

# DAILY MARKET COMMENTARY

19 July 2019



[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](mailto:CIBMarketComm@Nedbank.co.za) | +27 11 537 4091

## SNIPPETS

(Fixed Income)	SARB cut viewed as cautious by the market, yields decline nonetheless
(Currencies)	USD on the back foot on Fed's interest rate outlook
(Commodities)	Oil snapped four days of losses after an American warship downed an Iranian drone near the Strait of Hormuz, stoking concerns crude flows from the Middle East may be disrupted
(Equities)	Disappointing earnings reports weigh on European markets, while optimism of a potential US rate cut lifts US and Asian markets
(Economics)	SARB reduces repo rate by 25bps; US leading index contracts, signalling deteriorating growth; UK retail sales rebound; Japanese CPI

## KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
18/07	SA	SARB interest rate decision	6.50%/6.50%/6.75%	SARB reduces rates and adjusts forecasts on the dovish side
18/07	SA	BER inflation expectations	--	Inflation expectations remain subdued, helping the SARB's dovish stance
18/07	US	Leading index	-0.3%/0.1%/0%	Any expansion in the index would imply better economic growth in 6 months' time
19/07	US	Consumer confidence	--	Confidence levels are expected to pick up slightly in July as a result of lower inflation interest rate cut expectations
23/07	SA	Leading index	--/--/105.5	Leading index may remain subdued in line with confidence
24/07	SA	CPI	--/4.4%/4.5%	SA CPI may ease on the back of petrol price cut

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				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
R208-1.7 yrs	6.20	-0.30	-9.30	-79.10	-153.80	↓
R186-7.4 yrs	7.97	-0.20	-11.50	-90.40	-75.70	↓
R2048-28.6 yrs	9.58	0.10	-11.60	-31.90	-4.20	↓
US 10 yr	2.05	2.06	3.97	-63.95	-79.33	↓
UK 10 yr	0.76	0.00	-7.40	-51.80	-46.70	↓
German 10 yr	-0.31	-2.00	1.70	-55.20	-65.20	↓
Japan 10 yr	-0.14	-0.50	2.30	-13.80	-17.70	↓

Money Market	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
SA repo rate	6.50	-25.00	-25.00	-25.00	0.00	↓
SA prime rate	10.25	0.00	0.00	0.00	25.00	→
SA CPI (MTD=previous month)	4.50		10.00	0.00	10.00	↑
SA 3m JIBAR	6.98	-0.90	-4.20	-16.70	2.50	↓
SA 3m NCD	6.93	-10.00	-15.00	-20.00	-3.75	↓
SA 6m NCD	7.33	0.00	-7.50	-42.50	-18.75	↓
SA 12m NCD	7.63	0.00	-12.50	-70.00	-46.25	↓
US 3m LIBOR	2.28	-2.49	-4.23	-53.00	-6.99	↓
UK 3m LIBOR	0.77	-0.05	-0.78	-14.64	1.29	↓
Japan 3m LIBOR	-0.08	-0.25	-1.53	-0.82	-4.13	↓

Source: Bloomberg & Nedbank CIB  
Time: 2019/07/19 07:29

FRAs and Swaps	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
3X6 FRA	6.70	-4.50	-7.00	-51.50	-35.50	↓
6X9 FRA	6.58	0.00	4.00	3.00	4.00	↑
9X12 FRA	6.48	-3.50	-11.00	-85.50	-84.50	↓
18X21 FRA	6.60	0.50	-8.00	-86.50	-93.50	↓
SA 2yr Swap	6.65	7.40	-7.00	-69.00	-60.70	↓
SA 3yr Swap	6.70	4.50	-8.00	-75.00	-71.30	↓
SA 5yr Swap	6.94	1.00	-10.00	-73.00	-73.50	↓
SA 10yr Swap	7.58	-3.00	-12.00	-61.00	-57.00	↓
SA 15yr Swap	7.91	-3.20	-10.70	-55.70	-51.20	↓

