

# DAILY MARKET COMMENTARY

19 October 2018



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(\* when available)*

## KEY DAILY DRIVERS

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## SNIPPETS

(Fixed Income)	SAGB yields marginally higher, risk-off develops in the afternoon ahead of the NY open
(Currencies)	Both global and local factors weigh on the rand, dollar remains strong, weighing on majors
(Commodities)	Gold remains elevated despite easing somewhat; Brent breaks below \$80/bbl.
(Equities)	The JSE and world markets remain under pressure, weighed down by global economic concerns. Disappointing Chinese GDP data adds to the negative sentiment
(Economics)	SA mining production slumps in August; UK retail sales growth eases, Asian data this morning

## KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
18/10	SA	Mining production	-9.1%/-4%/-4.1%	Mining output hampered by weak commodity prices and demand
18/10	US	Leading indicator	--/0.5%/0.4%	Leading index remains upbeat, reflecting on-going growth over the next 6 months
23/10	SA	Leading index	--/--/105.4	Leading indicator expected to remain lacklustre, mirroring confidence in the economy
24/10	SA	CPI	--/4.8%/4.9%	We expect CPI to remain unchanged in September, but to rise in October as transport inflation increases

Source: Nedbank

## CONTACT FOR QUERIES

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# 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	
R204-0,2 yrs	6,12	-1,05	-20,05	-93,85	-101,65	↓
R208-2,4 yrs	7,70	1,00	-18,60	14,10	1,60	↓
R186-8,2 yrs	9,17	0,20	18,00	57,90	38,60	↑
R2048-29,4 yrs	10,09	0,20	17,40	37,40	22,00	↑
US10 yr	3,18	-0,17	11,57	77,15	85,92	↑
UK 10 yr	1,54	-3,70	-3,50	34,80	22,30	↓
German 10 yr	0,42	-4,50	-5,40	-1,10	2,00	↓
Japan 10 yr	0,15	-0,30	1,90	10,10	8,20	↑

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	0,00	2,50	-13,30	0,00	↑
SA 3m NCD	6,95	-7,50	0,00	-20,00	-5,00	→
SA 6m NCD	7,63	-2,50	5,00	2,50	20,00	↑
SA 12m NCD	8,33	-2,50	2,50	42,50	45,00	↑
US3m LIBOR	2,47	1,94	7,06	77,47	110,64	↑
UK 3m LIBOR	0,80	0,04	0,36	28,28	42,07	↑
Japan 3m LIBOR	-0,09	-0,55	-3,42	-6,48	-5,19	↓

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	7,25	0,00	9,00	36,00	31,00	↑
6X9 FRA	7,39	0,00	4,00	3,00	4,00	↑
9X12 FRA	7,52	0,00	1,00	73,00	64,00	↑
18X21 FRA	7,86	0,00	4,00	88,00	81,00	↑
SA 2yr Swap	7,54	-0,90	3,10	60,42	55,85	↑
SA 3yr Swap	7,75	0,00	6,00	69,50	63,25	↑
SA 5yr Swap	8,07	0,00	9,00	74,00	64,00	↑
SA 10yr Swap	8,62	0,00	11,00	69,00	59,50	↑
SA 15yr Swap	8,88	0,00	13,50	72,00	57,20	↑

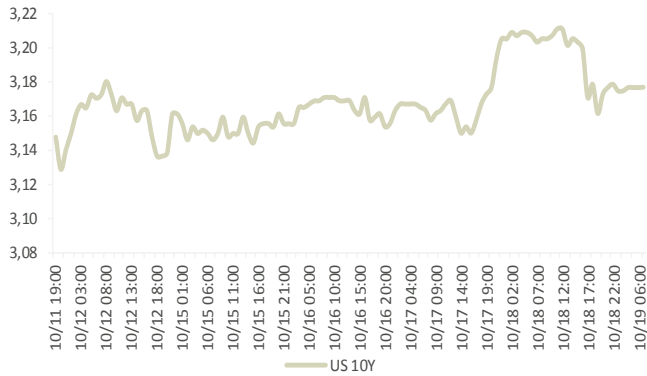
Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
2v10y	-1,08	-0,90	-7,90	-8,58	-3,65	↓
3v10y	-0,87	0,00	-5,00	0,50	3,75	↓
R186-R204	3,04	1,25	38,05	151,75	140,25	↑
R2048-R186	0,92	-0,00	-0,60	-20,50	-16,60	↓
5y-R186	-1,10	-0,20	-9,00	16,10	25,40	↓
10y-R186	-0,55	-0,20	-7,00	11,10	20,90	↓
15y-R186	-0,29	-0,20	-4,50	14,10	18,60	↓
SA 5yr CDS spread - basis points	222,03	6,67	19,58	65,08	51,16	↑

