

DAILY MARKET COMMENTARY

22 March 2019



[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

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

SNIPPETS

(Fixed Income)	SAGBs rally sharply as the Fed pauses interest rate hikes, investors search for yield pick-up
(Currencies)	Local focus now shifts to Moody's
(Commodities)	Oil hovered near a four-month high as a rising dollar capped crude's rally; Gold is poised for a third straight weekly gain as investors assessed the Fed's policy shift to a prolonged pause in monetary policy tightening
(Equities)	US markets close higher, buoyed by tech stocks and the Fed's policy statement, which was more dovish than expected. Asian markets are trading mostly lower, with Tencent losing more than 1% following disappointing fourth-quarter results
(Economics)	SA CPI rises in February, Retail sales growth disappoints despite rising in January; US Fed increasingly dovish, BOE remains cautious ahead of Brexit finalisation

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
20/03	SA	CPI	4.1%/4.1%/4%	CPI higher as a result of administered prices
20/03	SA	Retail sales	1.2%/1.4%/-1.6%	Retail sales growth expected to recover slowly in Q1
20/03	US	FOMC interest rate decision	2.5%/2.5%/2.5%	Fed likely to keep rates unchanged, however markets watch for any QE announcement or dovish revision to its dot plot projections
21/03	UK	CPI	1.9%/1.8%-1.8%	CPI rises on the back of food and alcohol inflation
21/03	UK	BOE interest rate decision	0.75%/0.75%/0.75%	BOE likely to remain cautious in the midst of a disruptive Brexit
21/03	US	Leading index	--/0.1%/0%	Leading index set to rise, a reflection of the real economy
26/03	SA	Leading index	--/--/105.2	Leading index likely to remain constrained by weak confidence levels

Source: Nedbank

CONTACT FOR QUERIES

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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				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
R208-2 yrs	7,12	0,50	8,60	12,40	11,10	↑
R186-7,8 yrs	8,78	2,30	6,80	-9,20	69,70	↑
R2048-28,9 yrs	9,88	0,60	6,40	-2,10	83,20	↑
US10 yr	2,61	-0,54	-10,81	-7,73	-28,90	↓
UK 10 yr	1,19	-1,00	-11,60	-9,10	-25,90	↓
German 10 yr	0,10	1,40	-8,60	-14,50	-47,20	↓
Japan 10 yr	-0,04	0,10	-1,70	-4,20	-8,20	↓

Money Market	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
SA repo rate	6,75	0,00	0,00	0,00	0,00	→
SA prime rate	10,25	0,00	0,00	0,00	0,00	→
SA CPI (MTD=previous month)	4,00		-50,00	-50,00	-40,00	↓
SA 3m JIBAR	7,15	0,00	0,00	0,00	2,50	→
SA 3m NCD	7,13	-1,25	-2,50	0,00	-2,50	↓
SA 6m NCD	7,73	0,00	2,50	-2,50	17,50	↑
SA 12m NCD	8,25	1,25	7,50	-7,50	37,50	↑
US3m LIBOR	2,61	-1,99	-0,24	-19,49	39,03	↓
UK 3m LIBOR	0,84	-0,64	-1,24	-7,28	22,53	↓
Japan 3m LIBOR	-0,08	-0,20	-0,33	-0,90	-2,60	↓

Source: Bloomberg & Nedbank CIB
Time: 2019/03/20 07:44

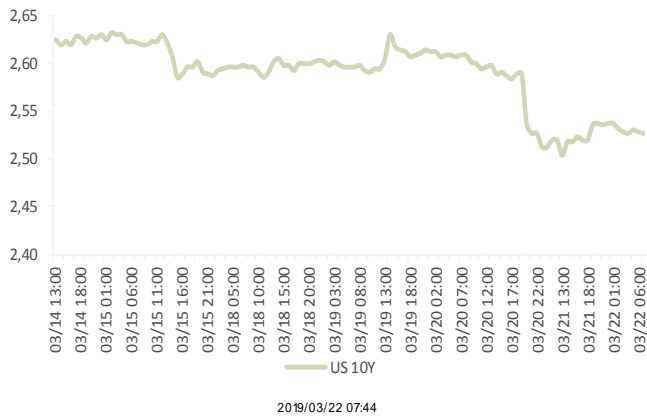
FRAs and Swaps	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
3X6 FRA	7,13	0,00	3,50	-8,00	29,00	↑
6X9 FRA	7,13	0,00	4,00	3,00	4,00	↑
9X12 FRA	7,14	0,00	4,50	-19,50	44,50	↑
18X21 FRA	7,26	0,00	8,00	-20,50	47,50	↑
SA 2yr Swap	7,18	0,20	4,60	-15,50	38,00	↑
SA 3yr Swap	7,27	-3,00	3,50	-18,00	33,30	↑
SA 5yr Swap	7,51	-0,50	3,50	-16,50	39,20	↑
SA 10yr Swap	8,04	-1,50	0,00	-15,00	42,70	→
SA 15yr Swap	8,30	-3,00	-0,50	-16,50	35,80	↓

