBOR	0.75	-0.31	7.89	23.20	46.46	↕
Japan 3m LIBOR	-0.04	-0.42	0.55	-1.53	-2.46	↕

Source: Bloomberg & Nedbank CIB

Time 2018/07/19 07:19

FRAs and Swaps	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
3X6 FRA	7.03	-0.50	-3.50	13.50	-11.50	↕
6X9 FRA	6.86	0.00	4.00	3.00	4.00	↕
9X12 FRA	7.26	0.50	-4.50	46.50	43.50	↕
18X21 FRA	7.47	1.00	-9.00	49.00	63.00	↕
SA 2yr Swap	7.26	0.34	-5.35	32.46	29.84	↕
SA 3yr Swap	7.42	0.70	-7.00	36.50	38.70	↕
SA 5yr Swap	7.69	0.00	-11.00	35.50	39.00	↕
SA 10yr Swap	8.16	0.00	-14.50	23.00	28.00	↕
SA 15yr Swap	8.42	0.00	-15.00	26.00	33.25	↕

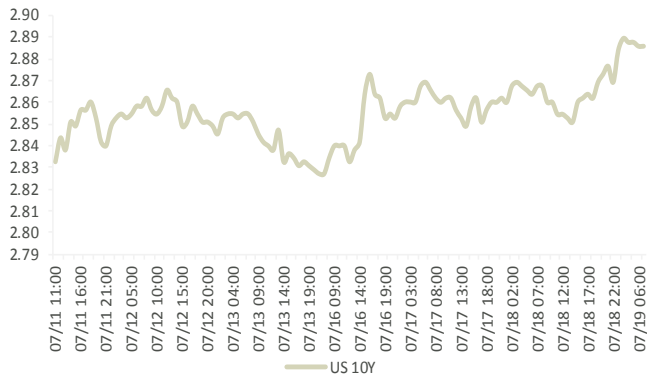
Spreads	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
2v10y	-0.90	0.34	9.15	9.46	1.84	↕
3v10y	-0.74	0.70	7.50	13.50	10.70	↕
R186-R204	1.94	0.20	-17.30	41.80	73.90	↕
R2048-R186	0.91	0.10	7.90	-21.20	-22.10	↕
5y-R186	-0.98	0.10	5.80	27.60	33.40	↕
10y-R186	-0.51	0.10	2.30	15.10	22.40	↕
15y-R186	-0.25	0.10	1.80	18.10	27.65	↕
SA 5yr CDS spread - basis points	182.94	-1.28	-26.52	26.00	-12.64	↕

Source: Bloomberg & Nedbank CIB

Time 2018/07/19 07:19

US 10 year yield

US 10 year yield

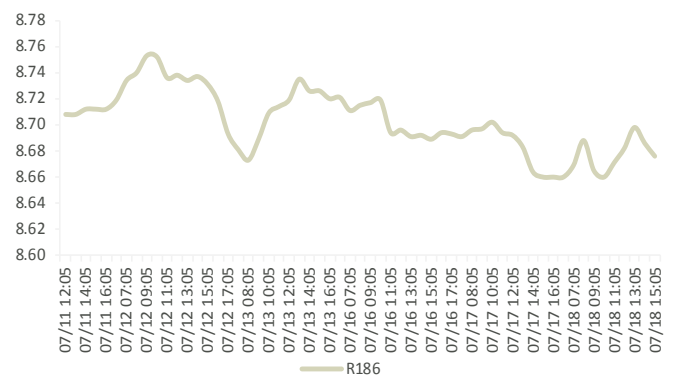


2018/07/19 07:19

Source: Bloomberg, Nedbank

SA 10 year yield

SA 10 year yield



2018/07/19 07:19

Source: Bloomberg, Nedbank

Currencies

[back to top](#)

