

DAILY MARKET COMMENTARY

08 March 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

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SNIPPETS

(Fixed Income)	SAGBs trade with considerable resilience, but comes under pressure in late evening risk-off which saw the ZAR detail sharply
(Currencies)	All eyes on US data to be released this afternoon
(Commodities)	Oil failed to sustain near-term rally as the dollar strengthened and concerns about global demand continue to weigh on the price
(Equities)	The JSE and global markets trade lower on global economic growth concerns
(Economics)	SA Current account deficit narrows in 4Q18; ECB revises growth and inflation estimate lower, provides monetary accommodation; Asian data this morning disappoints

KEY OVERNIGHT FACTORS AND UPCOMING EVENTS THIS WEEK

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Date	Region	Event	Actual/expected/prior	Implications
07/03	SA	Current account balance	-2.2%/-3.2%/-3.5%	Current account deficit narrows as trade surplus surges on import slump
07/03	EZ	GDP	0.2%/0.2%/0.2%	Final GDP print shows economy remains supported by consumer spending
07/03	EZ	ECB interest rate decision	0%/0%/0%	ECB sounds increasingly dovish, as an extension of Fed rhetoric, low growth and falling CPI
08/03	US	Labour market data	--	US labour market has tightened, its ability to keep up with rapid employment gains is waning
11/03	US	Retail sales	--/0.1%/-1.2%	US retail activity expected to recover marginally
12/03	UK	Industrial production	--/--/-0.9%	Industrial production could remain weak as a result of lack of investment, Brexit uncertainty
12/03	US	CPI	--/1.6%/1.6%	CPI expected to remain below Fed target, weighed by energy costs

Source: Nedbank

CONTACT FOR QUERIES

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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 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
R208-2,1 yrs	7,08	1,60	5,20	9,00	12,30	↑
R186-7,8 yrs	8,70	1,60	-1,00	-17,00	64,70	↓
R2048-29 yrs	9,75	1,15	-6,65	-15,15	68,95	↓
US10 yr	2,64	-0,18	-7,75	-4,67	-21,96	↓
UK 10 yr	1,17	-5,50	-13,00	-10,50	-32,20	↓
German 10 yr	0,07	-6,10	-11,60	-17,50	-58,80	↓
Japan 10 yr	-0,03	-2,70	-1,20	-3,70	-8,80	↓

Money Market	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
SA repo rate	6,75	0,00	0,00	0,00	0,00	→
SA prime rate	10,25	0,00	0,00	0,00	0,00	→
SA CPI (MTD=previous month)	4,00		-50,00	-50,00	-40,00	↓
SA 3m JIBAR	7,15	0,00	0,00	0,00	2,50	→
SA 3m NCD	7,18	3,75	2,50	5,00	5,00	↑
SA 6m NCD	7,73	1,25	2,50	-2,50	15,00	↑
SA 12m NCD	8,23	2,50	5,00	-10,00	32,50	↑
US3m LIBOR	2,60	0,61	-1,45	-20,70	54,34	↓
UK 3m LIBOR	0,84	-0,13	-0,89	-6,93	24,21	↓
Japan 3m LIBOR	-0,07	0,08	0,60	0,03	-1,87	↑

Source: Bloomberg & Nedbank CIB
Time 2019/03/08 07:40

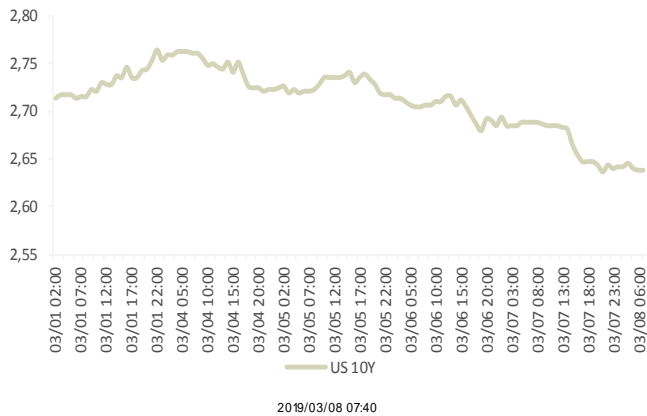
FRAs and Swaps	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
3X6 FRA	7,13	0,00	3,50	-8,00	27,00	↑
6X9 FRA	7,13	0,00	4,00	3,00	4,00	↑
9X12 FRA	7,13	0,00	4,00	-20,00	41,00	↑
18X21 FRA	7,21	0,00	3,00	-25,50	37,50	↑
SA 2yr Swap	7,17	2,80	3,90	-16,20	31,55	↑
SA 3yr Swap	7,26	3,00	3,00	-18,50	29,90	↑
SA 5yr Swap	7,50	2,00	3,00	-17,00	31,25	↑
SA 10yr Swap	8,07	3,00	3,00	-12,00	38,00	↑
SA 15yr Swap	8,33	2,50	2,50	-13,50	38,50	↑