Spreads	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
2v10y	-0,86	1,70	4,60	-0,50	-4,70	↑
3v10y	-0,77	-1,50	3,50	-3,00	-9,40	↑
R186-R208	1,65	-1,20	-3,20	-23,00	61,90	↓
R2048-R186	1,14	3,15	4,15	11,65	26,15	↑
5y-R186	-1,18	3,45	6,75	2,75	-30,65	↑
10y-R186	-0,64	2,45	3,25	4,25	-27,15	↑
15y-R186	-0,38	0,95	2,75	2,75	-34,05	↑
SA 5yr CDS spread - basis points	192,94	1,55	18,08	-30,01	33,57	↑

Source: Bloomberg & Nedbank CIB
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US 10 year yield

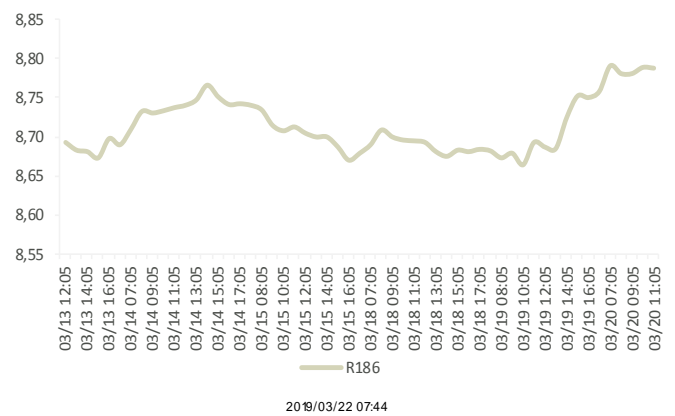
US 10 year yield



Source: Bloomberg, Nedbank

SA 10 year yield

SA 10 year yield



Source: Bloomberg, Nedbank

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

- On Wednesday, the rand opened the local trading session trading in the low 14.50s. Price action after the open was initially cautious, but once the rand breached back sub the 14.50 handle, it traded steadily firmer to trade to a best level of 14.3575 as we ended the day. It traded much firmer after the local close, due to a dovish FOMC. This morning, the rand is currently trading at 14.2150.
- International markets saw the EUR again trading within a limited range – between 1.1337 and 1.1365 – ahead of the FOMC. This morning, the EURUSD is currently trading at 1.1377. As a result of Brexit headlines regarding a request by the UK government for a three-month extension of Article 50, the GBPUSD traded from a high of 1.3280 down to 1.3147, before closing the day trading at 1.3190. This morning, the GBPUSD is currently trading at 1.3135. Gold traded back from the opening levels around 1,305.00 to close the day trading just around the 1,300.00 level; it is currently trading at 1,308.00.
- Data releases scheduled for today: no local releases; from Europe, we have PMI releases for France, Germany and the zone; and from the US, we have the manufacturing PMI, services PMI, wholesale inventories, existing home sales and monthly budget data.
- Possible trading range for the rand today: 14.1000-14.3500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1,31	0,60	-0,94	3,09	-6,83	↓	USD strength
EURUSD	1,14	0,23	-0,03	-0,64	-7,51	↓	USD strength
USDJPY	110,81	-0,04	-0,47	-1,04	4,56	↓	USD weakness
USDAUD	1,41	-0,04	-0,13	-0,92	8,57	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14,21	-0,07	0,99	-1,22	17,01	↑	ZAR weakness
GBPZAR	18,67	0,51	0,03	1,76	10,91	↑	ZAR weakness
EURZAR	16,17	0,15	0,96	-1,87	10,27	↑	ZAR weakness
AUDZAR	10,10	-0,01	1,11	-0,36	9,89	↑	ZAR weakness
ZARJPY	7,80	0,02	-1,49	2,26	-15,02	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	51,31	0,05	-1,06	1,22	-19,93	↓	ZAR weakness
ZARBWP (Botswana pula)	0,75	-0,28	-0,47	0,31	-8,34	↓	ZAR weakness
ZARKES (Kenyan shilling)	7,09	0,06	-0,22	0,17	-20,91	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2,43	0,42	0,06	1,91	-15,77	↑	ZAR strength
ZARNGN (Nigerian naira)	25,41	0,03	-0,93	0,57	-20,17	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0,36	0,03	-8,12	6,72	-2,63	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0,84	-0,13	-1,44	1,84	4,09	↓	ZAR weakness
ZARMZN (Mozambican metical)	4,42	0,03	-0,67	4,37	-20,21	↓	ZAR weakness
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	3,79	0,44	0,99	-2,30	13,73	↑	USD strength
USDTRY (Turkish Lira)	5,47	-0,03	2,40	3,22	28,14	↑	USD strength
USDMXN (Mexican Peso)	18,85	-0,11	-2,16	-4,31	1,88	↓	USD weakness
USDINR (Indian Rupee)	68,65	-0,27	-3,06	-1,63	5,15	↓	USD weakness
USDRUB (Russian Ruble)	63,91	0,10	-3,03	-8,56	10,67	↓	USD weakness

