

DAILY MARKET COMMENTARY

13 September 2018



[Fixed Income and Interest Rates](#) | [Currencies](#) | [Commodities](#) | [Equities](#) | [LDT](#) | [JSE performance](#) | [Economics](#) | [*Foreign flows](#) | [Economic calendar](#) | [#Contacts](#)

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(* when available)*

KEY DAILY DRIVERS

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SNIPPETS

(Fixed Income)	SAGBs continue to be supported by local buying momentum, yields fall for a second day
(Currencies)	USDZAR breaks below R15.00/\$ as a result of dollar weakness, majors supported
(Commodities)	Oil prices were lower reversing some of the strong gains from the previous session; Gold upbeat as the dollar eases
(Equities)	Traders remain cautious as uncertainty surrounding renewed trade talks takes centre stage
(Economics)	SA business confidence falls further in August, retail sales disappoints; Eurozone industrial production posts surprise contraction; US PPI eases, Beige Book signals concern over labour shortage

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
12/09	EZ	Industrial production	-0.1%/1.0%/2.3%	Industrial activity contracts as a result of trade uncertainty and some slowdown in demand
12/09	SA	Retail sales	1.3%/1.6%/1.8%	Retail sales growth likely to remain low, domestic demand remains weak
12/09	US	Beige book release	--	Reflects significant labour market tightening, and upbeat growth
13/09	SA	Mining production	--/3%/2.8%	Mining output may be hampered by the sharp fall in commodity prices in July
13/09	UK	BOE interest rate decision	--/0.75%/0.75%	BOE unlikely to change interest rates, may sound hawkish amid elevated inflation
13/09	EZ	ECB interest rate decision	--/0%/0%	ECB likely to sound hawkish as inflation has risen recently

Source: Nedbank

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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	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
R204-0.3 yrs	6.88	-1.80	5.60	-18.00	1.90	↑
R208-2.5 yrs	8.05	-5.85	11.25	49.25	72.65	↑
R186-8.3 yrs	9.16	-4.25	17.95	57.45	71.85	↑
R2048-29.5 yrs	10.05	-3.25	22.55	33.55	30.15	↑
US10 yr	2.97	0.74	10.97	56.46	78.18	↑
UK 10 yr	1.48	-1.60	5.70	29.40	34.90	↑
German 10 yr	0.41	-1.90	8.50	-1.60	1.00	↑
Japan 10 yr	0.11	0.00	0.60	6.50	7.90	↑

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	-25.00	→
SA prime rate	10.00	0.00	0.00	-25.00	-25.00	→
SA CPI (MTD=previous month)	5.10		50.00	40.00	50.00	↑
SA 3m JIBAR	7.03	0.80	2.50	-12.50	-0.90	↑
SA 3m NCD	6.95	0.00	-6.25	-20.00	-10.00	↓
SA 6m NCD	7.68	0.00	2.50	7.50	35.00	↑
SA 12m NCD	8.45	0.00	7.50	55.00	82.50	↑
US3m LIBOR	2.33	-0.28	1.08	63.72	101.23	↑
UK 3m LIBOR	0.80	0.00	0.06	28.01	50.88	↑
Japan 3m LIBOR	-0.04	-0.05	-0.75	-1.57	-0.78	↓

Source: Bloomberg & Nedbank CIB

Time 20/09/13 06:59

FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
3X6 FRA	7.28	-1.00	1.00	39.00	57.00	↑
6X9 FRA	6.86	0.00	4.00	3.00	4.00	↑
9X12 FRA	7.72	-1.50	8.50	92.50	124.50	↑
18X21 FRA	8.02	-2.00	12.00	104.00	145.00	↑
SA 2yr Swap	7.66	-0.40	6.60	72.92	103.00	↑
SA 3yr Swap	7.88	0.00	11.00	82.50	113.90	↑
SA 5yr Swap	8.19	0.00	17.50	85.50	116.75	↑
SA 10yr Swap	8.67	-1.75	18.75	74.25	99.75	↑
SA 15yr Swap	8.94	-1.50	19.00	77.50	98.75	↑

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
2v10y	-1.01	1.35	-12.15	-1.33	3.25	↓
3v10y	-0.79	1.75	-7.75	8.25	14.15	↓
R186-R204	2.28	-2.45	12.35	75.45	69.95	↑
R2048-R186	0.89	1.00	4.60	-23.90	-41.70	↓
5y-R186	-0.98	4.25	-0.45	28.05	44.90	↓
10y-R186	-0.50	2.50	0.80	16.80	27.90	↑
15y-R186	-0.23	2.75	1.05	20.05	26.90	↑
SA 5yr CDS spread - basis points	237.89	-3.44	13.67	80.94	70.29	↑

