

DAILY MARKET COMMENTARY

31 October 2018



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KEY DAILY DRIVERS

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SNIPPETS

(Fixed Income)	Yields higher as risk off hampers bonds
(Currencies)	The rand remains range-bound, majors weaken on dollar strength
(Commodities)	Brent sharply lower due to weaker demand prospects and rising supplies; Gold price slightly lower
(Equities)	The JSE and European markets end lower. US markets end the session sharply higher, shrugging off trade war concerns, with Asian markets trading mostly higher, taking their cue from a strong US close
(Economics)	SA unemployment rate rises further in Q3; Budget posts positive surprise; Eurozone GDP disappoints

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
30/10	SA	Unemployment rate	27.5%/27.4%/27.2%	Unemployment rate likely to remain elevated because of low investment and growth levels
30/10	EZ	GDP	0.2%/0.4%/0.4%	GDP growth likely to remain unchanged and upbeat
30/10	SA	Budget	3.4b/-5b/-7.9b	Budget balance improves on the back of better revenue collection in September
31/10	SA	Trade balance	--/4.2b/8.8b	Trade balance to post small surplus as exports rise
31/10	Global	PMIs	--	PMIs expected to decline amidst trade tensions and lower global growth
31/10	US	ADP employment	--/187k/230k	Employment gains remain positive in the US

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
R204-0,1 yrs	6,04	-7,40	-28,50	-102,30	-131,00	↓
R208-2,4 yrs	7,72	-0,10	-16,50	16,20	-24,90	↓
R186-8,1 yrs	9,26	0,30	27,00	66,90	24,00	↑
R2048-29,3 yrs	10,17	0,40	25,10	45,10	16,00	↑
US10 yr	3,14	1,71	7,86	73,43	76,04	↑
UK 10 yr	1,40	0,00	-17,40	20,90	6,40	↓
German 10 yr	0,37	-0,80	-10,10	-5,80	0,20	↓
Japan 10 yr	0,12	0,20	-0,60	7,60	5,30	↓

Money Market	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
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	0,00	0,00	20,00	-20,00	→
SA 3m JIBAR	7,02	0,00	1,70	-14,10	-3,30	↑
SA 3m NCD	6,95	-7,50	0,00	-20,00	-10,00	→
SA 6m NCD	7,68	2,00	10,00	7,50	12,50	↑
SA 12m NCD	8,40	0,00	10,00	50,00	25,00	↑
US3m LIBOR	2,54	1,44	14,26	84,67	116,42	↑
UK 3m LIBOR	0,81	-0,34	1,05	28,97	37,77	↑
Japan 3m LIBOR	-0,09	-0,18	-3,70	-6,77	-4,78	↓

Source: Bloomberg & Nedbank CIB

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FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
3X6 FRA	7,31	0,50	14,50	41,50	15,50	↑
6X9 FRA	7,42	0,00	4,00	3,00	4,00	↑
9X12 FRA	7,58	-0,50	6,50	78,50	24,50	↑
18X21 FRA	7,87	-1,50	4,50	88,50	34,50	↑
SA 2yr Swap	7,56	-0,62	5,28	62,60	22,78	↑
SA 3yr Swap	7,75	0,50	6,50	70,00	26,00	↑
SA 5yr Swap	8,06	0,00	8,00	73,00	26,00	↑
SA 10yr Swap	8,58	-1,50	7,50	65,50	23,00	↑
SA 15yr Swap	8,85	-1,50	10,50	69,00	22,65	↑

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
2v10y	-1,02	0,88	-2,22	-2,90	-0,22	↓
3v10y	-0,83	2,00	-1,00	4,50	3,00	↓
R186-R204	3,22	7,70	55,50	169,20	155,00	↑
R2048-R186	0,91	0,10	-1,90	-21,80	-8,00	↓
5y-R186	-1,20	-0,30	-19,00	6,10	2,00	↓
10y-R186	-0,68	-1,80	-19,50	-1,40	-1,00	↓
15y-R186	-0,41	-1,80	-16,50	2,10	-1,35	↓
SA 5yr CDS spread - basis points	233,39	1,18	30,95	76,45	48,34	↑