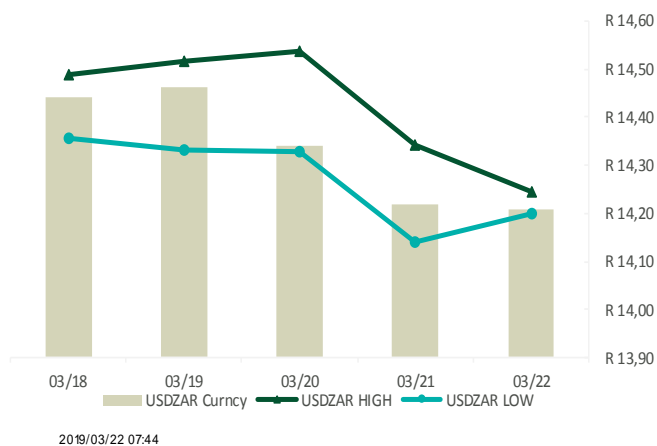
Source: Bloomberg & Nedbank CIB

Time 2019/03/22 07:44

*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)

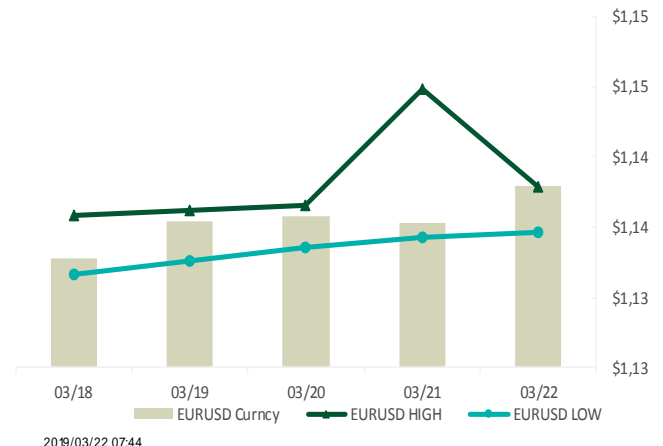


2019/03/22 07:44

Source: Bloomberg, Nedbank

EUR/USD

€/€ (close, high and low)



2019/03/22 07:44

Source: Bloomberg, Nedbank

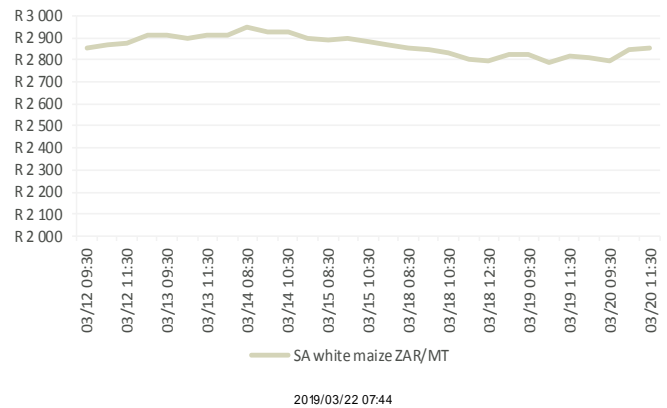
- Oil hovered near a four-month high as a rising dollar capped crude's rally. Futures fell 0.4% after climbing above \$60 a barrel on Wednesday for the first time since November. Gold is poised for a third straight weekly gain as investors assessed the Fed's policy shift to a prolonged pause in monetary policy tightening. Spot gold little changed at \$1,310.20/oz; +0.6% this week.
- Silver +0.1%. Platinum -0.1%. Palladium +0.1%; prices hit record \$1,614.88/oz on Thursday. Copper posted a second straight loss as the dollar rose and traders digested the Fed's diminished outlook for global growth, sapping earlier gains. LME copper -0.6% to settle at \$6,421/ton. Tin closed unchanged in London, while aluminium, lead, nickel, tin and zinc fell. Iron ore futures rebounded from the biggest drop since June after Vale SA closed another mine in Brazil while a cyclone heads for Australia's key producing region. Dalian iron ore closes +1.2% at 612 yuan/ton. Source: Bloomberg

Commodities	Last price	%Δ				MTD trend
		-1d	MTD	YTD	12Month	
Brent near future (\$)	67,59	-0,03	2,36	25,63	0,25	👆
WTI crude (\$)	58,87	-0,27	2,88	29,64	-7,15	👆
Gold spot (\$)	1305,13	-0,19	-0,77	1,84	-0,55	👇
Platinum spot (\$)	858,03	0,61	-1,68	7,91	-9,21	👇
SA white maize spot (R)	2 814,00	0,57	2,78	-3,96	45,35	👆