Source: Bloomberg & Nedbank CIB

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US 10 year yield

US 10 year yield

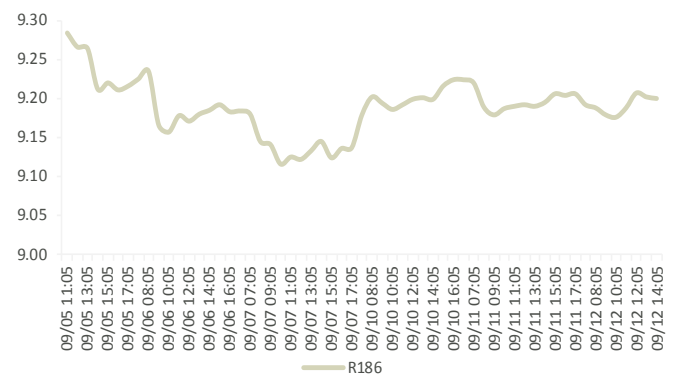


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Source: Bloomberg, Nedbank

SA 10 year yield

SA 10 year yield



20/09/13 06:59

Source: Bloomberg, Nedbank

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

- Yesterday, the local trading session opened with the rand trading around the 15.0800 level. After some initial demand for dollars, the local unit traded at a high of 15.1750, before again posting gains towards the 15.0000 level and again faltering at that level. However, later in the day, headlines regarding renewed efforts to resume trade talks between the US and China provided the catalyst for a dollar retreat, and the rand reached a best level of 14.9200 on the day, closing the session trading at 14.9625. This morning, the rand is trading at 14.9550, the EURZAR is trading at 17.3896 and the GBPZAR is trading at 19.5010.
- International markets saw EURUSD kick off the session trading around 1.1585, after holding steady for much of the day. The aforementioned headlines saw the euro trade rapidly to a high of 1.1647 before closing the day trading at 1.1626, where it currently trades. Gold, having held steady in the low- to mid-1,190s over the most recent sessions, also found support as the dollar retreated, breaching back above the 1,200.00 level. This morning, it currently trades at 1,204.80.
- Data releases scheduled for today: locally, we have mining production; from Europe, we have the German and French CPIs. The BOE and ECB are meeting, to be followed by a briefing from Mr Draghi. From the US, we have jobless claims, CPI, average weekly and hourly earnings, and the monthly budget, and the Fed's Bostic is scheduled to speak.
- The rand has, after consolidating above the 15.0000 level over the most recent sessions, breached sub that pivot, although the extent of this move has thus far been limited. From a technical perspective, this close is positive, with the initial target likely to be around 14.8000.
- Possible trading range for the rand today: 14.8000 to 15.2000.

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.30	-0.09	0.67	-3.45	-1.17	↑	USD weakness
EURUSD	1.16	0.05	0.28	-3.08	-2.07	↑	USD weakness
USDJPY	111.41	0.09	0.34	1.15	0.66	↑	USD strength
USDAUD	1.39	-0.32	0.04	8.59	10.92	↑	USD strength

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14.95	-0.15	1.72	17.15	12.00	↑	ZAR weakness
GBPZAR	19.50	-0.25	2.40	14.25	10.95	↑	ZAR weakness
EURZAR	17.39	-0.10	2.01	14.58	10.14	↑	ZAR weakness
AUDZAR	10.74	0.16	1.70	10.06	2.39	↑	ZAR weakness
ZARJPY	7.45	0.22	-1.53	-21.15	-12.90	↓	ZAR weakness

