

DAILY MARKET COMMENTARY

17 January 2020



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(when available)*

KEY DAILY DRIVERS

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SNIPPETS

(Fixed Income)	Bond yields rally sharply across the curve, driven by the front-end, after the SARB repo rate cut
(Currencies)	SARB cut in interest rate leaves rand trading weaker
(Commodities)	Oil held its biggest gain in almost two weeks on optimism a more conciliatory approach on trade from the U.S.
(Equities)	The JSE and global markets trade firmer on optimism surrounding the signing of the long-awaited US-China trade deal
(Economics)	SA mining output slumps in November; SARB cuts the repo rate as inflation estimates are lowered; US retail sales growth rises in December; Chinese data this morning surprises to the upside

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
16/01	SA	Mining production	-3.1%/-0.2%/-2.1%	Mining output likely to contract in November and December amid weak demand and load shedding
16/01	SA	SARB interest rate decision	6.25%/6.5%/6.5%	SARB cuts the repo rate as inflation forecasts decline
16/01	US	Retail sales	0.3%/0.3%/0.2%	Retail sales growth may be supported by strong seasonal spend
17/01	CH	Various	--	Retail, industrial and GDP data due to be finalised for 2019, weakness expected on all fronts
17/01	US	Industrial production	--/-0.2%/1.1%	A decline in production expected as a result of weak global demand and trade tensions
17/01	EZ	CPI	--/1.3%/1.0%	CPI may be supported by higher energy costs
21/01	SA	Leading index	--/--/103.9	Index expected to decline in November as potential growth falls
22/01	SA	CPI	--/4.1%/3.6%	CPI could rise as a result of higher fuel inflation

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	
R208-1.2 yrs	6.61	-0.70	-13.10	-13.10	-54.40	↓
R186-6.9 yrs	8.18	-0.55	-6.25	-6.25	-69.05	↓
R2048-28.1 yrs	10.16	-0.55	8.05	8.05	25.15	↑
US 10 yr	1.83	1.76	-9.34	-9.34	-92.54	↓
UK 10 yr	0.64	-1.10	-17.90	-17.90	-66.80	↓
German 10 yr	-0.22	-1.90	-3.40	-3.40	-44.30	↓
Japan 10 yr	0.00	-1.40	1.20	1.20	-0.50	↑

Money Market	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
SA repo rate	6.25	-25.00	-25.00	-25.00	-50.00	↓
SA prime rate	10.00	0.00	0.00	0.00	-25.00	→
SA CPI (MTD=previous month)	3.60	-10.00	-90.00	-160.00		↓
SA 3m JIBAR	6.80	0.00	0.00	0.00	-35.00	→
SA 3m NCD	6.50	-27.50	-32.50	-32.50	-62.50	↓
SA 6m NCD	7.19	-11.25	-13.75	-13.75	-56.25	↓
SA 12m NCD	7.53	-10.00	-10.00	-10.00	-77.50	↓
US 3m LIBOR	1.84	-0.65	-7.23	-7.23	-93.73	↓
UK 3m LIBOR	0.73	-3.28	-6.66	-6.66	-20.29	↓
Japan 3m LIBOR	-0.06	-1.38	-1.42	-1.42	0.87	↓

Source: Bloomberg & Nedbank CIB Time 2020/01/17 08:00

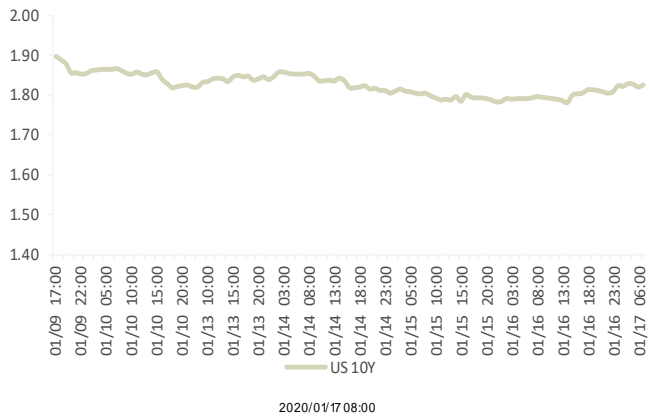
FRAs and Swaps	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
3X6 FRA	6.51	0.00	-10.00	-10.00	-64.50	↓
6X9 FRA	6.44	0.00	4.00	3.00	4.00	↑
9X12 FRA	6.38	0.00	-11.00	-11.00	-82.00	↓
18X21 FRA	6.47	2.00	-11.00	-11.00	-82.50	↓
SA 2yr Swap	6.46	-2.50	-12.70	-12.70	-76.20	↓
SA 3yr Swap	6.59	-0.50	-8.50	-8.50	-73.50	↓
SA 5yr Swap	6.86	-8.00	-9.00	-9.00	-71.00	↓
SA 10yr Swap	7.62	-5.50	-6.50	-6.50	-48.50	↓
SA 15yr Swap	7.99	-5.50	-7.50	-7.50	-38.50	↓