Source: Bloomberg & Nedbank CIB

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## US 10 year yield

### US 10 year yield

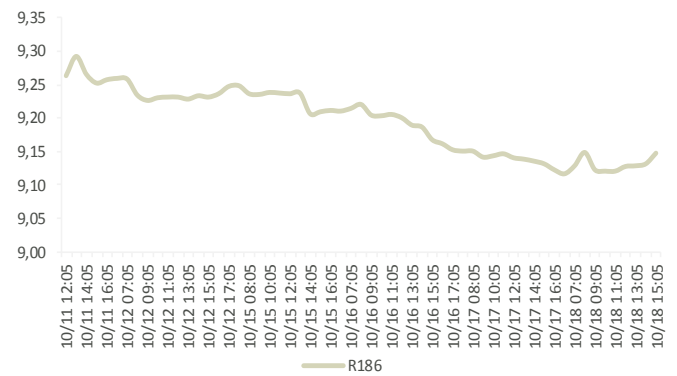


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Source: Bloomberg, Nedbank

## SA 10 year yield

### SA 10 year yield



2018/10/19 07:24

Source: Bloomberg, Nedbank

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- The local session opened with the rand trading in the high 14.20s. After some initial resilience, when it traded marginally below the 14.20 level, the local unit traded steadily weaker for most of the day, and by the time of the local close, the rand was trading at 14.3725. In the overnight session, weak sentiment continued to prevail as various contributory factors manifested themselves in the price, and the rand traded to a high of 14.4925 in the New York session. This morning, the rand is currently trading at 14.4300, the EURZAR is trading at 16.5365 and the GBPZAR is trading at 18.7875.
- On the international front, the major currency pairs lost ground as the dollar rebounded on the back of the FOMC minutes and the euro sold off as Italy's budget had the country at loggerheads with the EU. The EURUSD traded steadily weaker to touch a low of 1.1450 last night and is currently trading at 1.1460. Gold held steady to firmer as global risk-off sentiment provided support and gained some USD5 yesterday. This morning, it is currently trading unchanged at 1,227.50.
- Data releases scheduled for today: no local releases; from Europe, we have current account data; from the UK, we have public finances and public-sector net borrowing; and from the US, we have existing home sales. This morning, we have already had the release of China's Q3 GDP, which disappointed and has left Far East markets generally weaker.
- The rand has traded on the back foot due to both global and local factors – the US interest rate outlook, combined with the standoff between Italy and the EU, and the escalation and effects of the trade war that appear to have manifested themselves in China data, with emerging markets trading weaker across the board.
- Possible trading range for the rand today: 14.2500 to 14.6000

