

DAILY MARKET COMMENTARY

12 December 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)	The Fed gives risk a bid with USD weakness in particular and ZAR strengthens, SAGBs open a touch stronger and drag yields down to greenshoe levels
(Currencies)	Focus to be on UK elections
(Commodities)	Oil prices edged higher with the market mood switching to relief as OPEC forecast a supply deficit next year
(Equities)	Global equity markets post marginal gains
(Economics)	SA CPI eases in November, retail activity remains downbeat; US CPI rises unexpectedly, FOMC pauses in current cycle

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
11/12	SA	CPI	3.6%/3.6%/3.7%	SA CPI remains very low, with risk of gradual rise in coming months
11/12	SA	Retail sales	--/1.0%/0.2%	Retail activity could disappoint as consumer spending is hampered by elevated unemployment and weak confidence
11/12	US	CPI and FOMC rate decision	--	CPI rises in Nov as a result of services prices; Fed keep rates unchanged
12/12	SA	Mining production	--/-2.6%/0.2%	Mining output may contract as a result of weak demand, economy
12/12	EZ	ECB interest rate decision	--/0%/0%	ECB likely to leave rates unchanged, remain dovish
13/12	US	Retail sales	--/0.5%/0.3%	Retail activity for Nov likely to be supported by Thanksgiving and Black Friday sales

Source: Nedbank

CONTACT FOR QUERIES

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FIXED INCOME AND INTEREST RATES

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Bond flow sales | +2711 535 4021 | Corporate Money Markets | +2711 535 4007 | Business Bank Money Markets | +2711 535 4006

Bonds	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
R208-1.3 yrs	6.73	-0.05	-1.45	-26.55	-50.35	↓
R186-7 yrs	8.37	-0.55	-7.75	-49.95	-75.65	↓
R2048-28.2 yrs	10.26	-0.25	2.95	35.65	9.25	↑
US 10 yr	1.80	0.26	1.91	-88.94	-111.48	↑
UK 10 yr	0.77	-2.50	7.70	-50.30	-41.40	↑
German 10 yr	-0.32	-2.60	3.90	-56.30	-55.30	↑
Japan 10 yr	-0.02	-2.30	5.30	-2.30	-7.50	↑

Money Market	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
SA repo rate	6.50	0.00	0.00	-25.00	-25.00	→
SA prime rate	10.00	0.00	0.00	-25.00	-25.00	→
SA CPI (MTD=previous month)	3.60		-10.00	-90.00	-160.00	↓
SA 3m JIBAR	6.80	0.00	-0.80	-35.00	-35.00	↓
SA 3m NCD	6.83	0.00	0.00	-30.00	-32.50	→
SA 6m NCD	7.33	0.00	2.50	-42.50	-42.50	↑
SA 12m NCD	7.73	0.00	-5.00	-60.00	-67.50	↓
US 3m LIBOR	1.89	0.01	-1.81	-92.03	-89.16	↓
UK 3m LIBOR	0.78	-0.59	-1.38	-13.31	-12.11	↓
Japan 3m LIBOR	-0.07	-0.03	1.23	0.15	4.30	↑

Source: Bloomberg & Nedbank CIB Time 20/19/12/12 07:50

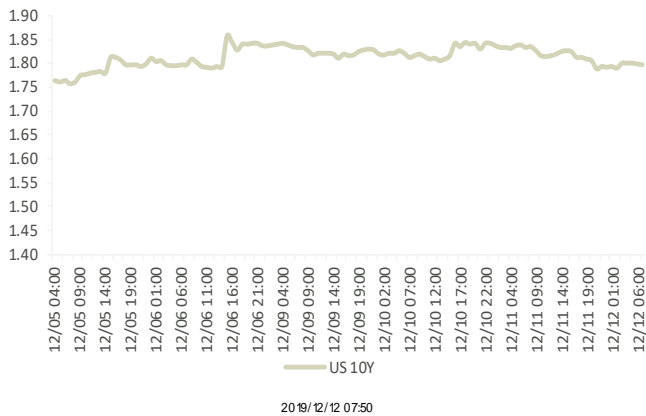
FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
3X6 FRA	6.73	0.00	-2.50	-48.00	-51.00	↓
6X9 FRA	6.60	0.00	4.00	3.00	4.00	↑
9X12 FRA	6.56	0.00	-11.50	-77.50	-90.50	↓
18X21 FRA	6.67	1.00	-12.75	-79.50	-105.50	↓
SA 2yr Swap	6.65	0.00	-9.50	-68.50	-81.80	↓
SA 3yr Swap	6.75	0.00	-10.00	-70.00	-88.50	↓
SA 5yr Swap	7.05	-0.50	-9.00	-62.00	-86.50	↓
SA 10yr Swap	7.79	0.00	-7.50	-40.50	-65.50	↓
SA 15yr Swap	8.15	0.00	-7.50	-31.50	-55.00	↓