Spreads	Last price	Δ				MTD trend
		1d	MTD	YTD	12Month	
	%	bps	bps	bps	bps	
2v10y	-1.16	3.00	-6.20	-6.20	-27.70	↓
3v10y	-1.03	5.00	-2.00	-2.00	-25.00	↓
R186-R208	1.57	0.15	6.85	6.85	-14.65	↑
R2048-R186	1.98	-0.00	14.30	14.30	94.20	↑
5y-R186	-1.32	-7.45	-2.75	-2.75	-1.95	↓
10y-R186	-0.57	-4.95	-0.25	-0.25	20.55	↓
15y-R186	-0.20	-4.95	-1.25	-1.25	30.55	↓
SA 5yr CDS spread - basis points	168.00	0.00	1.50	1.50	-36.00	↑

Source: Bloomberg & Nedbank CIB Time 2020/01/17 08:00

US 10 year yield

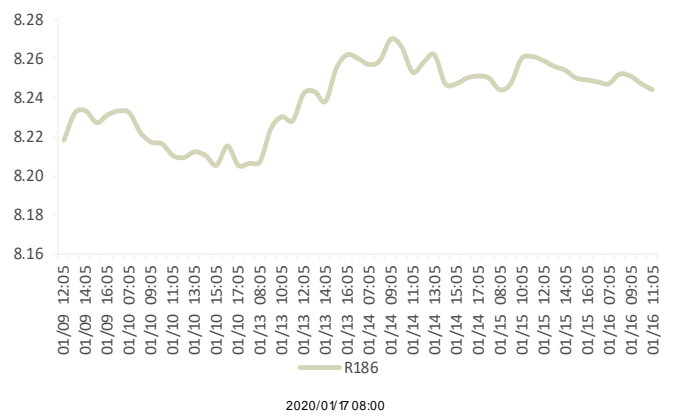
US 10 year yield



Source: Bloomberg, Nedbank

SA 10 year yield

SA 10 year yield



Source: Bloomberg, Nedbank

CURRENCIES

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- The local session kicked the day off trading at 14.4000. With the MPC rates meeting later in the day, the morning session remained quiet. The SARB cut interest rates by 25bps. The initial knee-jerk reaction saw the rand jump, trading from 14.3800 to 14.4400 in double-quick time. The move higher ignited exporter interest, as we saw decent selling interest forcing the rand back down to the 14.38 level. The rand eventually settled into the day close, trading weaker around 14.4300. The overnight session saw the rand trade between 14.3500 and 14.4440. We open this morning still trading around the 14.40 mark.
- The international markets saw the EUR continue to strengthen against the USD. It opened at 1.1132 and reached a high of 1.1172. Unfortunately, the move higher was short-lived, as it closed the day back at 1.1135, where it opens this morning. The GBP edged higher on the day. After opening at 1.3027, it traded to 1.3074, as the markets seem to be taking a break from speculation of a cut in interest rates at the next BoE meeting on 30 January 2020. Gold continued to trade at USD1,557, and is unchanged this morning.
- On the data front, we have the Eurozone current account and CPI data. UK retail sales, and US industrial production, housing starts and building permit data will end the week.
- Possible trading range for the rand today: 14.2500 to 14.5500

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1.31	-0.04	-1.37	-1.37	0.69	↓	USD strength
EURUSD	1.11	0.00	-0.68	-0.68	-2.21	↓	USD strength
USDJPY	110.21	0.05	1.45	-1.45	0.86	↑	USD strength
USDAUD	1.45	0.00	1.73	1.73	4.28	↑	USD strength
Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14.40	-0.12	2.76	2.76	4.69	↑	ZAR weakness
GBPZAR	18.82	-0.17	1.38	1.38	5.32	↑	ZAR weakness
EURZAR	16.03	-0.12	2.09	2.09	2.53	↑	ZAR weakness
AUDZAR	9.93	-0.13	0.93	0.93	0.61	↑	ZAR weakness
ZARJPY	7.66	0.20	-1.29	-1.29	-3.95	↓	ZAR weakness
African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	51.13	0.11	-3.04	-3.04	-3.89	↓	ZAR weakness
ZARBWP (Botswana pula)	0.75	0.11	-1.47	-1.47	-2.47	↓	ZAR weakness
ZARKES (Kenyan shilling)	7.00	-0.11	-3.26	-3.26	-5.78	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2.54	0.53	-2.27	-2.27	2.13	↓	ZAR weakness
ZARNGN (Nigerian naira)	25.11	0.11	-3.73	-3.73	-5.28	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0.39	0.10	-3.43	-3.43	9.40	↓	ZAR weakness
ZARZMW (Zambian kwacha)	1.01	0.09	0.39	0.39	13.76	↑	ZAR strength
ZARMZN (Mozambican metical)	4.33	0.10	-1.62	-1.62	-4.50	↓	ZAR weakness
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	4.18	0.02	3.67	3.67	10.69	↑	USD strength
USDTRY (Turkish Lira)	5.86	-0.02	-1.58	-1.58	8.72	↓	USD weakness
USDMXN (Mexican Peso)	18.77	-0.08	-0.84	-0.84	-1.33	↓	USD weakness
USDINR (Indian Rupee)	71.00	0.09	-0.54	-0.54	-0.06	↓	USD weakness
USD RUB (Russian Ruble)	61.66	0.36	-0.54	-0.54	-7.64	↓	USD weakness