Source: Bloomberg & Nedbank CIB
Time: 2019/03/20 07:44

SA white maize

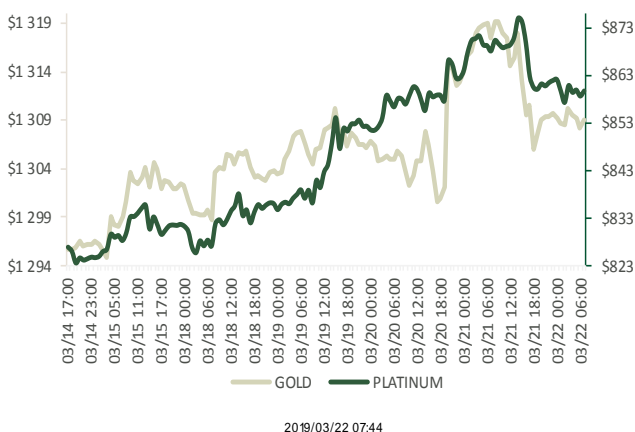
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

Platinum vs Gold

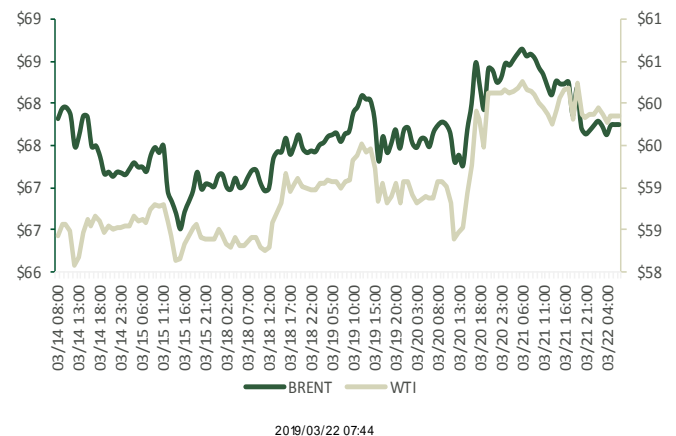
Platinum vs. Gold



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 tracked global peers lower on Wednesday, with the Top40 ending the day down 1.28% at 49,827.60.
- Most sectors closed in the red, with financial and retail stocks among the worst performers.
- Platinum counters continued to outperform, with the likes of Northam and Impala Platinum adding 3.88% and 1.01%, respectively.
- Sibanye Gold added to the recent strength, climbing a further 1.09% on news the labour court had declared the extension of the wage agreement to the AMCU valid and lawful.
- The value traded was well above average due to futures close out, with R45bn changing hands, and the ZAR was trading at 14.38 vs the USD.

UK/Europe

- European markets closed lower for the second straight session, with financial stocks dragging the market lower, while a surge in energy stocks lifted the FTSE 100.
- The FTSE 100 traded at its highest level in more than five months, outperforming its peers as the GBP weakened on growing concerns that a no-deal Brexit would become a reality.
- Export stocks such as GlaxoSmithKline, AstraZeneca and Reckitt Benckiser all benefited from the weaker GBP.
- OPEC supply cuts and US sanctions against Iran and Venezuela boosted the energy sector.
- The FTSE 100 rose 0.9%, the DAX fell 0.46% and the CAC 40 lost 0.17%.

USA

- After starting the day on a weak note, US markets traded sharply higher over the course of the day, lifted by a substantial move in tech stocks and continued strength following the Fed's dovish policy statement on Wednesday.
- Apple Inc. surged 3.7% following a broker upgrade and ahead of its expected streaming service debut next week.
- Of the 11 major sectors in the S&P 500, financials was the only sector in negative territory.
- The Dow added 0.84%, the S&P 500 gained 1.09% and the Nasdaq rose 1.42%.

Asia

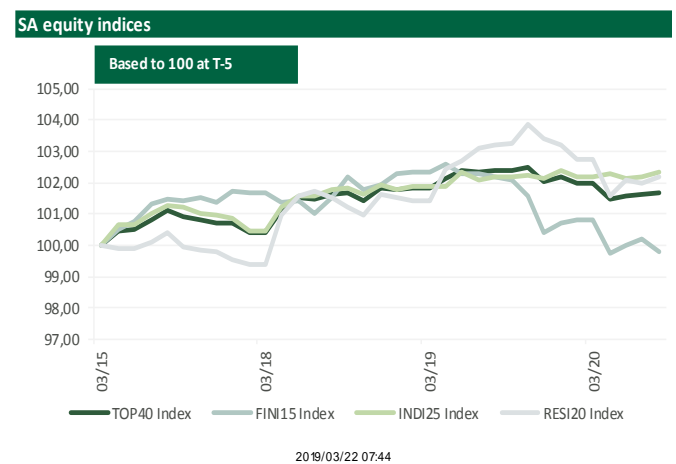
- Asian markets are trading mostly lower this morning, with financial stocks weighing on the Nikkei, reacting to the Fed's more cautious US monetary policy.
- The drug sector fell sharply after Eisai and Biogen said they would end their Alzheimer drug trials.
- Chinese stocks were weaker ahead of the fresh round of trade talks next week.
- Tencent was down 1.2% after its fourth-quarter profits disappointed.
- The Australian market tracked the US higher, ending the session up 0.41%.
- Financials posted gains following 10 days of declines, while resource and gold stocks retreated from recent highs.