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
2v10y	-1.14	0.00	-2.00	-28.00	-16.30	↓
3v10y	-1.04	0.00	-2.50	-29.50	-23.00	↓
R186-R208	1.64	-0.50	-6.30	-23.40	-25.30	↓
R2048-R186	1.88	0.30	10.70	85.60	84.90	↑
5y-R186	-1.32	0.05	-1.25	-12.05	-10.85	↓
10y-R186	-0.59	0.55	0.25	9.45	10.15	↑
15y-R186	-0.22	0.55	0.25	18.45	20.65	↑
SA 5yr CDS spread - basis points	187.94	-0.51	0.28	-35.01	-43.80	↑

Source: Bloomberg & Nedbank CIB Time 20/19/12/12 07:50

US 10 year yield

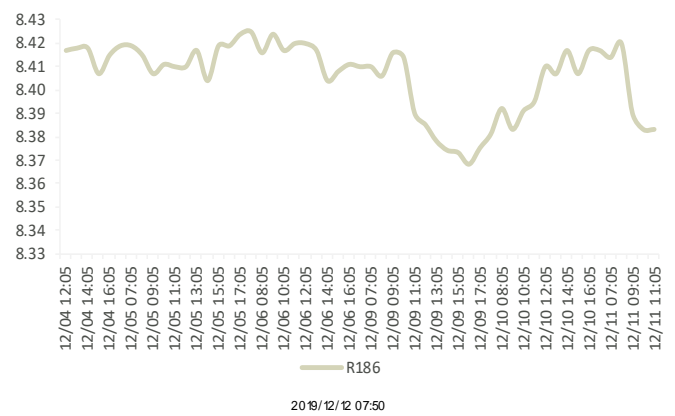
US 10 year yield



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

- The local session opened with the rand trading marginally above the 14.8000 level. As Eskom downgraded load shedding to level 2, the rand garnered support to trade steadily firmer and reached a best level of 14.7230, closing the day trading around 14.7700. In the overnight sessions, the rand extended its gains as the FED left rates on hold and indicated little chance of any interest rate activity in the near term; currently, it is trading at 14.6750, the EURZAR is trading at 16.3475 and the GBPZAR at 19.3930.
- International markets traded steadily firmer for much of the session, similarly, consolidating these gains post the Fed's announcement. The EURUSD is trading at 1.1141, having opened yesterday at 1.1085. The GBPUSD is currently trading at 1.3215; at the same time yesterday, it was trading at 1.3140. Gold has posted gains of around USD12 since the same time yesterday, with the USD losing ground. Currently, it is trading at 1,475.25.
- Data releases scheduled for today: locally, we have mining production, PPI and NFP; from Europe, we have German CPI, French CPI and industrial production data; we also have the meetings of the ECB and the SNB; and the UK is holding elections. From the US, we have jobless claims and PPI data.
- Yesterday, the rand traded firmer as Eskom improved electricity supply. This morning, it has breached the sub 14.7000 level after the FED left rates on hold. The price action over the most recent sessions is suggesting some long dollar positioning.
- The global focus today will be on the ECB's meeting, although no changes are anticipated, and UK elections.
- Possible trading range in the rand today: 14.5500 to 14.8500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.32	0.33	2.24	3.68	4.47	↑	USD weakness
EURUSD	1.11	0.44	1.12	-2.72	-2.07	↑	USD weakness
USDJPY	108.59	-0.09	-0.83	0.99	-4.24	↓	USD weakness
USDAUD	1.45	-0.25	-1.73	2.33	5.04	↓	USD weakness