Source: Bloomberg & Nedbank CIB

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US 10 year yield

US 10 year yield

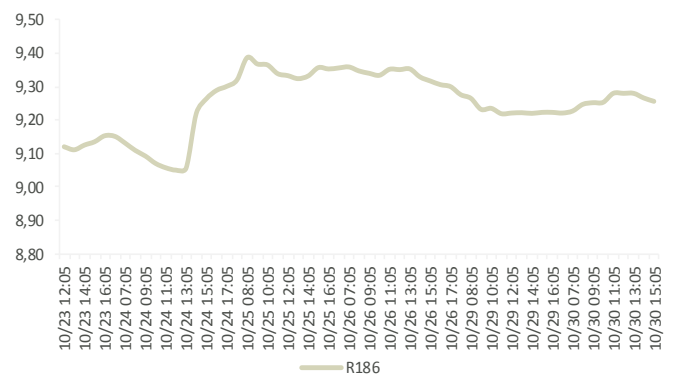


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Source: Bloomberg, Nedbank

SA 10 year yield

SA 10 year yield



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Source: Bloomberg, Nedbank

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- The local trading session opened with the rand trading in the mid-14.60s after some initial demand for dollars, which saw the local unit trade to a high of 14.7250. At these levels, dollar sellers emerged and the rand managed to recover to a best level of 14.5500 on the day, closing the session trading at 14.5950. This morning, the rand is marginally weaker as China's PMI data disappoints; as a result, it is currently trading around the 14.6600 level. The EURZAR is trading at 16.6270 and the GBPZAR is trading at 18.6325.
- On the international front, the major currency pairs were largely range-bound, with the EURUSD trading between 1.1347 and 1.1386. This morning, it is currently trading at 1.1340 as the dollar recovers. The GBPUSD is currently trading at 1.2710, having traded above 1.2800 at the same time yesterday. After a generally resilient performance of late, gold has traded steadily weaker going into month-end; this morning, it is currently trading at 1,217.50, some USD10 off from the same time yesterday.
- Data releases scheduled for today: locally, we have trade data; from Europe, we have the French CPI and PPI as well as Eurozone unemployment; and from the US, we have mortgage applications, ADP employment, the employment cost index and the Chicago PMI.
- The rand continues to trade in a relatively confined range; any moves below the 14.50 level have not been sustained of late; similarly, prices extending beyond the 14.7500 level have thus far been short-lived. Despite the SARB's view that the rand is undervalued, global factors and local fundamentals are not supportive of this view, and the local unit appears to be generally vulnerable.
- Possible trading range for the rand today: 14.5000 to 14.7500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1,27	-0,01	-2,46	-5,94	-4,24	↓	USD strength
EURUSD	1,13	-0,08	-2,28	-5,54	-2,64	↓	USD strength
USDJPY	113,31	0,38	-0,34	-0,55	-0,33	↓	USD weakness
USDAUD	1,41	0,15	1,89	10,12	8,07	↑	USD strength

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14,65	0,06	3,47	15,47	3,49	↑	ZAR weakness
GBPZAR	18,62	0,07	1,02	10,20	-0,77	↑	ZAR weakness
EURZAR	16,61	-0,02	1,20	10,58	0,88	↑	ZAR weakness
AUDZAR	10,39	-0,07	1,61	6,95	-4,33	↓	ZAR weakness
ZARJPY	7,74	0,33	-3,96	-16,72	-3,95	↓	ZAR weakness

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	49,76	-0,01	-3,11	-17,77	-3,18	↓	ZAR weakness
ZARBWP (Botswana pula)	0,74	-0,08	-1,12	-7,36	-0,85	↓	ZAR weakness
ZARKES (Kenyan shilling)	6,96	-0,07	-2,49	-19,86	-5,49	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2,33	-1,26	-4,17	-17,17	-5,89	↓	ZAR weakness
ZARNGN (Nigerian naira)	24,78	-0,08	-3,84	-17,26	-2,71	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0,33	-0,09	-5,60	-10,12	6,15	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0,80	0,55	-5,70	-0,36	11,21	↓	ZAR weakness
ZARMZN (Mozambican metical)	4,16	-0,08	-3,02	-13,68	-3,02	↓	ZAR weakness

