

DAILY MARKET COMMENTARY

19 September 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 | +27 11 537 4091

SNIPPETS

(Fixed Income)	SAGBs have a muted reaction ahead of the SARB this afternoon
(Currencies)	Focus on central bank events today
(Commodities)	Oil prices edged higher after days of turbulence; Gold softened after Federal Reserve policy makers offered mixed views on more monetary easing
(Equities)	Global equity markets traded cautiously as traders digested economic data ahead of the FOMC meeting
(Economics)	SA CPI rises, retail sales growth disappoints; US Fed cuts interest rates; UK CPI edges lower

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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

Date	Region	Event	Actual/expected/prior	Implications
18/09	SA	CPI	4.3%/4.2%/4.0%	CPI may rise on the back of higher fuel costs in August
18/09	UK	CPI	1.7%/1.9%/2.1%	Lower energy costs may ease UK CPI
18/09	SA	Retail sales	2.0%/2.6%/2.4%	Retail sales remains below long-run trend
18/09	US	FOMC rate decision	2.0%/2.0%/2.25%	25bps reduction as Fed talks of insurance cuts and moderate easing to keep the US economy strong
19/09	UK	BOE interest rate decision	--/0.75%/0.75%	BOE expected to sound dovish to neutral as a result of lower inflation
19/09	SA	SARB interest rate decision	--/6.5%/6.5%	Interest rate may remain unchanged as a result of weak rand, higher oil price and the need for high real rates
24/09	US	Consumer confidence	--/133.5/135.1	Confidence could ease as a result of weak growth expectations

Source: Nedbank

CONTACT FOR QUERIES

REEZWANA SUMAD
Strategy: Research Analyst
Tel: +27 11 537 4091
ReezwanaS@Nedbank.co.za

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	
R208-1.5 yrs	6.67	0.80	9.50	-32.80	-128.50	↑
R186-7.3 yrs	8.23	1.45	1.75	-64.55	-85.25	↑
R2048-28.4 yrs	9.82	0.95	-7.55	-7.75	-16.75	↓
US 10 yr	1.78	-1.65	28.36	-90.38	-128.22	↑
UK 10 yr	0.64	-5.40	16.40	-63.40	-92.50	↑
German 10 yr	-0.51	-3.60	19.00	-75.20	-99.00	↑
Japan 10 yr	-0.23	-4.30	4.40	-22.80	-34.90	↑

Money Market	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
SA repo rate	6.50	0.00	0.00	-25.00	0.00	→
SA prime rate	10.00	0.00	0.00	-25.00	0.00	→
SA CPI (MTD=previous month)	4.30		30.00	-20.00	-60.00	↑
SA 3m JIBAR	6.81	0.00	-0.90	-34.20	-22.50	↓
SA 3m NCD	6.78	-2.50	0.00	-35.00	-22.50	→
SA 6m NCD	7.23	0.00	-2.50	-52.50	-42.50	↓
SA 12m NCD	7.60	0.00	5.00	-72.50	-76.25	↓
US 3m LIBOR	2.16	-0.83	1.83	-65.18	-18.16	↑
UK 3m LIBOR	0.78	-0.71	1.64	-13.68	-2.47	↑
Japan 3m LIBOR	-0.09	0.13	0.10	-1.83	-5.25	↑

Source: Bloomberg & Nedbank CIB
Time: 2019/09/19 08:16

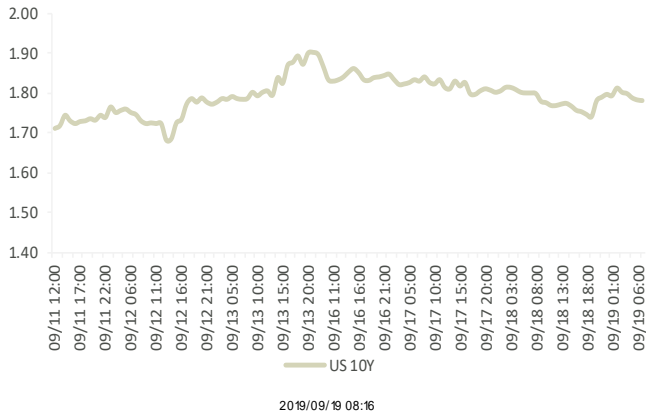
FRAs and Swaps	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
3X6 FRA	6.58	1.25	-3.50	-63.50	-64.50	↓
6X9 FRA	6.48	0.00	4.00	3.00	4.00	↑
9X12 FRA	6.41	-1.50	1.00	-92.50	-124.50	↑
18X21 FRA	6.50	-3.50	5.00	-96.00	-147.00	↑
SA 2yr Swap	6.55	1.00	3.00	-79.00	-105.10	↑
SA 3yr Swap	6.62	0.00	2.50	-82.50	-118.50	↑
SA 5yr Swap	6.91	1.50	5.00	-76.00	-120.00	↑
SA 10yr Swap	7.60	1.00	5.00	-59.00	-101.00	↑
SA 15yr Swap	7.94	2.00	6.00	-52.50	-93.00	↑