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14.68	-0.22	0.03	2.01	3.91	↑	ZAR weakness
GBPZAR	19.40	0.10	2.31	5.47	8.05	↑	ZAR weakness
EURZAR	16.35	0.23	1.21	-0.72	1.89	↑	ZAR weakness
AUDZAR	10.10	0.05	1.84	-0.33	-0.92	↑	ZAR weakness
ZARJPY	7.40	0.09	-0.98	-3.05	-8.52	↓	ZAR weakness

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	49.56	-0.51	-0.90	-2.25	-4.53	↓	ZAR weakness
ZARBWP (Botswana pula)	0.74	0.11	-0.22	-0.95	-2.63	↓	ZAR weakness
ZARKES (Kenyan shilling)	6.93	0.24	-0.93	-2.21	-5.11	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2.48	-0.38	-1.48	3.82	2.00	↓	ZAR weakness
ZARNGN (Nigerian naira)	24.72	0.18	0.20	-2.19	-4.55	↑	ZAR strength
ZARGHS (Ghanian cedi)	0.40	0.20	4.12	15.67	13.04	↑	ZAR strength
ZARZMW (Zambian kwacha)	0.99	1.42	-0.68	16.41	14.75	↓	ZAR weakness
ZARMZN (Mozambican metical)	4.33	0.18	-0.39	2.50	-0.88	↓	ZAR weakness

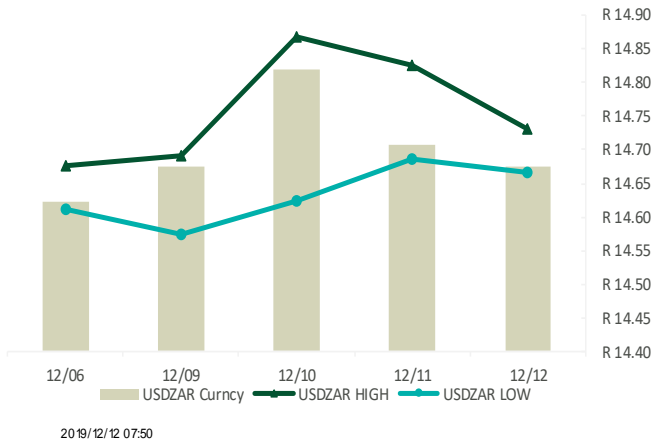
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	4.12	-0.68	-2.89	5.75	5.30	↓	USD weakness
USDTRY (Turkish Lira)	5.80	-0.12	0.94	8.85	7.84	↑	USD strength
USDMXN (Mexican Peso)	19.12	-0.21	-2.16	-2.87	-4.94	↓	USD weakness
USDINR (Indian Rupee)	70.70	-0.20	-1.47	1.32	-1.87	↓	USD weakness
USD RUB (Russian Ruble)	63.28	-0.39	-1.62	-9.63	-4.78	↓	USD weakness

Source: Bloomberg & Nedbank CIB
Time: 20/19/12/12 07:50

*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

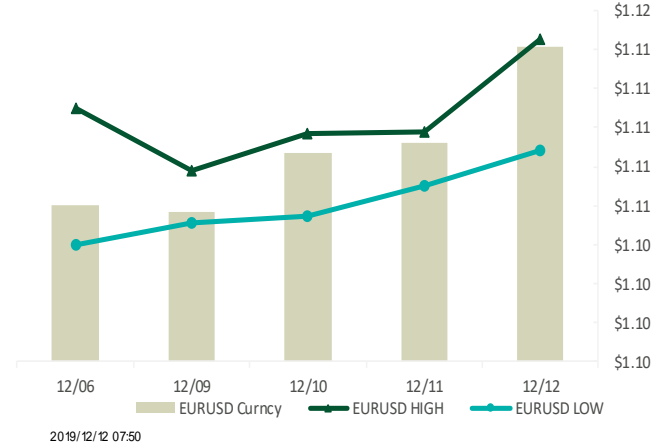
\$/R (close, high and low)



Source: Bloomberg, Nedbank

EUR/USD

€/€ (close, high and low)



