

# DAILY MARKET COMMENTARY

31 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)	SAGB curve maintains steepening bias as fiscal woes fester after the Eskom results announcement
(Currencies)	All eyes on the outcome of the FOMC tonight
(Commodities)	Oil extended its longest rally in three weeks as lingering Iran tensions stoke concerns over the stability of Middle East energy flows, while U.S. crude stockpiles continue to tighten
(Equities)	Global stocks are on the backfoot as a mix of bad earnings, poor macro data and Trump comments on China keep investors on the sidelines into the FED minutes
(Economics)	SA unemployment rate worsens, fiscal woes persist as revenue collection slows

## KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
30/07	SA	Unemployment	29%/--/27.6%	Sharp increase in unemployment as more people begin searching for work in Q2
30/07	SA	Monthly budget	23.6b/--/-17.5b	While surplus is achieved, budget details remain dire amid SOE bail-outs and revenue disappointments
30/07	US	PCE deflator	1.4%/1.7%/1.6%	Inflationary pressures remain subdued in the US
30/07	US	Consumer confidence	135.7/125/124.3	Consumer confidence may pick up on the back of interest rate cut expectations
31/07	EZ	GDP	--/0.2%/0.4%	Growth expected to weaken on consumer spending and trade
31/07	SA	Trade balance	--/R4b/R1.7b	Trade balance may show small surplus as exports rise
31/07	US	ADP payrolls and FOMC interest rate decision	--	Payrolls may show modest growth, but Fed expected to cut on forecasted growth disappointment

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	6.35	0.20	5.40	-64.40	-134.90	↑
R186-7.4 yrs	8.30	-0.05	21.65	-57.25	-29.95	↑
R2048-28.6 yrs	9.90	0.05	20.25	-0.05	40.45	↑
US 10 yr	2.05	-0.53	4.76	-63.16	-90.72	↑
UK 10 yr	0.63	-2.00	-19.90	-64.30	-70.90	↓
German 10 yr	-0.40	-0.80	-7.20	-64.10	-84.50	↓
Japan 10 yr	-0.16	-0.70	0.10	-16.00	-21.90	↑

Money Market	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
SA repo rate	6.50	0.00	-25.00	-25.00	0.00	↓
SA prime rate	10.00	0.00	-25.00	-25.00	0.00	↓
SA CPI (MTD=previous month)	4.50	0.00	0.00	-10.00		→
SA 3m JIBAR	6.83	-0.90	-19.20	-31.70	-13.40	↓
SA 3m NCD	6.85	0.00	-22.50	-27.50	-10.00	↓
SA 6m NCD	7.28	-3.75	-12.50	-47.50	-22.50	↓
SA 12m NCD	7.70	-1.25	-5.00	-62.50	-37.50	↓
US 3m LIBOR	2.25	-0.24	-6.68	-55.45	-9.00	↓
UK 3m LIBOR	0.77	-0.56	-0.18	-14.04	-2.19	↓
Japan 3m LIBOR	-0.07	-0.18	-0.77	-0.05	-3.80	↓

Source: Bloomberg & Nedbank CIB  
Time: 2019/07/31 07:36

FRAs and Swaps	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
3X6 FRA	6.78	0.00	1.00	-43.50	-25.50	↑
6X9 FRA	6.69	0.00	4.00	3.00	4.00	↑
9X12 FRA	6.65	0.50	6.50	-68.00	-57.00	↑
18X21 FRA	6.78	0.00	10.50	-68.00	-66.00	↑
SA 2yr Swap	6.75	0.00	3.00	-59.00	-51.00	↑
SA 3yr Swap	6.85	1.00	7.00	-60.00	-54.00	↑
SA 5yr Swap	7.13	1.50	9.00	-54.00	-48.50	↑
SA 10yr Swap	7.80	2.50	9.50	-39.50	-28.50	↑
SA 15yr Swap	8.12	2.00	10.50	-34.50	-22.50	↑