Spreads	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
2v10y	-1.06	0.00	-2.00	-20.00	-4.10	↓
3v10y	-0.98	-1.00	-2.50	-23.50	-17.50	↓
R186-R208	1.56	0.65	-7.75	-31.75	43.25	↓
R2048-R186	1.60	-0.50	-9.30	56.80	68.50	↓
5y-R186	-1.32	0.05	3.25	-11.45	-34.75	↑
10y-R186	-0.63	-0.45	3.25	5.55	-15.75	↑
15y-R186	-0.29	0.55	4.25	12.05	-7.75	↑
SA 5yr CDS spread - basis points	168.18	-0.68	-13.93	-54.77	-42.99	↓

Source: Bloomberg & Nedbank CIB
Time: 2019/09/19 08:16

US 10 year yield

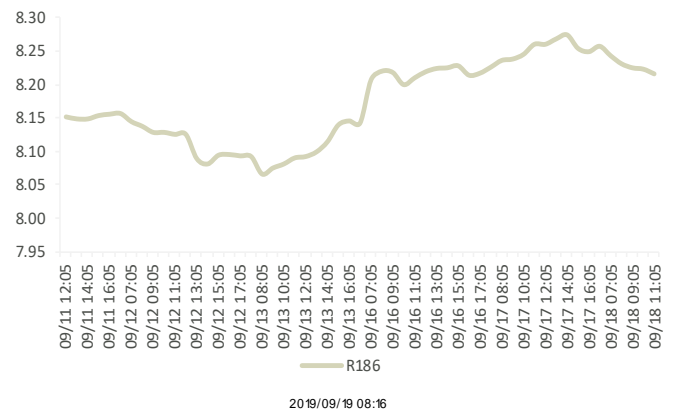
US 10 year yield



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

- Yesterday, the local trading session opened with the rand trading around the 14.7000 level. As was expected, market activity was relatively limited, with the local unit encountering moderate demand, which saw it reach a best level of 14.6075 on the day, closing the session trading at 14.6300. In the overnight session, the Fed cut by 25bps, but the outlook was not what the markets were expecting, and this saw the USD recover. The rand is currently trading at 14.7200, the EURZAR is trading at 16.2510 and the GBPZAR at 18.3705.
- On the international front, the markets are currently trading largely unchanged from the time of the local close last night, with the EURUSD marginally off its closing levels at 1.1040. The GBPUSD was unchanged and is currently trading at 1.2480.
- Gold found support for much of the session yesterday, posting gains of around USD7 on the day to close at 1,509.25. After the FOMC, it has sold off, to trade to the current levels at 1,494.50.
- Data releases scheduled for today: locally, no data, but we have the outcome of the SARB MPC; from Europe, we have the Italian and Eurozone current accounts; from the UK, we have retail sales, and the SNB and the BoE are meeting; and from the US, we have jobless claims, the current account, Philadelphia Fed business index, leading index and existing home sales.
- The FOMC delivered last night, although the outlook was not quite as clear-cut as the markets anticipated. The rand posted incremental gains towards the 14.6000 level yesterday, and this morning, we open basically unchanged from the same time yesterday. The local focus will be on the outcome of the MPC; the consensus view is for no cut.
- Possible trading range for the rand today: 14.6000 to 14.8500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.25	-0.05	2.62	-2.13	-5.23	↑	USD weakness
EURUSD	1.10	-0.20	0.54	-3.59	-5.50	↑	USD weakness
USDJPY	107.92	-0.23	1.52	1.61	-3.98	↓	USD strength
USDAUD	1.47	0.90	-0.79	3.73	7.07	↓	USD weakness
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14.72	0.74	-3.20	2.33	0.43	↓	ZAR strength
GBPZAR	18.37	0.69	-0.55	0.15	-5.06	↓	ZAR strength
EURZAR	16.26	0.54	-2.63	-1.30	-5.35	↓	ZAR strength
AUDZAR	10.00	-0.14	-2.30	-1.37	-6.61	↓	ZAR strength
ZARJPY	7.33	-1.02	4.58	-4.03	-4.48	↑	ZAR strength
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	50.10	-0.75	3.78	-1.16	1.11	↑	ZAR strength
ZARBWP (Botswana pula)	0.74	-0.38	1.59	-0.70	1.05	↑	ZAR strength
ZARKES (Kenyan shilling)	7.03	-0.74	3.28	-0.71	2.20	↑	ZAR strength
ZARMUR (Mauritian rupee)	2.46	-0.68	3.56	3.22	4.87	↑	ZAR strength
ZARNGN (Nigerian naira)	24.65	-0.56	3.06	-2.51	-0.33	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.37	-1.56	2.50	8.45	11.31	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.90	-0.78	3.93	7.47	16.04	↑	ZAR strength
ZARMZN (Mozambican metical)	4.18	-0.75	3.05	-0.96	0.44	↑	ZAR strength
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	4.11	0.82	-0.85	5.58	-1.26	↓	USD weakness
USDTRY (Turkish Lira)	5.69	0.39	-2.47	7.04	-10.26	↓	USD weakness
USDMXN (Mexican Peso)	19.44	0.42	-3.21	-1.17	3.52	↓	USD weakness
USDINR (Indian Rupee)	71.23	-0.01	-0.25	2.05	-1.62	↓	USD weakness
USDRUB (Russian Ruble)	64.38	0.29	-3.64	-7.77	-3.80	↓	USD weakness