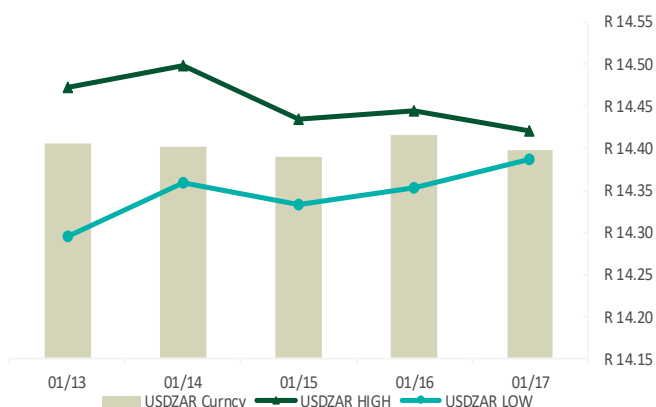
Source: Bloomberg & Nedbank CIB

Time 2020/01/17 08:00

*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)

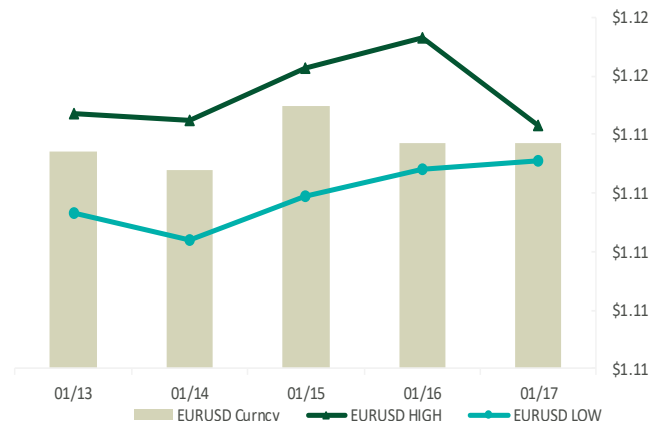


2020/01/17 08:00

Source: Bloomberg, Nedbank

EUR/USD

€/€ (close, high and low)



2020/01/17 08:00

Source: Bloomberg, Nedbank

- Oil held its biggest gain in almost two weeks on optimism a more conciliatory approach on trade from the U.S. will help revive growth but was still headed for a weekly drop amid persistent demand concerns. Futures steady after closing up 1.2% Thursday.
 - Spot gold rises 0.2% to \$1553.70/oz in early Asian trading. Gold continues to be in demand, with "sturdy" bids around \$1550/oz.
 - China iron ore prices are higher in morning trade before production data from major miners due this week and the next.
 - Base metals are broadly lower in morning Asia trade as investors' attention shifts to unresolved issues in U.S.-China trade after the phase-one deal was signed Wednesday.
 - The three-month LME copper contract is flat at \$6,280.00 a metric ton while the lead contract is down 0.8% at \$1,986.00 a ton.
- Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	64.58	-0.06	-2.15	-2.15	5.56	↓
WTI crude (\$)	58.49	-0.05	-4.21	-4.21	12.33	↓
Gold spot (\$)	1556.32	0.25	2.57	2.57	20.45	↑
Platinum spot (\$)	1014.79	0.99	4.99	4.99	25.23	↑
SA white maize spot (R)	2872.00	1.06	10.46	10.46	-8.30	↑

