

# DAILY MARKET COMMENTARY

21 September 2018



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

*Click on any of the above links to access your point of interest  
(\* when available)*

## KEY DAILY DRIVERS

Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 537 4091

## SNIPPETS

(Fixed Income)	Bond yields marginally lower, open stronger this morning and led by ZAR strength
(Currencies)	ZAR continues to be supported by a weaker USD, majors quite strong this morning
(Commodities)	Gold rallies as dollar weakens further; Brent eases somewhat
(Equities)	Global equity markets trade firmer, shrugging off trade war concerns
(Economics)	UK retail sales growth remains strong despite easing; US leading index continues to rise; SARB leaves interest rates unchanged, but tempers hawkishness amid poor growth; Eurozone consumer confidence deteriorates

## KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 537 4091

Date	Region	Event	Actual/expected/prior	Implications
20/09	SA	SARB MPC interest rate decision	6.5%/6.50%/6.50%	SARB keeps rates steady in tight split
20/09	US	Leading index	0.4%/0.5%/0.7%	Leading indicator expected to continue higher as a result of upbeat jobs market and confidence
25/09	SA	Leading index	--/--/107.1	Leading index likely to remain benign on low confidence
25/09	US	Consumer confidence	--/131/133.4	Confidence expected to fall in September, however labour market gains remain solid

Source: Nedbank

## CONTACT FOR QUERIES

**REEZWANA SUMAD**  
Strategy: Research Analyst  
Tel: +27 11 537 4091  
ReezwanaS@Nedbank.co.za

# 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	
R204-0,2 yrs	6,55	-1,35	-27,55	-51,15	-26,15	↓
R208-2,5 yrs	7,95	-0,45	0,75	38,75	70,55	↑
R186-8,2 yrs	9,07	-0,70	8,90	48,40	68,00	↑
R2048-29,4 yrs	9,98	-0,75	15,85	26,85	30,65	↑
US10 yr	3,08	1,32	21,55	67,04	79,94	↑
UK10 yr	1,59	-2,30	15,80	39,50	24,30	↑
German 10 yr	0,47	-1,60	14,50	4,40	2,80	↑
Japan 10 yr	0,13	1,00	2,60	8,50	9,30	↑

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)	4,90		-20,00	20,00	10,00	↓
SA 3m JIBAR	7,03	-0,80	1,70	-13,30	4,20	↑
SA 3m NCD	6,95	-5,00	-6,25	-20,00	-2,50	↓
SA 6m NCD	7,65	2,50	0,00	5,00	32,50	→
SA 12m NCD	8,35	0,00	-2,50	45,00	75,00	↓
US3m LIBOR	2,37	1,30	4,56	67,21	104,33	↑
UK 3m LIBOR	0,80	0,38	0,39	28,34	47,79	↑
Japan 3m LIBOR	-0,04	-0,17	-0,90	-1,72	-1,21	↓

Source: Bloomberg & Nedbank CIB

Time 2018/09/210722

FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
3X6 FRA	7,19	0,50	-8,50	29,50	32,50	↓
6X9 FRA	7,38	0,00	4,00	3,00	4,00	↑
9X12 FRA	7,59	-2,00	-4,00	80,00	92,00	↓
18X21 FRA	7,88	-2,00	-2,00	90,00	113,00	↓
SA 2yr Swap	7,56	-0,85	-3,85	62,47	89,65	↓
SA 3yr Swap	7,77	0,25	0,00	71,50	101,00	→
SA 5yr Swap	8,06	0,00	5,00	73,00	100,50	↑
SA 10yr Swap	8,57	0,00	9,00	64,50	83,00	↑
SA 15yr Swap	8,83	-0,50	8,50	67,00	81,00	↑

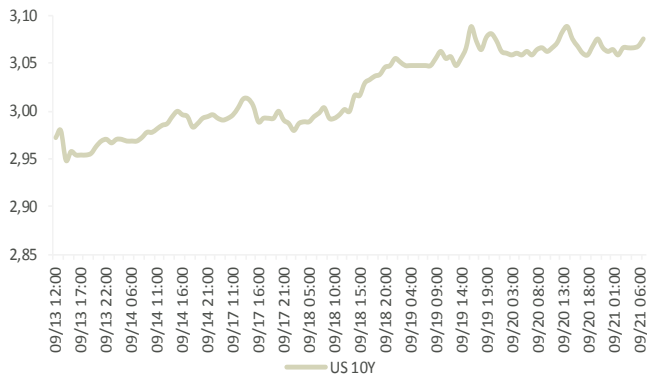
Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
2v10y	-1,01	-0,85	-12,85	-2,03	6,65	↓
3v10y	-0,81	0,25	-9,00	7,00	18,00	↓
R186-R204	2,52	0,65	36,45	99,55	94,15	↑
R2048-R186	0,91	-0,05	6,95	-21,55	-37,35	↓
5y-R186	-1,01	0,70	-3,90	24,60	32,50	↓
10y-R186	-0,50	0,70	0,10	16,10	15,00	↑
15y-R186	-0,24	0,20	-0,40	18,60	13,00	↓
SA 5yr CDS spread - basis points	213,94	-1,78	-10,28	57,00	19,86	↓