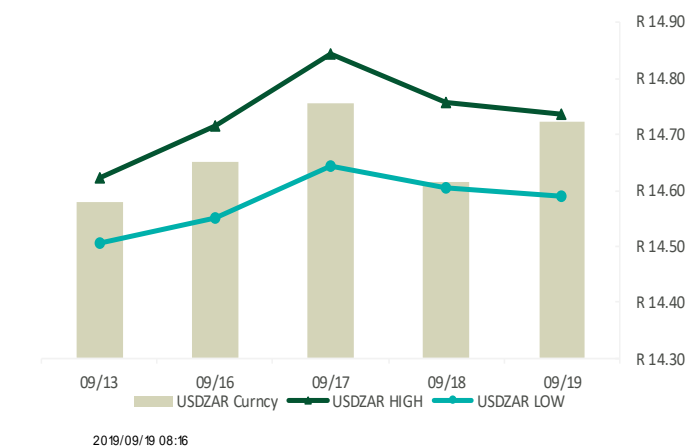
Source: Bloomberg & Nedbank CIB

Time 20/09/19 08:16

*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)

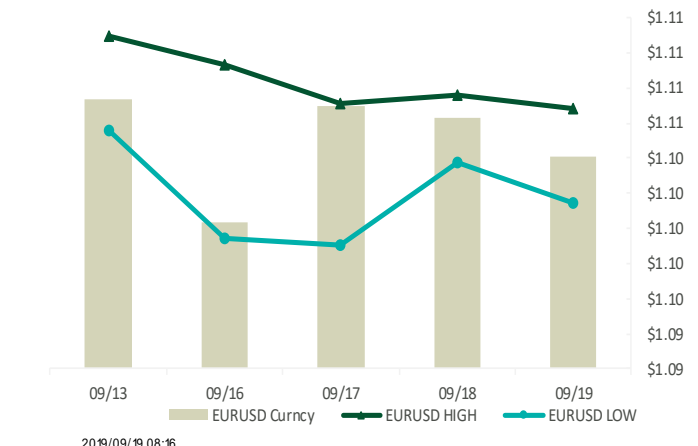


20/09/19 08:16

Source: Bloomberg, Nedbank

EUR/USD

€/€ (close, high and low)