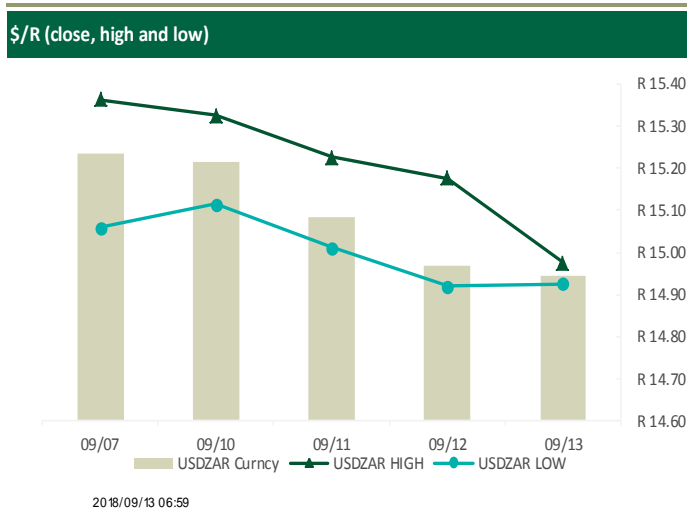
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	48.48	0.15	-1.67	-20.87	-13.72	↓	ZAR weakness
ZARBWP (Botswana pula)	0.73	0.36	-0.29	-8.73	-5.74	↓	ZAR weakness
ZARKES (Kenyan shilling)	6.75	0.15	-1.44	-23.45	-15.83	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2.30	0.05	-1.46	-18.44	-9.66	↓	ZAR weakness
ZARNGN (Nigerian naira)	24.29	0.19	-1.37	-19.61	-12.66	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0.32	-2.31	-2.06	-14.01	-5.05	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0.69	1.28	0.04	-15.67	-2.35	↑	ZAR strength
ZARMZN (Mozambican metical)	4.03	0.17	-1.10	-17.39	-15.38	↓	ZAR weakness

Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	4.16	0.17	2.53	20.38	24.85	↑	USD strength
USDTRY (Turkish Lira)	6.35	-0.10	-3.02	40.17	45.54	↓	USD weakness
USDMXN (Mexican Peso)	19.05	0.11	-0.18	-3.19	6.58	↓	USD weakness
USDINR (Indian Rupee)	72.19	-0.71	1.65	11.52	11.28	↑	USD strength
USD RUB (Russian Ruble)	68.95	-0.27	2.15	16.33	15.96	↑	USD strength

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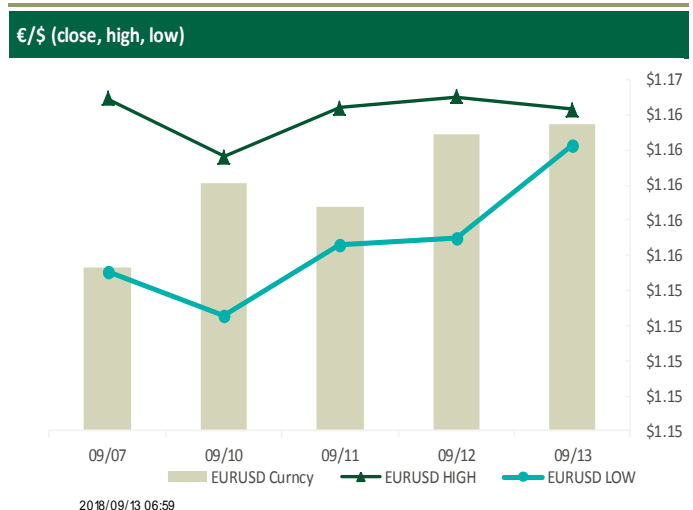
*Please note that the sign on the % change reflects the change on the headline number. The narrative indicates the trend direction over the month. For trade in any of these currencies, contact our FX dealing desks

USDZAR



Source: Bloomberg, Nedbank

EUR/USD



Source: Bloomberg, Nedbank

- Oil prices were lower reversing some of the strong gains from the previous session, as economic concerns raised doubts about on-going fuel demand growth. Gold holds advance as the dollar retreats after the U.S. government proposes another round of talks with Beijing to avoid further escalation of trade war with China. Bullion for immediate delivery flat at \$1,205.93/oz, Silver flat at \$14.2596/oz, Platinum +0.2% to \$801.30/oz, Palladium flat at \$977.83/oz. Base metals rose across the board, with nickel the biggest winner.

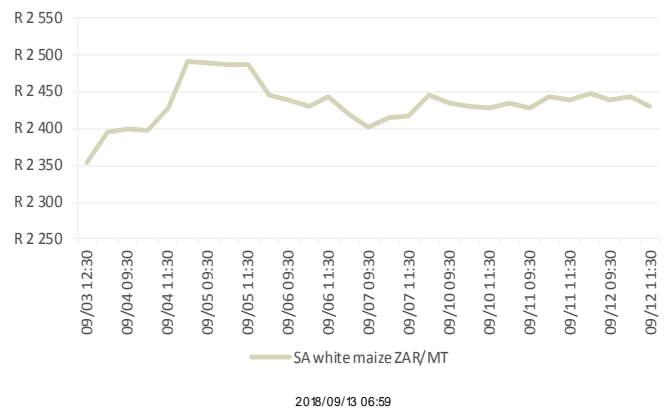
Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	79.30	-0.55	2.43	18.59	43.76	↑
WTI crude (\$)	69.90	-0.67	0.14	15.69	41.78	↑
Gold spot (\$)	1205.48	0.12	0.45	-7.47	-8.79	↑
Platinum spot (\$)	802.80	0.75	1.90	-13.51	-18.07	↑
SA white maize spot (R)	2431.00	-0.37	4.97	27.95	32.77	↑