Developed Markets	Last price	%Δ		%Δ		2018		MTD trend
		-1d	MTD	YTD	12Month	Performance		
Dow Jones	25 962,51	0,84	0,18	11,30	8,37	-6,03	↑	
Nasdaq	7 838,96	1,42	4,07	18,14	9,38	-5,30	↑	
S&P 500	2 854,88	1,09	2,53	13,88	7,99	-7,01	↑	
DJ Eurostoxx50	3 367,40	-0,15	2,10	12,19	0,57	-14,00	↑	
DAX	11 549,96	-0,46	0,30	9,39	-4,55	-17,97	↑	
CAC	5 378,85	-0,07	2,64	13,70	4,10	-10,55	↑	
FTSE	7 355,31	0,88	3,97	9,32	5,79	-12,03	↑	
ASX200	6 195,20	0,45	0,42	9,72	4,35	-6,84	↑	
Nikkei 225	21 608,05	-0,00	1,04	7,96	1,06	-14,85	↑	
MSCI World	2 127,93	0,75	2,02	12,95	2,65	-10,97	↑	
Emerging Markets	Last price	%Δ		%Δ		2018		MTD trend
		-1d	MTD	YTD	12Month	Performance		
Hang Seng	28 998,83	-0,25	1,28	12,20	-6,67	-15,30	↑	
Shanghai	3 093,82	-0,25	5,20	24,06	-5,20	-25,52	↑	
Brazil Bovespa	96 729,08	-1,34	1,20	10,06	14,11	12,83	↑	
India - NSE	38 312,34	-0,19	6,82	6,22	15,62	6,67	↑	
Russia Micex	2 507,81	0,14	0,91	5,84	9,71	9,55	↑	
MSCI Emerging	1 069,68	0,11	1,78	10,76	-10,62	-18,02	↑	
SA Indices	Last price	%Δ		%Δ		2018		MTD trend
		-1d	MTD	YTD	12Month	Performance		
JSE All Share	56 145,67	-1,24	0,26	6,46	-3,68	-11,71	↑	
Top 40	49 827,56	-1,28	0,32	6,64	-3,46	-11,54	↑	
Resi 10	46 663,23	-0,95	2,46	13,69	34,00	12,01	↑	
Indi 25	68 120,28	-1,38	1,88	6,97	-12,06	-20,20	↑	
Fini 15	16 217,55	-1,41	-5,31	-0,99	-11,64	-6,54	↓	

Source: Bloomberg & Nedbank CIB

Time 20/03/22 07:44

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
26 March 2019		
ATT	Attacq Limited	dividend @ 40.50cps
CLR	Clover Industries Ltd	dividend @ 27.89cps
FFA	Fortress REIT Ltd A	dividend @ 74.73cps
FFB	Fortress REIT Ltd B	dividend @ 77.49cps
GND	Grindrod Ltd	dividend @ 14.60cps
GNDP	Grindrod Ltd Pref	dividend @ 446cps
IMRP4	IM Redeemable Pref 4Aug21	dividend @ 1828.207740cps
MMI	MMI Holdings Limited	dividend @ 35cps
MRF	Merafe Resources Ltd	dividend @ 6cps
MTN	MTN Group Ltd	dividend @ 325cps
OMU	Old Mutual Limited	dividend @ 72cps
RBPB	Royal Bafokeng Platinum Ltd NPL	take up @ 2200cps
SCD	Schroder Eur REIT Plc	dividend @ 29.863630cps
SUR	Spur Corporation Ltd	dividend @ 63cps
TEX	Texton Property Fund Ltd	dividend @ 36.18cps
TPF	Transcend Res Prop Fund Ltd	dividend @ 34.58cps

Source: JSE

JSE PERFORMANCE

[back to top](#)