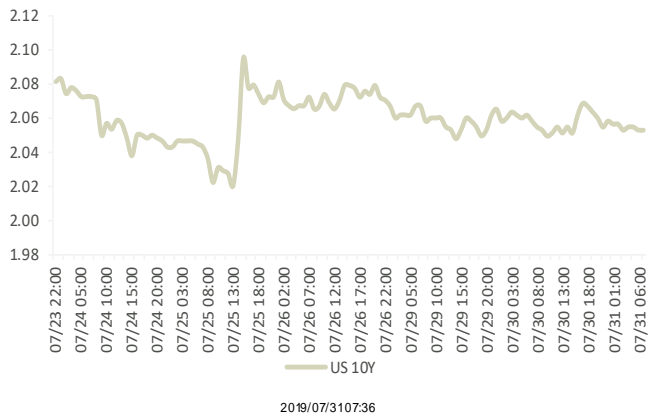
  

Spreads	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
2v10y	-1.05	-2.50	-6.50	-19.50	-22.50	↓
3v10y	-0.95	-1.50	-2.50	-20.50	-25.50	↓
R186-R208	1.95	-0.25	16.25	7.15	104.95	↑
R2048-R186	1.60	0.10	-1.40	57.20	70.40	↓
5y-R186	-1.17	1.55	-12.65	3.25	-18.55	↓
10y-R186	-0.51	2.55	-12.15	17.75	1.45	↓
15y-R186	-0.18	2.05	-11.15	22.75	7.45	↓
SA 5yr CDS spread - basis points	172.48	-0.14	3.96	-50.47	-10.08	↑

Source: Bloomberg & Nedbank CIB  
Time: 2019/07/31 07:36

## US 10 year yield

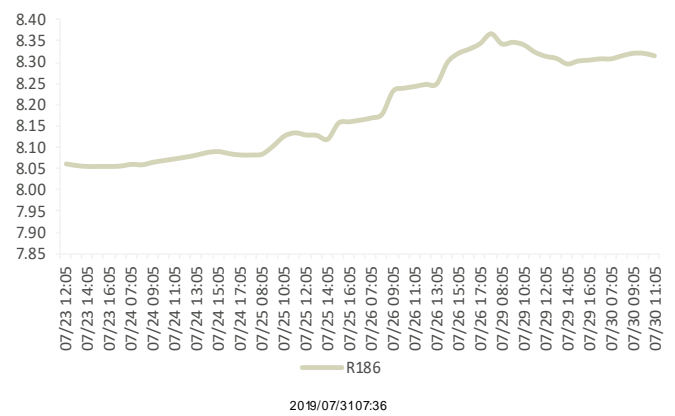
### US 10 year yield



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 markets opened the session trading around the 14.2000 level. They again traded cautiously, awaiting Eskom's financial results; these were not as woeful as was expected, posting a loss of ZAR20.7bn and providing the markets with some degree of comfort; the local unit managed to trade to a best level of 14.1400, closing the day trading at 14.2150. In the overnight session, the rand held steady; this morning, it is currently trading at 14.1900, the EURZAR is trading at 15.8305 and the GBPZAR is trading at 17.2620.
- The international markets continued to trade within limited ranges, with the EURUSD trading between 1.1132 and 1.1158; this morning, it is currently at 1.1156. The GBPUSD continued to trade towards its recent lows and is currently trading at 1.2165.
- As the levels of global uncertainty remain elevated and prospects for interest rate yields decline, gold has traded steadily firmer; this morning, it is currently trading at 1,430.20, some USD6 firmer than the same time yesterday.
- Data releases scheduled for today: locally, we have trade data; from Europe, we have German retail sales and unemployment; from France, we have the CPI and for the zone, unemployment, GDP and the CPI; and from the US, we have ADP employment, the Chicago PMI and the outcome of the FOMC.
- The rand managed to hold steady to marginally firmer as Eskom's results surprised, although posting a large loss for a company with an effective monopoly. Today, the global focus will likely be on the outcome of the FOMC meeting, which is scheduled for after the time of the close of the local session.
- Possible trading range for the rand today: 14.0500 to 14.3500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.21	-0.76	-4.49	-4.92	-7.67	↓	USD strength
EURUSD	1.11	-0.08	-2.08	-2.89	-4.87	↓	USD strength
USDJPY	108.61	-0.16	0.70	0.99	-2.24	↓	USD strength
USDAUD	1.45	0.04	1.78	2.17	7.37	↑	USD strength

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14.18	0.09	0.63	-1.20	7.20	↑	ZAR weakness
GBPZAR	17.19	-0.68	-4.03	-6.58	-0.51	↓	ZAR strength
EURZAR	15.79	0.02	-1.48	-4.24	2.44	↓	ZAR strength
AUDZAR	9.78	0.04	-1.09	-3.51	0.36	↓	ZAR strength
ZARJPY	7.66	-0.25	0.10	0.37	-10.23	↓	ZAR strength