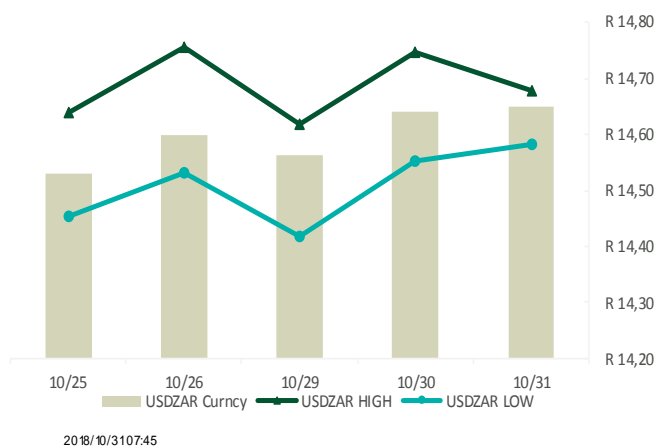
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	3,70	-0,57	-9,51	10,44	11,31	↓	USD weakness
USDTRY (Turkish Lira)	5,49	-0,03	-10,39	30,76	30,84	↓	USD weakness
USDMXN (Mexican Peso)	20,08	-0,16	6,77	2,09	4,71	↑	USD strength
USDINR (Indian Rupee)	74,05	0,51	2,11	13,75	12,57	↑	USD strength
USDRUB (Russian Ruble)	65,62	0,01	0,11	12,09	11,13	↑	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

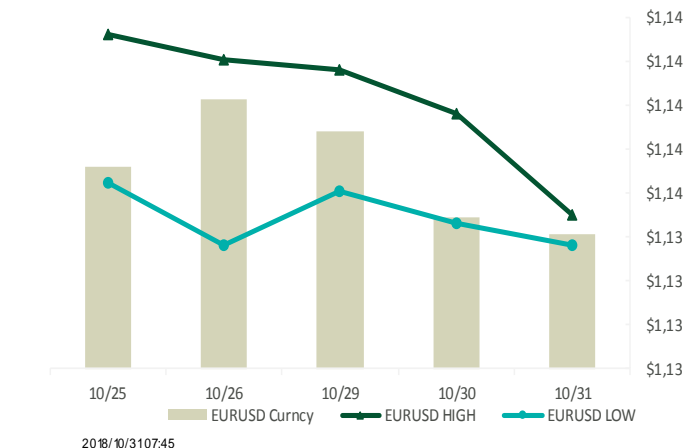
\$/R (close, high and low)



Source: Bloomberg, Nedbank

EUR/USD

€/€ (close, high and low)



Source: Bloomberg, Nedbank

- Oil is on track for its worst month since 2016 as the spectre of a slowing global economy haunts the market that's grappling with growing U.S. inventories and mixed signals from producers. Futures are poised for a 9.3% drop this month, ending two months of gains.
- Metals mixed, with most heading for monthly losses, as an official gauge of Chinese manufacturing activities worsened, adding to growth concerns in Asia's top economy amid the trade war with the U.S. LME zinc steady at \$2,549/ton; heading for eighth monthly loss in nine. LME copper +0.1% to \$6,040/ton, -3.5% this month.
- Iron ore futures retreated from their best close in almost 8 months after weaker-than-expected factory activity underlined growing headwinds for the world's second-biggest economy. Iron ore -0.9% to 534 yuan/ton on DCE. Source: Bloomberg

Commodities	Last price	%Δ				MTD trend
		-1d	MTD	YTD	12Month	
Brent near future (\$)	76,40	0,65	-7,64	14,25	24,49	↓
WTI crude (\$)	66,45	0,41	-9,28	9,98	22,20	↓
Gold spot (\$)	1217,65	-0,43	2,11	-6,54	-4,15	↑
Platinum spot (\$)	834,52	0,02	2,28	-10,10	-9,14	↑
SA white maize spot (R)	2426,00	0,04	2,41	27,68	20,64	↑

Source: Bloomberg & Nedbank CIB
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SA white maize