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

- Yesterday the local session opened with the rand trading in the high 13.20's , demand for dollars saw it trade steadily weaker , although only reaching 13.3725 before recovering to trade back below 13.30 by the time of the local close. In the overnight session the rand trading into the low 13.20's, this morning currently trading at 13.2800, EURZAR trading at 15.4705 and GBPZAR at 17.3650.
- International markets were particularly subdued, EURUSD having traded lower found support around the 1.1600 level and this morning it currently trades at 1.1648, the cable also holding steady as it continues to struggle with the political fallout and effects of the on-going Brexit negotiations, currently trading at 1.3075. After a steady slide lower over the course of the week ,gold this morning trading basically unchanged from the same time yesterday at 1225.00
- Data releases scheduled for today, no local releases but the markets focus will be on the SARB MPC this afternoon, consensus for an unchanged outcome, from the U.K retail sales and from the U.S jobless claims, Philly FED business outlook and leading index data.
- The rand has held relatively steady over the week thus far, the bias of late has been for some caution and this likely to continue as the markets will wait for the MPC announcement today, despite no expectation of a change, any insights likely to be in the statement.
- Possible trading range in the rand today 13.2000 to 13.5000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.31	0.12	-0.98	-3.23	0.32	↓	USD strength
EURUSD	1.16	-0.03	-0.30	-2.97	1.11	↓	USD strength
USDJPY	112.75	-0.04	1.77	-0.05	0.93	↑	USD strength
USDAUD	1.35	-0.27	-0.17	5.23	7.17	↓	USD weakness

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	13.28	0.21	-3.36	6.74	2.69	↓	ZAR strength
GBPZAR	17.36	0.33	-4.41	3.70	3.00	↓	ZAR strength
EURZAR	15.47	0.17	-3.68	3.96	3.75	↓	ZAR strength
AUDZAR	9.85	0.47	-3.19	1.89	-4.37	↓	ZAR strength
ZARJPY	8.49	-0.27	4.98	-6.33	-1.80	↑	ZAR strength

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	54.65	-0.22	3.47	-7.22	-2.69	↑	ZAR strength
ZARBWP (Botswana pula)	0.77	-0.27	2.32	-2.64	-1.62	↑	ZAR strength
ZARKES (Kenyan shilling)	7.58	-0.20	3.07	-9.98	-6.06	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.60	-0.36	2.55	-5.00	-2.79	↑	ZAR strength
ZARNGN (Nigerian naira)	27.15	-0.22	3.20	-7.03	10.28	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.36	-0.22	3.54	-1.22	5.46	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.75	-0.23	3.60	-6.65	8.95	↑	ZAR strength
ZARMZN (Mozambican metical)	4.40	-0.22	2.25	-7.49	-7.37	↑	ZAR strength

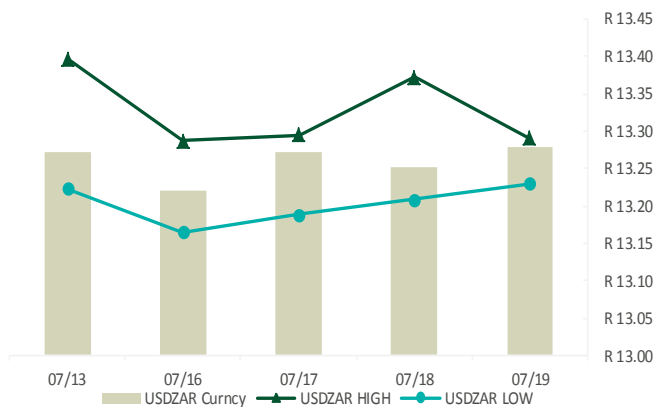
Source: Bloomberg & Nedbank CIB

Time 2018/07/19 07:19

***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)

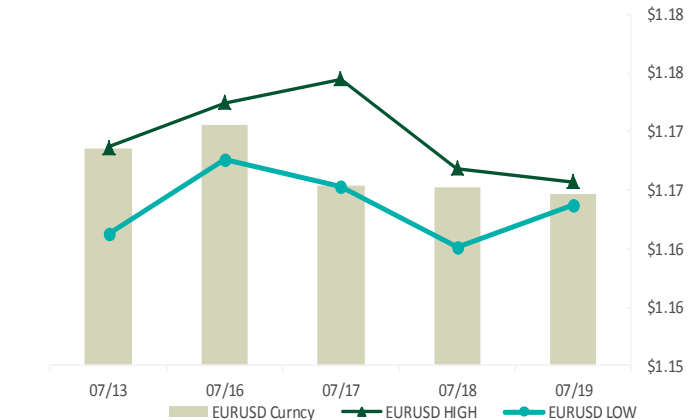


2018/07/19 07:19

Source: Bloomberg, Nedbank

EUR/USD

€/\$(close, high, low)



2018/07/19 07:19

Source: Bloomberg, Nedbank

Commodities

[back to top](#)

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- WTI held a gain near \$69 as a drop in U.S. gasoline inventories outweighed an increase in the nation's crude stockpiles. Gold trades near lowest in a year as Powell's comments on U.S. employment and inflation help to sustain expectations for another interest rate increase in September. Bullion for immediate delivery -0.2% to \$1,224.75/oz, Silver -0.4% near lowest since July 2017, Platinum -0.4%, Palladium little changed.
- Zinc rises along with other metals as supply tightens; adding to rebound from Monday's lowest close in more than a year. Copper, aluminium also rose, while nickel falls.