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	52.80	-0.09	-4.05	3.88	-4.50	↓	ZAR weakness
ZARBWP (Botswana pula)	0.76	-0.15	-0.15	1.34	-2.95	↓	ZAR weakness
ZARKES (Kenyan shilling)	7.34	-0.11	1.09	3.31	-3.97	↓	ZAR strength
ZARMUR (Mauritian rupee)	2.54	0.17	0.46	6.14	-2.87	↓	ZAR strength
ZARNGN (Nigerian naira)	25.57	-0.09	-0.26	1.05	-7.16	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0.38	-0.08	-1.76	10.61	5.62	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0.91	-0.07	0.06	8.78	16.68	↓	ZAR strength
ZARMZN (Mozambican metical)	4.34	-0.08	-1.86	1.22	-1.75	↓	ZAR weakness

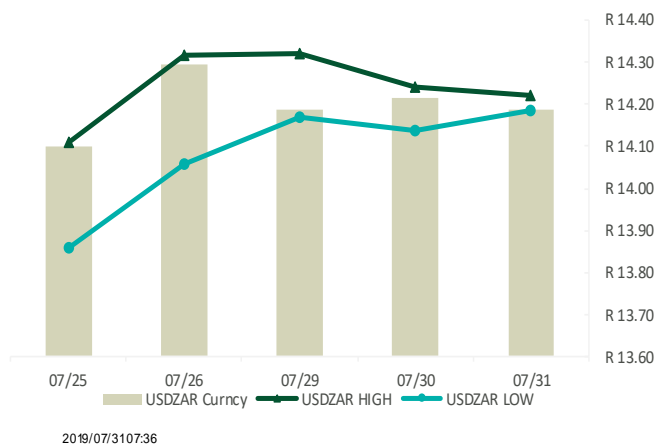
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	3.78	0.11	-1.80	-2.45	1.38	↓	USD weakness
USDTRY (Turkish Lira)	5.62	0.04	-3.14	5.84	13.10	↓	USD weakness
USDMXN (Mexican Peso)	19.07	0.06	-0.78	-3.02	2.81	↓	USD weakness
USDINR (Indian Rupee)	68.74	0.02	-0.41	-1.49	0.09	↓	USD weakness
USDRUB (Russian Ruble)	63.44	0.14	0.37	-9.88	1.87	↑	USD strength

Source: Bloomberg & Nedbank CIB  
Time: 2019/07/30 07:42

\*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

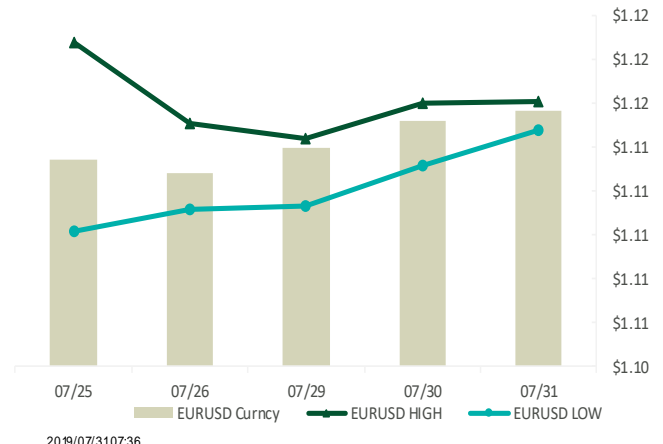
\$/R (close, high and low)



Source: Bloomberg, Nedbank

## EUR/USD

€/£ (close, high and low)



Source: Bloomberg, Nedbank

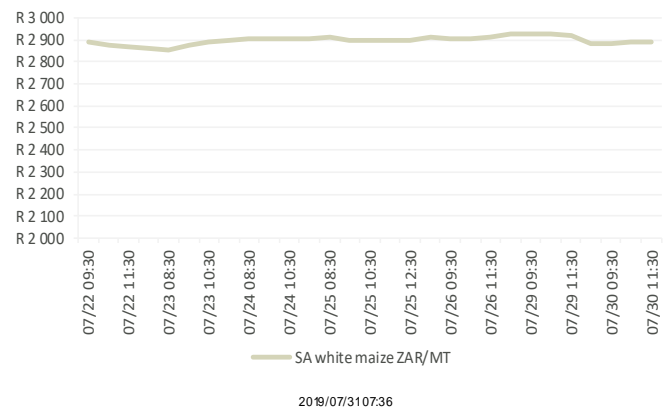
- Oil extended its longest rally in three weeks as lingering Iran tensions stoke concerns over the stability of Middle East energy flows, while U.S. crude stockpiles continue to tighten. American crude inventories dropped by 6.02 million barrels last week, according to an industry report. If confirmed by government data on Wednesday, it will be a seventh weekly decline.
- Gold is poised for a third monthly advance as investors count down the final hours before a widely expected interest rate cut by the Federal Reserve, with Chairman Jerome Powell's post-meeting remarks set to be dissected for clues on the policy path amid signs of slowing global growth. Spot gold - 0.2% to \$1,427.96/oz, Silver -0.5% to \$16.4843/oz; +7.6% in July, biggest monthly gain this year, Platinum +0.4%, set for back-to-back monthly rise; palladium +0.8%. Base metals mixed. Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	65.18	0.71	-2.06	21.15	-12.22	↓
WTI crude (\$)	58.41	0.62	-0.10	28.63	-15.05	↓
Gold spot (\$)	1430.34	0.09	1.47	11.61	16.66	↑
Platinum spot (\$)	878.85	1.06	5.28	10.52	4.37	↑
SA white maize spot (R)	2893.00	-0.79	-0.86	-1.26	36.08	↓