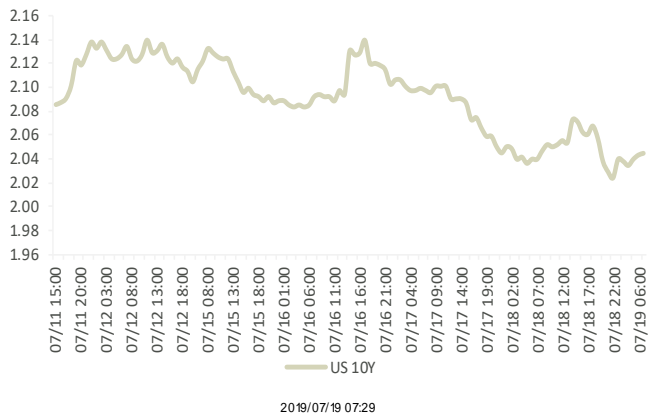
  

Spreads	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
2v10y	-0.94	10.40	5.00	-8.00	-3.70	↑
3v10y	-0.89	7.50	4.00	-14.00	-14.30	↑
R186-R208	1.77	0.10	-2.20	-11.30	78.10	↓
R2048-R186	1.61	0.30	-0.10	58.50	71.50	↓
5y-R186	-1.03	1.20	1.50	17.40	2.20	↑
10y-R186	-0.39	-2.80	-0.50	29.40	18.70	↓
15y-R186	-0.06	-3.00	0.80	34.70	24.50	↑
SA 5yr CDS spread - basis points	158.45	-1.47	-10.07	-64.50	-29.28	↓

Source: Bloomberg & Nedbank CIB  
Time: 2019/07/19 07:29

## US 10 year yield

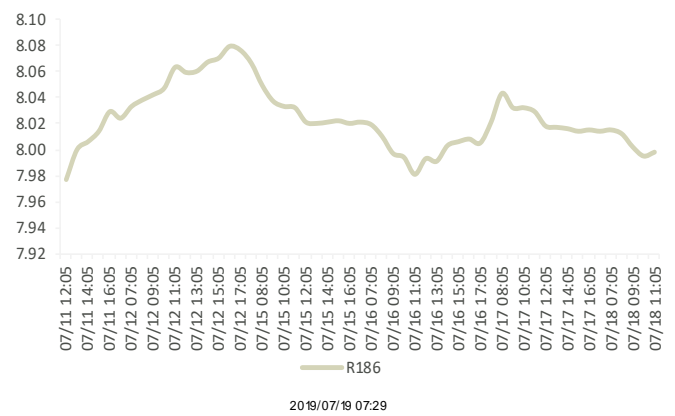
### US 10 year yield



Source: Bloomberg, Nedbank

## SA 10 year yield

### SA 10 year yield



Source: Bloomberg, Nedbank

# CURRENCIES

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

- Yesterday, the local market opened with the rand trading around the 14.0000 pivot. As expected, the rand was confined to a limited trading range, with a slightly weaker bias ahead of the MPC, reaching a high of 14.0400 before the event. The 25bps cut that was announced saw the local unit trade firmer, which was somewhat confounding, and it reached 13.8775 after this. In the overnight sessions, the rand reached a best level of 13.8175; currently, it is trading at 13.8525, the EURZAR is trading at 15.5980 and the GBPZAR is trading at 17.3680.
- The international markets were again confined to limited trading ranges, with the EURUSD trading between 1.1206 and 1.1243. This morning, it is currently trading at 1.1262. The GBPUSD traded between 1.2429 and 1.2494, and is currently at 1.2538. Gold has benefited as the USD has come under pressure; this morning, gold is currently trading at 1,443.50, USD21 firmer from the same time yesterday.
- Data releases scheduled for today: no local releases; from Europe, we have the German PPI and the Eurozone current account; from the UK, we have public finances and net borrowing; and from the US, Bullard and Rosengren from the Fed are scheduled to speak.
- The rand defied expectations after the rate cut yesterday to trade firmer, receiving additional support as comments from the Fed's Williams reignited prospects of a Fed cut at the next meeting. This saw the USD trade weaker across the board. The rand is now poised to test the 13.8000 technical level, which has held firm in recent sessions.
- Possible trading range for the rand today: 13.7000 to 14.0000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.25	0.45	-1.27	-1.66	-3.50	↓	USD strength
EURUSD	1.13	0.31	-1.00	-1.69	-3.00	↓	USD strength
USDJPY	107.61	-0.20	-0.22	1.91	-4.88	↓	USD weakness
USDAUD	1.42	-0.36	-0.63	-0.33	3.71	↓	USD weakness