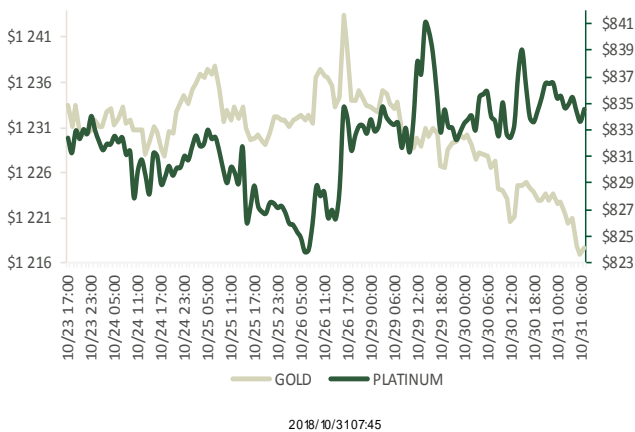
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

Platinum vs Gold

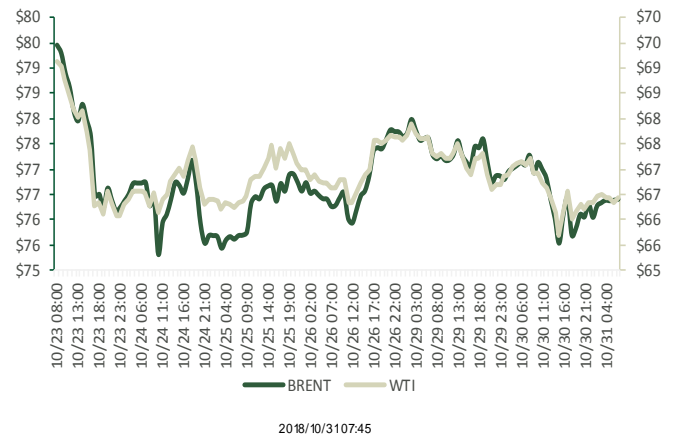
Platinum vs. Gold



Source: Bloomberg, Nedbank

Brent Crude vs West Texas Intermediate

Brent Crude vs West Texas Intermediate



Source: Bloomberg, Nedbank

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South Africa

- The JSE started firmer, but gains were short-lived, with the Top40 ending the day down 1.28% at 44,534.60.
- Naspers was the biggest drag on the index, losing 3.55%.
- Imperial slumped 6.8% after its AGM statement disappointed, citing challenging trading conditions.
- Aspen stood out among the gainers, adding 4.74% on a slight rebound after recent sharp losses.
- The value traded at the close was R18.9bn, and the ZAR was trading at 14.59 vs the dollar.

UK/Europe

- European markets ended a choppy day of trading mostly lower, with a weaker Wall Street and ongoing concerns surrounding the trade dispute between the US and China weighing on sentiment. Some disappointing quarterly results added to the weakness.
- Swiss plumbing supplier Geberit lost 9.3% after cutting its sales outlook, and Lufthansa tumbled 8.1% after missing profit estimates.
- BNP Paribas was the worst performer on the CAC40, falling 2.8% after reporting lower-than-expected third-quarter revenues.
- On the upside, Volkswagen and BP added 3% and 2.2%, respectively, on strong earnings reports. The FTSE added 0.1%, the DAX lost 0.4% and the CAC40 fell 0.22%.

USA

- US markets closed well in positive territory, buoyed by solid gains in the chip and transport sectors; evidence of bargain hunting was seen after the recent sell-off.
- All 11 S&P 500 sectors closed in the black. The Philadelphia semiconductor index surged 4.2%, with Intel outperforming, adding 5.2%.
- General Electric tumbled 8.8% after substantially reducing its dividend and announcing it was facing a deeper accounting probe. The Dow added 1.77%, the S&P 500 gained 1.57% and the Nasdaq rose 1.58%.

Asia

- Asian markets are firmer this morning, tracking the strong US close last night. In Japan, chip-related stocks outperformed, in line with their US counterparts. Sony Corp. rallied 7% after it lifted its profit outlook by 30%, citing growing demand for its online gaming services.
- Chinese and Hong Kong stocks were also stronger, despite the weaker-than-expected Chinese manufacturing data.
- Tencent was up 0.09% at the time of writing. Australian stocks were little changed, with gains in the energy and financial sectors offsetting losses in the metals and healthcare sectors. BHP Billiton and Rio Tinto were down 0.78% and 0.44%, respectively.