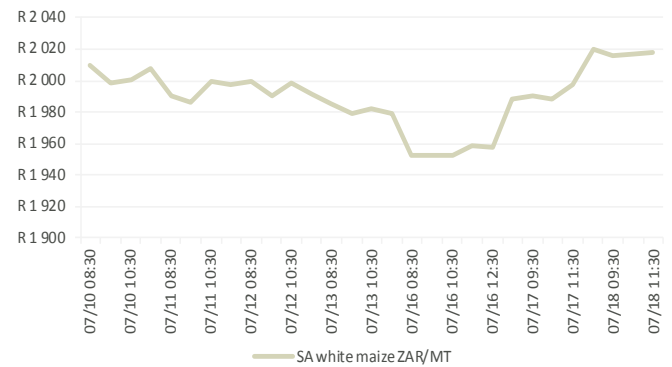
Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	72.78	-0.16	-8.38	8.84	46.44	↓
WTI crude (\$)	68.79	0.04	-7.23	13.85	45.99	↓
Gold spot (\$)	1224.56	-0.18	-2.24	-6.01	-1.44	↓
Platinum spot (\$)	814.24	-0.12	-4.58	-12.28	-11.75	↓
SA white maize spot (R)	2018.00	1.00	-1.85	6.21	9.44	↓

Source: Bloomberg & Nedbank CIB Time: 2018/07/19 07:19

SA white maize

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

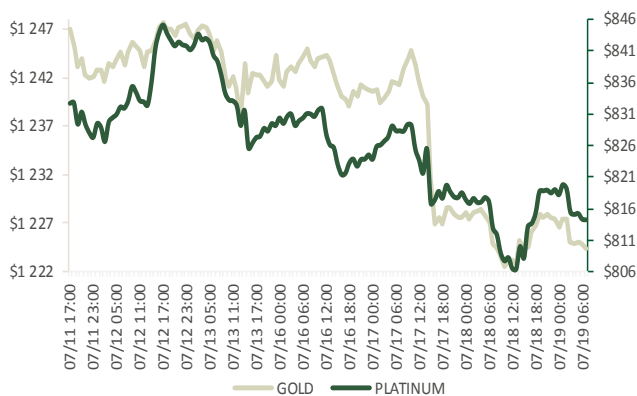


2018/07/19 07:19

Source: Bloomberg, Nedbank

Platinum vs Gold

Platinum vs. Gold

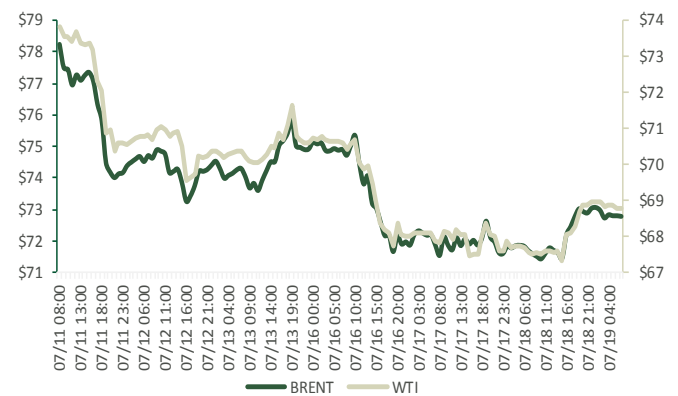


2018/07/19 07:19

Source: Bloomberg, Nedbank

Brent Crude vs West Texas Intermediate

Brent Crude vs West Texas Intermediate



2018/07/19 07:19

Source: Bloomberg, Nedbank

Equities

[back to top](#)

Cash equities | +2711 535 4030/31

South Africa

- The JSE experienced a choppy trading day eventually closing marginally higher. Vukile Property Fund announced an accelerated book build. On the back on increased demand, the book build was increased from R1.3bn to R1.63bn. The uncrossing price was R18.66 and the share closed at R18.81.
- Shoprite dropped 3.7%, the company released a full year trading update which showed that supermarket sales increasing by 5.7% below market expectations. Value traded is R16.4bn and the rand was at R13.26 to the dollar.
- Today the SARB will me meeting for its monetary policy review and interest rate announcement. Consensus is that the repo rate will stay unchanged at 6.5%.