Source: Bloomberg & Nedbank CIB Time: 2020/01/17 08:00

SA white maize

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

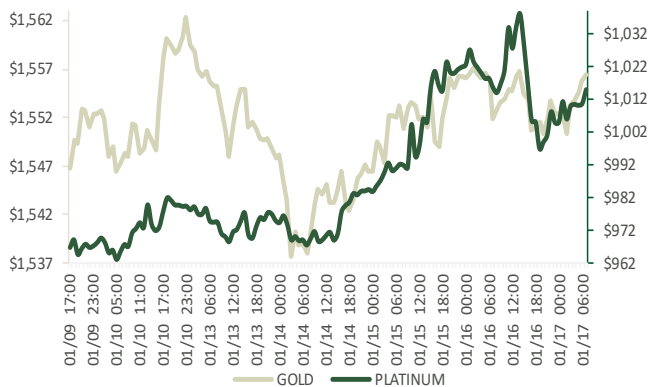


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Source: Bloomberg, Nedbank

Platinum vs Gold

Platinum vs. Gold

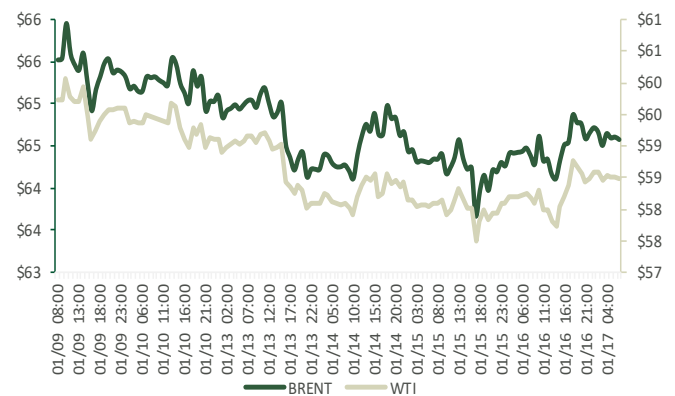


2020/01/17 08:00

Source: Bloomberg, Nedbank

Brent Crude vs West Texas Intermediate

Brent Crude vs West Texas Intermediate



2020/01/17 08:00

Source: Bloomberg, Nedbank

Cash equities | +2711 535 4030/31

South Africa

- The Top40 ended the day up 0.30% at 51,154.44.
- A poor showing of SA mining production numbers, especially in the PGM space, saw platinum and palladium spot prices spike. SGL +3.85%, IMP +3.1% and AMS +1.9% were the standout performers on the day.
- A surprise cut by the SARB saw SA Inc. names sell off as investors worried about the condition of local consumers. SHP -4.1%, TBS -1.8%, CLS -1.7% and WHL -1.6%. Flows were quite concentrated, with NPN, FSR, IMP, SGL, SOL and NTC making up 60% of the day's total volume.
- The value traded at the close was R19.5bn, and the rand was trading at 14.40 versus the USD.

UK/Europe

- European markets ended Thursday's session mostly firmer, on news that the long-anticipated phase-one US-China trade deal was signed.
- Utility companies were among the best performers, lifted by gains in power generator RWE, on reports that the German government plans to compensate them with around EUR2.5bn for costs related to their planned exit from coal.
- Disappointing German GDP data, however, dragged the market lower.
- In London, Pearson shares plunged almost 9% after announcing it expects profits to fall amid another drop in demand for US college textbooks.
- The FTSE 100 fell 0.43%, the CAC 40 added 0.11% and the DAX ended little changed, down 0.02%.

USA

- Tech stocks, strong retail sales figures and strong earnings from Morgan Stanley boosted US markets, with the S&P 500 trading through the 3,300 mark for the first time.
- Microsoft gained 1.8%, with chipmakers posting strong gains after a strong forecast from TSMC.
- Morgan Stanley added 6.6% after beating quarterly estimates, while Bank of New York Mellon Corp. slid 7.8% after it missed estimates.
- The Dow added 0.92%, the S&P 500 gained 0.84% and the Nasdaq rose 1.06%.

Asia

- Asian markets are trading mostly firmer this morning, with the Nikkei trading at a 15-month high, with a weaker yen supporting gains as exporters outperform.
- Strong gains from Morgan Stanley overnight lifted the financial sector.
- Chinese stocks rose, lifted by strong GDP data, while Hong Kong stocks eased lower.
- Australian stocks extended gains, tracking the strong US close, with mining stocks outperforming.
- Rio Tinto gained 1.86% after forecasting higher iron ore shipments.

Developed Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
Dow Jones	29 297.64	0.92	2.66	2.66	20.22	-5.03	↑
Nasdaq	9 357.13	1.06	4.29	4.29	32.08	-5.30	↑
S&P 500	3 316.81	0.84	2.66	2.66	25.83	-7.01	↑
DI Eurostoxx 50	3 774.14	0.14	0.77	0.77	22.96	-14.00	↑
DAX	13 429.43	-0.02	1.36	1.36	23.00	-17.97	↑
CAC	6 039.03	0.11	1.02	1.02	25.96	-10.55	↑
FTSE	7 609.81	-0.43	0.89	0.89	11.34	-12.03	↑
ASX200	7 064.10	0.32	5.69	5.69	20.75	-6.84	↑
Nikkei 225	24 056.75	0.52	1.69	1.69	17.91	-14.85	↑
MSCI World	2 406.17	0.59	2.02	2.02	21.79	-10.97	↑