Source: Bloomberg & Nedbank CIB
Time: 2018/09/13 06:59

SA white maize

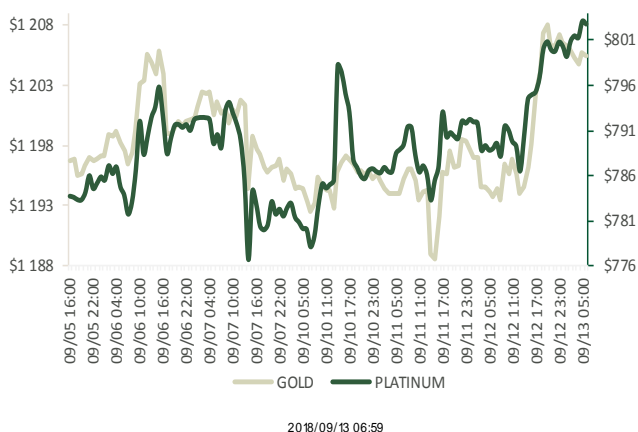
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

Platinum vs Gold

Platinum vs. Gold



Source: Bloomberg, Nedbank

Brent Crude vs West Texas Intermediate

Brent Crude vs West Texas Intermediate



Source: Bloomberg, Nedbank

Cash equities | +2711 535 4030/31

South Africa

- The JSE ended lower for a fourth consecutive session, with risk appetite remaining subdued.
- Both major indices lost around four-tenths of a percent, with the TOP closing at 49,814.74 and the All Share at 55,952.05.
- The mining sector closed higher as gold, platinum and diversified miners gained, while all other sectors ended lower.
- British American Tobacco jumped over 5% after losing 5.5% over the past five trading sessions.
- Data released showed that annual retail sales growth slowed to 1.3% in July.
- Value traded was R22bn, and the rand was at R14.97 to the dollar.

UK/Europe

- European markets ended in positive territory.
- The FTSE and DAX both gained over half a percent, and the CAC rose nine-tenths of a percent.
- Weaker utilities weighed on markets while energy shares and miners gained.
- E.ON dropped over 3% after suffering a broker downgrade.
- Data released showed that Eurozone industrial production slipped 0.8% month-on-month in July, the second consecutive decline.

USA

- US markets ended mixed. The DOW and S&P gained around one-tenth of a percent, while the Nasdaq lost two-tenths of a percent.
- Apple Inc. dropped over a percent, losing earlier gains after the release of its three new phones.
- The Beige Book released by the Federal Reserve showed that the US economy grew at a moderate pace in August, supported by continued growth in consumer spending.

Asia

- Asian markets are trading higher this morning, with markets welcoming the news that Steven Mnuchin, the treasury secretary, has proposed another round of trade talks with China. At the time of writing, the Nikkei was up eight-tenths of a percent, despite a weaker technology sector, which dipped around 2%.
- The Hang Seng gained 1.2%. Both the communication and energy sectors posted significant gains. Tencent rallied over 2.5%.
- The ASX bucked the trend, losing over four-tenths of a percent, led by weaker financials.

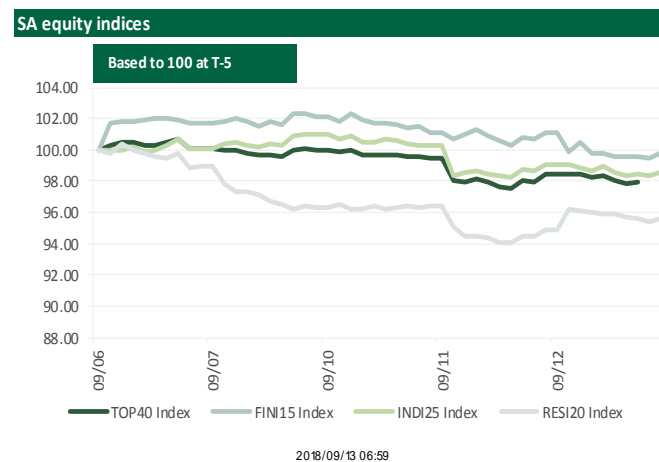
Developed Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Dow Jones	25 998.92	0.11	0.13	5.18	17.33	24.33	↑
Nasdaq	7 954.23	-0.23	-1.92	15.22	23.13	27.16	↓
S&P 500	2 888.92	0.04	-0.43	8.05	15.63	18.42	↓
DJ Eurostoxx 50	3 326.60	0.45	-1.95	-5.06	-5.58	5.70	↓
DAX	12 032.30	0.52	-2.68	-6.85	-4.15	11.51	↓
CAC	5 332.13	0.91	-1.38	0.37	2.20	8.43	↓
FTSE	7 313.36	0.55	-1.60	-4.87	-0.90	7.10	↓
ASX200	6 140.50	-0.57	-2.83	1.24	6.90	6.42	↓
Nikkei 225	22 829.14	0.99	-0.16	0.28	14.92	16.18	↓
MSCI World	2 152.70	0.23	-1.05	2.34	8.35	19.65	↓