UK/Europe

- European markets added to recent gains with sentiment upbeat on the back of positive comments from the Jerome Powell the Federal Reserve Governor that monetary policy should be increased gradually.
- The FTSE rose 7 tenths of a percent, on the back of stronger financials and materials. U.K. inflation came out below expectations fuelling speculation of an interest rate hike in August while putting the pound under pressure.
- The DAX advanced 8 tenths of a percent with I.T. and industrials leading gains. The CAC lagged its peers up half a percent.

USA

- The DOW and S&P rose 3 tenths of a percent and 2 tenths of a percent respectively while the Nasdaq ended flat.
- Financials were among the top performers, with Morgan Stanley reporting second quarter results that beat forecasts.
- Boeing jumped a percent, the aircraft manufacturer was granted a deal to sell 100 of its narrow body jets to VietJet in Asia.
- Google was fined \$5bn by the European Commission after ruling that Google's conduct with its Android mobile operating service is uncompetitive.

Asia

- Asian markets gained with the positive sentiment from earnings in the U.S. overnight filtering through.
- At the time of writing the Nikkei was up 6 tenths of a percent led higher by the technology and industrial sectors.
- The Hang Seng was up 2 tenths of a percent with weaker industrials hampering gains.
- Jobs data in Australia showed that employment rose by more than triple what economists were forecasting for the month of June. The positive data strengthened the local currency.
- The ASX rose over 3 tenths of a percent. Financials and industrials were the best performing sectors.

Developed Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Dow Jones	25 199.29	0.32	3.82	1.94	16.44	24.33	↑
Nasdaq	7 854.44	-0.01	4.58	13.78	23.01	27.16	↑
S&P 500	2 815.62	0.22	3.58	5.31	13.82	18.42	↑
DJ Eurostoxx 50	3 485.08	0.80	2.64	-0.54	-0.43	5.70	↑
DAX	12 765.94	0.82	3.74	-1.17	2.52	11.51	↑
CAC	5 447.44	0.46	2.33	2.54	4.44	8.43	↑
FTSE	7 676.28	0.65	0.52	-0.15	3.30	7.10	↑
ASX200	6 272.50	0.44	1.26	3.42	9.43	6.42	↑
Nikkei 225	22 779.80	-0.06	2.13	0.07	13.78	16.18	↑
MSCI World	2 142.24	0.19	2.53	1.84	9.38	19.65	↑

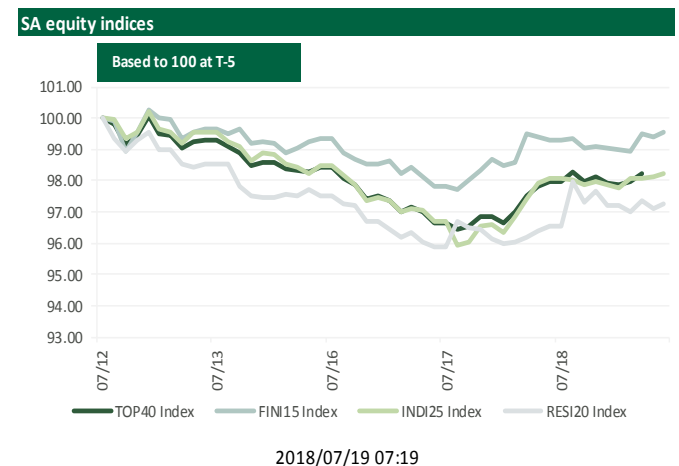
Emerging Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Hang Seng	28 126.49	0.03	-2.86	-5.99	5.45	35.19	↓
Shanghai	2 771.99	-0.55	-2.65	-16.18	-14.21	5.46	↓
Brazil Bovespa	77 362.63	-0.98	6.32	1.26	18.69	28.22	↑
India - NSE	36 415.91	0.12	2.80	6.93	13.96	27.91	↑
Russia Micex	2 294.78	-0.70	-0.05	8.77	17.57	-7.69	↓
MSCI Emerging	1 068.75	-0.20	-0.07	-7.74	0.81	34.35	↓