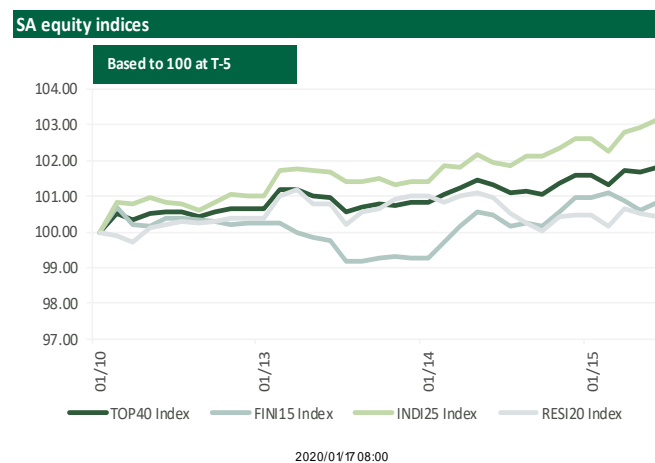
Emerging Markets	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
Hang Seng	28 848.87	-0.12	2.34	2.34	7.82	-15.30	↑
Shanghai	3 071.32	-0.09	0.69	0.69	19.99	-25.52	↑
Brazil Bovespa	116 704.20	0.25	0.92	0.92	22.39	12.83	↑
India - NSE	42 004.27	0.17	1.82	1.82	15.48	6.67	↑
Russia Micex	3 157.23	0.79	3.66	3.66	28.99	9.55	↑
MSCI Emerging	1 140.62	0.23	2.33	2.33	13.05	-18.02	↑

SA Indices	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
JSE All Share	58 217.43	0.26	1.99	1.99	8.95	-11.71	↑
Top 40	51 965.24	0.25	2.26	2.26	9.87	-11.54	↑
Resi 10	49 494.21	1.16	0.48	0.48	21.76	12.01	↑
Indi 25	72 630.75	-0.21	4.80	4.80	12.25	-20.20	↑
Fini 15	15 584.25	-0.04	-0.58	-0.58	-7.88	-6.54	↓

Source: Bloomberg & Nedbank CIB

Time: 2020/01/17 08:00

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
21 January 2020		
CLS	Clicks Group Ltd	dividend @ 327cps
LEW	Lewis Group Ltd	dividend @ 120cps
NTC	Netcare Ltd	dividend @ 64cps
STP	Stenprop Ltd	dividend @ 31.0476550cps or 1.076098 new per 100 held

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	144.29	0.66	-3.36	-3.36	-17.19	-11.08	↓
AGL : Anglo American Plc	410.64	1.91	2.96	2.96	29.19	26.07	↑
AMS : Anglo American Platinum Ltd	1377.89	1.91	5.40	5.40	140.05	52.19	↑
ANG : AngloGold Ashanti Ltd	296.27	-0.19	-6.39	-6.39	68.49	41.31	↓
APN : Aspen Pharmacare Holdings Lt	121.00	1.02	1.49	1.49	-13.87	-51.42	↑
BHP : Bhp Group Plc	340.86	1.57	3.36	3.36	19.80	21.24	↑
BID : Bid Corp Ltd	336.66	0.21	1.95	1.95	25.40	-11.96	↑
BTI : British American Tobacco Plc	650.11	-0.29	8.83	8.83	44.65	-43.42	↑
BVT : Bidvest Group Ltd	221.22	-0.39	8.03	8.03	6.29	-5.15	↑
CFR : Financiere Richemont-Dep Rec	114.58	-0.73	4.61	4.61	23.64	-16.20	↑
CLS : Clicks Group Ltd	262.00	-1.66	2.11	2.11	36.66	5.70	↑
CPI : Capitec Bank Holdings Ltd	1437.67	0.22	-0.59	-0.59	27.48	1.83	↓
DSY : Discovery Ltd	128.21	0.75	6.28	6.28	-22.48	-14.09	↑
FSR : Firststrand Ltd	60.58	-0.08	-3.54	-3.54	-10.33	-2.51	↓
GFI : Gold Fields Ltd	89.03	1.45	-7.13	-7.13	79.75	-8.80	↓
GRT : Growthpoint Properties Ltd	22.11	0.36	0.00	0.00	-10.45	-15.76	→
IMP : Impala Platinum Holdings Ltd	149.94	3.11	4.47	4.47	315.92	13.07	↑
INL : Investec Ltd	83.90	-0.26	1.13	1.13	-1.01	-11.95	↑
INP : Investec Plc	82.13	-0.45	0.21	0.21	-2.93	-11.25	↑
MCG : Multichoice Group Ltd	113.85	0.05	-2.27	-2.27			↓
MNP : Mondi Plc	297.57	-0.21	-8.80	-8.80	-6.73	-4.78	↓
MRP : Mr Price Group Ltd	192.40	1.19	5.42	5.42	-10.88	0.52	↑
MTN : Mtn Group Ltd	84.27	1.29	2.16	2.16	-0.86	-34.85	↑
NED : Nedbank Group Ltd	213.63	-0.62	-0.31	-0.31	-23.26	7.27	↓
NPN : Naspers Ltd-NShs	2450.50	0.02	6.97	6.97	21.63	-16.19	↑
NRP : Nepi Rockcastle Plc	127.44	-0.05	2.92	2.92	10.00	-47.09	↑
OMU : Old Mutual Ltd	19.75	0.82	0.46	0.46	-12.84		↑
PRX : Prosus Nv	1131.00	0.07	7.31	7.31			↑
RDF : Redefine Properties Ltd	7.61	0.66	0.66	0.66	-23.36	-9.63	↑
REM : Remgro Ltd	191.74	-1.30	-1.67	-1.67	-6.47	-17.48	↓
RMH : Rmb Holdings Ltd	79.04	0.23	-1.74	-1.74	-1.86	-0.34	↓
SBK : Standard Bank Group Ltd	168.45	-0.04	0.08	0.08	-9.47	-8.61	↑
SGL : Sibanye Gold Ltd	37.22	3.85	3.71	3.71	272.20	-34.13	↑
SHP : Shoprite Holdings Ltd	117.45	-4.08	-6.73	-6.73	-36.94	-14.03	↓
SLM : Sanlam Ltd	77.71	-1.02	-1.76	-1.76	-6.82	-8.28	↓
SOL : Sasol Ltd	279.27	-3.95	-7.98	-7.98	-32.86	-0.74	↓
SPP : Spar Group Limited/The	198.20	-0.76	0.35	0.35	-1.64	2.05	↑
TBS : Tiger Brands Ltd	211.78	-1.84	0.51	0.51	-18.11	-40.48	↑
TFG : The Foschini Group Ltd	155.81	0.35	4.23	4.23	-11.21	-15.76	↑
VOD : Vodacom Group Ltd	121.09	1.31	5.02	5.02	-7.76	-9.39	↑
WHL : Woolworths Holdings Ltd	50.61	-1.58	4.14	4.14	2.37	-15.65	↑