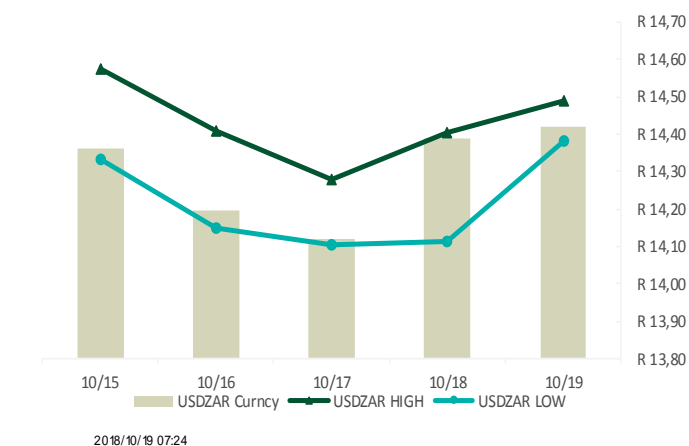
Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1,30	-0,15	-0,06	-3,63	-1,06	↓	USD strength
EURUSD	1,15	-0,11	-1,25	-4,55	-3,18	↓	USD strength
USDJPY	112,46	0,26	-1,10	0,20	-0,09	↓	USD weakness
USDAUD	1,41	0,06	1,60	9,80	10,77	↑	USD strength
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14,42	0,22	1,92	14,12	5,86	↑	ZAR weakness
GBPZAR	18,78	0,07	1,85	10,95	4,86	↑	ZAR weakness
EURZAR	16,52	0,11	0,66	10,09	2,77	↑	ZAR weakness
AUDZAR	10,25	0,16	0,31	5,73	-4,29	↑	ZAR weakness
ZARJPY	7,80	0,04	-3,10	-15,76	-6,32	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	50,47	-0,24	-1,66	-16,11	-5,93	↓	ZAR weakness
ZARBWP (Botswana pula)	0,74	-0,23	-0,62	-6,83	-2,18	↓	ZAR weakness
ZARKES (Kenyan shilling)	7,01	-0,22	-1,73	-18,98	-8,89	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2,37	-1,45	-2,55	-15,35	-5,89	↓	ZAR weakness
ZARNGN (Nigerian naira)	25,17	-0,22	-2,21	-15,42	-5,20	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0,34	-0,81	-4,60	-9,07	3,34	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0,83	0,83	-1,85	3,29	13,62	↓	ZAR weakness
ZARMZN (Mozambican metical)	4,19	-0,21	-2,34	-12,93	-7,35	↓	ZAR weakness
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	3,72	0,97	-8,79	11,03	14,84	↓	USD weakness
USDTRY (Turkish Lira)	5,63	-0,05	-7,64	32,49	34,96	↓	USD weakness
USDMXN (Mexican Peso)	19,11	-0,18	2,07	-2,85	1,49	↑	USD strength
USDINR (Indian Rupee)	73,45	-0,22	1,30	13,04	11,45	↑	USD strength
USD RUB (Russian Ruble)	65,72	-0,02	0,25	12,22	12,72	↑	USD strength

Source: Bloomberg & Nedbank CIB  
Time: 20/10/19 07:24

*\*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

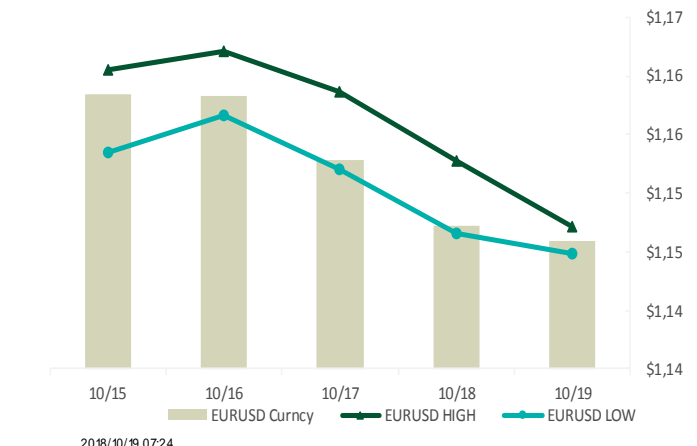
\$/R (close, high and low)



Source: Bloomberg, Nedbank

## EUR/USD

€/€ (close, high and low)



Source: Bloomberg, Nedbank

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- Oil is poised for a second weekly drop after a larger-than-expected gain in stockpiles. Futures are headed for a 3.4% drop this week.
- Gold is heading for a third straight week of gains, the longest stretch since January, amid renewed interest metal as a safe haven. Bullion for immediately delivery +0.2% to \$1,227.96/oz; +0.9% this week.
- Silver +0.2% this week. Platinum -1% this week. Palladium +0.7% this week.
- Copper heads for biggest weekly loss in two months, as weakness in China's equities and currency keeps metals under pressure. Copper little changed at \$6,161/ton; -2.2% this week. Zinc, lead drop; nickel +0.4% after 7 daily declines.