Developed Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Dow Jones	24 874,64	1,77	-5,99	0,63	6,41	24,33	↓
Nasdaq	7 161,65	1,58	-11,00	3,74	6,45	27,16	↓
S&P 500	2 682,63	1,57	-7,94	0,34	4,17	18,42	↓
DJ Eurostoxx 50	3 147,13	-0,25	-7,42	-10,18	-14,34	5,70	↓
DAX	11 287,39	-0,42	-7,83	-12,62	-14,68	11,51	↓
CAC	4 978,53	-0,22	-9,37	-6,29	-9,54	8,43	↓
FTSE	7 035,85	0,14	-6,32	-8,48	-6,10	7,10	↓
ASX200	5 830,30	0,43	-6,08	-3,87	-1,33	6,42	↓
Nikkei 225	21 882,05	1,98	-9,28	-3,88	-0,59	16,18	↓
MSCI World	1 997,19	1,09	-8,55	-5,05	-1,95	19,65	↓

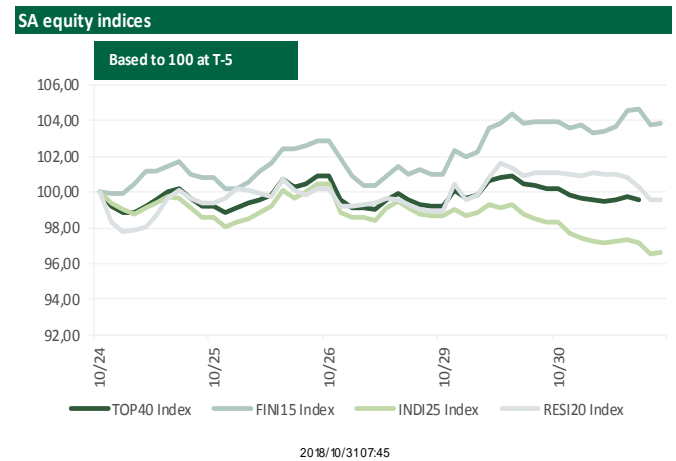
Emerging Markets	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Hang Seng	24 793,32	0,85	-10,78	-17,13	-12,22	35,19	↓
Shanghai	2 594,63	1,04	-8,04	-21,55	-23,54	5,46	↓
Brazil Bovespa	86 885,71	3,69	9,51	13,72	16,93	28,22	↑
India - NSE	33 713,71	-0,52	-6,94	-1,01	1,51	27,91	↓
Russia Micex	2 299,98	-0,74	-7,09	9,02	11,42	-7,69	↓
MSCI Emerging	936,30	0,16	-10,65	-19,18	-16,33	34,35	↓

SA Indices	Last price	%Δ				2017 Performance	MTD trend
		-1d	MTD	YTD	12Month		
JSE All Share	50 756,59	-1,10	-8,89	-14,70	-13,94	17,47	↓
Top 40	44 534,57	-1,28	-10,07	-15,23	-15,29	19,66	↓
Resi 10	39 785,43	-1,56	-7,91	9,62	6,81	13,03	↓
Indi 25	59 942,75	-1,66	-12,70	-24,21	-26,76	23,03	↓
Fini 15	15 756,97	-0,04	-4,94	-11,84	2,16	18,54	↓

Source: Bloomberg & Nedbank CIB

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Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