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	13.85	-0.16	-1.73	-3.85	2.06	↓	ZAR strength
GBPZAR	17.36	0.26	-3.00	-5.63	-1.48	↓	ZAR strength
EURZAR	15.59	0.15	-2.75	-5.62	-0.97	↓	ZAR strength
AUDZAR	9.78	0.20	-1.05	-3.57	-1.58	↓	ZAR strength
ZARJPY	7.77	-0.03	1.51	1.92	-7.08	↑	ZAR strength

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	55.56	0.17	1.31	8.79	3.69	↑	ZAR strength
ZARBWP (Botswana pula)	0.76	0.05	1.27	2.16	-0.37	↑	ZAR strength
ZARKES (Kenyan shilling)	7.40	0.20	1.79	4.25	-0.35	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.60	1.74	2.92	8.42	2.57	↑	ZAR strength
ZARNGN (Nigerian naira)	26.09	0.17	2.17	3.16	-2.21	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.39	0.18	0.21	12.30	8.84	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.92	0.32	1.37	9.94	19.92	↑	ZAR strength
ZARMZN (Mozambican metical)	4.45	0.16	0.99	5.05	1.98	↑	ZAR strength

Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	3.72	-1.20	-3.47	-4.32	-3.44	↓	USD weakness
USDTRY (Turkish Lira)	5.64	-0.02	-2.70	6.20	14.54	↓	USD weakness
USDMXN (Mexican Peso)	18.97	-0.26	-1.31	-3.64	-0.69	↓	USD weakness
USDINR (Indian Rupee)	68.82	-0.21	-0.30	-1.38	-0.33	↓	USD weakness
USD RUB (Russian Ruble)	62.84	-0.23	-0.61	-10.41	-1.49	↓	USD weakness

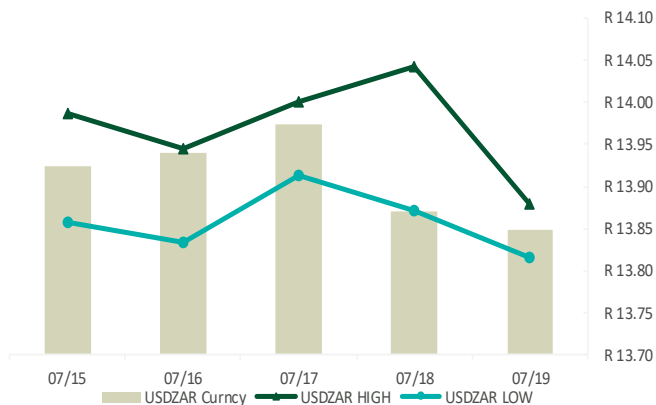
Source: Bloomberg & Nedbank CIB

Time 20/07/19 07:29

\*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)

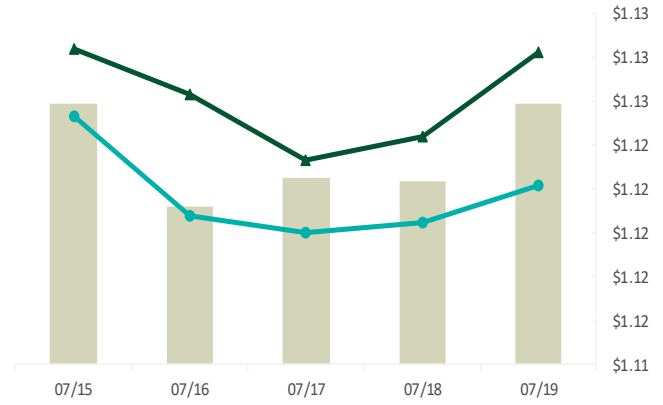


20/07/19 07:29

Source: Bloomberg, Nedbank

## EUR/USD

€/€ (close, high and low)