Source: Bloomberg & Nedbank CIB

Time 2018/09/210722

## US 10 year yield

### US 10 year yield

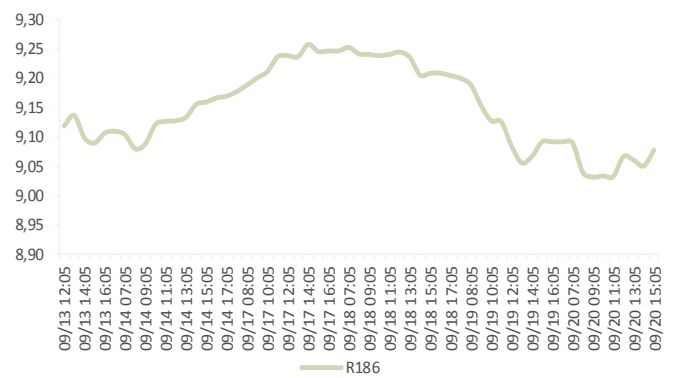


2018/09/210722

Source: Bloomberg, Nedbank

## SA 10 year yield

### SA 10 year yield



2018/09/210722

Source: Bloomberg, Nedbank

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

- The local trading session opened with the rand trading in the mid-14.60s, despite some perceived caution over the impending MPC announcement. The local unit encountered support throughout the session, even with an unchanged interest rate decision, trading to a best level of 14.3750 on the day and closing the session trading at 14.4275. In the overnight session, the rand traded to a best level of 14.2750. This morning, it is currently trading at 14.3000, the EURZAR at 16.8450 and the GBPZAR at 18.9788.
- International markets also savoured an improved performance by the majors relative to the dollar. The EURUSD traded from a low of 1.1670 to a high of 1.1776 on the day; this morning, it is currently trading at 1.1780. The GBPUSD has traded from a low of 1.3135 yesterday to the current level of 1.3275. With the dollar coming under pressure, gold traded with a marginally firmer bias; this morning, it is currently trading at 1,208.90, some USD4 firmer than yesterday.
- Data releases scheduled for today: no local releases; from Europe, we have French GDP and PMI releases for France, Germany and the Eurozone; from the UK, we have public finances and net borrowing; and from the US, we have manufacturing and services PMI releases.
- The rand has been remarkably resilient over the course of the week, trading at a high of 15.0800 on Monday and touching a best level of sub-14.30 last night. This morning, the markets eagerly await details of the revised Mining Charter and the much anticipated stimulus package from the president. The speech is scheduled for 10h00. The current improvement in the rand is likely to attract importer interest.
- Possible trading range for the rand today: 14.2000 to 14.5000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1,33	0,21	2,42	-1,78	-2,22	↑	USD weakness
EURUSD	1,18	0,21	1,56	-1,85	-1,26	↑	USD weakness
USDJPY	112,75	0,23	1,53	-0,05	0,28	↑	USD strength
USDAUD	1,37	-0,15	-1,41	7,03	8,78	↓	USD weakness

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14,30	-0,23	-2,72	13,40	7,36	↓	ZAR strength
GBPZAR	18,98	-0,03	-0,29	11,90	5,25	↓	ZAR strength
EURZAR	16,85	-0,01	-1,13	11,85	6,19	↓	ZAR strength
AUDZAR	10,43	-0,09	-1,27	7,34	-0,80	↓	ZAR strength
ZARJPY	7,89	0,48	4,05	-14,50	-7,62	↑	ZAR strength

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	50,68	0,24	2,75	-15,62	-8,06	↑	ZAR strength
ZARBWP (Botswana pula)	0,75	0,62	2,09	-5,16	-3,04	↑	ZAR strength
ZARKES (Kenyan shilling)	7,05	0,22	2,80	-18,29	-10,63	↑	ZAR strength
ZARMUR (Mauritian rupee)	2,39	-0,07	2,29	-14,06	-5,71	↑	ZAR strength
ZARNGN (Nigerian naira)	25,39	0,23	3,00	-14,46	-6,96	↑	ZAR strength
ZARGHS (Ghanian cedi)	0,34	-0,35	3,48	-7,82	1,21	↑	ZAR strength
ZARZMW (Zambian kwacha)	0,79	1,13	11,78	-2,08	9,29	↑	ZAR strength
ZARMZN (Mozambican metical)	4,27	0,24	4,62	-10,74	-8,60	↑	ZAR strength