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	152,50	0,46	0,41	-16,20	8,82	7,05	↑
AGL : Anglo American Plc	301,03	-2,33	-5,87	17,76	13,56	29,43	↓
ANG : Anglogold Ashanti Ltd	142,20	0,12	16,18	10,56	9,11	-14,78	↑
APN : Aspen Pharmacare Holdings Lt	151,87	4,74	-10,34	-45,27	-52,46	-1,62	↓
BID : Bid Corp Ltd	268,48	0,37	-8,97	-10,80	-13,67	20,93	↓
BIL : Bhp Billiton Plc	283,39	-1,65	-8,41	13,11	11,02	11,95	↓
BTI : British American Tobacco Plc	644,54	-2,57	-3,48	-22,30	-29,17	6,38	↓
BVT : Bidvest Group Ltd	182,50	-0,27	-1,35	-16,32	6,41	21,18	↓
CFR : Financiere Richemont-Dep Rec	103,37	-1,18	-10,94	-7,50	-20,69	24,15	↓
CLS : Clicks Group Ltd	181,47	1,66	3,70	0,19	14,54	54,21	↑
CPI : Capitec Bank Holdings Ltd	992,71	1,15	-3,08	-9,59	5,63	58,44	↓
DSY : Discovery Ltd	152,67	0,44	-10,19	-17,92	4,18	61,26	↓
FSR : Firstrand Ltd	64,57	-0,05	-4,86	-3,99	25,99	25,00	↓
GRT : Growthpoint Properties Ltd	22,56	-0,84	-2,88	-18,44	-7,96	6,59	↓
INL : Investec Ltd	89,80	0,44	-9,78	0,09	-6,89	-1,57	↓
INP : Investec Plc	89,96	0,62	-9,81	0,22	-6,78	-1,52	↓
LHC : Life Healthcare Group Holdin	24,05	-0,29	-2,08	-13,33	-8,21	-9,23	↓
MEI : Mediclinic International Plc	67,80	1,18	-14,72	-36,27	-37,76	-18,17	↓
MND : Mondi Ltd	335,00	-0,95	-13,77	9,39	2,98	14,66	↓
MNP : Mondi Plc	333,76	-1,17	-14,12	9,29	2,49	14,14	↓
MRP : Mr Price Group Ltd	228,40	-1,97	0,06	-6,73	30,33	53,52	↑
MTN : Mtn Group Ltd	86,86	0,13	-0,82	-36,41	-29,25	5,08	↓
NED : Nedbank Group Ltd	248,14	1,20	-6,23	-3,11	19,66	6,16	↓
NPN : Naspers Ltd-N Shs	2 370,00	-3,55	-22,34	-31,32	-31,20	69,72	↓
NRP : Nepi Rockcastle Plc	126,34	-0,50	-1,71	-40,84	-36,08		↓
NTC : Netcare Ltd	24,00	0,71	-0,87	-4,57	-3,58	-20,66	↓
OMU : Old Mutual Ltd	22,85	-1,04	4,17				↑
RDF : Redefine Properties Ltd	9,55	0,00	-4,69	-10,75	-9,99	-6,96	↓
REM : Remgro Ltd	187,07	0,96	-5,16	-20,73	-12,58	4,19	↓
RMH : Rmb Holdings Ltd	74,08	-0,90	-6,41	-6,43	18,53	18,13	↓
RNI : Reinet Investments Sca	245,49	-0,61	-6,70	-10,41			↓
SAP : Sappi Limited	81,63	-0,97	-8,02	-8,79	-13,80	0,56	↓
SBK : Standard Bank Group Ltd	163,48	-1,42	-6,58	-16,45	-0,32	28,22	↓
SHP : Shoprite Holdings Ltd	176,72	-2,90	-7,79	-20,10	-12,67	27,89	↓
SLM : Sanlam Ltd	71,90	1,40	-9,11	-17,36	1,70	36,30	↓
SOL : Sasol Ltd	472,77	-1,51	-13,65	10,41	14,29	5,32	↓
SPP : Spar Group Limited/The	172,47	0,72	-6,33	-15,18	3,67	2,82	↓
TBS : Tiger Brands Ltd	264,80	1,37	-0,08	-42,43	-31,40	16,65	↓
TFG : The Foschini Group Ltd	160,72	-1,70	-7,30	-18,55	18,61	24,11	↓
TRU : Truworths International Ltd	81,50	-1,51	-2,40	-13,73	8,15	17,70	↓
VOD : Vodacom Group Ltd	121,83	1,59	-3,26	-16,37	-20,68	-3,27	↓
WHL : Woolworths Holdings Ltd	50,15	0,00	1,11	-23,21	-11,00	-9,09	↑

Source: Bloomberg & Nedbank CIB

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US

- Consumer confidence in the US rose to 137.9 points in October, from 135.3 previously, better than consensus of 135.9.
- Both sentiment over the current situation and expectations of the future improved, along with employment prospects, business conditions, and income prospects.
- More households indicated a greater willingness to purchase homes and cars, as well as take a vacation. Inflation expectations continued to rise, with 1-year average inflation expected at 4.8%.