20/07/19 07:29

Source: Bloomberg, Nedbank

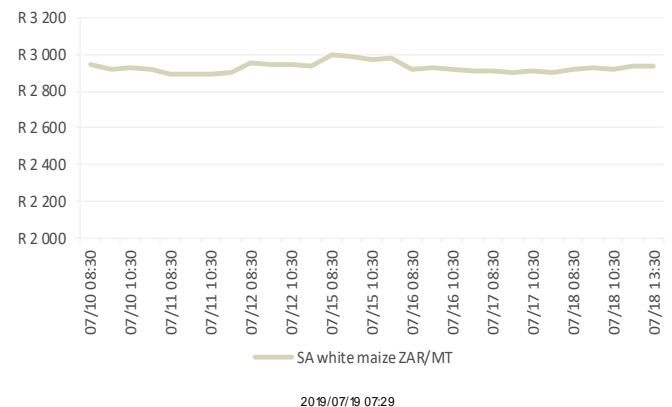
- Oil snapped four days of losses after an American warship downed an Iranian drone near the Strait of Hormuz, stoking concerns crude flows from the Middle East may be disrupted. Futures rose 1.9%, paring its steepest weekly decline since the end of May.
- Gold touched a fresh six-year high amid dovish comments from Fed officials and increased Middle East tensions. Silver heads for the biggest weekly gain since July 2016.
- Spot gold -0.2% to \$1,442.61/oz. Silver heads for weekly gain of over 7%.
- Iron ore futures in China head for a second weekly gain amid surging steel production and a drop in imports of the raw material. Futures on DCE +1.1% to 898 yuan/ton headed for weekly gain of 2.8%. Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	63.09	1.87	-5.20	17.27	-13.08	🔻
WTI crude (\$)	56.11	1.46	-4.04	23.56	-19.22	🔻
Gold spot (\$)	1443.36	1.19	2.40	12.62	18.64	🔼
Platinum spot (\$)	856.93	1.23	2.66	7.77	6.83	🔼
SA white maize spot (R)	2933.00	0.96	0.51	0.10	45.34	🔼

Source: Bloomberg & Nedbank CIB  
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## SA white maize

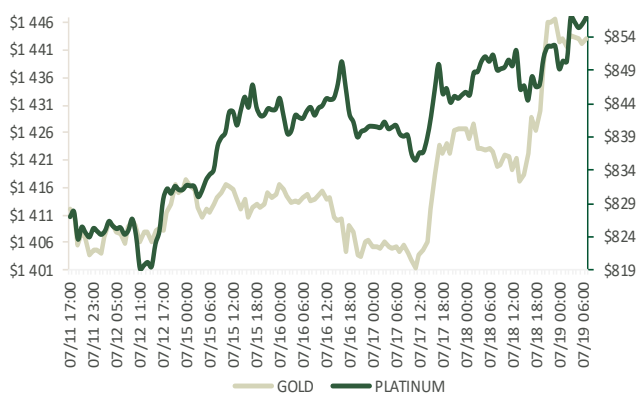
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

## Platinum vs Gold

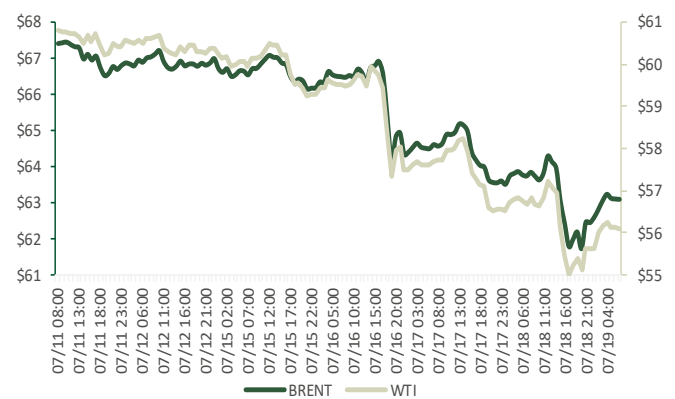
Platinum vs. Gold



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 bucked the global trend, with the Top40 adding 0.33% to end the day at 51,733.40.
- Gold and platinum miners led the gains, with the likes of Impala Platinum and AngloGold adding 4.21% and 3.41%, respectively.
- Amplats (+3.42%) posted 2Q FY19 production results reflecting a tough quarter, with a number of operational challenges across the portfolio; despite this, production was up 1% y/y.
- The rand strengthened following the MPC announcement of a 25bps interest rate cut that was largely expected.
- The value traded at the close was R16.8bn, and the rand was trading at 13.88 vs the USD.