20/09/19 08:16

Source: Bloomberg, Nedbank

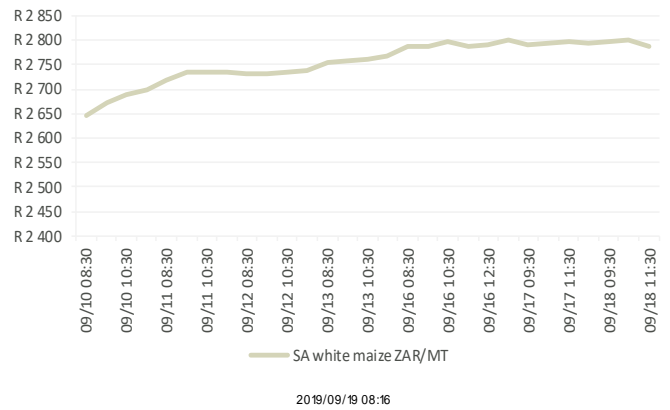
- Oil prices edged higher after days of turbulence, with markets soothed by Saudi Arabia's pledge to restore full production by end-September at facilities knocked out in drone and missile attacks last weekend. EIA report showed U.S. oil inventories rose by 1.06 million barrels last week. That was almost double what the American Petroleum Institute reported Tuesday and compared with analyst forecasts for a 2.25 million barrel decline.
- Gold softened after Federal Reserve policy makers offered mixed views on more monetary easing after delivering another rate cut, casting doubt over a key driver of bullion's surge to a six-year high.
- Nickel held a gain as mills in China, the top consumer, are seen replenishing stockpiles after prices retreated from a five-year high. Copper fell for a fourth day, heading for the longest run of losses since Aug. 6. Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	63.76	0.25	5.51	18.51	-19.70	↑
WTI crude (\$)	58.32	0.36	5.84	28.43	-18.00	↑
Gold spot (\$)	1 496.95	-0.77	-1.54	16.81	24.30	↓
Platinum spot (\$)	931.88	-0.21	-0.20	17.19	13.16	↓
SA white maize spot (R)	2 789.00	-0.29	0.50	-4.81	17.18	↑

Source: Bloomberg & Nedbank CIB
Time: 20/09/19 08:16

SA white maize

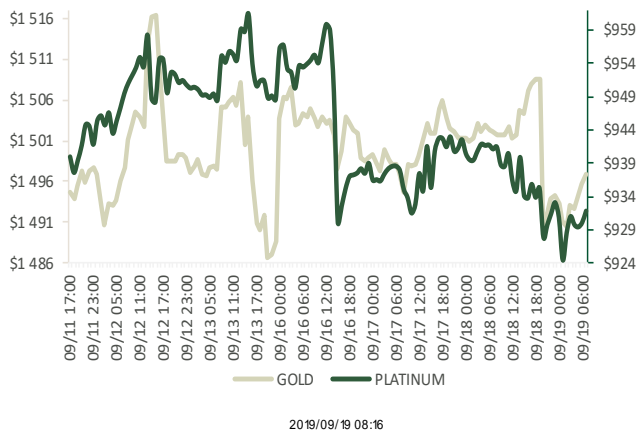
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

Platinum vs Gold

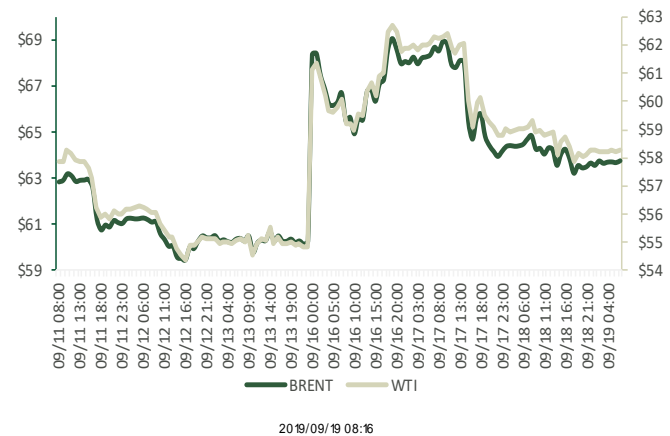
Platinum vs. Gold



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 traded lower for a second consecutive session, with the Top40 and All Share losing 1.45% and 1.19%, respectively.
- Naspers and Prosus remained under pressure, both falling over 3%, while luxury goods company Richemont plunged over 5% after a broker downgrade.
- Data released showed that retail sales rose in July for a seventh straight month (missing forecasts).
- The value traded was R23bn, and the rand was at 14.63 to the USD.

UK/Europe

- European markets posted modest gains. Data released showed that the Eurozone CPI remained stable in August at 1%.
- The FTSE lost a tenth of a percent as weaker consumer and financials offset gains in IT shares. UK inflation dropped to 1.7% in August from 2.1% in July.
- The DAX and FTSE both gained around a tenth of a percent. Wirecard (+3%) announced that it finalised cooperation with SoftBank Corp.

USA

- US markets experienced choppy trading, eventually closing mixed.
- The Dow and S&P posted minor gains, while the Nasdaq dropped a tenth of a percent.
- The Federal Reserve lowered interest rates by 25bps, in line with expectations. The Fed's comments were pretty much unchanged from the July meeting, and it stated that the labour market remains strong while exports have weakened.

Asia

- Focus in Asian markets this morning was on the Bank of Japan's (BoJ's) interest rate decision. The BoJ kept rates unchanged. At the time of writing, the Nikkei was up four-tenths of a percent.
- The Hang Seng lost 1.2%, with the IT sector offering the only relief as industrials, energy and financials all lost over a percent.
- Australian markets were six-tenths of a percent higher as banks and diversified miners gained.