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
ABG : Absa Group Ltd	155,30	-3,23	-14,01	-4,03	-20,10	-11,08	↓
AGL : Anglo American Plc	377,90	-0,95	1,40	17,26	33,72	26,07	↑
AMS : Anglo American Platinum Ltd	814,50	0,56	6,25	51,41	140,13	52,19	↑
ANG : Anglogold Ashanti Ltd	192,82	-0,89	-4,55	6,09	77,16	41,31	↓
APN : Aspen Pharmacare Holdings Lt	93,46	-3,15	-32,97	-30,68	-63,56	-51,42	↓
BHP : Bhp Group Plc	336,00	-1,09	2,76	16,08	51,10	21,24	↑
BID : Bid Corp Ltd	301,78	2,13	2,41	13,88	18,95	-11,96	↑
BTI : British American Tobacco Plc	592,30	-0,89	15,73	26,21	-7,05	-43,42	↑
BVT : Bidvest Group Ltd	199,00	0,83	-4,36	-3,80	-9,34	-5,15	↓
CFR : Financiere Richemont-Dep Rec	104,89	-1,27	-1,98	12,00	-2,40	-16,20	↓
CLS : Clicks Group Ltd	179,33	0,18	-0,74	-6,33	-1,73	5,70	↓
CPI : Capitec Bank Holdings Ltd	1 328,96	-0,70	1,74	18,87	48,32	1,83	↑
DSY : Discovery Ltd	141,21	-2,23	-8,35	-11,63	-20,57	-14,09	↓
FSR : Firststrand Ltd	61,17	-1,55	-4,87	-6,70	-11,31	-2,51	↓
GFI : Gold Fields Ltd	55,75	0,05	-3,06	12,99	19,79	-8,80	↓
GRT : Growthpoint Properties Ltd	23,92	-1,44	-2,05	2,66	-16,97	-15,76	↓
INL : Investec Ltd	87,36	-5,21	-4,59	10,58	-6,48	-11,95	↓
INP : Investec Plc							→
MCG : Multichoice Group Ltd	121,58	1,28	15,74				↑
MND : Mondi Ltd	338,61	-1,57	2,23	9,38	12,11	-3,04	↑
MNP : Mondi Plc	337,57	-1,40	3,15	11,02	11,53	-4,78	↑
MRP : Mr Price Group Ltd	192,00	-1,54	-11,07	-22,00	-32,87	0,52	↓
MTN : Mtn Group Ltd	93,51	1,17	11,96	5,07	-23,52	-34,85	↑
NED : Nedbank Group Ltd	249,95	-0,92	-12,11	-9,02	-12,53	7,27	↓
NPN : Naspers Ltd-N Shs	3 201,68	-1,79	5,13	14,16	0,06	-16,19	↑
NRP : Nepi Rockcastle Plc	121,00	-0,32	2,23	7,08	-7,33	-47,09	↑
NTC : Netcare Ltd	25,60	-0,78	0,63	-1,64			↑
OMU : Old Mutual Ltd	22,12	1,70	-4,86	-1,25	#N/A N/A	#VALUE!	↓
PSG : Psg Group Ltd	255,79	-0,47	-1,54	4,49	12,19	-9,33	↓
RDF : Redefine Properties Ltd	9,54	-0,93	-1,75	-1,34	-17,40	-9,63	↓
REM : Remgro Ltd	189,54	-4,11	-5,80	-2,67	-16,70	-17,48	↓
RMH : Rmb Holdings Ltd	73,42	-1,53	-8,36	-6,95	-9,73	-0,34	↓
SAP : Sappi Limited	70,15	-3,28	-2,91	-14,08	-9,44	-8,77	↓
SBK : Standard Bank Group Ltd	185,10	-1,91	-4,47	3,52	-15,09	-8,61	↓
SHP : Shoprite Holdings Ltd	156,54	-3,60	-8,83	-17,68	-38,79	-14,03	↓
SLM : Sanlam Ltd	74,38	-0,09	-5,48	-6,79	-19,22	-8,28	↓
SOL : Sasol Ltd	449,65	-0,48	4,60	5,80	11,47	-0,74	↑
SPP : Spar Group Limited/The	188,94	-3,32	-5,39	-8,94	-10,03	2,05	↓
TBS : Tiger Brands Ltd	267,06	-4,01	0,29	-2,45	-27,23	-40,48	↑
TFG : The Foschini Group Ltd	166,19	-4,05	-3,27	-0,03	-27,09	-15,76	↓
VOD : Vodacom Group Ltd	117,49	0,47	1,18	-10,99	-24,04	-9,39	↑
WHL : Woolworths Holdings Ltd	44,17	-2,88	-3,56	-19,82	-28,12	-15,65	↓

Source: Bloomberg & Nedbank CIB

Time 2019/03/22 07:44

US

- FOMC interest rate decision: The Fed kept interest rates unchanged at the upper band of 2.5% but reduced its growth projections along with its Dot plot sharply. Real GDP growth of 2.1% and 1.9% is expected over the next two years. The Fed projects an unemployment rate of 3.7% by year-end, from 3.5% previously forecast.
- Its Dot plot projects no hikes this year, from two forecasted in December, while one hike is forecasted for 2020.
- The recent soft patch of economic data, combined with global economic developments and muted inflationary pressures were key reasons cited for the pause.
- The Fed has also indicated that it will start to slow down the decline in its balance sheet in May and end the decline in its balance sheet by September. Thereafter it seeks to keep its balance sheet fairly stable over the medium term.