Source: Bloomberg, Nedbank

- Oil prices edged higher with the market mood switching to relief as OPEC forecast a supply deficit next year, from doom and gloom over data showing a surprise increase in U.S. crude inventories. The revised forecast by OPEC marks a further retreat from a prediction of a glut in 2020 as U.S. production growth begins to slow. Crude stockpiles last week rose unexpectedly, gaining more than 800,000 barrels, compared with a Reuters poll that forecast a 2.8 million barrel decline.
- Gold held a gain as investors weighed the Federal Reserve's signal that it would keep interest rates on hold through 2020. Palladium notched a fresh record. Silver +0.3% to \$16.9067/oz, Palladium little changed at \$1,912.48/oz, after touching a record \$1,919.35 earlier, Platinum -0.2% to \$938.01/oz. Base metals mixed. Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	64.00	0.44	2.51	18.96	6.40	↑
WTI crude (\$)	58.88	0.20	6.72	29.66	15.11	↑
Gold spot (\$)	1475.17	0.32	0.77	15.11	18.39	↑
Platinum spot (\$)	942.15	0.45	5.14	18.49	17.21	↑
SA white maize spot (R)	2635.00	1.93	-7.25	-10.07	-6.19	↓

Source: Bloomberg & Nedbank CIB
Time: 2019/12/12 07:50

SA white maize

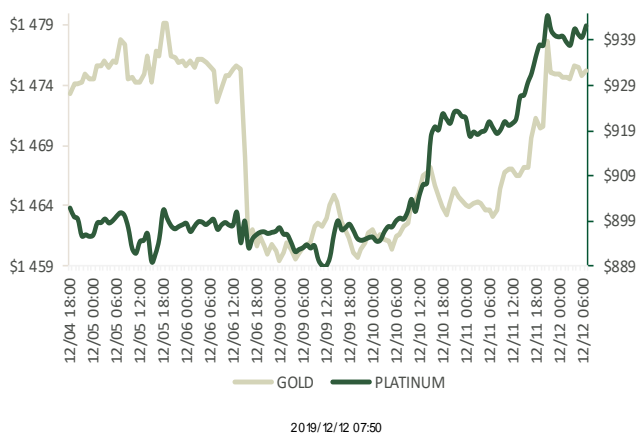
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

Platinum vs Gold

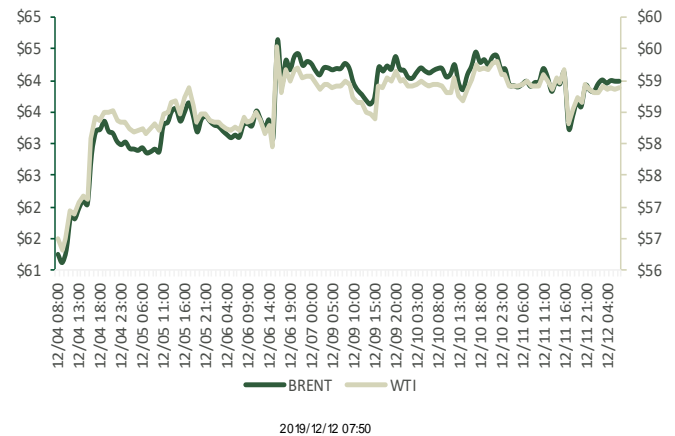
Platinum vs. Gold



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 Top40 (+0.6%) gapped up at the open traded in a narrow sideways direction till the close.
- SA retail sales topped analyst estimates and CPI came in line with expectations.
- Sibanye and Impala were the Top40 biggest movers both jumping +6% after supply concern lifted their appeal.
- The value traded was R19 billion and the rand was hovering around 14.76 to the US dollar at the close.

UK/Europe

- European markets reversed earlier losses and closed in positive territory. (Dax +0.6%, Cac +0.2% and FTSE +0.1%)
- The markets were lacklustre causing a lack of direction as we await Brexit, ECB and where Trump delays tariffs later this week.
- Around the region markets were mixed with gains in Austria, Spain, Italy and Russia with losses in Belgium, Turkey and Denmark.

USA

- After a choppy open, the major US indexes closed firmly in positive territory. (Dow +0.1%, Nasdaq +0.4%, S&P500 +0.3%)
- The rise was sparked by the Fed leaving interest rates unchanged which signalled a stronger economy to the streets.
- The subsectors of the S&P500 were mixed with gains in materials, information technology and industrials being offset by losses in energy, financials and real estates.