Source: Bloomberg & Nedbank CIB  
Time: 2019/07/31 07:36

## SA white maize

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



Source: Bloomberg, Nedbank

## Platinum vs Gold

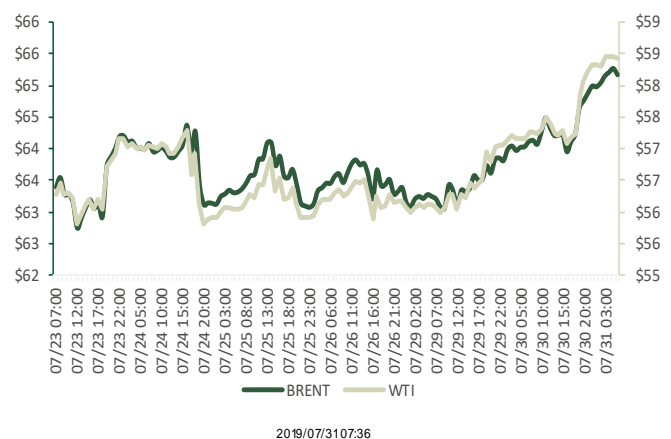
Platinum vs. Gold



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**

- SA Top40: -1.5%. We had an eventful day on both the macro and earnings fronts. Macro: all eyes were on Eskom as it incurred a loss of R20.7bn for the period; there was market talk of R25bn, so the print did see some buying of the rand. Unemployment numbers were a shocker, and what was most worrying is that we seem to be losing jobs across most sectors of the economy. Official unemployment is now 29%. On the earnings front, Shoprite kicked off with a better-than-expected trading statement. The stock ran 15% as shorts were squeezed but settled back at +5.75% after the MSM trading statement and unemployment data. Massmart: -15.45% as mass discounters were hit with a trading loss of R395m-R425m. Naspers: -1.9% as EMs continued to see outflows.

**UK/Europe**

- UK large-cap stocks rose for another day as the GBP continued to weaken amid fears of a no-deal Brexit, while European stocks slipped amid mixed corporate results. BP Plc jumped 2.8% after reporting better-than-expected earnings, while higher oil prices also lifted the energy sector broadly. The Stoxx Europe 600 fell 0.3%. GBP weakness has continued to prop up the British benchmark as the new Prime Minister Boris Johnson's government has stepped up preparations for a no-deal Brexit. Currency depreciation tends to benefit the multinationals that populate the FTSE 100. Data on Tuesday also showed an unexpected slowdown in the French economy, adding to downside risks for the Eurozone.

**USA**

- US stocks fell amid a mixed bag of corporate earnings and growing speculation that a trade deal with China remains elusive. Treasuries edged lower as the Federal Reserve (Fed) began deliberating on the path for interest rates. The S&P 500 Index declined for a second day after President Donald Trump criticised China just as his negotiators start talks in Shanghai. However, President Trump did boost sentiment late in the session when he said he had recently spoken with his Chinese counterpart. Tech shares led the losses. In earnings news, retailer Under Armour tumbled after warning about weak sales, while Procter & Gamble and Merck gained on strong results. The 10-year Treasury yield traded around 2.05% as investors await the Fed's anticipated rate cut on Wednesday.