Spreads	Last price	Δ 1d	Δ MTD	Δ YTD	Δ 12Month	MTD trend
	%	bps	bps	bps	bps	
2v10y	-0,90	-0,20	0,90	-4,20	-6,45	↑
3v10y	-0,81	0,00	0,00	-6,50	-8,10	→
R186-R208	1,62	0,00	-6,20	-26,00	52,40	↓
R2048-R186	1,05	-0,45	-5,65	1,85	4,25	↓
5y-R186	-1,20	0,40	4,00	-0,00	-33,45	↑
10y-R186	-0,63	1,40	4,00	5,00	-26,70	↑
15y-R186	-0,37	0,90	3,50	3,50	-26,20	↑
SA 5yr CDS spread - basis points	183,88	-0,22	9,03	-39,07	39,86	↑

Source: Bloomberg & Nedbank CIB
Time 2019/03/08 07:40

US 10 year yield

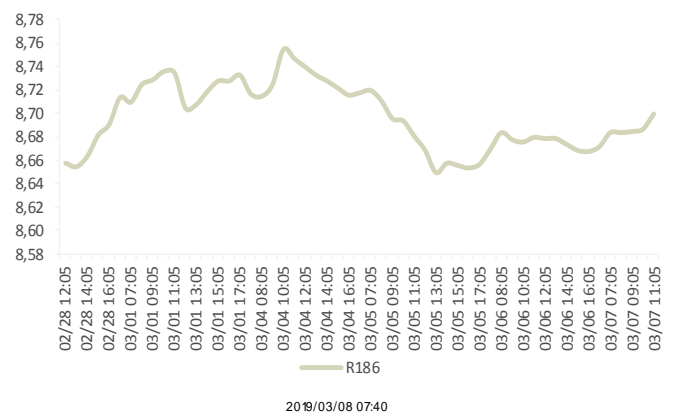
US 10 year yield



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

- The rand has traded poorly over the most recent sessions. Yesterday, it opened the day trading at 14.2650. Over the course of the session, the local unit lost significant ground as a result of headlines regarding nationalisation of the SARB, Eskom tariff increases and the ECB, trading to a high of 14.5000 by the time of the local close. In the overnight session, it traded to a high of 14.5625. This morning, it is currently trading at 14.5200, the EURZAR is trading at 16.2625 and the GBPZAR is trading at 19.0180.
- International markets have similarly traded on the back foot relative to the greenback. Yesterday, the EURUSD traded from a high of 1.1320 down to 1.1236 by the time of the local close. In the overnight session, the EUR continued to trade lower, reaching 1.1177. This morning, it is currently trading at 1.1198. Gold held steady, despite the improvement in the USD. This morning, it is currently trading at 1,287.80, marginally firmer than the same time yesterday.
- Data releases scheduled for today: no local releases; from Europe, we have German factory orders and French trade, current account, industrial production and manufacturing production; and from the US, we have NFP, manufacturing payrolls, unemployment, average hourly earnings, the participation rate, housing starts and building permits.
- The rand initially started losing value this year due to the effects of the Eskom power cuts, which saw the local unit trade above 14.0000. Thereafter, various local and international factors were reflected in the value of the local unit. Currently, it has breached above the technical resistance; this, combined with a break lower in the EURUSD, could potentially signal an extended period of rand weakness. All eyes are on US data to be released this afternoon.
- Possible trading range for the rand today: 14.4000 to 14.7000