Developed Markets	Last price	%Δ				2018 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Dow Jones	27 147.08	0.13	2.82	16.37	2.81	-6.03	↑
Nasdaq	8 177.39	-0.11	2.69	23.24	2.86	-5.30	↑
S&P 500	3 006.73	0.03	2.74	19.94	3.40	-7.01	↑
DJ Eurostoxx 50	3 528.04	0.19	2.96	17.55	4.73	-14.00	↑
DAX	12 389.62	0.14	3.77	17.34	1.40	-17.97	↑
CAC	5 620.65	0.09	2.56	18.81	4.21	-10.55	↑
FTSE	7 314.05	-0.09	1.48	8.71	-0.23	-12.03	↑
ASX200	6 714.80	0.50	1.67	18.92	8.48	-6.84	↑
Nikkei 225	22 050.77	0.41	6.50	10.17	-6.85	-14.85	↑
MSCI World	2 201.03	-0.03	2.92	16.83	1.07	-10.97	↑

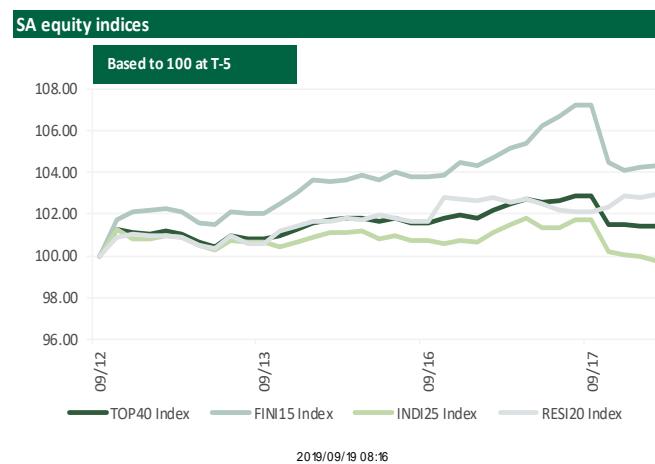
Emerging Markets	Last price	%Δ				2018 Performance	MTD trend
		-1d	MTD	YTD	12Month		
Hang Seng	26 392.82	-1.35	2.60	2.12	-3.70	-15.30	↑
Shanghai	2 983.40	-0.08	3.37	19.63	9.25	-25.52	↑
Brazil Bovespa	104 531.90	-0.08	3.36	18.94	33.73	12.83	↑
India - NSE	36 242.95	-0.88	-2.92	0.48	-2.37	6.67	↓
Russia Micex	2 818.60	-0.08	2.87	18.96	17.23	9.55	↑
MSCI Emerging	1 021.36	0.24	3.76	5.76	-0.94	-18.02	↑

SA Indices	Last price	%Δ				2018 Performance	MTD trend
		-1d	MTD	YTD	12Month		
JSE All Share	56 220.41	-1.19	1.74	6.61	-0.40	-11.71	↑
Top 40	50 134.23	-1.45	1.65	7.29	-0.27	-11.54	↑
Resi 10	43 812.74	-0.44	-1.22	6.74	0.43	12.01	↓
Indi 25	71 226.09	-2.48	0.82	11.84	1.34	-20.20	↑
Fini 15	16 398.73	0.23	8.37	0.11	-1.10	-6.54	↑

Source: Bloomberg & Nedbank CIB

Time 20/09/19 08:16

Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

LAST DAY TO TRADE

[back to top](#)

Susan Correia | Scorreia@Nedbankcapital.co.za | +27 11 295 8227

SHARE CODE	SHARE NAME	DIVIDEND / INTEREST RATE
23 September 2019		
ACG	Anchor Group Limited	dividend @ 9cps
ADH	ADvTECH Limited	dividend @ 15cps
ARI	African Rainbow Minerals Ltd	dividend @ 900cps
ASR	Assore Ltd	dividend @ 1400cps
BEL	Bell Equipment Ltd	dividend @ 20cps
BID	BID Corporation Ltd	dividend @ 330cps
CSB	Cashbuild Ltd	dividend @ 420cps
DRD	DRD Gold Ltd	dividend @ 20cps
FFA	Fortress REIT Ltd	dividend @ 73.62cps
FFB	Fortress REIT Ltd B	dividend @ 78.01cps
FSR	Firststrand Ltd	dividend @ 152cps
IMRP4	IM Redeemable Pref 4 Aug21	dividend @ 1091.314440cps
IPL	Imperial Logistics Ltd	dividend @ 109cps
MTM	Momentum Met Holdings Ltd	dividend @ 35cps
RMH	RMB Holdings Ltd	dividend @ 198cps
TRL	Trellidor Holdings Ltd	dividend @ 11.10cps