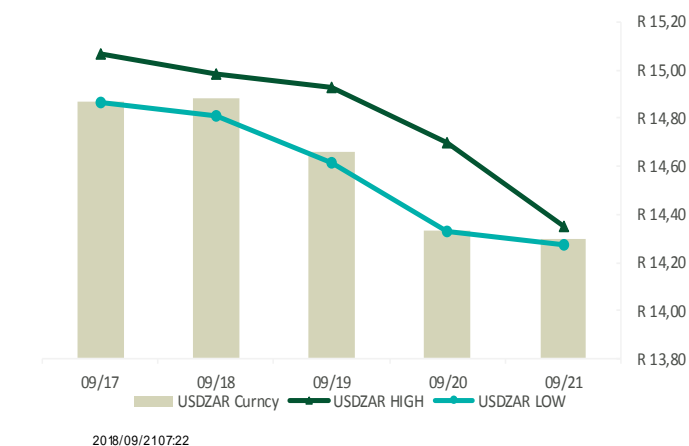
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	4,08	-1,24	0,53	18,75	23,14	↑	USD strength
USDTRY (Turkish Lira)	6,22	0,32	-5,14	38,93	43,62	↓	USD weakness
USDMXN (Mexican Peso)	18,86	0,12	-1,20	-4,24	5,39	↓	USD weakness
USDINR (Indian Rupee)	71,88	-0,70	1,23	11,14	9,85	↑	USD strength
USD RUB (Russian Ruble)	66,29	-0,01	-1,78	12,97	12,73	↓	USD weakness

Source: Bloomberg & Nedbank CIB  
Time: 2018/09/21 07:22

\*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

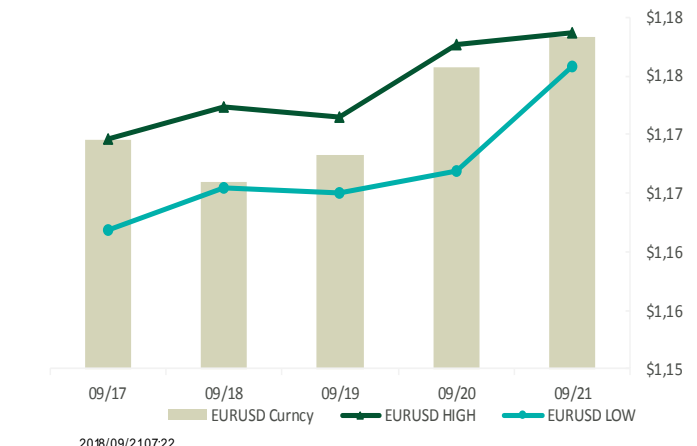
\$/R (close, high and low)



Source: Bloomberg, Nedbank

## EUR/USD

€/€ (close, high, low)



Source: Bloomberg, Nedbank

Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 537 4091 | +27 11 535 4038

- Oil headed for a second weekly advance as investors seek clues on whether OPEC will replace Iranian output, while Trump pressures the group to lower prices. Futures were little changed, on course for a weekly gain of 2.1%.
- Gold heads for first gain in four weeks as dollar retreats amid signs that concerns over trade tensions are easing. Bullion for immediate delivery +0.1% to \$1,208.20/oz; +1.1% this week. Silver +0.3% to \$14.3703/oz; +2.2% this week. Platinum +5% this week, set for best gain since Jan. 2017. Palladium +7.5% this week, most since April.
- Copper climbs to highest in more than three weeks, while zinc rises for fourth day, as metals advance after news that China is planning an import tax cut, potentially boosting demand. LME copper +1.2% to \$6,157/ton. LME zinc and nickel +0.6%. Iron ore -0.1% to 501.5 yuan/ton on DCE.

Source: Bloomberg

Commodities	Last price	%Δ				MTD trend
		-1d	MTD	YTD	12Month	
Brent near future (\$)	78,76	0,08	1,73	17,78	39,57	👆
WTI crude (\$)	70,23	-0,13	0,62	16,24	38,93	👆
Gold spot (\$)	1209,10	0,27	0,75	-7,19	-6,51	👆
Platinum spot (\$)	836,16	0,43	6,14	-9,92	-10,81	👆
SA white maize spot (R)	2358,00	-1,21	1,81	24,11	28,64	👆

Source: Bloomberg & Nedbank CIB  
Time: 2018/09/210722

## SA white maize

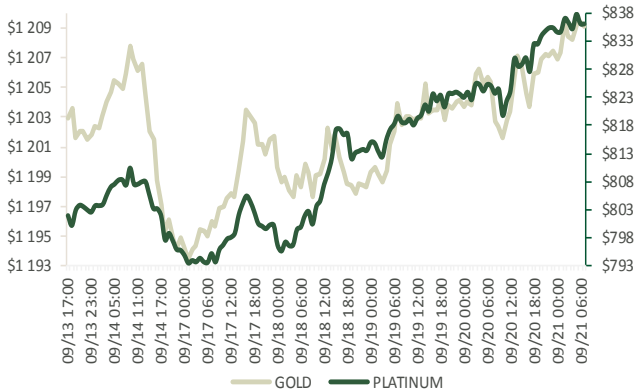
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