Emerging Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Hang Seng	26 729.42	1.46	-4.16	-10.66	-4.18	35.19	↓
Shanghai	2 659.81	0.14	-2.40	-19.57	-21.40	5.46	↓
Brazil Bovespa	75 124.81	0.63	-2.02	-1.67	0.45	28.22	↓
India - NSE	37 717.96	0.81	-2.40	10.75	17.19	27.91	↓
Russia Micex	2 340.63	0.23	-0.22	10.94	13.94	-7.69	↓
MSCI Emerging	1 004.56	0.12	-4.87	-13.28	-8.63	34.35	↓

SA Indices	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
JSE All Share	55 952.05	-0.40	-4.63	-5.97	-0.36	17.47	↓
Top 40	49 814.74	-0.45	-5.05	-5.17	0.06	19.66	↓
Resi 10	42 093.94	0.77	-3.67	15.98	18.18	13.03	↓
Indi 25	70 794.89	-0.60	-5.73	-10.48	-7.13	23.03	↓
Fini 15	16 326.41	-1.36	-4.65	-8.65	6.66	18.54	↓

Source: Bloomberg & Nedbank CIB

Time 20/09/13 06:59

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
18 September 2018		
ACG	Anchor Group Limited	dividend @ 10.50cps
ADI	Adapt IT Holdings Ltd	dividend @ 17.10cps
BEL	Bell Equipment Ltd	dividend @ 20cps
BID	BID Corporation Ltd	dividend @ 280cps
BVT	Bidvest Ltd	dividend @ 301cps
CLI	Clientele Ltd	dividend @ 125cps
CPIP	Capitec Bank Holdings Pref	dividend @ 421.670cps
CSB	Cashbuild Ltd	dividend @ 346cps
EXX	Exxaro Resources Ltd	dividend @ 530cps
FFA	Fortress REIT Ltd A	dividend @ 70.57cps
FFB	Fortress REIT Ltd B	dividend @ 88.93cps
GNDP	Grindrod Ltd Pref	dividend @ 442cps
GRT	Growthpoint Prop Ltd	dividend @ 107.40cps
HET	Heriot REIT Ltd	dividend @ 44.18cps
KAP	KAP Industrial Holdings Ltd	dividend @ 23cps
PGFP	PSD Financial Services Pref	dividend @ 421.67cps
TFGP	Foschini Ltd 6.5% Pref	dividend @ 6.50cps