Majors	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
GBPUSD	1,31	-0,27	-1,30	2,72	-5,23	↓	USD strength
EURUSD	1,12	-0,24	-1,62	-2,22	-9,10	↓	USD strength
USDJPY	111,22	-0,37	-0,10	-1,40	4,58	↓	USD weakness
USDAUD	1,43	0,29	1,30	0,50	11,08	↑	USD strength

Rand crosses	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
USDZAR	14,52	0,14	3,14	0,99	17,83	↑	ZAR weakness
GBPZAR	19,02	-0,14	1,86	3,56	13,30	↑	ZAR weakness
EURZAR	16,26	-0,10	1,55	-1,26	9,61	↑	ZAR weakness
AUDZAR	10,18	-0,14	1,88	0,42	8,73	↑	ZAR weakness
ZARJPY	7,66	-0,52	-3,36	0,46	-16,16	↓	ZAR weakness

African FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	ZAR trend
ZARMWK (Malawian kwacha)	50,20	-0,01	-3,30	-0,97	-21,08	↓	ZAR weakness
ZARBWP (Botswana pula)	0,74	-0,15	-1,77	-0,99	-8,75	↓	ZAR weakness
ZARKES (Kenyan shilling)	6,87	-0,24	-3,57	-3,16	-23,65	↓	ZAR weakness
ZARMUR (Mauritian rupee)	2,43	1,70	0,06	1,91	-14,10	↑	ZAR strength
ZARNGN (Nigerian naira)	24,86	-0,14	-3,17	-1,64	-21,19	↓	ZAR weakness
ZARGHS (Ghanian cedi)	0,39	-0,60	-2,23	11,80	3,66	↓	ZAR weakness
ZARZMW (Zambian kwacha)	0,83	0,06	-3,13	0,20	2,02	↓	ZAR weakness
ZARMZN (Mozambican metical)	4,31	-0,14	-3,24	1,93	-20,62	↓	ZAR weakness

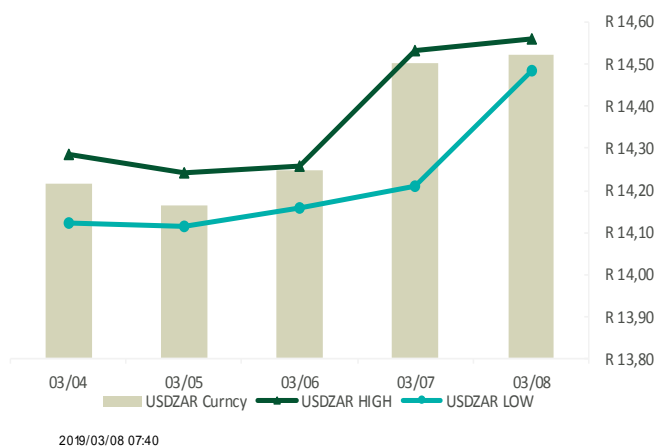
Emerging Market FX	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend	USD trend
USDBRL (Brazilian Real)	3,88	0,97	3,10	-0,12	16,33	↑	USD strength
USDTRY (Turkish Lira)	5,47	0,18	2,42	3,24	30,00	↑	USD strength
USDMXN (Mexican Peso)	19,59	0,00	1,67	-0,40	4,27	↑	USD strength
USDINR (Indian Rupee)	70,13	0,18	-0,88	0,52	7,10	↓	USD weakness
USD RUB (Russian Ruble)	66,32	0,23	0,72	-4,60	13,85	↑	USD strength

Source: Bloomberg & Nedbank CIB
Time: 2019/03/08 07:40

*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

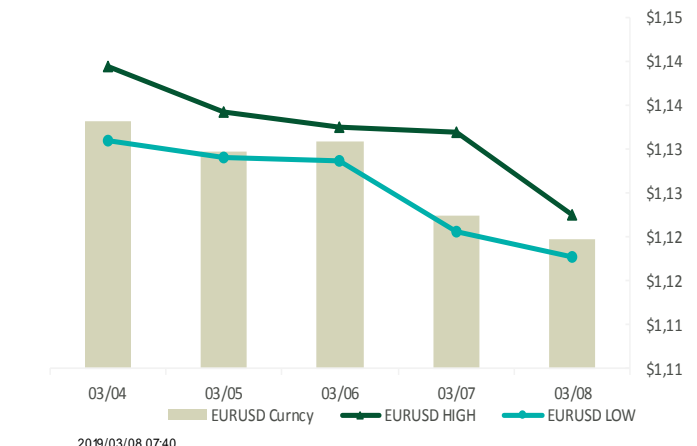
\$/R (close, high and low)