Source: JSE

JSE PERFORMANCE

[back to top](#)

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

Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
ABG : Absa Group Ltd	167.30	0.04	8.86	3.39	10.74	-11.08	↑
AGL : Anglo American Plc	349.94	-0.46	6.81	8.59	9.35	26.07	↑
AMS : Anglo American Platinum Ltd	885.15	-0.07	-4.90	64.55	93.22	52.19	↓
ANG : Anglogold Ashanti Ltd	289.45	-0.36	-16.38	59.26	128.80	41.31	↓
APN : Aspen Pharmacare Holdings Lt	96.00	-1.62	21.98	-28.79	-44.58	-51.42	↑
BHP : Bhp Group Plc	327.90	-0.25	0.19	13.28	11.36	21.24	↑
BID : Bid Corp Ltd	326.74	1.87	0.54	23.30	6.08	-11.96	↑
BTI : British American Tobacco Plc	542.83	0.77	1.41	15.67	-20.66	-43.42	↑
BVT : Bidvest Group Ltd	203.00	0.22	13.60	-1.86	7.46	-5.15	↑
CFR : Financiere Richemont-Dep Rec	109.44	-3.51	-7.54	16.86	-8.67	-16.20	↓
CLS : Clicks Group Ltd	219.78	0.50	10.44	14.80	19.75	5.70	↑
CPI : Capitec Bank Holdings Ltd	1290.00	0.78	17.82	15.38	34.73	1.83	↑
DSY : Discovery Ltd	125.36	-2.38	8.85	-21.55	-27.25	-14.09	↑
EXX : Exxaro Resources Ltd	130.55	-1.04	-4.13	-5.31	-11.00	-15.16	↓
FSR : Firststrand Ltd	65.76	1.62	9.62	0.31	-3.14	-2.51	↑
GFI : Gold Fields Ltd	70.35	2.54	-22.57	42.58	93.16	-8.80	↓
GRT : Growthpoint Properties Ltd	24.25	0.58	5.43	4.08	4.53	-15.76	↑
INL : Investec Ltd		-0.87	13.88	15.46	-11.02	-11.95	↑
INP : Investec Plc	89.35	-0.85	13.45	12.16	-13.21	-11.25	↑
MCG : Multichoice Group Ltd	124.90	-0.85	-6.17				↓
MNP : Mondi Plc	293.00	-2.02	-0.93	-3.64	-27.52	-4.78	↓
MRP : Mr Price Group Ltd	157.80	-2.59	-8.09	-35.89	-29.31	0.52	↓
MTN : Mtn Group Ltd	103.32	0.34	0.71	16.09	40.80	-34.85	↑
NED : Nedbank Group Ltd	242.73	0.26	7.40	-11.64	-7.71	7.27	↑
NPN : Naspers Ltd-N Shs	2404.84	-3.36	2.00	25.61	14.79	-16.19	↑
NRP : Nepi Rockcastle Plc	135.82	0.87	0.99	20.19	0.98	-47.09	↑
OMU : Old Mutual Ltd	20.08	1.98	10.39	-10.36	-4.06		↑
PRX : Prosus	1091.20	-3.09					→
PSG : Psg Group Ltd	217.10	-0.43	8.25	-11.32	-3.30	-9.33	↑
RDF : Redefine Properties Ltd	8.13	1.12	3.57	-15.93	-18.46	-9.63	↑
REM : Remgro Ltd	174.70	-1.95	1.74	-10.29	-16.59	-17.48	↑
RMH : Rmb Holdings Ltd	80.41	0.59	12.54	1.91	2.04	-0.34	↑
SAP : Sappi Limited	42.00	-4.11	-7.12	-48.56	-54.73	-8.77	↓
SBK : Standard Bank Group Ltd	186.06	-0.40	4.96	4.05	3.25	-8.61	↑
SHP : Shoprite Holdings Ltd	128.49	2.48	13.72	-32.43	-34.13	-14.03	↑
SLM : Sanlam Ltd	79.01	0.42	8.60	-0.99	-0.05	-8.28	↑
SOL : Sasol Ltd	287.71	-1.13	-0.08	-32.30	-47.98	-0.74	↓
SPP : Spar Group Limited/The	193.00	0.52	11.03	-6.99	1.24	2.05	↑
TBS : Tiger Brands Ltd	224.57	0.25	7.49	-10.34	-11.70	-40.48	↑
TFG : The Foschini Group Ltd	165.75	-0.44	10.13	-0.29	-3.54	-15.76	↑
VOD : Vodacom Group Ltd	125.62	0.34	8.96	-4.83	1.71	-9.39	↑