SA Indices	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
JSE All Share	56 237.20	0.22	-2.38	-5.49	3.97	17.47	↓
Top 40	50 168.74	0.35	-2.62	-4.50	5.07	19.66	↓
Resi 10	40 005.50	0.73	-5.04	10.23	23.33	13.03	↓
Indi 25	73 355.97	0.14	-2.64	-7.24	-0.40	23.03	↓
Fini 15	16 218.05	0.23	0.49	-9.26	6.85	18.54	↑

Source: Bloomberg & Nedbank CIB

Time 2018/07/19 07:19

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
24 July 2018		
APF	Accelerate Prop Fund Ltd	dividend @ 28.767990cps
ART	Argent Industrial Ltd	dividend @ 10c[s
IMRP5	Im Redeemable Pref 5JUL23	dividend @ 9095.774090cps
INL	Investec Ltd	dividend @ 232cps
INP	Investec Plc	dividend @ 232cps
ISA	ISA Holdings Ltd	dividend @ 13.60cps
IVT	Invicta Holdings Ltd	dividend @ 50cps
STP	Stenprop Ltd	dividend @ 70.01840cps or approximately 3.53 new per 100 held TBC
VUN	Vunani Ltd	dividend @ 6.20cps

Source: JSE

JSE performance

[back to top](#)

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2017 Performance	MTD trend
ABG : Absa Group Ltd	159.71	1.08	-0.18	-12.24	8.28	7.05	↓
AGL : Anglo American Plc	290.60	0.37	-5.47	13.68	51.36	29.43	↓
ANG : Anglogold Ashanti Ltd	108.50	-1.96	-3.23	-15.64	-13.12	-14.78	↓
APN : Aspen Pharmacare Holdings Lt	251.90	-0.04	-2.45	-9.23	-7.58	-1.62	↓
BID : Bid Corp Ltd	266.43	-0.59	-3.23	-11.48	-14.71	20.93	↓
BIL : Bhp Billiton Plc	287.92	1.51	-7.35	14.92	28.93	11.95	↓
BTI : British American Tobacco Plc	665.50	0.08	-3.82	-19.77	-25.64	6.38	↓
BVT : Bidvest Group Ltd	185.85	0.97	-5.66	-14.78	9.65	21.18	↓
CFR : Financiere Richemont-Dep Rec	113.64	2.10	-2.29	1.69	4.54	24.15	↓
CLS : Clicks Group Ltd	190.55	2.55	-3.04	5.20	29.80	54.21	↓
CPI : Capitec Bank Holdings Ltd	919.54	-0.16	5.94	-16.25	9.21	58.44	↑
DSY : Discovery Ltd	150.98	0.72	2.36	-18.83	10.62	61.26	↑
FSR : Firstrand Ltd	65.38	0.37	2.33	-2.78	27.07	25.00	↑
GFI : Gold Fields Ltd	46.77	-0.13	-4.94	-13.55	-4.34	23.12	↓
GRT : Growthpoint Properties Ltd	26.39	0.61	-1.12	-4.59	5.60	6.59	↓
INL : Investec Ltd	95.80	0.62	-0.27	6.78	-3.38	-1.57	↓
INP : Investec Plc	96.06	0.54	-1.60	7.02	-3.82	-1.52	↓
LHC : Life Healthcare Group Holdin	23.98	-0.33	-3.62	-13.59	-4.39	-9.23	↓
MEI : Mediclinic International Plc	92.37	-0.82	-3.17	-13.17	-24.91	-18.17	↓
MND : Mondi Ltd	361.87	0.19	-2.62	18.16	9.67	14.66	↓
MNP : Mondi Plc	361.80	-0.05	-2.95	18.47	9.75	14.14	↓
MRP : Mr Price Group Ltd	221.50	0.47	-2.10	-9.54	30.29	53.52	↓
MTN : Mtn Group Ltd	107.58	-0.20	-0.30	-21.24	-11.68	5.08	↓
NED : Nedbank Group Ltd	261.14	1.44	4.63	1.97	20.62	6.16	↑
NPN : Naspers Ltd-N Shs	3365.00	-0.20	-3.44	-2.49	21.17	69.72	↓
NRP : Nepi Rockcastle Plc	118.50	0.49	-3.23	-44.51			↓
NTC : Netcare Ltd	27.40	-0.18	-0.80	8.95	10.75	-20.66	↓
OMU : Old Mutual Ltd	27.10	-0.88	-2.48				↓
RDF : Redefine Properties Ltd	10.60	0.66	1.05	-0.93	-0.56	-6.96	↑
REM : Remgro Ltd	207.30	0.00	1.47	-12.16	-3.49	4.19	↑
RMH : Rmb Holdings Ltd	76.34	0.69	0.73	-3.57	21.66	18.13	↑
SAP : Sappi Limited	90.32	1.14	-1.29	0.92	-2.51	0.56	↓
SBK : Standard Bank Group Ltd	194.82	0.04	1.54	-0.43	24.09	28.22	↑
SHP : Shoprite Holdings Ltd	212.30	-3.73	-3.77	-4.02	2.45	27.89	↓
SLM : Sanlam Ltd	69.00	-0.59	-1.53	-20.69	1.08	36.30	↓
SOL : Sasol Ltd	494.19	0.36	-1.72	15.42	30.56	5.32	↓
SPP : Spar Group Limited/The	182.50	-1.40	-1.57	-10.24	12.31	2.82	↓
TBS : Tiger Brands Ltd	327.74	-0.08	-1.10	-28.75	-14.11	16.65	↓
TFG : The Foschini Group Ltd	160.00	0.25	-8.05	-18.92	8.87	24.11	↓
TRU : Truworths International Ltd	75.00	0.55	-2.91	-20.61	-0.58	17.70	↓
VOD : Vodacom Group Ltd	129.84	3.61	5.74	-10.87	-26.02	-3.27	↑
WHL : Woolworths Holdings Ltd	52.90	-0.71	-4.60	-19.00	-14.28	-9.09	↓