## UK/Europe

- Earnings concerns weighed on European markets, while hopes of a looser monetary policy from the ECB reduced losses.
- Tech company SAP lost 5.6% when it said that investors would have to wait until next year for a major improvement in margins, after reporting a 21% fall in quarterly operating profit.
- On the upside, Novartis added 3% after reporting better-than-expected full-year sales and profit targets.
- The FTSE 100 lost 0.56%, the CAC 40 declined 0.38 and the DAX fell 0.92%.

## USA

- US markets closed firmer, lifted by comments from New York Fed President John Williams that when rates and inflation are low, policy makers cannot afford to keep their "powder dry" and wait for potential problems to materialise.
- Netflix was the big mover on the day, slumping 10.3% after results missed quarterly estimates, dragging the communication services sector lower; the sector has been one of the better-performing S&P sectors so far this year.
- Phillip Morris International surged 8.2% after raising its full-year profit outlook, and Morgan Stanley added 1.5% on better-than-expected results.
- The Dow added 0.01%, the S&P 500 rose 0.35% and the Nasdaq gained 0.27%.

## Asia

- Asian markets are trading firmer this morning, with the Nikkei rebounding from Thursday's sharp decline, with semiconductor stocks leading the gains on US rate cut optimism.
- Chinese and Hong Kong stocks rose, lifted by reports that Sino-US trade talks have resumed and on news that China is considering broadening an inbound investment channel for foreign investors.
- Australian stocks saw gains across the board, with heavy financials on track to report their best day in more than two weeks.

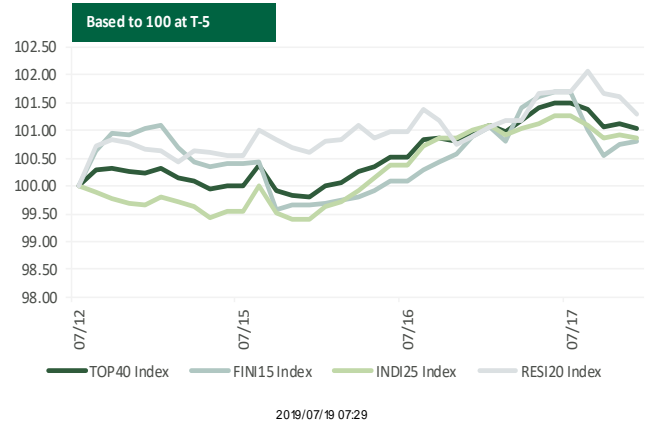
Developed Markets	Last price	%Δ				2018 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Dow Jones	27 222.97	0.01	2.34	16.70	8.61	-6.03	↑
Nasdaq	8 207.24	0.27	2.51	23.69	4.88	-5.30	↑
S&P 500	2 995.11	0.36	1.81	19.48	6.80	-7.01	↑
DJ Eurostoxx 50	3 482.83	-0.54	0.26	16.04	0.32	-14.00	↑
DAX	12 227.85	-0.92	-1.38	15.81	-3.61	-17.97	↓
CAC	5 550.55	-0.38	0.21	17.33	2.46	-10.55	↑
FTSE	7 493.09	-0.56	0.91	11.37	-2.48	-12.03	↑
ASX200	6 699.60	0.76	1.22	18.65	6.98	-6.84	↑
Nikkei 225	21 461.10	1.97	0.87	7.23	-5.73	-14.85	↑
MSCI World	2 198.40	0.02	0.92	16.69	2.98	-10.97	↑
Emerging Markets	Last price	%Δ				2018 Performance	MTD trend
-1d	MTD	YTD	12Month				
Hang Seng	28 768.28	1.08	0.79	11.31	2.70	-15.30	↑
Shanghai	2 931.05	1.03	-1.61	17.53	5.72	-25.52	↓
Brazil Bovespa	104 716.60	0.83	3.71	19.15	35.14	12.83	↑
India - NSE	38 664.74	-0.60	-1.85	7.20	6.36	6.67	↓
Russia Micex	2 702.59	-0.39	-2.29	14.07	19.09	9.55	↓
MSCI Emerging	1 051.72	-0.30	-0.30	8.90	-0.84	-18.02	↓
SA Indices	Last price	%Δ				2018 Performance	MTD trend
-1d	MTD	YTD	12Month				
JSE All Share	57 872.53	0.41	-0.57	9.74	2.84	-11.71	↓
Top 40	51 733.36	0.33	-0.89	10.72	3.06	-11.54	↓
Resi 10	46 368.09	-0.03	-3.31	12.97	16.02	12.01	↓
Indi 25	72 603.43	0.40	1.20	14.01	-1.36	-20.20	↑
Fini 15	16 617.00	0.75	-2.21	1.45	2.85	-6.54	↓