Source: Bloomberg & Nedbank CIB

Time 2020/01/17 08:00

US

- US retail sales growth remained unchanged at 0.3% m/m in December, in line with consensus. While sales of motor vehicles and parts contracted sharply in December, sales of most other product categories rebounded, led by growth in gasoline, clothing and building materials.
- Better demand and positive real wage growth during the festive season supported sales growth across most retailers. However, a low base effect from 2018, when weak retail sales was reported during the festive season may have also boosted the retail figures in 2019. The US consumer however, still receives relatively healthy wage growth, with minimal slack in the US economy – this may support spending in the near term.

Synopsis: The Fed has decided to pause monetary policy at this stage, assessing a fairly healthy economy, with still low inflation and weak pass-through from wage growth to consumer inflation. It has indicated that trade and geopolitical risks remain a key threat to the US economic recovery and it will assess these developments closely and react if needed, to prevent a slowdown of the economy. The Fed remains tilted towards a more dovish stance, with a pause in its cutting cycle, for now.

China

- Chinese GDP growth remained unchanged at 1.5% q/q in Q4, better than consensus of 1.4%. Growth in China was driven by the primary and secondary sectors, despite the trade war with the US, and weak global demand. For the year as a whole, China recorded growth of 6.1%, marginally below the 6.2% achieved in 2018.
- Chinese industrial production growth surged to 6.9% y/y in December, from 6.2% in November, better than consensus of 5.9%. The upside surprise lent support to the GDP print in Q4. Production of metals, pharmaceuticals, autos, and computer equipment led the gains in the industrial sector.
- Retail sales growth remained unchanged at 8% y/y in December, better than consensus of 7.9%. Sales growth was driven by food, beverages, tobacco, jewellery, autos and medicine.

Synopsis: China's PBOC have started to ease liquidity in order to counter the effects of the trade war with the US. However, core inflation remains below the target and so interest rates are likely to be kept low for some time, despite headline inflation overshooting the target. Geopolitical and trade tensions are likely to weigh on growth over the medium term. In such an environment, monetary policy will likely be kept loose for some time however further easing is unlikely given the stabilisation of growth recently.

SA

- The retail sales uptick was celebrated, short-lived and is now a distant memory, with secondary sector data resuming the disappointment – SA mining production contracted by 3.1% y/y in November, from -2.1% in October, worse than consensus of -0.2%. The deep m/m contraction of -3.5% (from +1.7% in October) means that the quarterly trend remains negative – in the three months to November, mining output contracted by 0.9%, from -1.7% in the three months to October. The closure of mines for the festive season, along with load-shedding in early December when the mines were still open, implies that output for December is highly likely to have contracted as well. This means that the mining industry (and secondary sector as a whole) would have likely contributed negatively towards GDP growth in Q4, threatening to pull the economy into a recession.
- The mining production basket was negatively impacted by large declines in PGM, iron ore, and coal output. Positive contributors were production of gold, other metallic and non-metallic minerals, which were negligible. Despite the decline in production, sales were fairly upbeat in November, with sales growing at 5.8% y/y, and +4.4% m/m. Sales of PGMs, gold and other metallic minerals led gains here. This tells us that the dearth of production in Q4 in the face of improved demand, would have led to a deep draw-down of inventories – another negative driver of growth in the quarter.