Source: Bloomberg & Nedbank CIB

Time 2019/09/19 08:16

US

- FOMC interest rate decision: the Fed reduced the Fed funds target rate to the upper band of 2.0%, citing weaker global growth and uncertainty with regards to trade policy as key reasons for the 'insurance cut' that was needed to keep the US economy strong.
- However, Chairman Powell stated clearly that the Fed did not expect a deep cutting cycle. The Dot plot reflected one more cut in 2019, flat rates in 2020, with a mild hiking cycle beginning thereafter. The long term neutral rate remained unchanged at 2.5%.
- On the economy, the Fed reiterated that although household spending remains strong, that business investment and exports have weakened. Furthermore, the Fed has uncertainties of reaching its inflation target of 2% over the medium term.

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 market is currently pricing in a 65% probability of a 25bps reduction in December.

UK

- UK CPI fell to 1.7% y/y in August, from 2.1% previously, better than consensus of 1.8%. While prices of food and services ticked up, most other products recorded lower inflation rates in August – this could help the BOE ease their monetary policy rhetoric further, especially in light of Brexit uncertainty and weak economic growth.

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.

SA

- SA CPI rose to 4.3% y/y in August, from 4.0% in July, worse than consensus of 4.2%. Core inflation climbed to 4.3% y/y from 4.2% in July, against expectations of no change. The higher core inflation was driven by an increase in goods prices, while higher administered costs pushed up headline inflation.
- Price inflation of food and beverages, housing and utilities, transport, recreation and culture all rose in August, after the recent petrol and electricity price hikes. Within the food basket, the cost of processed food, breads, protein, sugar and vegetables all rose. Within utilities, we see more municipalities implementing the NERSA electricity tariff hike of 9.4% in August. The recent petrol price hike resulted in higher public transport costs within the transport subcomponent. Lastly, services costs rose marginally, with miscellaneous goods and services inflation rising to 5.8% y/y in August, from 5.6% previously, driven by personal care services.
- While SA inflation remains benign, it is forecast to rise marginally in 2020, due to the low base effect in the current year. Our forecast for the year remains unchanged at 4.4% and 5.1% for 2020 – any changes to the electricity tariff (RCA clawback in court), any unprecedented drought, or volatile currency will weigh on prices. For now however, the outlook for inflation remains on track to achieve the 4.5% target this year and over the long run as well.
- SA retail sales growth eased to 2% y/y in July, from 2.4% in June, disappointing consensus of 2.6%. Retail sales growth remains below its long-run average of 4.4%. This looks like a poor start to Q3 – with consumer spending driving 63% of growth in the economy, any easing in retail activity will be a concern for growth. If this easing is sustained over the next two months, consumption spending growth may ease in Q3, off the high base in Q2, hampering growth.
- The main positive contributors to retail growth in July were 'all other retailers' (books, jewellery, sporting, second-hand, internet sales), and textiles, clothing and footwear sales. The deterioration in headline sales growth was due to fewer sales at general dealers and of food, furniture and equipment.

Synopsis: While households may benefit from the lower interest rate and low inflation rates, disposable incomes will be weighed by lower share prices, rising debt levels and subdued growth in proprietary income, combined with rising levels of unemployment and weak confidence levels. These are unlikely to spur a rapid recovery in spending in coming quarters.

ECONOMIC CALENDAR

[back to top](#)