Asia

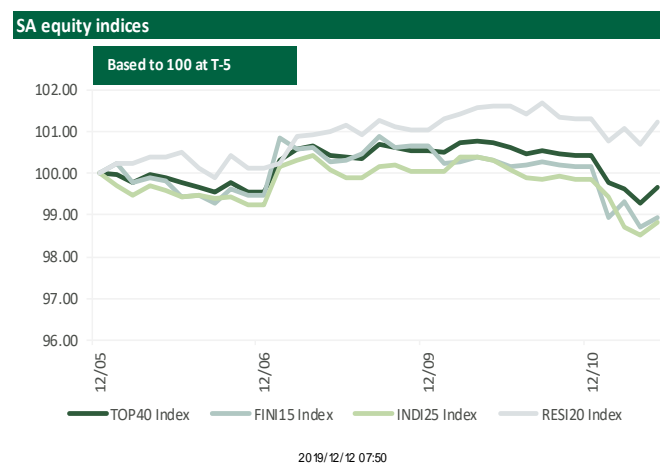
- Asian markets are trading up this morning taking the lead from a positive close on Wall Street last night, the MSCI Asia pacific ex-Japan is up +1.2%.
- The Australian market is down -0.7% with BHP flat.
- Tencent is currently up +2.7% in Hong Kong this morning.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
Dow Jones	27 911.30	0.11	-0.50	19.65	13.80	-6.03	↓
Nasdaq	8 654.05	0.44	-0.13	30.42	21.92	-5.30	↓
S&P 500	3 141.63	0.29	0.02	25.32	18.50	-7.01	↓
DJ Eurostoxx 50	3 687.45	0.43	-0.44	22.86	18.64	-14.00	↓
DAX	13 146.74	0.58	-0.68	24.51	20.29	-17.97	↓
CAC	5 860.88	0.22	-0.75	23.89	19.38	-10.55	↓
FTSE	7 216.25	0.03	-1.77	7.25	4.88	-12.03	↓
ASX200	6 708.80	-0.65	-2.00	18.82	18.67	-6.84	↓
Nikkei 225	23 436.35	0.19	0.61	17.10	8.49	-14.85	↓
MSCI World	2 295.02	0.23	0.12	21.82	16.15	-10.97	↓
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
HangSeng	26 998.27	1.32	2.47	4.46	3.10	-15.30	↑
Shanghai	2 919.74	-0.16	1.66	17.08	12.20	-25.52	↓
Brazil Bovespa	110 963.90	0.26	2.52	26.26	27.58	12.83	↑
India - NSE	40 557.02	0.36	-0.58	12.44	13.35	6.67	↑
Russia Micex	2 954.40	0.75	0.65	24.69	24.64	9.55	↑
MSCI Emerging	1 058.23	0.83	1.75	9.57	8.10	-18.02	↓
SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
JSE All Share	55 766.45	0.63	0.75	5.74	8.08	-11.71	↑
Top 40	49 537.29	0.63	0.90	6.02	8.63	-11.54	↑
Resi 10	48 844.67	1.12	5.95	19.00	24.85	12.01	↑
Indi 25	66 514.26	0.34	-1.89	4.44	5.72	-20.20	↓
Fini 15	15 388.64	0.40	-1.22	-6.05	-3.50	-6.54	↓

Source: Bloomberg & Nedbank CIB

Time 2019/12/12 07:50

Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

LAST DAY TO TRADE

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SHARE CODE	SHARE NAME	DIVIDEND / INTEREST RATE
17 December 2019		
AHA	Arrowhead Prop Ltd A	dividend @ 56.9769470cps
AHB	Arrowhead Prop Ltd B	dividend @ 34.662470
AEY	AEP Energy Africa Ltd	dividend @ 95cps
DLT	Delta Porperty Fund Ltd	dividend @ 12.1930cps
GAI	Gaia Infrastruct Cap Ltd	dividend @ 25cps
OCE	Oceana Group Ltd	dividend @ 240cps
PBG	PBT Group Ltd	dividend @ 12cps
SRE	Sirius Real Estate Ltd	dividend @ 28.508cps or share option
VKE	Vukile Property Fund Ltd	dividend @ 80.83610cps