Source: Bloomberg

Commodities	Last price	%Δ				MTD trend
		-1d	MTD	YTD	12Month	
Brent near future (\$)	79,51	0,28	-3,88	18,90	38,93	↓
WTI crude (\$)	68,85	0,29	-6,01	13,95	34,24	↓
Gold spot (\$)	1227,69	-0,01	2,95	-5,77	-4,66	↑
Platinum spot (\$)	830,78	0,17	1,82	-10,50	-10,06	↑
SA white maize spot (R)	2401,00	-0,62	1,35	26,37	24,66	↑

Source: Bloomberg & Nedbank CIB  
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## SA white maize

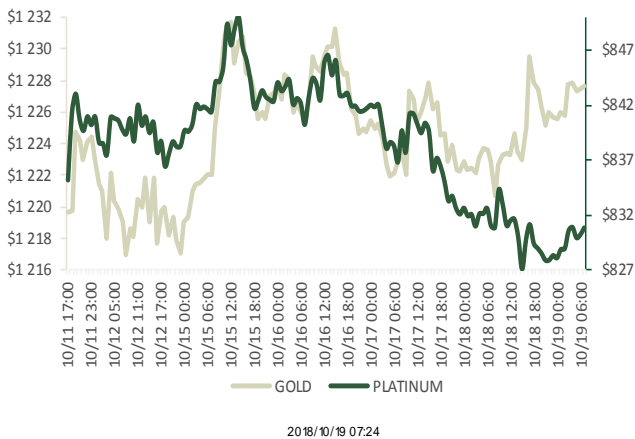
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

## Platinum vs Gold

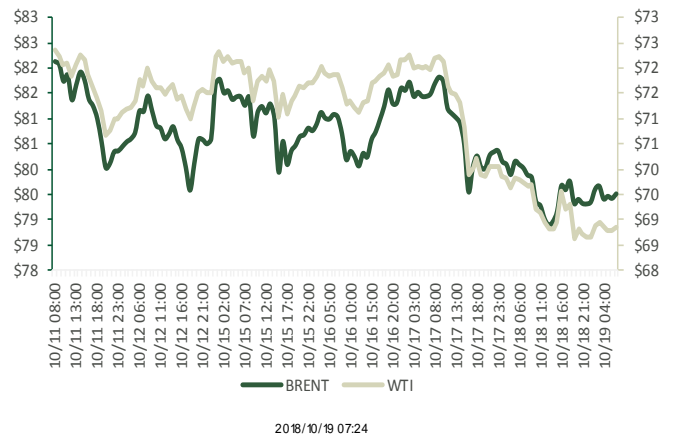
Platinum vs. Gold



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 continued lower on Thursday, with the Top40 losing 0.49% to close at 45,936. Mediclinic International added to Wednesday's steep losses, falling a further 7.80% with a number of brokers downgrading the stock. Astral Foods plummeted 8.58% following a disappointing trading update, citing lower poultry sales volumes due to weaker consumer demand as a result of higher fuel prices and the VAT increase impacting the consumer. Steinhoff rallied 7.46% after Dutch investor group VEB agreed to hold off legal action until 1 April 2019, to give the retailer time to reorganise the business and prepare audited financial statements. The value traded at the close was R21.4bn, and the rand was trading at 14.35 vs the dollar.

## UK/Europe

- After starting the day on a positive note, European shares turned negative in afternoon trading as concerns of rising interest rates and a weaker open on Wall Street dragged markets lower. The tech sector was the worst performer, losing 2.1%, with the banking sector also losing ground, ending the day down 1.7%. One of the world's biggest cement makers, Heidelberg Cement, fell 8.6% after cutting its profit guidance, citing bad weather in the US and higher-than-expected energy cost inflation. This weighed on the sector, with the likes of Lafarge Holcim losing 3.9%.
- On the upside, French supermarket operator Carrefour surged 9.3% after reporting accelerated sales growth in France and Brazil. The DAX fell 1.07%, the CAC40 lost 0.55% and the FTSE100 declined 0.39%.