Source: Bloomberg, Nedbank

EUR/USD

€/€ (close, high and low)



Source: Bloomberg, Nedbank

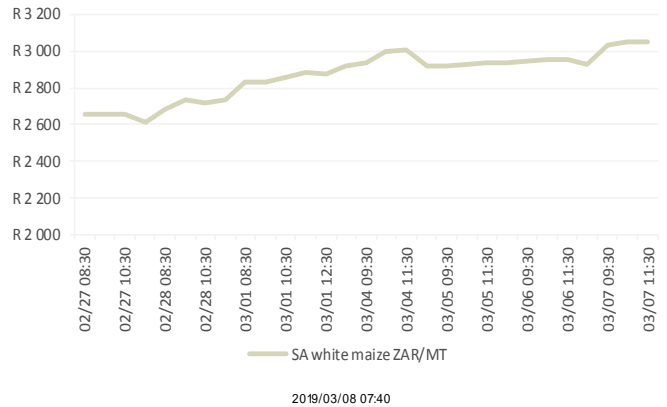
- Oil struggled to sustain a rally as prices continued to get whipsawed by fears over the health of the global economy and OPEC's progress in averting a market glut. Futures retreated 0.6%, paring their advance for the week to 1%.
- Gold headed for a second weekly decline ahead of payrolls. Spot gold little changed at \$1,285.72/oz; -0.6% this week.
- Silver flat; heads for second weekly drop. Platinum -5.2% this week, set for biggest weekly loss since end-Nov. Palladium -0.2% to \$1,524.15/oz; -1.3% this week to snap four weeks of gains. Most base metals dropped as global growth concerns fueled by trade tensions and political uncertainty resurfaced and the dollar strengthened. LME nickel -2.6% at \$13,235/ton, dropping for a second day and trimming its weekly gain to +0.3%.
- Copper -0.7% at \$6,423.50/ton; zinc and aluminum also decline, while tin and lead advance. Iron ore futures in China are heading for the biggest weekly decline since November amid a slowing economy and steel mill output and capacity curbs. Iron ore -1.2% to 616 yuan/ton on DCE. Source: Bloomberg

Commodities	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	MTD trend
Brent near future (\$)	65,78	-0,78	-0,38	22,27	3,41	↓
WTI crude (\$)	56,25	-0,72	-1,70	23,87	-6,44	↓
Gold spot (\$)	1 288,69	0,25	-2,02	0,55	-2,51	↓
Platinum spot (\$)	814,10	-0,21	-6,71	2,38	-14,34	↓
SA white maize spot (R)	3 047,00	3,18	11,29	3,99	61,73	↑