Source: JSE

JSE PERFORMANCE

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Top40 constituents	Last price	%Δ		%Δ		2018 Performance	MTD trend
		-1d	MTD	YTD	12Month		
ABG : Absa Group Ltd	146.63	1.33	-0.43	-9.39	-6.26	-11.08	↓
AGL : Anglo American Plc	408.05	0.38	5.87	26.62	38.01	26.07	↑
AMS : Anglo American Platinum Ltd	1320.12	1.76	8.88	145.41	153.95	52.19	↑
ANG : AngloGold Ashanti Ltd	298.93	3.66	9.07	64.47	78.61	41.31	↑
BHP : Bhp Group Plc	335.87	0.52	3.48	16.03	22.39	21.24	↑
BID : Bid Corp Ltd	339.32	0.52	5.17	28.05	27.76	-11.96	↑
BTI : British American Tobacco Plc	580.51	-0.60	0.52	23.70	17.85	-43.42	↑
BVT : Bidvest Group Ltd	194.55	1.34	-4.15	-5.95	-2.15	-5.15	↓
CFR : Financiere Richemont-Dep Rec	111.27	-0.32	-0.16	18.81	20.25	-16.20	↓
CLS : Clicks Group Ltd	258.18	2.02	3.09	34.86	45.92	5.70	↑
CPI : Capitec Bank Holdings Ltd	1392.60	0.84	-1.74	24.56	29.31	1.83	↓
DSY : Discovery Ltd	113.81	1.07	-3.60	-28.78	-24.33	-14.09	↓
EXX : Exxaro Resources Ltd	139.00	3.41	4.25	8.35	15.54	-15.16	↑
FSR : Firststrand Ltd	61.92	1.23	-1.12	-5.55	-5.91	-2.51	↓
GFI : Gold Fields Ltd	87.87	0.71	14.19	78.09	95.05	-8.80	↑
GRT : Growthpoint Properties Ltd	22.49	-0.66	-1.40	-3.48	-4.30	-15.76	↓
IMP : Impala Platinum Holdings Ltd	139.00	5.79	23.45	278.95	277.72	13.07	↑
INL : Investec Ltd	83.19	0.22	-1.21	5.30	5.30	-11.95	↓
INP : Investec Plc	82.57	-0.04	-1.51	3.65	4.68	-11.25	↓
MCG : Multichoice Group Ltd	117.12	0.72	-3.38				↓
MNP : Mondi Plc	316.31	0.04	-0.53	4.03	3.73	-4.78	↓
MRP : Mr Price Group Ltd	176.54	0.95	0.88	-28.28	-26.75	0.52	↑
MTN : Mtn Group Ltd	86.62	0.86	-6.22	-2.67	0.79	-34.85	↓
NED : Nedbank Group Ltd	213.30	0.59	-2.60	-22.36	-18.28	7.27	↓
NPN : Naspers Ltd-NShs	2050.00	0.99	-2.14	7.08	8.39	-16.19	↓
NRP : Nepi Rockcastle Plc	126.50	-0.75	2.00	11.95	17.13	-47.09	↑
OMU : Old Mutual Ltd	18.64	-0.27	0.54	-16.79	-15.66		↑
PRX : Prosus Nv	967.11	-0.40	-3.32				↓
RDF : Redefine Properties Ltd	7.83	-0.89	-4.86	-19.03	-19.36	-9.63	↓
REM : Remgro Ltd	191.47	0.43	-0.38	-1.68	-0.38	-17.48	↓
RMH : Rmb Holdings Ltd	79.16	1.07	-1.85	0.33	2.81	-0.34	↓
SBK : Standard Bank Group Ltd	162.86	1.04	-1.74	-8.92	-5.14	-8.61	↓
SGL : Sibanye-Stillwater	34.00	6.12	17.73	239.32	251.24	-34.13	↑
SHP : Shoprite Holdings Ltd	128.43	-1.54	0.21	-32.46	-31.51	-14.03	↑
SLM : Sanlam Ltd	75.90	-1.06	-0.67	-4.89	0.32	-8.28	↓
SOL : Sasol Ltd	270.93	-0.40	2.63	-36.25	-36.11	-0.74	↑
SPP : Spar Group Limited/The	198.19	0.27	-3.75	-4.49	2.17	2.05	↓
TBS : Tiger Brands Ltd	205.02	1.00	0.35	-18.14	-17.09	-40.48	↑
TFG : The Foschini Group Ltd	146.71	0.70	-5.46	-11.75	-14.14	-15.76	↓
VOD : Vodacom Group Ltd	113.50	-0.46	-6.29	-13.61	-7.81	-9.39	↓
WHL : Woolworths Holdings Ltd	48.33	0.77	-7.38	-12.27	-11.09	-15.65	↓