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	149.70	0.31	-7.91	-17.74	7.70	7.05	↓
AGL : Anglo American Plc	289.50	0.48	-2.44	13.25	23.05	29.43	↓
ANG : Anglogold Ashanti Ltd	117.48	1.67	-0.36	-8.66	-7.34	-14.78	↓
APN : Aspen Pharmacare Holdings Lt	272.50	0.35	-6.49	-1.80	-4.57	-1.62	↓
BID : Bid Corp Ltd	315.82	0.26	0.71	4.93	7.12	20.93	↑
BIL : Bhp Billiton Plc	295.01	0.82	-6.35	17.74	20.25	11.95	↓
BTI : British American Tobacco Plc	736.80	5.26	3.44	-11.18	-12.20	6.38	↑
BVT : Bidvest Group Ltd	188.74	-2.46	-12.62	-13.46	14.95	21.18	↓
CFR : Financiere Richemont-Dep Rec	125.69	-0.29	-3.70	12.47	4.48	24.15	↓
CLS : Clicks Group Ltd	191.00	0.23	-5.91	5.45	24.96	54.21	↓
CPI : Capitec Bank Holdings Ltd	970.00	-0.22	-3.27	-11.65	8.00	58.44	↓
DSY : Discovery Ltd	172.98	0.38	-1.27	-7.00	20.13	61.26	↓
FSR : Firststrand Ltd	66.40	-3.46	-6.08	-1.26	21.79	25.00	↓
GFI : Gold Fields Ltd	33.86	2.33	-5.94	-37.41	-41.11	23.12	↓
GRT : Growthpoint Properties Ltd	24.90	0.36	-2.12	-9.98	-2.73	6.59	↓
INL : Investec Ltd	94.92	0.47	-1.30	5.80	-4.88	-1.57	↓
INP : Investec Plc	95.60	-0.08	-1.21	6.51	-4.08	-1.52	↓
LHC : Life Healthcare Group Holdin	25.07	-0.95	-5.96	-9.66	-0.52	-9.23	↓
MEI : Mediclinic International Plc	92.82	-0.96	-1.78	-12.75	-27.46	-18.17	↓
MND : Mondi Ltd	407.00	0.02	-0.78	32.90	18.80	14.66	↓
MNP : Mondi Plc	406.33	-0.22	-0.87	33.05	18.02	14.14	↓
MRP : Mr Price Group Ltd	210.98	0.47	-6.37	-13.84	13.74	53.52	↓
MTN : Mtn Group Ltd	70.00	-2.78	-21.34	-48.76	-43.42	5.08	↓
NED : Nedbank Group Ltd	265.60	0.19	-4.45	3.71	32.80	6.16	↓
NPN : Naspers Ltd-N Shs	3054.00	-0.89	-6.48	-11.50	2.83	69.72	↓
NRP : Nepi Rockcastle Plc	138.25	-1.60	-1.25	-35.27			↓
NTC : Netcare Ltd	27.69	0.14	-5.66	10.10	15.14	-20.66	↓
OMU : Old Mutual Ltd	29.10	-1.52	-4.28				↓
RDF : Redefine Properties Ltd	10.20	0.00	-1.45	-4.67	-4.23	-6.96	↓
REM : Remgro Ltd	205.85	-0.56	-3.99	-12.78	-4.26	4.19	↓
RMH : Rmb Holdings Ltd	78.47	-3.00	-6.92	-0.88	19.38	18.13	↓
SAP : Sappi Limited	95.14	-1.69	-5.23	6.30	11.33	0.56	↓
SBK : Standard Bank Group Ltd	172.82	-0.24	-7.26	-11.67	8.71	28.22	↓
SHP : Shoprite Holdings Ltd	192.01	-1.05	-5.88	-13.19	-9.75	27.89	↓
SLM : Sanlam Ltd	76.10	0.79	-4.08	-12.53	12.09	36.30	↓
SOL : Sasol Ltd	564.24	1.30	-2.04	31.78	43.81	5.32	↓
SPP : Spar Group Limited/The	189.77	-1.35	-7.43	-6.67	12.61	2.82	↓
TBS : Tiger Brands Ltd	287.90	-1.48	0.57	-37.41	-23.63	16.65	↑
TFG : The Foschini Group Ltd	162.39	-2.53	-6.99	-17.71	15.58	24.11	↓
TRU : Truworths International Ltd	80.00	-2.38	-7.02	-15.32	1.86	17.70	↓
VOD : Vodacom Group Ltd	121.79	0.03	-3.64	-16.40	-26.19	-3.27	↓
WHL : Woolworths Holdings Ltd	51.00	-0.01	-5.94	-21.91	-13.27	-9.09	↓

Source: Bloomberg & Nedbank CIB

Time 2018/09/13 06:59

US

- US PPI fell to 2.8% year-on-year in August, from 3.3% in July, worse than consensus of 3.2%. The drop in PPI was driven by food prices, the cost of services like trade, transport and warehousing coming down sharply, and goods prices easing somewhat. A stronger dollar would have mitigated import costs, offsetting the rise in services inflation on the back of higher labour costs. This is the first decline in input prices in 18 months and does suggest that a strong dollar could weigh on consumer inflation eventually.
- The US Beige Book reflected on-going improvement in economic activity in recent months, but there are a few districts which showed below-average growth. Given the stellar 2Q18, GDP growth could slow down in Q3, and pick up again in Q4. As expected, the Beige Book highlighted considerable concern over an increasingly tighter labour market, given the shortage of skilled labour, but wage pressures have remained generally benign barring the recent uptick. The lack of available labour, in many cases, has resulted in projects being halted or delayed. The Fed continued to cite concern over trade tariffs, with businesses indicating a cancellation of capex spending plans. The Fed is still uncertain as to what impact this is going to have on growth.