## Platinum vs Gold

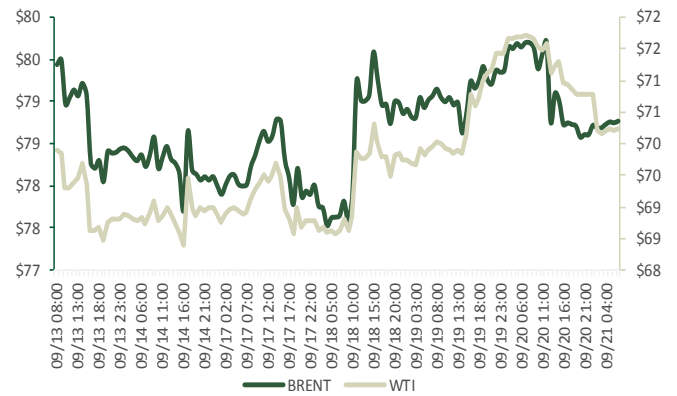
Platinum vs. Gold



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 a very active trading day firmer, with the Top40 adding 0.25% to close at 50,397.20.
- The futures close-out accounted for the surge in trading activity on Thursday, with another big trading day expected today due to index rebalancing in the closing auction.
- The platinum sector was the best-performing sector on the day, up 5.89%, boosted by Impala Platinum, which surged 14.87% to its highest closing level since June 2018.
- MTN boosted the telecoms sector, adding 6.53%, after Nigeria's Central Bank said it was reviewing the information provided by MTN with a view to reaching an equitable resolution.
- Value traded at the close was R58.4bn, and the ZAR was trading at 14.42 vs the dollar.

## UK/Europe

- European markets ended Thursday's session firmer as concerns surrounding trade tensions between the US and China eased.
- UK retail sales for August were better than expected, leading to a stronger GBP.
- Automakers and banking and mining stocks outperformed.
- Rio Tinto gained 2.54% after announcing a USD3.2bn share-buyback programme.
- The DAX added 0.88%, the CAC40 gained 1.07% and the FTSE100 rose 0.49%.

## USA

- US markets closed firmer, with the Dow closing at a record high.
- Tech stocks boosted the Nasdaq and S&P 500, with the likes of Microsoft and Apple Inc. adding 1.7% and 0.8%, respectively.
- Defensive stocks edged lower after the US said it was ready to resume talks with North Korea following Pyongyang's pledge to denuclearise by 2021.
- General Electric lost 3.1% after reporting problems with its new power turbines, resulting in a broker downgrade.
- The Dow added 0.95%, the S&P 500 rose 0.78% and the Nasdaq gained 0.98%.

## Asia

- Asian markets are tracking global markets higher this morning; the Nikkei is trading at an eight-month high, with commodity stocks outperforming.
- Consumer-related stocks led the gains in China, as investors are expecting Beijing to help boost domestic consumption amid uncertainty over global trade.
- Higher commodity prices boosted the materials sector in Australia.
- BHP Billiton and Rio Tinto were up 1.5%. BHP has asked a US judge to approve a USD50m settlement of claims that it fraudulently inflated its share price by overstating its ability to manage safety risks before a fatal 2015 dam burst at a Brazilian mine.

Developed Markets	Last price	%Δ	%Δ	%Δ	%Δ	2017	
		-1d	MTD	YTD	12Month	Performance	MTD trend
Dow Jones	26 656,98	0,95	2,67	7,84	19,22	24,33	↑
Nasdaq	8 028,23	0,98	-1,00	16,29	25,00	27,16	↓
S&P 500	2 930,75	0,78	1,01	9,62	17,20	18,42	↑
DJ Eurostoxx 50	3 403,12	1,03	0,30	-2,88	-3,86	5,70	↑
DAX	12 326,48	0,88	-0,30	-4,58	-2,17	11,51	↓
CAC	5 451,59	1,07	0,83	2,62	3,50	8,43	↑
FTSE	7 367,32	0,49	-0,88	-4,17	1,42	7,10	↓
ASX200	6 185,50	0,26	-2,12	1,98	9,37	6,42	↓
Nikkei 225	23 915,38	1,02	4,59	5,05	17,53	16,18	↑
MSCI World	2 195,68	0,82	0,93	4,38	10,32	19,65	↑

Emerging Markets	Last price	%Δ	%Δ	%Δ	%Δ	2017	
		-1d	MTD	YTD	12Month	Performance	MTD trend
Hang Seng	27 763,97	1,04	-0,45	-7,20	-1,23	35,19	↓
Shanghai	2 762,93	1,23	1,38	-16,46	-17,72	5,46	↑
Brazil Bovespa	78 116,01	-0,07	1,88	2,24	3,32	28,22	↑
India - NSE	37 394,45	0,74	-3,24	9,80	15,41	27,91	↓
Russia Micex	2 400,89	-0,15	2,35	13,80	16,53	-7,69	↑
MSCI Emerging	1 036,93	0,57	-1,80	-10,49	-6,43	34,35	↓