Source: Bloomberg & Nedbank CIB

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## Short-term performance of SA equity indices

### SA equity indices



Source: Bloomberg, Nedbank

## LAST DAY TO TRADE

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SHARE CODE	SHARE NAME	DIVIDEND / INTEREST RATE
<b>16 July 2019</b>		
AFH	Alexander Forbes Group Holdings	dividend @ 12cps and special dividend @ 30cps
DTA	Delta EMD Ltd	Special dividend @ 70cps & voluntary winding up
IBRP1	IM Redeemable Pref 1 Mar21	dividend @ 1425.755650cps
LEW	Lewis Group Ltd	dividend @ 129cps
MMI	MMI Holdings Limited	Change of name to Momentum Metropolitan Hdgs Ltd and new ISIN ZAE0000269890
NCS	Nictus Ltd	dividend @ 3.75cps
PMV	Primserv Group Ltd	dividend @ 2.50cps
TFG	The Foschini Group Limited	dividend @ 450cps

Source: JSE

# JSE PERFORMANCE

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
ABG : Absa Group Ltd	170.76	0.98	-2.98	5.52	8.88	-11.08	↓
AGL : Anglo American Plc	378.97	-0.59	-5.87	17.59	33.00	26.07	↓
AMS : Anglo American Platinum Ltd	810.00	3.42	-3.22	50.58	133.77	52.19	↓
ANG : Anglogold Ashanti Ltd	262.32	3.41	3.27	44.33	143.93	41.31	↑
APN : Aspen Pharmacare Holdings Lt	99.21	-0.79	-1.23	-26.41	-59.74	-51.42	↓
BHP : Bhp Group Plc	347.91	-1.36	-3.56	20.19	26.58	21.24	↓
BID : Bid Corp Ltd	305.50	1.00	-0.49	15.28	13.48	-11.96	↓
BTI : British American Tobacco Plc	539.64	5.94	9.13	14.99	-19.75	-43.42	↑
BVT : Bidvest Group Ltd	196.00	0.80	3.51	-5.25	6.66	-5.15	↑
CFR : Financiere Richemont-Dep Rec	120.79	0.27	1.05	28.98	4.63	-16.20	↑
CLS : Clicks Group Ltd	209.32	0.86	1.96	9.33	12.22	5.70	↑
CPI : Capitec Bank Holdings Ltd	1253.85	1.17	-3.46	12.15	35.70	1.83	↓
DSY : Discovery Ltd	141.75	1.25	-4.94	-11.29	-6.42	-14.09	↓
EXX : Exxaro Resources Ltd	171.62	2.60	-0.22	24.48	29.33	-15.16	↓
FSR : Firststrand Ltd	64.60	0.42	-5.76	-1.46	-0.19	-2.51	↓
GFI : Gold Fields Ltd	75.85	3.20	-1.17	53.73	62.49	-8.80	↓
GRT : Growthpoint Properties Ltd	24.89	0.32	2.51	6.82	-4.27	-15.76	↑
INL : Investec Ltd		0.01	-3.71	11.96	-6.70	-11.95	↓
INP : Investec Plc	87.82	-0.43	-3.85	10.24	-8.05	-11.25	↓
MCG : Multichoice Group Ltd	136.61	0.08	1.97				↑
MND : Mondi Ltd	307.78	-0.89	-2.90	-0.58	-15.02	-3.04	↓
MNP : Mondi Plc	308.74	-0.74	-3.44	1.54	-14.89	-4.78	↓
MRP : Mr Price Group Ltd	202.89	-0.62	2.21	-17.57	-7.86	0.52	↑
MTN : Mtn Group Ltd	107.92	1.29	1.10	21.26	2.05	-34.85	↑
NED : Nedbank Group Ltd	250.70	1.70	-0.99	-8.74	-3.97	7.27	↓
NPN : Naspers Ltd-N Shs	3433.12	-0.28	0.40	22.42	4.50	-16.19	↑
NRP : Nepi Rockcastle Plc	129.80	0.30	0.30	14.87	9.59	-47.09	↑
OMU : Old Mutual Ltd	21.78	1.02	2.74	-2.77			↑
PSG : Psg Group Ltd	243.90	0.75	2.05	-0.37	12.40	-9.33	↑
RDF : Redefine Properties Ltd	9.18	0.00	1.55	-5.07	-13.07	-9.63	↑
REM : Remgro Ltd	188.22	0.90	0.17	-3.35	-9.70	-17.48	↑
RMH : Rmb Holdings Ltd	81.46	0.10	-3.48	3.24	6.92	-0.34	↓
SAP : Sappi Limited	51.40	1.48	-6.36	-37.05	-43.52	-8.77	↓
SBK : Standard Bank Group Ltd	190.41	1.08	-3.18	6.49	-1.85	-8.61	↓
SHP : Shoprite Holdings Ltd	160.03	1.57	1.50	-15.84	-22.69	-14.03	↑
SLM : Sanlam Ltd	76.00	0.36	-2.76	-4.76	9.89	-8.28	↓
SOL : Sasol Ltd	338.10	1.26	-3.46	-20.45	-32.24	-0.74	↓
SPP : Spar Group Limited/The	193.88	-0.09	3.77	-6.56	6.24	2.05	↑
TBS : Tiger Brands Ltd	235.00	1.97	5.05	-6.17	-21.22	-40.48	↑
TFG : The Foschini Group Ltd	181.40	0.09	0.61	9.12	12.49	-15.76	↑
VOD : Vodacom Group Ltd	117.90	-0.03	-1.48	-10.68	-7.15	-9.39	↓
WHL : Woolworths Holdings Ltd	53.35	0.70	9.14	-3.16	0.32	-15.65	↑