## USA

- US stocks ended the session lower as budget concerns in Italy and the strained relationship between the US and Saudi Arabia weighed on markets.
- US Treasury Secretary Steven Mnuchin pulled out of an upcoming investment conference in Saudi Arabia as the White House awaits the outcome of investigations into the disappearance of Saudi journalist Jamal Khashoggi. Tech and consumer discretionary stocks were among the worst performers, with the sectors losing more than 2%, while only the utilities and real estate sectors closed in the black. The Dow lost 1.3%, the S&P 500 fell 1.4% and the Nasdaq slumped 2.1%.

## Asia

- Asian markets are trading lower this morning, taking their cue from the weak overnight close in the US and coming under further pressure after GDP growth in China missed estimates, marking the weakest pace of economic growth since the first quarter of 2009.
- The Nikkei was heading for its third straight week of declines, with the index down over 1%. In Hong Kong, Tencent was down 1.21% at the time of writing. In Australia, material stocks led the declines, with the mining index down as much as 1.7%.
- BHP Billiton and Rio Tinto were down 0.78% and 1.79%, respectively, while South32 lost 2.6%. Copper, nickel and aluminium traded in the red as China's growth concerns and higher US interest rates weighed on the metals.

Developed Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Dow Jones	25 379,45	-1,27	-4,08	2,67	9,57	24,33	↓
Nasdaq	7 485,14	-2,06	-6,97	8,43	13,32	27,16	↓
S&P 500	2 768,78	-1,44	-4,98	3,56	8,07	18,42	↓
DJ Eurostoxx 50	3 211,59	-0,97	-5,52	-8,34	-10,84	5,70	↓
DAX	11 589,21	-1,07	-5,37	-10,28	-10,78	11,51	↓
CAC	5 116,79	-0,55	-6,86	-3,69	-4,68	8,43	↓
FTSE	7 026,99	-0,39	-6,43	-8,60	-6,59	7,10	↓
ASX200	5 939,50	-0,05	-4,32	-2,07	0,74	6,42	↓
Nikkei 225	22 396,27	-1,16	-7,15	-1,62	4,42	16,18	↓
MSCI World	2 064,48	-1,20	-5,47	-1,85	1,53	19,65	↓

Emerging Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Hang Seng	25 430,42	-0,09	-8,49	-15,00	-9,69	35,19	↓
Shanghai	2 492,99	0,26	-11,64	-24,62	-26,03	5,46	↓
Brazil Bovespa	83 847,12	-2,24	5,68	9,74	9,92	28,22	↑
India - NSE	34 414,91	-1,05	-5,00	1,05	5,62	27,91	↓
Russia Micex	2 378,62	-1,36	-3,91	12,74	14,76	-7,69	↓
MSCI Emerging	970,90	-1,30	-7,35	-16,19	-13,07	34,35	↓

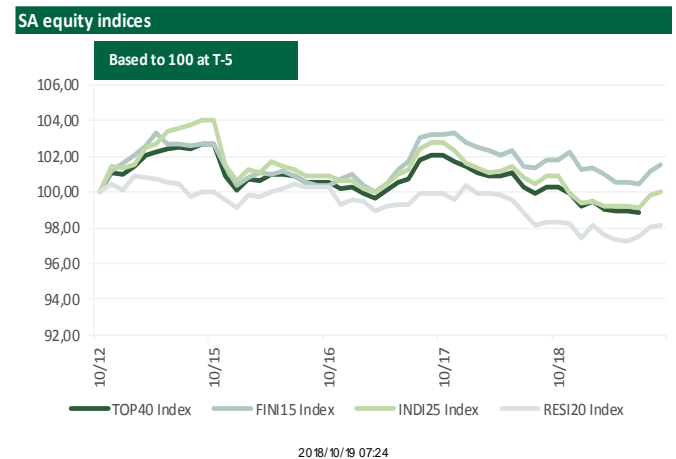
  

SA Indices	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
JSE All Share	52 132,60	-0,49	-6,42	-12,39	-9,96	17,47	↓
Top 40	45 935,95	-0,49	-7,24	-12,56	-10,85	19,66	↓
Resi 10	41 255,18	-0,11	-4,51	13,67	14,69	13,03	↓
Indi 25	62 839,90	-0,85	-8,48	-20,54	-20,91	23,03	↓
Fini 15	15 499,67	-0,26	-6,49	-13,28	-1,76	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>23 October 2018</b>		
BCF	Bowler Metcalf Ltd	dividend @ 21.54cps
COM	Comair Limited	dividend @ 17cps
CSP500	CoreShares SP500	dividend @ 21.9338cps
GLPROP	CoreShares Global Prop	dividend @ 70.264890cps
IBLUSD	IBL USDZAR Oct46	dividend @ 2600.6040cps
IMRP5	IM Redeemable Pref Jul23	dividend @ 52.516590cps
NTCP	Netcare Limited Pref	dividend @ 413.630140cps