Source: Bloomberg & Nedbank CIB

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US

- US CPI rose to 2.1% y/y in November, from 1.8% in October, better than consensus of 2.0%. Higher prices of apparel, tobacco, education and services drove the rise in headline CPI. Core inflation however remained unchanged at 2.3% y/y.
- The Fed kept interest rates unchanged at the upper bound of 1.75%, in a unanimous decision, as it continues to assess global developments, its impact on the US economy, trade developments, as well as weak inflationary pressures. The tone was that of an extended pause in the Fed's loosening cycle, but which will be data-dependent. This implies that any further deterioration in growth or inflation metrics will necessitate further loosening.
- The market now forecasts a 25bps reduction in the Fed funds rate in July 2020, but this could be pushed out if the economy performs well.
- The Fed continued to reiterate that economic activity remains moderate and job gains have been solid. It remains concerns about global issues, along with muted inflation in the economy.

Synopsis: The Fed's new dot plot now shows a marginal (12bps) decline in the Fed funds rate in 2020, with a hike projected for 2021. The long-term Fed funds rate remains unchanged at 2.5%. The neutral policy stance will depend on economic developments – any escalation in the trade war, weaker economic growth or a decline in inflation will shift the course of monetary policy gradually in 2020.

SA

- SA CPI fell to 3.6% y/y in November, from 3.7% in October, in line with consensus. Core inflation fell to 3.9% y/y, from 4.0% in October, as goods price inflation continues to fall, now at 2.8% y/y, from 3.1% in October. Services inflation remained unchanged at 4.2% y/y – items with the highest inflation rates in the CPI basket are still service items such as insurance, education, luxury items like wine and cold beverages, and obviously utilities such as electricity and other fuels (highest at 11.8% y/y and likely to continue rising).
- Administered prices eased further, as fuel remained in deflation – transport costs are now in deflation for the first time since 2015 – this was the only reason for the 10bps drop in headline CPI in November.
- While other items in the CPI basket also experienced disinflation in November, it was marginal and did not affect its contribution towards headline CPI. These were food and beverages (lower breads, cereals, fruit and veg costs), household contents and services (lower furnishings, textiles costs), communication, recreation and restaurant prices.
- SA retail sales data for October confirmed the ill-health of the SA consumer – sales growth fell to just 0.3% y/y, from 0.4% in September, worse than consensus of 0.6%. The monthly and quarterly trends were significantly worse - over the month, retail sales contracted by 0.2%, and in the three months to October, sales declined by 0.5%. This points to a negative start to the fourth quarter for consumer spending, although a slight uptick is anticipated in the November print, as it incorporates Black Friday sales.
- The biggest positive drivers of retail activity in October were sales of food and beverages, sales at general dealers, and of household furniture and appliances. Sales of textiles, clothing, footwear, hardware, paint and glass contracted and weighed on total sales.
- While low inflation, a decline in interest rates, and festive sales have helped prevent a deeper contraction in spending, elevated and rising unemployment rates, lower wage growth and weak consumer confidence have stymied domestic demand in recent years. Consumers are becoming more indebted in order to pay for services like transport, medical aid and rentals (these items are not included in retail sales) – credit extension to households have risen consistently since mid-2018, even though retail activity has slumped. Household spending is expected to be among the few positive contributors to GDP growth in Q4, however this will be much too weak to offset contractions elsewhere.
- This trend will persist until the economy becomes structurally stronger, and confidence ticks up.

Synopsis: CPI will likely remain subdued, weighed by weak demand, low administered prices, a fall in global oil costs, global export-price deflation, and a decline in producer input costs. Higher costs will likely be limited to energy and services, as the pass-through of any currency shock has weakened due to subdued demand and a weaker secondary sector. While the SARB forecasts 2020 CPI at 5.0%, this will likely be revised much lower, as any FX shock will be short-lived, with CPI unscathed. Therefore, the monetary policy rhetoric will remain dovish, with a 25bps cut expected in both 1Q20 and 2Q20 in our view. An economy on the brink of a recession, combined with persistent disinflation globally, supports this view, notwithstanding a deterioration in local credit metrics in 2020.