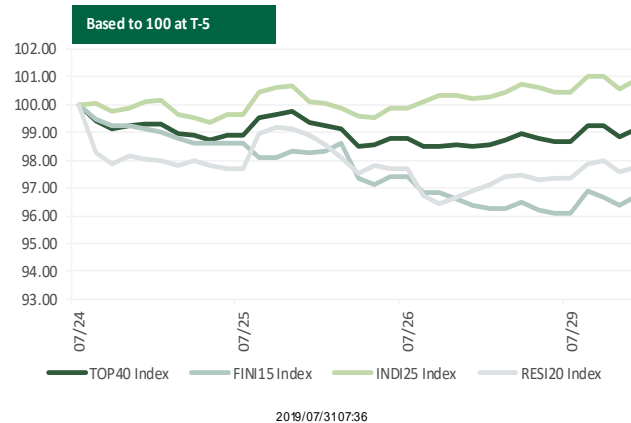
**Asia**

- Stocks in Asia dropped as investors mulled pessimistic signs for US-China trade talks alongside a mixed set of corporate earnings ahead of the Fed's long-awaited interest-rate cut. Equities retreated from Tokyo and Seoul to Sydney and Hong Kong. China shares were weighed down by news that the Communist Party's Politburo had pledged to avoid applying stimulus to the property market. Samsung shares slid on a sharp decline in profit, with traders shrugging off the tech giant's optimistic outlook for the memory business.

Developed Markets	Last price	%Δ	%Δ	%Δ	%Δ	2018	MTD trend
		-1d	MTD	YTD	12Month	Performance	
Dow Jones	27 198.02	-0.09	2.25	16.59	7.01	-6.03	↑
Nasdaq	8 273.61	-0.24	3.34	24.69	7.84	-5.30	↑
S&P 500	3 013.18	-0.26	2.43	20.20	6.99	-7.01	↑
DJ Eurostoxx 50	3 462.85	-1.72	-0.31	15.37	-1.78	-14.00	↓
DAX	12 147.24	-2.18	-2.03	15.04	-5.14	-17.97	↓
CAC	5 511.07	-1.61	-0.50	16.50	-0.00	-10.55	↓
FTSE	7 646.77	-0.52	2.98	13.65	-1.32	-12.03	↑
ASX200	6 821.20	-0.35	3.06	20.81	8.61	-6.84	↑
Nikkei 225	21 582.05	-0.59	1.44	7.83	-4.31	-14.85	↑
MSCI World	2 203.40	-0.41	1.15	16.96	2.34	-10.97	↑
Emerging Markets	Last price	%Δ	%Δ	%Δ	%Δ	2018	MTD trend
		-1d	MTD	YTD	12Month	Performance	
Hang Seng	27 850.63	-1.05	-2.42	7.76	-2.56	-15.30	↓
Shanghai	2 936.08	-0.55	-1.44	17.73	2.07	-25.52	↓
Brazil Bovespa	102 932.80	-0.53	1.95	17.12	29.93	12.83	↑
India - NSE	37 187.60	-0.56	-5.60	3.10	-1.11	6.67	↓
Russia Micex	2 734.68	0.23	-1.13	15.42	17.82	9.55	↓
MSCI Emerging	1 043.15	-0.25	-1.11	8.01	-4.07	-18.02	↓
SA Indices	Last price	%Δ	%Δ	%Δ	%Δ	2018	MTD trend
		-1d	MTD	YTD	12Month	Performance	
JSE All Share	57 241.55	-1.37	-1.65	8.54	-0.33	-11.71	↓
Top 40	51 206.88	-1.48	-1.90	9.59	-0.21	-11.54	↓
Resi 10	45 615.68	-1.32	-4.88	11.13	9.84	12.01	↓
Indi 25	73 163.88	-1.35	1.98	14.89	-0.64	-20.20	↑
Fini 15	15 904.03	-1.86	-6.41	-2.91	-7.38	-6.54	↓

Source: Bloomberg &amp; Nedbank CIB

Time 20/07/3107:36

**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
30 July 2019		
NPKP	Nampak Ltd 6%Pref	dividend @ 6cps
NPP1	Nampak Ltd 6.5%Pref	dividend @ 6.5cps
PGR	Peregrine Holdings Ltd	dividend @ 100cps