Source: Bloomberg &amp; Nedbank CIB

Time 2019/07/19 07:29

## US

- The US leading index contracted by 0.3% m/m in June, from 0% growth in May, worse than consensus of +0.1%. A decline in new manufacturing orders, higher jobless claims, and a sharp fall in building permits were the main reasons for the decline in the index.
- The shift in the leading index comes as the Fed has become increasingly dovish. This fall in the index suggests that growth in the next 6 to 9 months' time will likely deteriorate.

**Synopsis: The Fed has turned sharply dovish as a result of sluggishly low inflation, threats to the growth outlook due to weaker global trade and geopolitical tensions from the trade war. Wage pressures remain muted and unable to boost inflation, while the threat of a recession mounts. The Fed dot plot is now pricing in a reduction in interest rates by year-end, and a further reduction in 2020, with the long-term Fed Funds rate falling to 2.5%, from 2.75% previously.**

## UK

- Retail sales growth in the UK accelerated to 3.8% y/y in June, from 2.2% previously, better than consensus of 2.6%. The uptick in sales was driven by fuel, textiles, clothing and footwear.

**Synopsis: The BOE shifted from its neutral monetary policy outlook to one that is seemingly more hawkish, as it expects to raise interest rates more frequently should there be a smooth Brexit outcome. This may be required in the event of a weaker sterling which would raise import costs and inflation to levels well above the BOE target of 2%. There is significant uncertainty over the growth trajectory, however policymakers have conceded that most businesses are ready for the Brexit.**

## Japan

- Japanese CPI remained unchanged at 0.7% y/y in June, in line with consensus. Core inflation dipped to 0.6% y/y, from 0.8% previously, indicating that underlying inflationary pressures in the economy have eased.
- Prices of clothing, footwear, household goods, transport, and utilities declined, while the cost of entertainment goods and fresh food picked 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.**