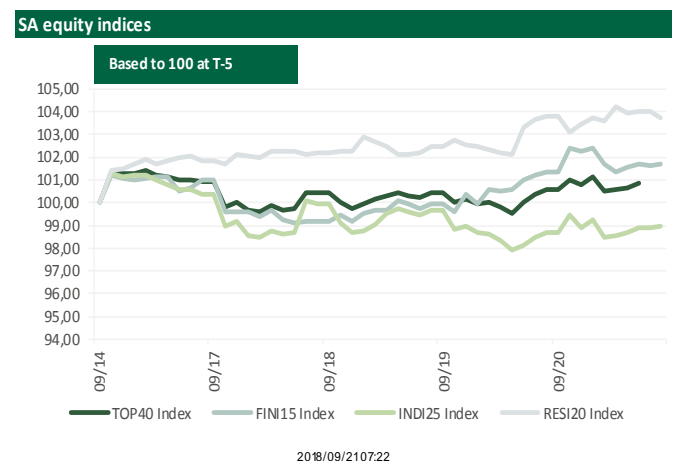
  

SA Indices	Last price	%Δ	%Δ	%Δ	%Δ	2017	
		-1d	MTD	YTD	12Month	Performance	MTD trend
JSE All Share	56 546,80	0,18	-3,62	-4,97	1,22	17,47	↓
Top 40	50 397,19	0,25	-3,94	-4,07	1,71	19,66	↓
Resi 10	43 602,84	-0,05	-0,22	20,14	24,46	13,03	↓
Indi 25	70 499,60	0,30	-6,12	-10,86	-7,04	23,03	↓
Fini 15	16 638,46	0,35	-2,83	-6,91	8,60	18,54	↓

Source: Bloomberg & Nedbank CIB

Time 2018/09/21 07:22

## Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

## LAST DAY TO TRADE

[back to top](#)

Susan Correia | [Scorreia@Nedbankcapital.co.za](mailto:Scorreia@Nedbankcapital.co.za) | +27 11 295 8227

SHARE CODE	SHARE NAME	DIVIDEND / INTEREST RATE
<b>25 September 2018</b>		
AIP	Adcock Ingram Holdings Ltd	dividend @ 86cps
ARI	African Rainbow Minerals Ltd	dividend @ 750cps
ASR	Assore Ltd	dividend @ 1200cps
HYP	Hyprop Investments Ltd	dividend @ 380.4445cps
IMRP4	IM Redeemable Pref Aug21	dividend @ 1319.422310cps
IPL	Imperial Holdings Ltd	dividend @ 387cps
IPLP	Imperial Holdings Pref	dividend @ 416.6250cps
MST	Mustek Ltd	dividend @ 22cps
PPR	Putprop Ltd	dividend @ 7cps
SUR	Spur Corporation Ltd	dividend @ 60cps

Source: JSE

# JSE PERFORMANCE

[back to top](#)

Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 537 4091

Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2017 Performance	MTD trend
ABG : Absa Group Ltd	150,38	-0,46	-7,49	-17,37	8,59	7,05	↓
AGL : Anglo American Plc	322,31	0,72	8,62	26,09	34,86	29,43	↑
ANG : Anglogold Ashanti Ltd	124,93	-1,25	5,96	-2,87	2,92	-14,78	↑
APN : Aspen Pharmacare Holdings Lt	177,27	2,33	-39,17	-36,12	-41,63	-1,62	↓
BID : Bid Corp Ltd	313,12	1,66	-0,15	4,03	1,93	20,93	↓
BIL : Bhp Billiton Plc	308,44	-0,18	-2,09	23,11	27,81	11,95	↓
BTI : British American Tobacco Plc	672,38	-1,73	-5,61	-18,94	-17,89	6,38	↓
BVT : Bidvest Group Ltd	191,62	1,44	-11,29	-12,14	14,28	21,18	↓
CFR : Financiere Richemont-Dep Rec	120,83	0,83	-7,42	8,13	1,67	24,15	↓
CLS : Clicks Group Ltd	181,50	-1,11	-10,59	0,20	14,87	54,21	↓
CPI : Capitec Bank Holdings Ltd	931,00	-2,76	-7,16	-15,21	1,97	58,44	↓
DSY : Discovery Ltd	174,80	1,44	-0,23	-6,02	21,20	61,26	↓
FSR : Firstrand Ltd	69,00	1,63	-2,40	2,60	29,14	25,00	↓
GFI : Gold Fields Ltd	35,56	-2,36	-1,22	-34,27	-37,99	23,12	↓
GRT : Growthpoint Properties Ltd	22,99	-0,91	-9,63	-16,88	-8,41	6,59	↓
INL : Investec Ltd	103,76	1,22	7,89	15,65	5,70	-1,57	↑
INP : Investec Plc	104,19	1,20	7,67	16,08	5,43	-1,52	↑
LHC : Life Healthcare Group Holdin	26,50	-0,82	-0,60	-4,50	12,77	-9,23	↓
MEI : Mediclinic International Plc	85,74	-1,80	-9,27	-19,40	-29,15	-18,17	↓
MND : Mondi Ltd	406,85	0,78	-0,82	32,85	16,80	14,66	↓
MNP : Mondi Plc	406,00	0,43	-0,95	32,95	16,47	14,14	↓
MRP : Mr Price Group Ltd	219,10	-1,85	-2,77	-10,52	21,38	53,52	↓
MTN : Mtn Group Ltd	78,17	6,53	-12,16	-42,77	-37,72	5,08	↓
NED : Nedbank Group Ltd	260,00	-1,14	-6,47	1,52	27,85	6,16	↓
NPN : Naspers Ltd-N Shs	3 177,94	0,41	-2,69	-7,91	6,45	69,72	↓
NRP : Nepi Rockcastle Plc	133,73	-0,57	-4,48	-37,38			↓
NTC : Netcare Ltd	27,42	-1,01	-6,58	9,03	17,73	-20,66	↓
OMU : Old Mutual Ltd	29,50	2,08	0,42				↑
RDF : Redefine Properties Ltd	10,10	1,30	-2,42	-5,61	-7,93	-6,96	↓
REM : Remgro Ltd	205,48	-1,89	-4,16	-12,93	-2,41	4,19	↓
RMH : Rmb Holdings Ltd	79,49	0,88	-5,71	0,40	22,44	18,13	↓
SAP : Sappi Limited	91,50	-1,38	-8,86	2,23	6,16	0,56	↓
SBK : Standard Bank Group Ltd	179,03	-0,65	-3,92	-8,50	11,62	28,22	↓
SHP : Shoprite Holdings Ltd	187,67	-3,79	-8,00	-15,15	-8,10	27,89	↓
SLM : Sanlam Ltd	79,61	0,71	0,34	-8,49	16,34	36,30	↑
SOL : Sasol Ltd	550,00	-0,56	-4,51	28,45	45,50	5,32	↓
SPP : Spar Group Limited/The	188,56	-1,09	-8,02	-7,26	12,98	2,82	↓
TBS : Tiger Brands Ltd	267,84	-3,65	-6,44	-41,77	-28,84	16,65	↓
TFG : The Foschini Group Ltd	170,64	-0,70	-2,26	-13,53	26,37	24,11	↓
TRU : Truworths International Ltd	81,25	1,21	-5,57	-13,99	5,34	17,70	↓
VOD : Vodacom Group Ltd	123,80	0,23	-2,05	-15,02	-23,34	-3,27	↓
WHL : Woolworths Holdings Ltd	51,00	1,25	-5,94	-21,91	-14,72	-9,09	↓

Source: Bloomberg & Nedbank CIB

Time 2018/09/21 07:22

## US

- Philadelphia Fed business outlook index surged to 22.9 index points in September, from 11.9 previously, better than consensus of 18. The key driver of the surge was new sales orders and shipments, reflecting still very strong local demand, and stable global demand for US products. Unfilled orders and delivery times lengthened, which clearly indicates that business activity remains upbeat in the region. This explains a rising PMI, and possibly also upbeat economic growth over the medium term.
- The US leading index rose 0.4% month-on-month in August, from 0.7% growth a month earlier, worse than consensus of 0.5%. However, the continued growth of the index suggests that economic activity is likely to continue on a positive trajectory at least over the next six to nine months. The leading indicator is driven by a fall in jobless claims, better consumer goods orders and ISM new orders, and higher stock prices.

**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.**

## UK

- UK retail sales growth eased to 3.3% year-on-year in August, from 3.8% in July, better than consensus of 2.3%. The still upbeat pace of retail activity suggests that domestic demand in the country remains strong.
- Retail growth was driven by non-food sales, and a surge in household goods sales. However, sales of textiles and clothing remained volatile and contracted in August, while internet sales moderated.

**Synopsis: The BOE remains cognisant of inflation above its target, and trade tensions and Brexit negotiations weighing on sentiment and growth. The BOE remains hawkish. 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.**

## Europe

- Eurozone consumer confidence index fell to -2.9 points in September, from -1.9 in August, worse than consensus of -2. The index is now at the lowest since May 2017, and possibly driven by increased trade tensions, vulnerabilities within EMs and other member countries, as well as concerns over tighter monetary policy or an easing in QE.
- Confidence metrics remain very important to keep growth upbeat. If consumer confidence falls consistently over the next few months, it could hamper growth over the medium term.

**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.**

## Japan

- Japanese CPI rose sharply in August, to 1.3% year-on-year, from 0.9% in July, better than consensus of 1.1%.
- The uptick was led by fresh food, utilities, transport, and entertainment costs which all surged in August. However, prices of household goods and clothing declined.
- Despite the surge in headline, which were driven by the most volatile subcomponents, core inflation remained quite low in August, albeit ticking up slightly to 0.4% year-on-year, from 0.3% in July, in line with consensus.