Synopsis: Overall, mining industry fortunes seem to depend on local structural developments, and global commodity prices, rather than just demand (which has been fairly upbeat despite trade uncertainty and weak global growth). YTD sales of SA minerals are up 12.2%, however production is down by 1.9%. Inventories have been used as a life-line by both the mining and manufacturing industries for much of the last 18 months, causing significant volatility in GDP growth. This is likely to persist in 2020.

As a side note: the primary and secondary sectors make up about 30% of the weight of the GDP basket. Services comprise the rest of the GDP. While we believe the secondary sector contracted in Q4, it is uncertain at this stage how the financial services, trade and transport industries would have fared, and whether any rise would have been enough to offset the contraction.

- In line with [our expectations](#), the SARB reduced the repo rate by 25bps to 6.25%, with prime at 9.75%. This was a unanimous call, with the MPC penning a highly dovish statement, and sharply reduced inflation estimates. Although the SARB revised its growth forecasts lower, the growth estimates remain elevated, in our view. Aspects that supported a highly dovish stance were the reduced inflation forecasts, a much wider output gap, a QPM that changed to reflect two cuts of 25bps by 2020 as a result, and a decline in inflation expectations. A key addition to its statement read “the lower inflation forecast and improved risk profile opens some space to provide further policy accommodation to the economy”.

- Our view remains unchanged – we expect a further 25bps reduction in the repo rate during the year, as inflation continues to surprise to the downside. However, the next ‘window’ to cut rates again may present itself only after a potential Moody’s credit rating downgrade has passed. Moody’s is set to review SA’s credit rating on 27 March 2020.
- The BER showed that inflation expectations continue to moderate, one aspect the SARB would appreciate, particularly as it tries to reduce inflation expectations permanently, in order to bring down inflation structurally in the long run. The BER survey showed that five-year average inflation is expected at 4.9% as at 4Q19, compared to 5.0% in the previous quarter. Average inflation expected for 2020 fell to 4.8%, from the 5.0% previously surveyed. Notably, the trade union forecast of inflation for the current year is 4.7%, the lowest since 2Q06. This should bode well for wage negotiations in an economy that can ill afford higher input costs.

Synopsis: We have [previously outlined](#) our view that the impact of a WGBI exit following a Moody’s downgrade on the exchange rate, and bond yields, will be short-lived. Our analysis supported a dovish monetary policy stance regardless of such an event. We believe the yield curve could steepen further into the belly, as another rate cut later in the year is priced in more aggressively. For now, until we get some certainty (and finalisation) of the Moody’s credit rating for SA, long-end yields will likely remain elevated as the market continues to prepare for a downgrade, and as fiscal woes continue to fester. See full [report here](#).

Chart 1: SARB CPI forecast converges at 4.5% midpoint

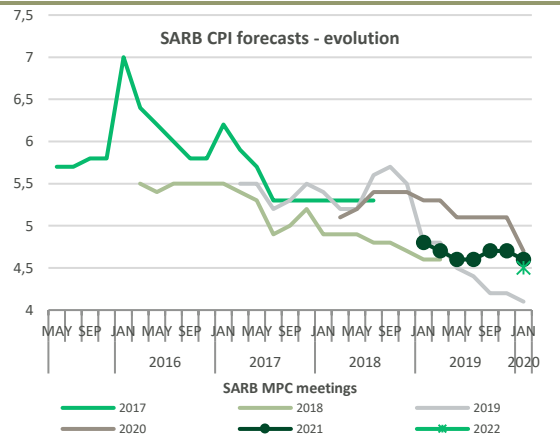
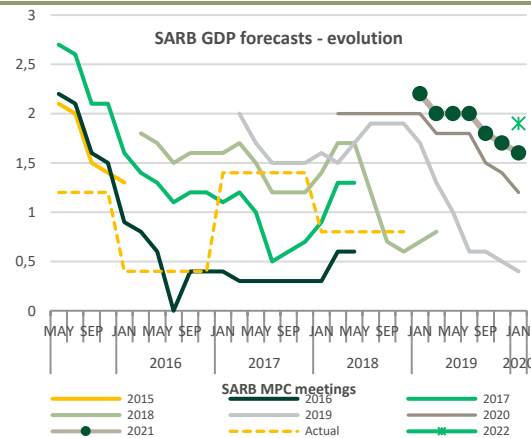