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	161.72	-1.39	-8.11	-0.06	-5.92	-11.08	↓
AGL : Anglo American Plc	358.48	-2.64	-10.96	11.24	20.39	26.07	↓
AMS : Anglo American Platinum Ltd	867.44	-0.44	3.65	61.26	114.45	52.19	↑
ANG : Anglogold Ashanti Ltd	268.21	0.33	5.59	47.57	133.31	41.31	↑
APN : Aspen Pharmacare Holdings Lt	89.75	0.09	-10.65	-33.43	-64.80	-51.42	↓
BHP : Bhp Group Plc	343.31	-1.17	-4.84	18.60	19.24	21.24	↓
BID : Bid Corp Ltd	314.72	-0.74	2.52	18.76	19.43	-11.96	↑
BTI : British American Tobacco Plc	514.74	-4.99	4.09	9.68	-29.09	-43.42	↑
BVT : Bidvest Group Ltd	188.00	-1.93	-0.71	-9.11	0.37	-5.15	↓
CFR : Financiere Richemont-Dep Rec	122.49	-1.66	2.47	30.80	6.37	-16.20	↑
CLS : Clicks Group Ltd	205.20	-0.63	-0.04	7.18	6.18	5.70	↓
CPI : Capitec Bank Holdings Ltd	1 218.00	-1.23	-6.22	8.94	28.00	1.83	↓
DSY : Discovery Ltd	133.14	-0.42	-10.71	-16.68	-21.68	-14.09	↓
EXX : Exxaro Resources Ltd	169.34	-1.12	-1.54	22.83	30.76	-15.16	↓
FSR : Firstrand Ltd	62.56	-1.18	-8.74	-4.58	-9.69	-2.51	↓
GFI : Gold Fields Ltd	79.65	2.63	3.78	61.43	65.80	-8.80	↑
GRT : Growthpoint Properties Ltd	24.04	-0.83	-0.99	3.18	-8.07	-15.76	↓
INL : Investec Ltd		-4.33	-9.96	4.70	-13.06	-11.95	↓
INP : Investec Plc	82.50	-3.79	-9.68	3.57	-13.61	-11.25	↓
MCG : Multichoice Group Ltd	135.08	1.14	0.83				↑
MNP : Mondi Plc	313.99	-2.58	-1.80	3.26	-12.99	-4.78	↓
MRP : Mr Price Group Ltd	180.10	-1.19	-9.27	-26.83	-23.41	0.52	↓
MTN : Mtn Group Ltd	110.40	0.38	3.42	24.04	-3.58	-34.85	↑
NED : Nedbank Group Ltd	243.19	-1.74	-3.95	-11.48	-10.87	7.27	↓
NPN : Naspers Ltd-N Shs	3 543.80	-1.90	3.63	26.36	12.73	-16.19	↑
NRP : Nepi Rockcastle Plc	129.10	-2.42	-0.24	14.25	5.82	-47.09	↓
OMU : Old Mutual Ltd	19.22	-5.55	-9.34	-14.20	-8.94		↓
PSG : Psg Group Ltd	233.48	-1.78	-2.31	-4.62	0.21	-9.33	↓
RDF : Redefine Properties Ltd	8.84	-0.90	-2.21	-8.58	-16.84	-9.63	↓
REM : Remgro Ltd	180.16	-0.91	-4.12	-7.49	-17.04	-17.48	↓
RMH : Rmb Holdings Ltd	76.77	-1.40	-9.04	-2.70	-6.82	-0.34	↓
SAP : Sappi Limited	51.67	-2.88	-5.87	-36.72	-44.94	-8.77	↓
SBK : Standard Bank Group Ltd	180.83	-2.00	-8.05	1.13	-11.29	-8.61	↓
SHP : Shoprite Holdings Ltd	153.97	5.75	-2.34	-19.03	-29.27	-14.03	↓
SLM : Sanlam Ltd	74.68	-0.85	-4.45	-6.42	-2.17	-8.28	↓
SOL : Sasol Ltd	314.23	-0.99	-10.27	-26.06	-39.36	-0.74	↓
SPP : Spar Group Limited/The	186.17	-0.21	-0.35	-10.28	-2.82	2.05	↓
TBS : Tiger Brands Ltd	222.20	-2.04	-0.67	-11.28	-30.60	-40.48	↓
TFG : The Foschini Group Ltd	169.50	-1.09	-5.99	1.96	-1.57	-15.76	↓
VOD : Vodacom Group Ltd	117.59	0.85	-1.74	-10.92	-16.16	-9.39	↓
WHL : Woolworths Holdings Ltd	55.28	1.86	13.09	0.34	8.05	-15.65	↑