**Synopsis: Japan continues to battle with low inflation and disappointing economic growth, and would likely keep monetary policy unchanged and fairly loose for some time. The tighter labour market have not aided wage growth enough to impact inflation – inflation is likely to remain well below the BOJ target over the medium term, warranting loose monetary policy. Despite recent adjustments to the range in which it commits to buy bonds, policy still remains fairly loose.**



## SA

- The SARB kept interest rates unchanged at 6.5%, in line with our and consensus estimates. We had expected a much more hawkish statement than what was delivered. However, the 4-3 vote split and the reappearance of the 4.5% mid-point mention almost make up for what the statement lacks in hawkishness. Four members voted for an unchanged policy stance, while three members voted for a 25bps hike.
- The SARB now sees inflation at 5.7% in 2019 (up from 5.6% in July) and unchanged at 5.4% in 2020. Upside risks to the inflation estimates have clearly started to materialise, driven by a weaker rand exchange rate and higher oil prices. The SARB's Quarterly Projection Model (QPM) forecasts five hikes (of 25bps each) between now and 2020, unchanged from the last meeting.
- Our headline inflation forecast has risen over the past month as a result of the weaker rand shock materialising. However, we still maintain an inflation profile that is less hawkish than that of the SARB's, with CPI estimates of 4.6%, 5.6% and 5.3% for 2018, 2019 and 2020, respectively. Our core estimates remain far below the SARB's at 4.3% for 2018 and 4.5% for the following two years. We believe that the rand pass-through is much lower in this weak demand environment and that it should limit a surge in core inflation, unless growth rises above its potential.

**Synopsis: As far as the market is concerned, the less-hawkish statement should limit support for the currency in a volatile external environment. However, an impending fiscal stimulus and Mining Charter announcement could negate this in the near term. Given our inflation forecast, we do think that the risk has shifted to a rate hike sooner rather than later. Put differently, we think that the longer the SARB postpones a hike, the larger the hikes required to stabilise the inflation outlook would be. Nonetheless, we believe the magnitude of hikes will be less than what is implied in the SARB's QPM. While we continue to believe that longer-dated local bond yields provide a 'decent' real yield pick-up, after the SARB tempered its hawkishness in today's statement, we could see some near-term, and short-lived, steepening in the yield curve. See [full report](#) for more details.**

# ECONOMIC CALENDAR

[back to top](#)

Nedbank CIB Market Commentary | CIBMarketComm@Nedbank.co.za | +27 11 537 4091

	Country	Event	Period	Survey	Actual	Prior	Revised
<b>20-September</b>							
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	AUG	2,30%	3,30%	3,50%	3,80%
02:30 PM	US	Initial Jobless Claims	NOV 25	210k	201k	204k	-
02:30 PM	US	Continuing Claims	NOV 18	1705k	1645k	1696k	-
02:30 PM	US	Philadelphia Fed Business Outlook	SEP	18,0	22,9	11,9	-
03:09 PM	SA	SARB Announce Interest Rate	MAY F	6,50%	-	6,50%	-
04:00 PM	EC	Consumer Confidence	SEP A	-1,95	-1,90	-1,90	-
04:00 PM	US	Existing Home Sales	AUG	5,37m	5,34m	5,34m	-
04:00 PM	US	Existing Home Sales MoM	AUG	0,47%	0,00%	-0,70%	-
04:00 PM	US	Leading Index	AUG	0,50%	0,40%	0,60%	0,70%
<b>21-September</b>							
01:30 AM	JN	Natl CPI YoY	AUG	1,10%	1,30%	0,90%	-
02:30 AM	JN	Nikkei Japan PMI Mfg	SEP P	-	52,5	52,5	-
09:30 AM	GE	Markit/BME Germany Manufacturing PMI	SEP P	55,7	-	55,9	-
09:30 AM	GE	Markit Germany Services PMI	SEP P	55,0	-	55,0	-
10:00 AM	EC	Markit Eurozone Manufacturing PMI	SEP P	54,5	-	54,6	-
10:00 AM	EC	Markit Eurozone Services PMI	SEP P	54,4	-	54,4	-
10:30 AM	UK	PSNB ex Banking Groups	AUG	GBP 3,4b	-	GBP -2,0b	-
03:45 PM	US	Markit US Manufacturing PMI	SEP P	55,0	-	54,7	-
03:45 PM	US	Markit US Services PMI	SEP P	55,0	-	54,8	-
<b>24-September</b>							
10:00 AM	GE	IFO Business Climate	SEP	103,0	-	103,8	-
10:00 AM	GE	IFO Current Assessment	SEP	106,0	-	106,4	-
10:00 AM	GE	IFO Expectations	SEP	100,3	-	101,2	-
02:30 PM	US	Chicago Fed Nat Activity Index	AUG	-	-	0,13	-
04:30 PM	US	Dallas Fed Manf. Activity	SEP	31,0	-	30,9	-
<b>25-September</b>							
07:00 AM	JN	Leading Index CI	JUL F	-	-	103,5	-
09:00 AM	SA	Leading Indicator	JUL	0,0	-	107,1	-
03:00 PM	US	S&P CoreLogic CS 20-City YoY NSA	JUL	6,20%	-	6,31%	-
04:00 PM	US	Conf. Board Consumer Confidence	SEP	131,5	-	133,4	-
04:00 PM	US	Richmond Fed Manufact. Index	SEP	21	-	24	-