Synopsis: The Fed has adjusted its monetary policy stance in line with the slowdown in the US economy, with its balance sheet decline expected to end as soon as September, and interest rates likely to be left unchanged this year. The shift comes as a result of global economic conditions deteriorating, as well as muted US inflation pressures. The Fed has indicated that it is watching macroeconomic data closely, along with global developments in order to decide on policy rates.

UK

- UK CPI rose to 1.9% y/y in February, from 1.8% previously and expected. Alcohol, tobacco, food and utilities costs were all higher in February. The decline in petrol and oil, and other goods were not enough to offset the upside pressures from the above categories. Underlying inflationary pressures have eased nonetheless, as seen in core CPI falling to 1.8% y/y, from 1.9% previously.
- BOE interest rate decision: The BOE left interest rates unchanged at 0.75% in a unanimous vote. Majority policymakers have indicated that interest rates are likely to go down rather than up. The Bank remains concerned of the impact of current Brexit negotiations on business confidence, and short term economic growth.
- Nonetheless, it has raised its growth estimates marginally, as there is a distinct possibility that Brexit negotiations may be extended.

Synopsis: Like other central banks, the BOE has done an about-turn in its monetary policy stance, however this was more as a result of the fall in growth as a result of the uncertainty surrounding Brexit. Its inflation forecasts have come down, and is expected to decline below 2% as a result of low fuel costs in the near term while remaining elevated in the long run. However, Governor Carney still indicated that the possibility of rate hikes should not be discounted. Brexit negotiations remains a key risk to the growth and inflation outlook – markets are not expecting any hikes from the BOE over the next 18 months.

Japan

- Japanese CPI remained unchanged at 0.2% y/y in February, worse than consensus of 0.3%. Food prices are in deflation, along with transport and communication costs.
- Most products within the CPI basket saw lower inflation rates in February, apart from household goods prices.
- Underlying inflationary pressures remain weak, with core inflation unchanged at 0.4% y/y in February.

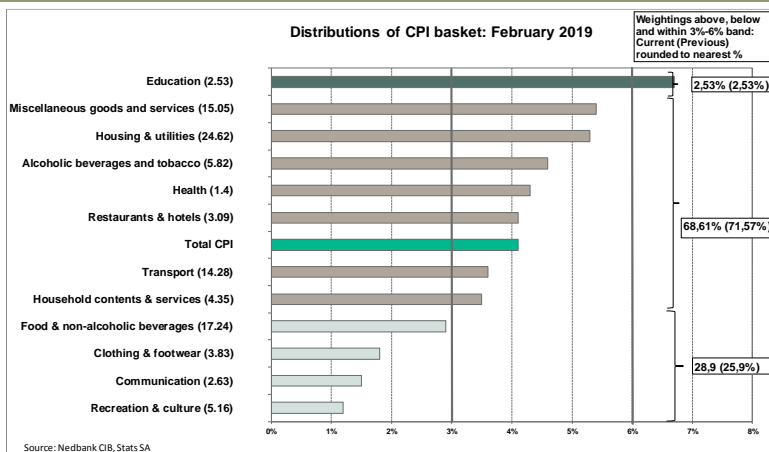
Synopsis: Japan continues to battle with low inflation and disappointing economic growth and would likely keep monetary policy unchanged and loose for some time. The tighter labour market has not aided wage growth enough to impact inflation – inflation is likely to remain well below the BOJ target over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

SA

- SA CPI rose to 4.1% y/y in February, from 4% in January, in line with consensus forecasts. While core inflation remained unchanged at 4.4%, kept low by goods inflation, we see administered price inflation rising to 5.7% y/y in February, from just 5% in January. Services inflation remained unchanged at 5.2% y/y. (CPI excluding administered costs remained unchanged at 3.8% y/y.)
- The key upward drivers of CPI in February were transport inflation and miscellaneous goods and services, with both adding 10bps each to headline CPI (and the residual component subtracted 10bps, to end up at 4.1% y/y).
- Food inflation remained unchanged in February, as meat price deflation offset fruit inflation. Healthcare inflation actually eased after being surveyed in February (private hospital services). Prices at restaurants and hotels, as well as prices of recreation and culture ticked up marginally in February. All of the above subcomponents had a limited impact on headline CPI in February.
- Upside inflationary drivers were predominantly transport and insurance costs. Transport inflation increased because of petrol price inflation and public transport costs, as no large fuel price reduction was seen in February. Transport inflation is likely to tick up sharply in March, as we had a 74-cent/litre hike in local fuel costs, which could take transport inflation to 5.4% y/y (currently 3.6%) and raise headline CPI to 4.4% y/y in March.
- SA retail sales growth rebounded to 1.2% y/y in January, from -1.6% in December, worse than consensus of +1.4%. The main positive drivers of retail activity in January were sales of pharmaceutical goods, sales at general dealers and sales at all other retailers.