Source: Bloomberg & Nedbank CIB

Time 2018/07/19 07:19

Economics

[back to top](#)

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US

- Housing starts in the US declined by 12.3% m/m in June, from 48% growth in May, worse than consensus of -2.2%. While this does signal some slowdown in housing activity in Q2, average housing starts for the YTD is still above the level seen in the same period in 2017. Both single and multi-family housing starts declined sharply.
- Building permits declined by 2.2% m/m in June, from -4.6% previously, worse than consensus for 2.2% growth. Permits for multi-family homes declined, while permits for single-family homes rose marginally.
- While construction activity looks to have slowed in June, the data could suggest a bit of a pickup in coming months as the 'permits not started' category – permits issued but construction has not yet started – did increase in June.

Synopsis: For as long as the US economic data surprises to the upside, the Fed may remain hawkish. Inflation remains elevated above the Fed's 2% target, with markets expecting one last hike in September, after the recent hike in June. Should the on-going positive economic momentum persist, we are likely to see the Fed maintain its hawkish rhetoric into 2019. If we do see macroeconomic data disappoint in the next few weeks, the Fed may temper its hawkishness in tandem to reflect macroeconomic uncertainties.

UK

- UK CPI remained unchanged at 2.4% y/y in June, but better than consensus of 2.6%. Prices of clothing and footwear fell sharply along with miscellaneous goods prices, while prices of household goods, recreation and food eased. Higher prices were seen in the following categories: alcohol, tobacco, housing and transport. Core inflation fell to a 15-month low of 1.9%.
- PPI rose to 10.2% y/y in June, from 9.6% previously, almost in line with consensus. Higher fuel, metals, chemicals, equipment and mining and quarrying prices, along with rising prices of alcohol, cement, and manufactured goods were key drivers of higher PPI input costs in June. The elevated PPI is unlikely to aid in lowering CPI over the medium term. Unless fuel and commodity prices fall, PPI is likely to remain elevated over the medium term.

Synopsis: The BOE remains concerned about demand-pull inflationary pressures, but less so now compared to a few months earlier. The uncertain trajectory of inflation, higher energy costs and on-going Brexit negotiations will likely keep the BOE cautious. We maintain our view of gradual monetary policy tightening over the long run, but this will be dependent on a more moderate pace of economic expansion occurring over the next few quarters. The market is projecting a rate hike by the BOE in August, however as we saw in May, this could quickly change in the run-up to the meeting based on how economic data transpires.