Source: Bloomberg 2018/09/21 07:21

## CONTACTS

<b>Research Analyst</b> <b>Reezwana Sumad</b> (011) 537 4091	<b>Fixed Income and Currency Strategist</b> <b>Walter de Wet</b> (011) 537 4140	<b>Research Publishers</b>  (011) 294 0206
<b>ALM Portfolio Management</b> (011) 535 4042	<b>Bond Trading</b> (011) 535 4021	<b>Credit Derivatives</b> (011) 535 4047
<b>Equities Sales and Distribution</b> (011) 535 4030/31	<b>Forex Business Banking Sales Desk</b> (011) 535 4003	<b>Forex Corporate Sales Desk</b> JHB (011) 535 4002; DBN (031) 327 3000; CTN (021) 413 9300
<b>Forex Institutional Sales Desk</b> (011) 535 4005	<b>Forex Retail Sales Desk</b> (011) 535 4020	<b>Inflation Trading</b> (011) 535 4026
<b>Interest Rate Swaps &amp; FRA's Trading</b> (011) 535 4004	<b>Money Market Business Banking Sales Desk</b> (011) 535 4006	<b>Money Market Corporate Sales Desk</b> JHB (011) 535 4007; DBN (031) 327 3000; CTN (021) 413 9300
<b>Money Market Institutional Sales Desk</b> (011) 535 4008	<b>Non Soft &amp; Soft Commodities Trading</b> (011) 535 4038	<b>Preference shares desk</b> (011) 535 4072

## **Disclaimer**

This report is personal to the recipient and any unauthorised use, redistribution, retransmission or reprinting of this report (whether by digital, mechanical or other means) is strictly prohibited.

The information furnished in this report, brochure, document, material, or communication ("the Commentary"), has been prepared by Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), a registered bank in the Republic of South Africa, with registration number: 1951/000009/06 and having its registered office at 135 Rivonia Road, Sandton, Johannesburg ("Nedbank"). The information contained herein may include facts relating to current events or prevailing market conditions as at the date of this Commentary, which conditions may change and Nedbank shall be under no obligation to notify the recipient thereof or modify or amend this Commentary. The information included herein has been obtained from various sources believed by Nedbank to be reliable and expressed in good faith, however, Nedbank does not guarantee the accuracy and/or completeness thereof and accepts no liability in relation thereto.

Nedbank does not expressly, or by implication represent, recommend or propose that any securities and/or financial or investment products or services referred to in this Commentary are appropriate and or/ suitable for the recipient's particular investment objectives or financial situation. This Commentary should not be construed as "advice" as contemplated in the Financial Advisory and Intermediary Services Act, 37 of 2002 in relation to the specified products. The recipient must obtain its own advice prior to making any decision or taking any action whatsoever.

This Commentary is neither an offer to sell nor a solicitation of an offer to buy any of the products mentioned herein. Any offer to purchase or sell would be subject to Nedbank's internal approvals and agreement between the recipient and Nedbank. Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers and may not be considered to be binding on Nedbank. All risks associated with any products mentioned herein may not be disclosed to any third party and the recipient is obliged to ascertain all such risks prior to investing or transacting in the product or services. Products may involve a high degree of risk including but not limited to a low or no investment return, capital loss, counterparty risk, or issuer default, adverse or unanticipated financial markets fluctuations, inflation and currency exchange. As a result of these risks, the value of the product may fluctuate. Nedbank cannot predict actual results, performance or actual returns and no guarantee, assurance or warranties are given in this regard. Any information relating to past financial performance is not an indication of future performance.

Nedbank does not warrant or guarantee merchantability, non-infringement or third party rights or fitness for a particular purpose. Nedbank, its affiliates and individuals associated with them may have positions or may deal in securities or financial products or investments identical or similar to the products.

This Commentary is available to persons in the Republic of South Africa, financial services providers as defined in the FAIS Act, as well as to other investment and financial professionals who have experience in financial and investment matters.

All rights reserved. Any unauthorized use or disclosure of this material is prohibited. This material may not be reproduced without the prior written consent of Nedbank, and should the information be so distributed and/or used by any recipients and/or unauthorized third party, Nedbank disclaims any liability for any loss of whatsoever nature that may be suffered by any party by relying on the information contained in this Commentary.

Certain information and views contained in this Commentary are proprietary to Nedbank and are protected under the Berne Convention and in terms of the Copyright Act 98 of 1978 as amended. Any unlawful or attempted illegal copyright or use of this information or views may result in criminal or civil legal liability.

All trademarks, service marks and logos used in this Commentary are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.

Nedbank Limited is a licensed Financial Services Provider and a Registered Credit Provider (FSP License Number 9363 and National Credit Provider License Number NCRCP 16).