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 a hike in September, after the recent hike in June. Markets are also pricing in a further rate hike in December, but this will be dependent on growth and inflation in the interim. If economic data starts to surprise to the downside, then we could see the Fed temper its hawkishness.

Europe

- Eurozone Industrial production contracted by 0.1% year-on-year in July, from 2.3% growth in June, well below consensus of +1%. Production of intermediate goods fell sharply, along with production of durable and non-durable consumer goods.
- This is a concern because local demand has been propping up industrial activity, along with a favourable global environment. This in turn has been supportive of Eurozone economic activity. This recent slump will not bode well for growth in Q3, if it is sustained over the next few months.
- Production of capital goods also slowed down sharply in July, which may be an indication that global trade uncertainties have hampered output. In the face of this temporary slowdown in economic activity, it will prove more of a challenge for the ECB to continue reiterating a firm stance on ending its QE programme by year end. Markets will be watching today's ECB meeting intently for any signs of faltering of the ECB's hawkishness.

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 3Q19.

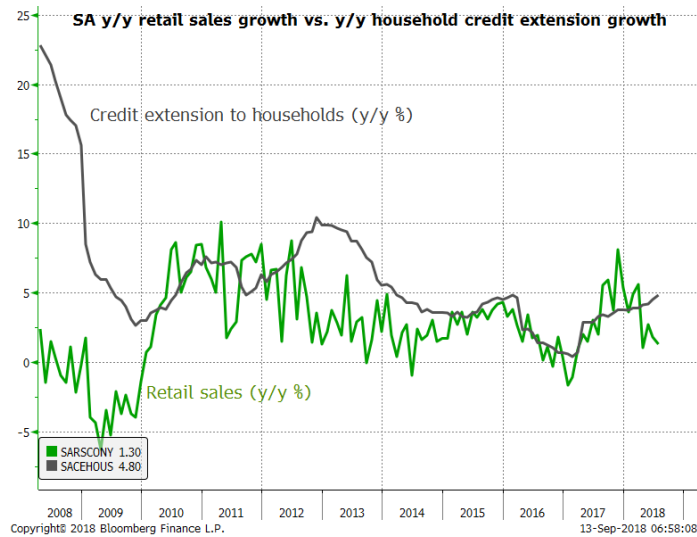
SA

- The SACCI business confidence index fell to 90.5 index points in August, from 94.7 in July, worse than consensus of 91.5 points. The index is currently at the lowest since the record low was recorded in August 2017. Of the 13 subcomponents, six deteriorated, four improved and the balance remained unchanged (and negative) over the month. The biggest negative drivers of business confidence were a fall in exports, a weaker rand exchange rate and higher inflation. This tells us that the trade balance is likely to deteriorate further in August as a result of disappointing export volumes.
- Commodity prices, share prices and the supply of energy remained negative drivers of business confidence. However, there was a marked improvement in import volumes, construction activity, vehicle sales as well as lower real financing costs, which prevented the index from collapsing altogether. However, any sustained uptick in business confidence levels will need to come from a more stable policy environment and better domestic demand.
- The current business environment does not bode well for economic momentum and jobs growth over the medium term. However, perhaps the upcoming jobs summit and the investment summit are likely to boost confidence levels temporarily. A key risk will be the decision by the Constitutional Review Committee at the end of this month, on whether or not it believes the Constitution will need to be adjusted to catalyse land expropriation without compensation. Any threat to property rights will hamper confidence levels. The MTBPS next month may also reflect a constrained fiscus, but plans of a fiscal stimulus package might only work to revive confidence levels if it is deficit and debt neutral, and eventually growth-generating.

- SA retail sales growth eased to 1.3% year-on-year in July, from 1.8% in June, worse than consensus of 1.6%. Over the month however, retail sales recorded strong growth of 1.3% after a 1.1% month-on-month decline in June, reflecting a positive start to the quarter.
- Retail sales growth was driven by 'all other retailers' which includes sales of jewellery, entertainment and sporting goods, and stationery. Sales of textiles, clothing and footwear also picked up sharply in July, possibly due to end-of season or winter sales. Local demand still remains weak. This can be seen in the largest retail category which is general dealers, showing no growth in July, while sales of food and beverages continued to contract for the fourth consecutive month. Discretionary spending on hardware, paint and glass continued to decline since the start of this year.
- Local demand remains weak and capped by stagnating disposable income growth, rising inflation and unemployment rates, and is unlikely to recover sustainably due to low consumer and business confidence levels. However, given the decline in consumption spending seen in Q2, we could see some recovery in spending in Q3, with the bulk of the uptick coming through in Q4 in the peak demand season. Consumer spending drives about 60% of GDE growth, but contributes nothing to inflationary pressures as demand has remained chronically weak. Unless investment picks up, which will create jobs and provide better household incomes and confidence, consumer demand will remain downbeat over the medium term.