Europe

- Eurozone CPI was finalised at 2% y/y in June, from 1.9% in May, in line with consensus. Core inflation however, eased to 0.9% y/y, from 1% previously, worse than forecasts for no change.
- Higher headline inflation was a result of higher food, alcohol and tobacco costs. Energy prices also rose sharply in June, as a result of a high oil price. Goods price inflation was generally higher in June, while services inflation declined sharply.
- Inflation is at or above the ECB target of 2% in Germany, Spain, France, Austria and Luxembourg.

Synopsis: The ECB seems committed to ending its asset purchase programme at the end of the year, and have sounded more upbeat on inflation and growth recently. However regional tensions combined with global trade war fears does threaten to hamper economic activity. As a result, the ECB has committed to continue reinvesting proceeds from maturing bonds, while still promising unchanged interest rates until at least 4Q19.

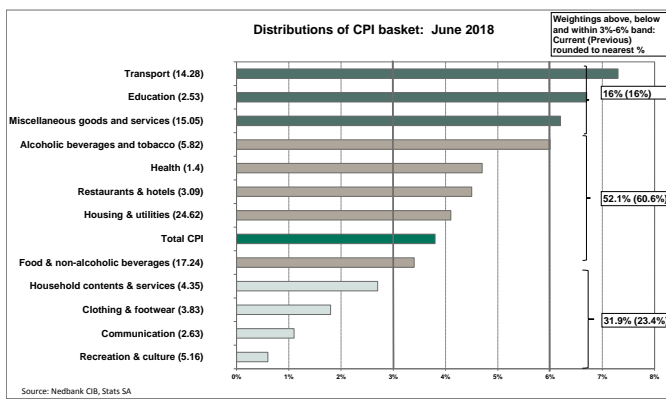
SA

- SA CPI rose to 4.6% y/y in June, from 4.4% in May, in line with our estimate, but below consensus of 4.8%. Core inflation fell to 4.2% y/y, from 4.4% in May, signalling very weak demand-pull pressures and lower services inflation. Goods inflation accelerated to 4.2% (prev. 3.5%), while services costs fell to 4.9% (prev. 5.3%).
- The key upward driver of inflation in June was transport inflation, which was mainly as a consequence of the 82c/litre petrol price hike in June. Expect transport inflation to rise further in July as a result of a further but smaller petrol price increase.
- Disinflationary pressures remain - food and NAB inflation remained steady at 3.4% y/y, alcoholic beverage prices eased, along with housing and utilities, health-care costs, recreation and culture and price increases at restaurants.
- Retail sales growth pleasantly surprised to the upside in May, although it remains well below the historical average of 4.6% y/y. Retail sales rose by 1.9% y/y in May, from 0.5% in April, better than consensus of 0.8%. Moreover, sales rose 1.1% over the month, after a contraction of the same amount in April.

- For the 3 months to May, retail sales have declined 0.1%, but this could change in June, if retail sales show a further m/m improvement. This implies that household spending may be a positive contributor towards Q2 growth, as has been signalled by fairly upbeat consumer sentiment in Q2 as well.
- Better sales in May was driven by 'other retailers' (comprised of jewellery, specialised goods, second-hand goods, stationery and sporting goods), 'textiles, clothing and footwear' and 'household furniture and appliances'. In contrast, sales at general dealers, and food sales declined.
- While domestic demand still remains very weak, household credit extension has risen modestly relative to levels seen last year and consumer confidence has remained resilient in Q2. A cut in the repo rate, high wage settlements, and still-benign inflation may be supportive of consumption in 2H18. We still remain cautiously optimistic on local economic activity, although we believe risks are tilted to the downside as a result of global developments. Nedbank forecasts GDP growth of 1.5% in 2018 and 1.9% in 2019.