Source: Bloomberg & Nedbank CIB
Time: 2019/03/08 07:40

SA white maize

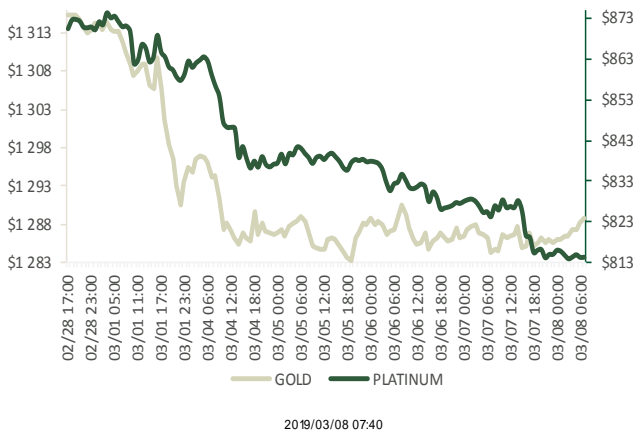
SA White maize (ZAR/MT) - 30 day chart



Source: Bloomberg, Nedbank

Platinum vs Gold

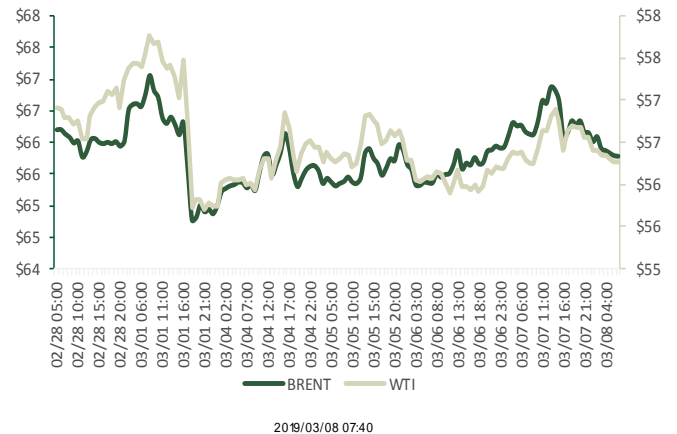
Platinum vs. Gold



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 ended the day down 0.42% at 49,665.60.
- Gold miners, banks and industrials led the decline, with the likes of Harmony and Naspers falling 3.97% and 2.65%, respectively.
- Standard Bank lost 3.07%, weighing on the banking sector, after it stated that its full-year earnings rose at less than half the 2017 growth rate, with the impact of adverse markets offsetting the strong performance in its retail banking division. HEPS rose 7%.
- Sanlam was down as much as 3% after results that showed a 10% fall in 2018 earnings. However, it recovered later in the afternoon and ended the day up 1.37%.
- MTN stood out among the gainers, surging 18.06% after announcing a R15bn disposal plan to shore up its balance sheet.
- The value traded at the close was R22bn, and the ZAR was trading at 14.41 vs the USD.

UK/Europe

- European markets ended the session in the red, falling from their highest in five months, after the ECB cut its growth forecast and announced plans to add a new round of bank loans sooner than expected, albeit with tougher terms.
- Banking stocks, together with automakers, were among the worst performers.
- Daimler and BMW fell 3.4% and 2%, respectively, following a broker downgrade.
- Falling copper prices weighed on the resources space, with the index losing 2.5%.
- The FTSE 100 lost 0.53%, the DAX fell 0.6% and the CAC 40 declined 0.4%.

USA

- US stocks fell for the fourth straight session on the ECB news.
- Consumer discretionary and financials were the worst-performing major S&P 500 sectors, while the more defensive utilities sector posted gains.
- The Dow Jones Transport Average lost 1%, falling for the 10th consecutive day, weighed down by FedEx Group (-3%) after Citigroup cut its quarterly profit estimates and price target for the company.
- The Dow lost 0.78%, the S&P 500 fell 0.81% and the Nasdaq declined 1.13%.

Asia

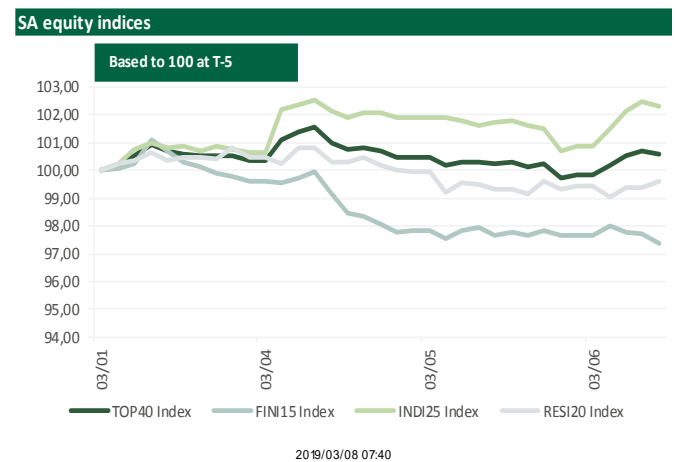
- Asian markets tracked their global peers lower, with the Nikkei underperforming in the region, down 1.78%.
- Shipping stocks were among the worst performers, tracking the Baltic Dry Index (-1.1%) lower.
- Insurers and banks were also under pressure after treasury yields fell on global growth concerns.
- Chinese stocks experienced their worst trading session since October 2018 as weak export data from Beijing added to global economic concerns.
- Tencent was down 2.3% at the time of writing.
- Financials and mining stocks pulled the ASX lower, with oil stocks also losing ground, despite higher crude oil prices, while gold stocks outperformed.