ECONOMIC CALENDAR

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	Country	Event	Period	Survey	Actual	Prior	Revised
11-December							
01:50 AM	JN	PPI YoY	NOV	0.00%	0.10%	-0.40%	-
10:00 AM	SA	CPI YoY	NOV	3.60%	3.60%	3.70%	-
01:00 PM	SA	Retail Sales Constant YoY	OCT	0.60%	0.30%	0.20%	0.40%
02:00 PM	US	MBA Mortgage Applications	FEB 23	-	3.80%	-9.20%	-
03:30 PM	US	Real Avg Weekly Earnings YoY	NOV	-	1.10%	0.90%	1.10%
03:30 PM	US	Real Avg Hourly Earning YoY	NOV	-	1.10%	1.20%	1.40%
03:30 PM	US	CPI YoY	NOV	2.00%	2.10%	1.80%	-
09:00 PM	US	Monthly Budget Statement	NOV	USD -206.2b	USD -208.8b	USD -134.5b	USD -134.5b
09:00 PM	US	FOMC Rate Decision (Upper Bound)	DEC 11	1.75%	1.75%	1.75%	-
09:00 PM	US	FOMC Rate Decision (Lower Bound)	DEC 11	1.50%	1.50%	1.50%	-
12-December							
01:50 AM	JN	Machine Orders YoY	OCT	-1.90%	-6.10%	5.10%	-
09:00 AM	GE	CPI YoY	MAY F	1.10%	-	1.10%	-
11:00 AM	SA	Platinum Production YoY	OCT	-	-	-2.00%	-
11:00 AM	SA	Mining Production YoY	OCT	-2.60%	-	0.20%	-
11:00 AM	SA	Gold Production YoY	OCT	-	-	-2.30%	-
11:30 AM	SA	PPI YoY	NOV	2.85%	-	3.00%	-
12:00 PM	EC	Industrial Production WDA YoY	OCT	-2.40%	-	-1.70%	-
02:45 PM	EC	ECB Main Refinancing Rate	DEC 12	0.00%	-	0.00%	-
02:45 PM	EC	ECB Marginal Lending Facility	DEC 12	0.25%	-	0.25%	-
02:45 PM	EC	ECB Deposit Facility Rate	DEC 12	-0.50%	-	-0.50%	-
03:30 PM	US	PPI Final Demand YoY	NOV	1.30%	-	1.10%	-
13-December							
06:30 AM	JN	Industrial Production YoY	OCT F	-	-	-7.40%	-
09:00 AM	GE	Wholesale Price Index YoY	NOV	-	-	-2.30%	-
03:30 PM	US	Retail Sales Advance MoM	NOV	0.50%	-	0.30%	-
16-December							
02:30 AM	JN	Nikkei Japan PMI Mfg	DEC P	-	-	48.9	-
04:00 AM	CH	Industrial Production YoY	NOV	5.00%	-	4.70%	-
04:00 AM	CH	Retail Sales YoY	NOV	7.60%	-	7.20%	-
10:30 AM	GE	Markit Germany Services PMI	DEC P	52.0	-	51.7	-
10:30 AM	GE	Markit/BME Germany Manufacturing PMI	DEC P	45.0	-	44.1	-
11:00 AM	EC	Markit Eurozone Services PMI	DEC P	0.0	-	51.9	-
11:00 AM	EC	Markit Eurozone Manufacturing PMI	DEC P	0.0	-	46.9	-
11:30 AM	UK	Markit/CIPS UK Services PMI	DEC P	0.0	-	49.3	-
11:30 AM	UK	Markit UK PMI Manufacturing SA	DEC P	0.0	-	48.9	-
04:45 PM	US	Markit US Services PMI	DEC P	52.0	-	51.6	-
04:45 PM	US	Markit US Manufacturing PMI	DEC P	52.6	-	52.6	-
11:00 PM	US	Net Long-term TIC Flows	OCT	-	-	USD 49.5b	-
11:00 PM	US	Total Net TIC Flows	OCT	-	-	USD -37.6b	-

Source: Bloomberg 2019/12/12 07:50

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