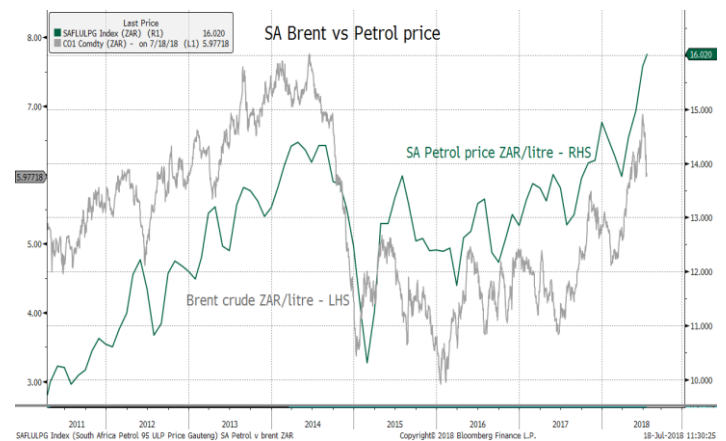
Synopsis: We remain relatively dovish on inflation over the medium term. We have incorporated a possible Eskom RCA claw back taking effect in July 2019 into our inflation estimates, and we now forecast average headline CPI at 4.6%, 5.1% and 5.2% for 2018-2020, with the bulk of the impact of higher electricity tariffs occurring in 2020 and 2021. However, there are a few risks to the inflation outlook (not our base case for now) – significant and sustainable rand weakness will raise inflation estimates in the outer years; a sharply higher oil price which will raise transport costs further, along with recent reports suggesting a 60% probability of an El-Nino occurring in 2019, implying drier conditions for agricultural harvests and possibly higher food prices in 2020. We have revised our expectation for interest rates – whereas previously we forecast 2X25bps repo cuts this year, we now expect a flat repo rate until end-2019.

CPI Basket sees more subcomponents fall below the 3% threshold



Source: Stats SA, Nedbank

Surge in petrol costs raise inflation in June



Economic calendar

[back to top](#)

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	Country	Event	Period	Survey	Actual	Prior	Revised
18-July							
10:00 AM	SA	CPI YoY	JUN	4.80%	4.60%	4.40%	-
10:30 AM	UK	CPI YoY	JUN	2.60%	2.40%	2.40%	-
10:30 AM	UK	PPI Input NSA YoY	JUN	10.10%	10.20%	9.20%	9.60%
11:00 AM	EC	CPI Core YoY	JUN F	1.00%	0.90%	0.90%	-
11:00 AM	EC	CPI YoY	JUN F	2.00%	2.00%	1.90%	-
01:00 PM	US	MBA Mortgage Applications	FEB 23	-	-2.50%	2.50%	-
01:00 PM	SA	Retail Sales Constant YoY	MAY	0.80%	1.90%	0.50%	-
02:30 PM	US	Building Permits	JUN	1330k	1273k	1301k	-
02:30 PM	US	Building Permits MoM	JUN	2.23%	-2.20%	-4.60%	-
02:30 PM	US	Housing Starts	JUN	1320k	1173k	1350k	1337k
02:30 PM	US	Housing Starts MoM	JUN	-2.22%	-12.30%	5.00%	4.80%
19-July							
12:00 AM	SA	SARB Announce Interest Rate	MAY F	6.50%	-	6.50%	-
01:50 AM	JN	Exports YoY	JUN	7.00%	6.70%	8.10%	-
01:50 AM	JN	Imports YoY	JUN	5.30%	2.50%	14.00%	-
01:50 AM	JN	Trade Balance Adjusted	JUN	JPY 155.0b	JPY 66.2b	JPY -296.8b	JPY -300.2b
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	JUN	3.50%	-	3.90%	-
02:30 PM	US	Philadelphia Fed Business Outlook	JUL	21.5	-	19.9	-
04:00 PM	US	Leading Index	JUN	0.40%	-	0.20%	-
20-July							
01:30 AM	JN	Natl CPI YoY	JUN	0.80%	-	0.70%	-
08:00 AM	GE	PPI YoY	JUN	3.00%	-	2.70%	-
10:00 AM	EC	Current Account NSA	MAY	-	-	EUR 26.2b	-
10:00 AM	EC	ECB Current Account SA	MAY	-	-	EUR 28.4b	-
10:30 AM	UK	PSNB ex Banking Groups	JUN	GBP 5.0b	-	GBP 5.0b	-
23-July							
02:30 PM	US	Chicago Fed Nat Activity Index	JUN	-	-	-0.15	-
04:00 PM	EC	Consumer Confidence	JUL A	-	-	-0.50	-
04:00 PM	US	Existing Home Sales	JUN	5.46m	-	5.43m	-
04:00 PM	US	Existing Home Sales MoM	JUN	0.46%	-	-0.37%	-

Source: Bloomberg 2018/07/19 07:19

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