Synopsis: The Fed remains increasingly hawkish, as economic growth has surprised to the upside, despite concerns from rising geopolitical and trade uncertainty. Furthermore, inflation is at or above its 2% inflation target, and the Fed foresees inflation remaining close to its target over the medium term. As a result, it is seeing one more rate hike this year, and three hikes in 2019. Any deterioration in growth or inflation metrics are likely to compromise this view.

Europe

- Eurozone GDP growth eased to 0.2% quarter-on-quarter in Q3, from 0.4% in Q2 and expected. The key driver of the weakness was German growth, which would have been impacted by adverse trade developments and a slowdown in global growth.
- In contrast, growth in France rebounded, but GDP growth in Italy stalled, reflecting a mixed performance within the Eurozone. These are advance numbers, and final figures will provide more detail in coming weeks.
- The Eurozone Business Climate Indicator fell to 1.01 points in October, from 1.21 previously, worse than consensus of 1.16. Economic confidence, as well as sentiment in the industrial and services sectors deteriorated. The above may be an early indication that economic activity may have started to slow in the Eurozone, particularly as trade conditions remain fragile.

Synopsis: The ECB is committed to weaning the economy off its support by ending QE activity by the end of the year. Economic activity remains upbeat despite the recent disappointment, while inflation is currently above its target of 2%. The ECB is likely to maintain its hawkish tone, but to maintain an accommodative monetary policy stance at least until 3Q19 when it may decide on raising interest rates.

Japan

- Industrial production growth in Japan slumped in September, falling by 2.9% year-on-year from 0.2% growth in August, worse than consensus of -2.1%. Adverse weather conditions limited output and exports, with shipments contracted by 3% over the month.
- The recent slowdown may be temporary as corporate spending is expected to pick up, and early surveys indicate the same in October. A key risk to the outlook for Japanese industrial production is the on-going trade war tensions between the US and China that has already dampened global trade activity.

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.

SA

- The Quarterly Labour Force Survey (QLFS) showed a 2.1% q/q increase in the number of people unemployed in Q3, employment only rose by 0.6% over the quarter, while the labour force grew by 1%. The unemployment rate rose to 27.5% in Q3, from 27.2% in Q2, worse than consensus of 27.4%. The labour absorption rate remains unchanged at 43.1%, while the labour force participation rate rose to 59.5%, from 59.1% in Q2, as the labour force grew.
- The informal economy was a significant employer in Q3 (+6.7% q/q), while the formal sector shed 65k jobs. Importantly though, the number of discouraged work-seekers fell sharply over the quarter, perhaps suggesting that some of these people possibly found jobs in the informal economy. Total employment rose by 92k, while unemployment rose by 127k.
- The following industries shed jobs in Q3: mining, manufacturing, private households, transport and community services. The biggest drop in employment was seen in the private household's industry. The following industries created jobs in Q3: finance and other business services, trade and construction. NEET rates (Not in Employment, Education and Training) rose to 39% in Q3, from 38.3% in Q2, implying that SA still has one of the highest youth unemployment rates in the world.
- The SA monthly budget posted its first September surplus since 2008, with a small surplus of R3.4 billion recorded in September 2018, after a deficit of R7.9 billion in August. This came in ahead of forecasts of -R5 billion. With a sharply reduced growth assumption, greater expenditure pressures in the form of SOE bail-outs, and a risk of further revenue slippage if growth surprises to the downside, we find it hard to believe in NT's promise of fiscal consolidation. We do believe that the main budget deficit will remain well above the 4% (of GDP) level over the medium and long run, unless real GDP growth of 3% or more is achieved. Gross debt to GDP levels are likely to surpass the 60% mark over the long run, unless there is a greater effort to reduce expenditures and achieve fiscal consolidation.

Synopsis: Structural unemployment is likely to remain quite elevated, as a bulk of the people unemployed are unemployable due to a lack of skills, education and experience. Unless investment levels and training initiatives pick up, we are unlikely to see significant inroads made in reducing the unemployment rate. Over the long run, investment pledges will need to materialise in order to raise employment levels and improve the absorptive capacity of the private sector.