Source: JSE

# JSE PERFORMANCE

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2017 Performance	MTD trend
ABG : Absa Group Ltd	146,42	-0,23	-3,59	-19,55	-0,39	7,05	↓
AGL : Anglo American Plc	310,66	-0,05	-2,85	21,53	21,92	29,43	↓
ANG : Anglogold Ashanti Ltd	141,05	1,34	15,24	9,66	9,81	-14,78	↑
APN : Aspen Pharmacare Holdings Lt	153,61	-3,18	-9,31	-44,65	-51,92	-1,62	↓
BID : Bid Corp Ltd	281,39	1,86	-4,59	-6,51	-8,94	20,93	↓
BIL : Bhp Billiton Plc	293,00	0,46	-5,30	16,94	18,10	11,95	↓
BTI : British American Tobacco Plc	617,40	0,31	-7,54	-25,57	-28,57	6,38	↓
BVT : Bidvest Group Ltd	188,50	-0,33	1,89	-13,57	5,71	21,18	↑
CFR : Financiere Richemont-Dep Rec	102,79	-0,52	-11,44	-8,02	-16,26	24,15	↓
CLS : Clicks Group Ltd	158,18	0,08	-9,61	-12,67	0,59	54,21	↓
CPI : Capitec Bank Holdings Ltd	987,45	1,26	-3,59	-10,07	6,18	58,44	↓
DSY : Discovery Ltd	150,57	-0,05	-11,43	-19,05	2,64	61,26	↓
FSR : Firstrand Ltd	60,83	-1,22	-10,37	-9,55	12,75	25,00	↓
GRT : Growthpoint Properties Ltd	23,95	0,46	3,10	-13,41	-5,89	6,59	↑
INL : Investec Ltd	90,81	0,84	-8,76	1,21	-8,11	-1,57	↓
INP : Investec Plc	91,41	1,09	-8,36	1,84	-7,86	-1,52	↓
LHC : Life Healthcare Group Holdin	23,98	0,50	-2,36	-13,59	-9,34	-9,23	↓
MEI : Mediclinic International Plc	68,19	-7,80	-14,23	-35,90	-40,81	-18,17	↓
MND : Mondi Ltd	350,00	0,61	-9,91	14,29	7,63	14,66	↓
MNP : Mondi Plc	347,75	0,73	-10,52	13,87	7,23	14,14	↓
MRP : Mr Price Group Ltd	224,46	-2,47	-1,66	-8,34	23,60	53,52	↓
MTN : Mtn Group Ltd	84,58	0,44	-3,43	-38,08	-32,06	5,08	↓
NED : Nedbank Group Ltd	235,24	-0,32	-11,11	-8,15	7,14	6,16	↓
NPN : Naspers Ltd-N Shs	2 724,94	-1,17	-10,71	-21,04	-16,28	69,72	↓
NRP : Nepi Rockcastle Plc	127,00	0,39	-1,20	-40,53	-34,63		↓
NTC : Netcare Ltd	23,78	-0,34	-1,78	-5,45	-6,27	-20,66	↓
OMU : Old Mutual Ltd	22,85	0,04	4,17				↑
RDF : Redefine Properties Ltd	9,67	-0,10	-3,49	-9,63	-11,45	-6,96	↓
REM : Remgro Ltd	184,95	-1,63	-6,24	-21,63	-15,93	4,19	↓
RMH : Rmb Holdings Ltd	69,23	-0,14	-12,53	-12,56	5,66	18,13	↓
RNI : Reinet Investments Sca	237,80	0,34	-9,62	-13,21			↓
SAP : Sappi Limited	78,11	-2,91	-11,99	-12,73	-16,01	0,56	↓
SBK : Standard Bank Group Ltd	163,11	-0,42	-6,79	-16,64	-4,32	28,22	↓
SHP : Shoprite Holdings Ltd	185,88	0,84	-3,01	-15,96	-13,24	27,89	↓
SLM : Sanlam Ltd	71,66	-0,80	-9,42	-17,63	-0,86	36,30	↓
SOL : Sasol Ltd	509,90	-1,90	-6,87	19,09	30,28	5,32	↓
SPP : Spar Group Limited/The	176,89	2,50	-3,93	-13,00	1,25	2,82	↓
TBS : Tiger Brands Ltd	255,97	-1,72	-3,41	-44,35	-35,09	16,65	↓
TFG : The Foschini Group Ltd	158,99	-3,00	-8,29	-19,43	15,14	24,11	↓
TRU : Truworths International Ltd	79,37	-1,46	-4,95	-15,98	2,47	17,70	↓
VOD : Vodacom Group Ltd	122,75	-1,22	-2,53	-15,74	-20,65	-3,27	↓
WHL : Woolworths Holdings Ltd	48,01	-0,68	-3,21	-26,49	-17,22	-9,09	↓