Source: Bloomberg &amp; Nedbank CIB

Time 2019/07/31 07:36

## SA

- The SA unemployment rate surged to 29% in 2Q19, from 27.6% in 1Q19, worse than consensus of 27.7%. While the labour force grew by 476 000 people, only 21 000 managed to find employment, predominantly in the informal sector. As a result, the number of people classified as unemployed surged by 455 000, a 7.3% q/q rise (and 9.4% annualised increase in the number of people unemployed). This was the biggest increase in the number of unemployed people since 2Q13. Youth unemployment, unsurprisingly, continued to rise, and now stands at 40.3% from 39.3% in Q1.
- Notably, in Q1, we saw an abnormal surge in the number of discouraged work-seekers. In Q2, we see the opposite – the number of discouraged work-seekers declined by 248 000 in Q2 alone, which potentially resulted in a reclassification of this population back into the labour force. Indeed, if we look at the labour force participation rate, which increased to 59.8% from 58.8% in Q1, tells us that many more people have decided to start actively looking for work, perhaps due to the post-election-related sentiment and hype. The absorptive capacity of the economy remains weak – the labour absorption ratio fell to 42.4% in Q2, from 42.6% in Q1.
- On a per industry basis, the following industries reduced headcount in Q2: mining, transport, finance and private households (a cumulative 148 000 job losses in Q2). The only significant employer in Q2 was the trade industry, hiring 84 000 additional staff, while the community and social services industry (all levels of government) added 48 000 jobs in Q2. While overall employment grew 0.2% y/y, unemployment grew by 9.4% y/y in Q2. We see some migration between employment in the formal sector to the informal sector in Q2, as the informal sector created 114 000 new jobs, while the formal sector shed 49 000 jobs. This was the biggest decline in formal sector employment since at least 2011.

**Bottom line – the economy is significantly weaker than expectations, and one would expect the disappointment (in the lack of employment) to result in a surge in discouraged work-seekers in Q3. Given the constrained fiscus, we cannot expect public sector employment to rise indefinitely, and hence there needs to be a structural shift in the economy to enable private sector (and formal sector) employment to recover. The lack of policy certainty, an unstable political backdrop, and weak confidence levels have all hindered any sort of long-term planning by businesses. The economy remains stuck in a quagmire, until the policy (and political) environment improves.**

- The SA budget balance showed a surplus of R23.6 billion in June, from a R17.5 billion deficit in May, marginally ahead of the long-run average surplus for June of R23 billion. Despite the marginal beat, the details remain a concern.
- Revenue collection remains underwhelming, with just 22.7% collected thus far into the fiscal year, compared to 23.4% collected during the same period last year. Lower corporate income tax collection and customs duties collection, combined with sharply higher VAT refund payments in the current year are the main reasons for the weak pace of revenue collection. Looking at gross tax revenue collection, we note the material divergence in its performance relative to previous years – in June 2019, just 9.9% of tax revenue was collected (as a proportion of the total budgeted amount), compared to the average collection pace for the month of June of 10.7% since 2011. We stress yet again, that revenues are likely to be lowered substantially by the MTBPS, with our estimates now pointing to a R37 billion revenue undershoot for the current year (relative to Feb budget estimates).
- On the expenditure side, spending is still running ahead of schedule, with 22.6% of costs incurred thus far, compared to 21.6% during the same period last year. Departmental spending remains elevated, with the following departments overshooting relative to the pace set last year: Police, Higher Education and Training, Transport, Human settlements, Home affairs, International relations and Basic education.

**Synopsis: Whereas we had previously noted that our estimates pointed to a main budget deficit of 5.5% of GDP, the bail-out funding would likely imply a deficit of 5.9% instead (or R317bn vs. the R255bn forecast in the February Budget). This implies a funding shortfall of R62 billion, which would necessitate an increase in weekly nominal bond issuance of R816mn (after accounting for the contingency reserve, non-comps, marginally higher T-bill issuance). The consolidated deficit estimate is now 5.7% of GDP, compared to 5.3% previously forecast. These estimates are well above the main and consolidated deficits (as a % of GDP) of 4.7% and 4.4% achieved in 2018/19 respectively. The Debt-to-GDP ratio is also expected to rise to 60% in 2020/21 and 61.6% in 2021/22 (excluding Eskom's debt repayments).**