Chart 2: SARB growth estimates lowered



Source: SARB, Bloomberg, Nedbank CIB

ECONOMIC CALENDAR

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	Country	Event	Period	Survey	Actual	Prior	Revised
16-January							
01:50 AM	JN	Machine Orders YoY	NOV	█ -5.25%	█ 5.30%	█ -6.10%	-
01:50 AM	JN	PPI YoY	DEC	█ 0.90%	█ 0.90%	█ 0.10%	-
09:00 AM	GE	CPI YoY	MAY F	█ 1.50%	█ 1.50%	█ 1.50%	-
09:03 AM	CH	New Yuan Loans CNY	DEC	CNY 1200b	█ CNY 1140b	█ CNY 1390b	-
09:03 AM	CH	Money Supply M2 YoY	DEC	█ 8.30%	█ 8.70%	█ 8.20%	-
11:30 AM	SA	Platinum Production YoY	NOV	█ -	█ -13.51%	█ -4.80%	█ -6.20%
11:30 AM	SA	Mining Production YoY	NOV	█ -0.15%	█ -3.11%	█ -2.90%	█ -2.10%
11:30 AM	SA	Gold Production YoY	NOV	█ -	█ 5.24%	█ -1.20%	█ -1.40%
03:10 PM	SA	SARB Announce Interest Rate	MAY F	█ 6.50%	█ -	█ 6.50%	-
03:30 PM	US	Continuing Claims	NOV 23	1750k	1767k	1803k	-
03:30 PM	US	Initial Jobless Claims	NOV 30	218k	204k	214k	-
03:30 PM	US	Retail Sales Advance MoM	DEC	█ 0.30%	█ 0.30%	█ 0.20%	█ 0.30%
03:30 PM	US	Philadelphia Fed Business Outlook	JAN	█ 3.8	█ 17.0	█ 0.3	-
11:00 PM	US	Net Long-term TIC Flows	NOV	-	USD 22.9b	USD 32.5b	USD 31.5b
11:00 PM	US	Total Net TIC Flows	NOV	-	USD 73.1b	USD -48.3b	USD -62.0b
17-January							
04:00 AM	CH	Industrial Production YoY	DEC	█ 5.90%	█ 6.90%	█ 6.20%	-
04:00 AM	CH	Retail Sales YoY	DEC	█ 7.90%	█ 8.00%	█ 8.00%	-
04:00 AM	CH	GDP SA QoQ	4Q	█ 1.40%	█ 1.50%	█ 1.50%	-
04:00 AM	CH	GDP YoY	4Q	█ 6.00%	█ 6.00%	█ 6.00%	-
11:00 AM	EC	ECB Current Account SA	NOV	-	-	EUR 32.4b	-
11:30 AM	UK	Retail Sales Inc Auto Fuel YoY	DEC	█ 2.70%	█ -	█ 1.00%	-
12:00 PM	EC	CPI Core YoY	DEC F	█ 1.30%	█ -	█ 1.30%	-
12:00 PM	EC	CPI YoY	DEC	█ 1.30%	█ -	█ 1.00%	-
03:30 PM	US	Building Permits MoM	DEC	█ -1.48%	█ -	█ 1.40%	-
03:30 PM	US	Housing Starts MoM	DEC	█ 1.10%	█ -	█ 3.20%	-
03:30 PM	US	Building Permits	DEC	1460k	-	1482k	-
03:30 PM	US	Housing Starts	DEC	1380k	-	1365k	-
04:15 PM	US	Industrial Production MoM	DEC	█ -0.20%	█ -	█ 1.10%	-
04:15 PM	US	Manufacturing (SIC) Production	DEC	█ -0.05%	█ -	█ 1.10%	-
04:15 PM	US	Capacity Utilization	DEC	█ 77.00%	█ -	█ 77.30%	-
05:00 PM	US	JOLTS Job Openings	NOV	█ 7250	█ -	█ 7267	-
05:00 PM	US	U. of Mich. Sentiment	JAN P	█ 99.3	█ -	█ 99.3	-
20-January							
06:30 AM	JN	Industrial Production YoY	NOV F	-	█ -	█ -8.10%	-
09:00 AM	GE	PPI YoY	DEC	█ -0.30%	█ -	█ -0.70%	-
21-January							
12:00 AM	JN	BOJ 10-Yr Yield Target	JAN 21	█ 0.00%	█ -	█ 0.00%	-
12:00 AM	JN	BOJ Policy Balance Rate	JAN 21	█ -0.10%	█ -	█ -0.10%	-
09:00 AM	SA	Leading Indicator	NOV	█ 0.0	█ -	█ 103.9	-
11:30 AM	UK	ILO Unemployment Rate 3Mths	NOV	█ 3.80%	█ -	█ 3.80%	-
12:00 PM	EC	ZEW Survey Expectations	JAN	█ -	█ -	█ 11.2	-
12:00 PM	GE	ZEW Survey Expectations	JAN	█ 13.0	█ -	█ 10.7	-
12:00 PM	GE	ZEW Survey Current Situation	JAN	█ -10.0	█ -	█ -19.9	-

Source: Bloomberg 2020/01/17 07:57

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