Source: Bloomberg & Nedbank CIB

Time 20/18/19 07:24

## UK

- UK retail sales growth remained positive but eased slightly to 3% year-on-year in September, from 3.4% in August, worse than consensus of 3.6%. Positive drivers of retail activity were sales of clothing and footwear, and non-food products. Internet sales eased sharply, along with sales of fuel and textiles, and sales of food products slumped.
- While local demand is still quite upbeat, it has taken strain from Brexit uncertainty, and issues over trade uncertainties in the UK. GDP growth has been driven by local consumer spending and will continue to do so in the near term. The medium-term outlook is clouded by some deterioration in consumer demand, and output losses as a result of Brexit.

**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.**

## Japan

- Japanese CPI eased to 1.2% year-on-year in September, from 1.3% previously, worse than consensus for no change.
- Lower food, housing, entertainment and medical care prices drove headline inflation lower. However, core inflation was marginally higher, at 1% year-on-year in September, possibly signalling that underlying inflationary pressures are starting to pick up.

**Synopsis: Japan continues to battle with low inflation and disappointing economic growth and would likely keep monetary policy unchanged and loose for some time. The tighter labour market has 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 remains loose.**

## China

- Chinese GDP growth fell to 1.6% quarter-on-quarter in Q3, from 1.8% in Q2, in line with consensus. On an annualised basis, GDP growth eased to 6.5% year-on-year, from 6.7% in Q2, worse than consensus of 6.6%. growth in the secondary industry slowed, while primary and tertiary sector growth remained upbeat. A slowdown in manufacturing output was the key driver of the growth slowdown.
- Retail sales growth rose to 9.2% year-on-year in September, from 9% previously, better than consensus for no change. Sharply higher disposable incomes may have supported consumer spending in September. Spending on all products accelerated, apart from jewellery and automobiles.
- Industrial production growth eased to 5.8% year-on-year in September, from 6.1% previously, worse than consensus of 6%. The slowdown was driven by the manufacturing industry, as both utilities and mining production advanced in September. The slowdown in manufacturing output was as a result of food, metals and automobile production, which had eased sharply recently. Trade war uncertainty, higher tariffs in the US and a slowdown in global growth are likely to cap any gains in China's industrial sector, and likely to hamper trade and growth over the medium term.

**Synopsis: China's PBOC have started to ease liquidity in order to counter the effects of the trade war with the US. However, inflation remains below the target and so interest rates are likely to be kept low for some time. Geopolitical and trade tensions are likely to weigh on growth over the medium term. In such an environment, monetary policy will likely be kept loose for some time.**