## SA

- In line with our expectations, the SARB unanimously cut the repo rate by 25bps to 6.50%, with prime at 10%. The most significant developments in this statement was a sharp reduction to the SARB's growth estimate for 2019 as well as its measure of potential growth, a wider output gap, and a QPM which still reflects a 10bps reduction in the repo rate in 2020.
- We believe the bias remains firmly for the next move of the SARB being another cut of 25bps. This however may only happen after several MPC meetings where the repo rate is kept unchanged.
- The SARB has revised its CPI forecasts to 4.4% for 2019, from 4.5% previously, while its 2020 and 2021 forecasts were unchanged at 5.1% and 4.6% respectively.
- The MPC sees a significantly weaker economy compared to estimates from a year earlier – its real GDP growth estimate has fallen to just 0.6% for 2019 but remained unchanged at 1.8% and 2% for the next two years. The SARB also reduced its potential growth estimates by a cumulative 30bps between 2019 and 2021. Potential growth is now seen at 1% for 2019, compared to 1.2% previously. This implies that the economy has not just weakened, but it has weakened structurally.
- The risks to the growth and inflation outlooks are now assessed as balanced. The QPM remains tilted towards dovishness, with 10bps of cuts to the repo rate still forecasted for 2020. The SARB's neutral real rate was also lowered to 2.1% and 2.2% for 2019 and 2020 respectively (from 2.2% and 2.3% previously). This is the first time since March 2018 (the last 25bps cut to the repo rate) that the neutral real rate was reduced, and it does highlight that the MPC, and its forecasts, are still quite dovish.

**Synopsis: A lower neutral real rate target combined with a weak growth outlook and a dovish QPM means that the SARB is likely to keep the option open for a further interest rate reduction in the current cycle, especially if the Fed and other global central banks become more dovish. The SARB will watch how CPI evolves in coming months, along with global monetary developments (and by implication, the rand) before considering any further easing. Further steepening is expected into the 10-year point as the market adjusts to the possibility of a further cut, while the long-end is likely to remain subdued on local fiscal woes.**



# ECONOMIC CALENDAR

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	Country	Event	Period	Survey	Actual	Prior	Revised
<b>18-July</b>							
01:50 AM	JN	Exports YoY	JUN	5.40%	6.70%	7.80%	-
01:50 AM	JN	Imports YoY	JUN	0.20%	5.20%	1.50%	-
01:50 AM	JN	Trade Balance Adjusted	JUN	JPY -153.1b	JPY -14.4b	JPY -609.1b	JPY -621.5b
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	JUN	2.60%	3.80%	2.30%	2.20%
02:30 PM	US	Initial Jobless Claims	JUL 6	216k	216k	209k	-
02:30 PM	US	Continuing Claims	JUN 29	1700k	1686k	1723k	-
02:30 PM	US	Philadelphia Fed Business Outlook	JUL	5.0	21.8	-	-
03:13 PM	SA	SARB Announce Interest Rate	MAY F	6.50%	-	6.75%	-
04:00 PM	US	Leading Index	JUN	0.05%	0.30%	0.00%	-
<b>19-July</b>							
01:30 AM	JN	Natl CPI YoY	JUN	0.70%	0.70%	0.70%	-
08:00 AM	GE	PPI YoY	JUN	1.50%	-	1.90%	-
10:00 AM	EC	ECB Current Account SA	MAY	-	-	EUR 20.9b	-
10:30 AM	UK	PSNB ex Banking Groups	JUN	GBP 3.9b	-	GBP 5.1b	-
04:00 PM	US	U. of Mich. Sentiment	JUL P	98.8	-	98.2	-
<b>22-July</b>							
02:30 PM	US	Chicago Fed Nat Activity Index	JUN	-	-	-0.05	-
<b>23-July</b>							
09:00 AM	SA	Leading Indicator	MAY	0.0	-	105.5	-
04:00 PM	EC	Consumer Confidence	JUL A	-7.05	-	-7.20	-
04:00 PM	US	Richmond Fed Manufact. Index	JUL	5	-	3	-
04:00 PM	US	Existing Home Sales	JUN	5.35m	-	5.34m	-
04:00 PM	US	Existing Home Sales MoM	JUN	0.10%	-	2.50%	-

Source: Bloomberg 2019/07/19 07:29

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