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

	Country	Event	Period	Survey	Actual	Prior	Revised
18-September							
01:50 AM	JN	Imports YoY	AUG	-10.70%	-12.00%	-1.20%	-
01:50 AM	JN	Trade Balance Adjusted	AUG	JPY -160.7b	JPY -130.8b	JPY -126.8b	JPY -104.0b
01:50 AM	JN	Exports YoY	AUG	-10.00%	-8.20%	-1.60%	-
10:00 AM	SA	CPI YoY	AUG	4.20%	4.30%	4.00%	-
10:30 AM	UK	CPI YoY	AUG	1.90%	1.70%	2.10%	-
10:30 AM	UK	PPI Input NSA YoY	AUG	-0.10%	-0.80%	1.30%	0.90%
11:00 AM	EC	CPI Core YoY	AUG F	0.90%	0.90%	0.90%	-
11:00 AM	EC	CPI YoY	AUG F	1.00%	1.00%	1.00%	-
01:00 PM	US	MBA Mortgage Applications	FEB 23	-	-0.10%	2.00%	-
01:00 PM	SA	Retail Sales Constant YoY	JUL	2.60%	2.00%	2.40%	-
02:30 PM	US	Building Permits MoM	AUG	-1.29%	7.70%	8.40%	6.90%
02:30 PM	US	Housing Starts MoM	AUG	4.95%	12.30%	-4.00%	-1.50%
02:30 PM	US	Building Permits	AUG	1300k	1419k	1336k	1317k
02:30 PM	US	Housing Starts	AUG	1250k	1364k	1191k	1215k
08:00 PM	US	FOMC Rate Decision (Upper Bound)	SEP 18	2.00%	2.00%	2.25%	-
08:00 PM	US	FOMC Rate Decision (Lower Bound)	SEP 18	1.75%	1.75%	2.00%	-
19-September							
12:00 AM	SA	SARB Announce Interest Rate	MAY F	6.50%	-	6.50%	-
04:50 AM	JN	BOJ 10-Yr Yield Target	SEP 19	0.00%	0.00%	0.00%	-
04:50 AM	JN	BOJ Policy Balance Rate	SEP 19	-0.10%	-0.10%	-0.10%	-
10:00 AM	EC	ECB Current Account SA	JUL	-	-	EUR 18.4b	-
10:30 AM	UK	Retail Sales Inc Auto Fuel YoY	AUG	2.80%	-	3.30%	-
01:00 PM	UK	Bank of England Bank Rate	SEP 19	0.75%	-	0.75%	-
01:00 PM	UK	BOE Corporate Bond Target	SEP	GBP 10b	-	GBP 10b	-
01:00 PM	UK	BOE Asset Purchase Target	SEP	GBP 435b	-	GBP 435b	-
02:30 PM	US	Philadelphia Fed Business Outlook	SEP	10.5	-	16.8	-
04:00 PM	US	Existing Home Sales	AUG	5.38m	-	5.42m	-
04:00 PM	US	Existing Home Sales MoM	AUG	-0.74%	-	2.50%	-
04:00 PM	US	Leading Index	AUG	-0.10%	-	0.50%	-
20-September							
01:30 AM	JN	Natl CPI YoY	AUG	0.30%	-	0.50%	-
08:00 AM	GE	PPI YoY	AUG	0.60%	-	1.10%	-
04:00 PM	EC	Consumer Confidence	SEP A	-7.00	-	-7.10	-
23-September							
02:30 AM	JN	Nikkei Japan PMI Mfg	SEP P	-	-	49.3	-
09:30 AM	GE	Markit Germany Services PMI	SEP P	54.3	-	54.8	-
09:30 AM	GE	Markit/BME Germany Manufacturing PMI	SEP P	44.5	-	43.5	-
10:00 AM	EC	Markit Eurozone Services PMI	SEP P	53.0	-	53.5	-
10:00 AM	EC	Markit Eurozone Manufacturing PMI	SEP P	47.5	-	47.0	-
02:30 PM	US	Chicago Fed Nat Activity Index	AUG	0.05	-	-0.36	-
03:45 PM	US	Markit US Services PMI	SEP P	51.6	-	50.7	-
03:45 PM	US	Markit US Manufacturing PMI	SEP P	50.2	-	50.3	-

Source: Bloomberg 2019/09/19 07:54

CONTACTS

Research Analyst Reezwana Sumad (011) 537 4091	Fixed Income and Currency Strategist Walter de Wet (011) 537 4140	Research Publishers (011) 294 0206
ALM Portfolio Management (011) 535 4042	Bond Trading (011) 535 4021	Credit Derivatives (011) 535 4047
Equities Sales and Distribution (011) 535 4030/31	Forex Business Banking Sales Desk (011) 535 4003	Forex Corporate Sales Desk JHB (011) 535 4002; DBN (031) 327 3000; CTN (021) 413 9300
Forex Institutional Sales Desk (011) 535 4005	Forex Retail Sales Desk (011) 535 4020	Inflation Trading (011) 535 4026
Interest Rate Swaps & FRA's Trading (011) 535 4004	Money Market Business Banking Sales Desk (011) 535 4006	Money Market Corporate Sales Desk JHB (011) 535 4007; DBN (031) 327 3000; CTN (021) 413 9300
Money Market Institutional Sales Desk (011) 535 4008	Non Soft & Soft Commodities Trading (011) 535 4038	Preference shares desk (011) 535 4072

Please click here to view our [Nedbank CIB disclaimer](#)