## SA

- Mining production contracted by 9.1% year-on-year in August, from a 4.1% decline in July, significantly worse than consensus of -4%. Over the month, mining output fell 1.2%, from -8.3% in July. While mining output has grown by 2.6% in the three months to August, as we get a third consecutive monthly contraction in September, this would imply a significant drag on Q3 real GDP growth as mining would contribute negatively towards growth (after the positive Q2).
- In August, all categories of mineral products contracted, apart from manganese ore and coal. The largest negative drivers of the decline in mining production were iron ore, gold and PGMs. The only positive contributor was coal production. The fall in commodity prices in August may have limited production, while the sharply weaker rand exchange rate probably supported sales and exports of mineral products.
- Despite the sharp fall in production, mineral sales growth has remained fairly upbeat – this is what we saw in the manufacturing industry in Q2, in which there was a significant inventory draw down to support sales of manufactured items, while actual production contracted. Inventories in the manufacturing industry have started to be restocked in Q3, possibly providing an uplift to Q3 growth. Mineral sales have grown by a solid 4.1% in the three months to August, continuing with the positive trend from Q2. This could imply a significant inventory draw down in the mining industry to support sales in Q3, while actual mining output contracts. While this would represent a drag on growth in Q3, inventories would need to be replenished in Q4, which could provide a boost to Q4 growth.

**Synopsis: Overall, mining output is highly dependent on a solid global recovery and minimal disruptions to global trade, both of which do not look promising over the medium term. While global demand has held up well in recent months, the risk is still to the downside, as on-going trade war threats and a deceleration in global growth limit prospects for commodity prices and SA's mining output over the medium term.**



# ECONOMIC CALENDAR

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	Country	Event	Period	Survey	Actual	Prior	Revised
<b>18-October</b>							
01:50 AM	JN	Exports YoY	SEP	2,10%	-1,20%	6,60%	-
01:50 AM	JN	Imports YoY	SEP	13,70%	7,00%	15,40%	-
01:50 AM	JN	Trade Balance Adjusted	SEP	JPY -333,4b	JPY -238,9b	JPY -190,4b	JPY -191,0b
08:00 AM	GE	Wholesale Price Index YoY	SEP	-	3,50%	3,80%	-
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	SEP	3,60%	3,00%	3,30%	3,40%
11:17 AM	SA	Mining Production YoY	AUG	-4,00%	-9,06%	-5,20%	-4,10%
11:18 AM	SA	Gold Production YoY	AUG	-	-15,46%	-15,00%	-14,90%
11:19 AM	SA	Platinum Production YoY	AUG	-	-6,96%	-6,20%	-
02:30 PM	US	Initial Jobless Claims	NOV 25	211k	210k	214k	-
02:30 PM	US	Continuing Claims	NOV 18	1663k	1640k	1660k	-
02:30 PM	US	Philadelphia Fed Business Outlook	OCT	20,0	22,2	22,9	-
04:00 PM	US	Leading Index	SEP	0,50%	0,50%	0,40%	-
<b>19-October</b>							
01:30 AM	JN	Natl CPI YoY	SEP	1,30%	1,20%	1,30%	-
04:00 AM	CH	Industrial Production YoY	SEP	6,00%	5,80%	6,10%	-
04:00 AM	CH	Retail Sales YoY	SEP	9,00%	9,20%	9,00%	-
04:00 AM	CH	GDP SA QoQ	3Q	1,60%	1,60%	1,80%	-
04:00 AM	CH	GDP YoY	3Q	6,60%	6,50%	6,70%	-
10:00 AM	EC	ECB Current Account SA	AUG	-	-	EUR 21,3b	-
10:30 AM	UK	PSNB ex Banking Groups	SEP	GBP 4,5b	-	GBP 6,8b	-
04:00 PM	US	Existing Home Sales	SEP	5,29m	-	5,34m	-
04:00 PM	US	Existing Home Sales MoM	SEP	-0,94%	-	0,00%	-
<b>22-October</b>							
11:00 AM	EC	Govt Debt/GDP Ratio	2017	-	-	86,70%	-
02:30 PM	US	Chicago Fed Nat Activity Index	SEP	0,25	-	0,18	-
<b>23-October</b>							
08:00 AM	GE	PPI YoY	SEP	2,95%	-	3,10%	-
09:00 AM	SA	Leading Indicator	AUG	0,0	-	105,4	-
04:00 PM	EC	Consumer Confidence	OCT A	-3,00	-	-2,90	-
04:00 PM	US	Richmond Fed Manufact. Index	OCT	24	-	29	-

Source: Bloomberg 2018/10/19 07:24

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