Synopsis: While we still anticipate a gradual uptick in headline CPI in coming months, to average 5% this year, there are a few upside risks to inflation on the horizon that one needs to consider: global risk sentiment and a volatile rand exchange rate, the possibility of an El-Nino event inducing a drought in the latter part of the year, global oil prices are on the rise, and local administered inflation remains elevated. The SARB forecasts CPI at 4.8% for 2019 but may raise this estimate following the NERSA electricity tariff ruling earlier this month, as well as due to a higher Brent price and weaker rand exchange rate. Overall, we believe inflation is likely to remain contained below 6% for the foreseeable future in the absence of a severe drought.

CPI subcomponents



Source: Stats SA, Nedbank

ECONOMIC CALENDAR

[back to top](#)

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	Country	Event	Period	Survey	Actual	Prior	Revised
21-March							
11:30 AM	UK	PSNB ex Banking Groups	FEB	GBP 0,7b	GBP 0,2b	GBP -14,9b	GBP -13,3b
11:30 AM	UK	Retail Sales Inc Auto Fuel YoY	FEB	3,30%	4,00%	4,20%	4,10%
02:00 PM	UK	Bank of England Bank Rate	MAR 21	0,75%	0,75%	0,75%	-
02:00 PM	UK	BOE Asset Purchase Target	MAR	GBP 435b	GBP 435b	GBP 435b	-
02:00 PM	UK	BOE Corporate Bond Target	MAR	GBP 10b	GBP 10b	GBP 10b	-
02:30 PM	US	Initial Jobless Claims	NOV 24	225k	221k	229k	-
02:30 PM	US	Continuing Claims	NOV 17	1770k	1750k	1776k	-
02:30 PM	US	Philadelphia Fed Business Outlook	MAR	4,8	13,7	-4,1	-
04:00 PM	US	Leading Index	FEB	0,10%	0,20%	-0,10%	-
05:00 PM	EC	Consumer Confidence	MAR A	-7,10	-7,20	-7,40	-
22-March							
01:30 AM	JN	Natl CPI YoY	FEB	0,30%	0,20%	0,20%	-
02:30 AM	JN	Nikkei Japan PMI Mfg	MAR P	-	48,9	48,9	-
07:00 AM	JN	Leading Index CI	JAN F	-	96,5	95,9	-
10:30 AM	GE	Markit Germany Services PMI	MAR P	54,8	-	55,3	-
10:30 AM	GE	Markit/BME Germany Manufacturing PMI	MAR P	48,0	-	47,6	-
11:00 AM	EC	Markit Eurozone Services PMI	MAR P	52,7	-	52,8	-
11:00 AM	EC	Markit Eurozone Manufacturing PMI	MAR P	49,5	-	49,3	-
11:00 AM	EC	ECB Current Account SA	JAN	-	-	EUR 16,2b	-
03:45 PM	US	Markit US Services PMI	MAR P	55,5	-	56,0	-
03:45 PM	US	Markit US Manufacturing PMI	MAR P	53,5	-	53,0	-
04:00 PM	US	Wholesale Inventories MoM	JAN	0,10%	-	1,10%	-
04:00 PM	US	Wholesale Trade Sales MoM	JAN	0,00%	-	-1,00%	-
04:00 PM	US	Existing Home Sales	FEB	5,10m	-	4,94m	-
04:00 PM	US	Existing Home Sales MoM	FEB	3,24%	-	-1,20%	-
08:00 PM	US	Monthly Budget Statement	FEB	USD -227,0b	-	USD 8,7b	-
25-March							
11:00 AM	GE	IFO Business Climate	MAR	98,6	-	98,5	-
11:00 AM	GE	IFO Current Assessment	MAR	103,0	-	103,4	-
11:00 AM	GE	IFO Expectations	MAR	94,3	-	93,8	-
02:30 PM	US	Chicago Fed Nat Activity Index	FEB	-0,25	-	-0,43	-
04:30 PM	US	Dallas Fed Manf. Activity	MAR	9,6	-	13,1	-
26-March							
09:00 AM	SA	Leading Indicator	JAN	104,8	-	105,2	-
02:30 PM	US	Building Permits	FEB	1320k	-	1317k	-
02:30 PM	US	Building Permits MoM	FEB	0,23%	-	-0,70%	-
02:30 PM	US	Housing Starts	FEB	1210k	-	1230k	-
02:30 PM	US	Housing Starts MoM	FEB	-1,63%	-	-14,00%	-
03:00 PM	US	S&P CoreLogic CS 20-City YoY NSA	JAN	0,00%	-	4,18%	-
04:00 PM	US	Conf. Board Consumer Confidence	MAR	132,0	-	131,4	-
04:00 PM	US	Richmond Fed Manufact. Index	MAR	12	-	16	-

Source: Bloomberg 2019/03/22 07:44

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