# ECONOMIC CALENDAR

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	Country	Event	Period	Survey	Actual	Prior	Revised
<b>30-July</b>							
01:30 AM	JN	Jobless Rate	JUN	2.40%	2.30%	2.40%	-
01:30 AM	JN	Job-To-Applicant Ratio	JUN	1.62	1.61	1.62	-
01:50 AM	JN	Industrial Production YoY	JUN P	-2.00%	-4.10%	-2.10%	-
04:55 AM	JN	BOJ 10-Yr Yield Target	JUL 30	0.00%	0.00%	0.00%	-
04:55 AM	JN	BOJ Policy Balance Rate	JUL 30	-0.10%	-0.10%	-0.10%	-
11:00 AM	EC	Consumer Confidence	JUL A	-6.60	-6.60	-6.60	-
11:00 AM	EC	Business Climate Indicator	JUL	0.08	-0.12	0.17	-
11:00 AM	EC	Economic Confidence	JUL	102.6	102.7	103.3	-
11:30 AM	SA	South Africa Unemployment	2Q	27.7%	29.0%	27.6%	-
02:00 PM	GE	CPI YoY	MAY F	1.50%	1.70%	1.60%	-
02:00 PM	SA	South Africa Budget	JUN	ZAR 0.0b	ZAR 23.6b	ZAR -17.5b	-
02:30 PM	US	Personal Income	JUN	0.40%	0.40%	0.50%	0.40%
02:30 PM	US	PCE Core YoY	JUN	1.70%	1.60%	1.60%	1.50%
02:30 PM	US	PCE Deflator YoY	JUN	1.50%	1.40%	1.50%	1.40%
02:30 PM	US	Personal Spending	JUN	0.30%	0.30%	0.40%	0.50%
02:30 PM	US	Real Personal Spending	JUN	0.20%	0.20%	0.20%	0.30%
03:00 PM	US	S&P CoreLogic CS 20-City YoY NSA	MAY	2.40%	2.39%	2.54%	2.53%
04:00 PM	US	Pending Home Sales NSA YoY	JUN	0.70%	-0.60%	-0.80%	-
04:00 PM	US	Conf. Board Consumer Confidence	JUL	125.0	135.7	121.5	124.3
<b>31-July</b>							
08:00 AM	GE	Retail Sales YoY	JUN	0.00%	-	4.00%	-
11:00 AM	EC	CPI Core YoY	JUL A	1.00%	-	1.10%	-
11:00 AM	EC	Unemployment Rate	JUN	7.50%	-	7.50%	-
11:00 AM	EC	CPI Estimate YoY	JUL	1.10%	-	1.20%	-
11:00 AM	EC	GDP SA QoQ	2QA	0.20%	-	0.40%	-
11:00 AM	EC	GDP SA YoY	2QA	1.00%	-	1.20%	-
02:00 PM	SA	Trade Balance Rand	JUN	4.2b	-	1.7b	-
02:15 PM	US	ADP Employment Change	JUL	150k	-	102k	-
03:45 PM	US	Chicago Purchasing Manager	JUL	51.0	-	49.7	-
08:00 PM	US	FOMC Rate Decision (Upper Bound)	JUL 31	2.25%	-	2.50%	-
08:00 PM	US	FOMC Rate Decision (Lower Bound)	JUL 31	2.00%	-	2.25%	-
<b>01-August</b>							
12:00 AM	SA	Naamsa Vehicle Sales YoY	JUL	-	-	-1.6%	-
03:45 AM	CH	Caixin China PMI Mfg	JUL	49.5	-	49.4	-
10:30 AM	UK	Markit UK PMI Manufacturing SA	JUL	47.6	-	48.0	-
11:00 AM	SA	Barclays Manufacturing PMI	JUL	46.5	-	46.2	-
01:00 PM	UK	Bank of England Bank Rate	AUG 1	0.75%	-	0.75%	-
01:00 PM	UK	BOE Asset Purchase Target	AUG	GBP 435b	-	GBP 435b	-
01:00 PM	UK	BOE Corporate Bond Target	AUG	GBP 10b	-	GBP 10b	-
04:00 PM	US	ISM Manufacturing	JUL	52.0	-	51.7	-
<b>02-August</b>							
11:00 AM	EC	Retail Sales YoY	JUN	1.3%	-	1.3%	-
11:00 AM	EC	PPI YoY	JUN	0.8%	-	1.6%	-
02:30 PM	US	Average Hourly Earnings YoY	JUL	3.1%	-	3.1%	-
02:30 PM	US	Change in Nonfarm Payrolls	JUL	165k	-	224k	-
02:30 PM	US	Labor Force Participation Rate	JUL	62.9%	-	62.9%	-
02:30 PM	US	Unemployment Rate	JUL	3.7%	-	3.7%	-
02:30 PM	US	Trade Balance	JUN	USD -54.6b	-	USD -55.5b	-
04:00 PM	US	U. of Mich. Sentiment	JUL F	98.5	-	98.4	-
04:00 PM	US	Factory Orders	JUN	0.7%	-	-0.7%	-
04:00 PM	US	Factory Orders Ex Trans	JUN	-	-	0.1%	-

Source: Bloomberg 2019/07/31 07:36

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