ECONOMIC CALENDAR

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	Country	Event	Period	Survey	Actual	Prior	Revised
30-October							
01:30 AM	JN	Jobless Rate	SEP	2,40%	2,30%	2,40%	-
01:30 AM	JN	Job-To-Applicant Ratio	SEP	1,63	1,64	1,63	-
11:30 AM	SA	South Africa Unemployment	3Q	27,4%	27,5%	27,2%	-
12:00 PM	EC	Consumer Confidence	OCT A	-2,70	-2,70	-2,70	-
12:00 PM	EC	Business Climate Indicator	OCT	1,16	1,01	1,21	-
12:00 PM	EC	Economic Confidence	OCT	110,0	109,8	110,9	-
12:00 PM	EC	GDP SA QoQ	3QA	0,40%	0,20%	0,40%	-
12:00 PM	EC	GDP SA YoY	3QA	1,80%	1,70%	2,10%	2,20%
02:06 PM	SA	South Africa Budget	SEP	ZAR -5,0b	ZAR 3,4b	ZAR -7,9b	-
03:00 PM	GE	CPI YoY	MAY F	2,40%	2,50%	2,30%	-
03:00 PM	US	S&P CoreLogic CS 20-City YoYNSA	AUG	5,80%	5,49%	5,92%	5,90%
04:00 PM	US	Conf. Board Consumer Confidence	OCT	135,9	137,9	138,4	135,3
31-October							
01:50 AM	JN	Industrial Production YoY	SEP P	-2,10%	-2,90%	0,20%	-
05:08 AM	JN	BOJ 10-Yr Yield Target	OCT 31	0,00%	0,00%	0,00%	-
05:08 AM	JN	BOJ Policy Balance Rate	OCT 31	-0,10%	-0,10%	-0,10%	-
09:00 AM	GE	Retail Sales YoY	SEP	1,00%	-	1,60%	-
12:00 PM	EC	CPI Core YoY	OCT A	1,05%	-	0,90%	-
12:00 PM	EC	Unemployment Rate	SEP	8,10%	-	8,10%	-
12:00 PM	EC	CPI Estimate YoY	OCT	2,20%	-	2,10%	-
02:00 PM	SA	Trade Balance Rand	SEP	4,2b	-	8,8b	-
02:15 PM	US	ADP Employment Change	OCT	187k	-	230k	-
03:45 PM	US	Chicago Purchasing Manager	OCT	60,0	-	60,4	-
01-November							
12:00 AM	SA	Naamsa Vehicle Sales YoY	OCT	-1,7%	-	-2,0%	-
03:45 AM	CH	Caixin China PMI Mfg	OCT	50,0	-	50,0	-
11:00 AM	SA	Barclays Manufacturing PMI	OCT	44,0	-	43,2	-
11:30 AM	UK	Markit UK PMI Manufacturing SA	OCT	53,0	-	53,8	-
02:00 PM	UK	Bank of England Bank Rate	NOV 1	0,75%	-	0,75%	-
02:00 PM	UK	BOE Asset Purchase Target	NOV	GBP 435b	-	GBP 435b	-
02:00 PM	UK	BOE Corporate Bond Target	NOV	GBP 10b	-	GBP 10b	-
04:00 PM	US	ISM Manufacturing	OCT	59,0	-	59,8	-
02-November							
02:30 PM	US	Trade Balance	SEP	USD -53,6b	-	USD -53,2b	-
02:30 PM	US	Average Hourly Earnings YoY	OCT	3,1%	-	2,8%	-
02:30 PM	US	Change in Nonfarm Payrolls	OCT	195k	-	134k	-
02:30 PM	US	Labor Force Participation Rate	OCT	62,7%	-	62,7%	-
02:30 PM	US	Unemployment Rate	OCT	3,7%	-	3,7%	-
04:00 PM	US	Factory Orders	SEP	0,5%	-	2,3%	-
04:00 PM	US	Factory Orders Ex Trans	SEP	-	-	0,1%	-

Source: Bloomberg 2018/10/31 07:45

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