Synopsis: Business confidence has a direct but lagged relationship with gross fixed capital formation, which has remained very weak over the last four quarters. The subdued confidence levels would dictate that investment levels are likely to remain benign even into mid-2019, which will weigh on growth. Policy certainty from land reform, a more efficient public sector, and better local demand are some aspects that are desperately needed to boost confidence levels in the near term.

Retail sales growth falls further away from rising credit extension, suggesting distressed lending



Source: Bloomberg, Nedbank

ECONOMIC CALENDAR

[back to top](#)

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	Country	Event	Period	Survey	Actual	Prior	Revised
12-September							
11:00 AM	EC	Industrial Production WDA YoY	JUL	1.00%	-0.10%	2.50%	2.30%
11:00 AM	CH	Money Supply M2 YoY	FEB	8.60%	8.20%	8.50%	-
11:00 AM	CH	New Yuan Loans CNY	FEB	CNY 1400b	CNY 1280b	CNY 1450b	-
11:30 AM	SA	SACCI Business Confidence	AUG	91.5	90.5	94.7	-
01:00 PM	US	MBA Mortgage Applications	FEB 23	-	-1.80%	-0.10%	-
01:00 PM	SA	Retail Sales Constant YoY	JUL	1.60%	1.30%	0.70%	1.80%
02:30 PM	US	PPI Final Demand YoY	AUG	3.20%	2.80%	3.30%	-
13-September							
01:50 AM	JN	PPI YoY	AUG	3.10%	3.00%	3.10%	3.00%
01:50 AM	JN	Machine Orders YoY	JUL	4.30%	13.90%	0.30%	-
08:00 AM	GE	CPI YoY	MAY F	2.00%	-	2.00%	-
11:30 AM	SA	Mining Production YoY	JUL	2.95%	-	2.80%	-
11:30 AM	SA	Gold Production YoY	JUL	-	-	-19.20%	-
11:30 AM	SA	Platinum Production YoY	JUL	-	-	28.20%	-
01:00 PM	UK	Bank of England Bank Rate	SEP 13	0.75%	-	0.75%	-
01:00 PM	UK	BOE Asset Purchase Target	SEP	GBP 435b	-	GBP 435b	-
01:00 PM	UK	BOE Corporate Bond Target	SEP	GBP 10b	-	GBP 10b	-
01:45 PM	EC	ECB Deposit Facility Rate	SEP 13	-0.40%	-	-0.40%	-
01:45 PM	EC	ECB Main Refinancing Rate	SEP 13	0.00%	-	0.00%	-
01:45 PM	EC	ECB Marginal Lending Facility	SEP 13	0.25%	-	0.25%	-
02:30 PM	US	CPI YoY	AUG	2.80%	-	2.90%	-
02:30 PM	US	Real Avg Weekly Earnings YoY	AUG	0.00%	-	0.10%	-
02:30 PM	US	Real Avg Hourly Earning YoY	AUG	-	-	-0.20%	-
08:00 PM	US	Monthly Budget Statement	AUG	USD -187.0b	-	USD -76.9b	-
14-September							
04:00 AM	CH	Industrial Production YoY	AUG	6.10%	-	6.00%	-
04:00 AM	CH	Retail Sales YoY	AUG	8.80%	-	8.80%	-
06:30 AM	JN	Industrial Production YoY	JUL F	-	-	2.30%	-
11:00 AM	EC	Trade Balance SA	JUL	EUR 0.0b	-	EUR 16.7b	-
02:30 PM	US	Retail Sales Advance MoM	AUG	0.40%	-	0.50%	-
03:15 PM	US	Capacity Utilization	AUG	78.20%	-	78.05%	-
03:15 PM	US	Industrial Production MoM	AUG	0.30%	-	0.11%	-
03:15 PM	US	Manufacturing (SIC) Production	AUG	0.30%	-	0.30%	-
04:00 PM	US	U. of Mich. Sentiment	SEP P	96.6	-	96.2	-
17-September							
11:00 AM	EC	CPI Core YoY	AUG F	-	-	1.00%	-
11:00 AM	EC	CPI YoY	AUG F	-	-	2.00%	-

Source: Bloomberg 2018/09/13 06:59

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