Developed Markets	Last price	%Δ				2018		MTD trend
		-1d	MTD	YTD	12Month	Performance		
Dow Jones	25 473,23	-0,78	-1,71	9,20	2,32	-6,03	↓	
Nasdaq	7 421,46	-1,13	-1,47	11,85	-0,09	-5,30	↓	
S&P 500	2 748,93	-0,81	-1,28	9,66	0,36	-7,01	↓	
DJ Eurostoxx50	3 308,85	-0,48	0,32	10,24	-3,06	-14,00	↑	
DAX	11 517,80	-0,60	0,02	9,08	-6,78	-17,97	↑	
CAC	5 267,92	-0,39	0,52	11,36	0,26	-10,55	↑	
FTSE	7 157,55	-0,53	1,17	6,38	-0,63	-12,03	↑	
ASX200	6 203,80	-0,96	0,56	9,87	4,39	-6,84	↑	
Nikkei 225	21 032,91	-1,97	-1,65	5,09	-1,57	-14,85	↓	
MSCI World	2 061,41	-0,83	-1,17	9,42	-3,01	-10,97	↓	
Emerging Markets	Last price	%Δ				2018		MTD trend
		-1d	MTD	YTD	12Month	Performance		
Hang Seng	28 389,30	-1,36	-0,85	9,84	-7,39	-15,30	↓	
Shanghai	3 020,04	-2,78	2,69	21,10	-8,16	-25,52	↑	
Brazil Bovespa	94 340,17	0,13	-1,30	7,34	11,01	12,83	↓	
India - NSE	36 667,07	-0,16	2,23	1,66	9,94	6,67	↑	
Russia Micex	2 476,64	-0,70	-0,35	4,53	8,09	9,55	↓	
MSCI Emerging	1 043,56	-1,15	-0,70	8,05	-12,69	-18,02	↓	
SA Indices	Last price	%Δ				2018		MTD trend
		-1d	MTD	YTD	12Month	Performance		
JSE All Share	55 857,89	-0,39	-0,26	5,92	-5,21	-11,71	↓	
Top 40	49 665,55	-0,42	-0,00	6,29	-4,59	-11,54	↓	
Resi 10	45 492,18	0,06	-0,11	10,83	29,48	12,01	↓	
Indi 25	67 752,14	-0,35	1,33	6,39	-13,45	-20,20	↑	
Fini 15	16 573,71	-1,07	-3,23	1,18	-10,56	-6,54	↓	

Source: Bloomberg & Nedbank CIB

Time 2019/03/08 07:40

Short-term performance of SA equity indices



Source: Bloomberg, Nedbank

LAST DAY TO TRADE

[back to top](#)

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SHARE CODE	SHARE NAME	DIVIDEND / INTEREST RATE
12 March 2019		
AGL	Anglo American Plc	dividend @ 720.518cps
AIP	Adcock Ingram Holdings Ltd	dividend @ 100cps
ASR	Assore Ltd	dividend @ 1000cps
DSY	Discovery Ltd	dividend @ 101cps
GFI	Gold Fields Ltd	dividend @ 20cps
KIO	Kumba Iron Ore Ltd	dividend @ 1573cps
LNF	London Fin Inv Group Plc	dividend @ 10.285610cps
L2D	Liberty Tow Degrees Ltd	dividend @ 12.69cps
RBPCB	Royal Bafokeng Plat Ltd Conv Debs	dividend @ 5000cps
SHP	Shoprite Holdings Ltd	dividend @ 156cps
SOL	Sasol Ltd	dividend @ 590cps
TDH	Tradehold Ltd	odd lot offer @ 1133cps
TFGP	Foschini Ltd 6.5% Pref	dividend @ 6.50cps
TPC	Transpace Ltd	dividend @ 30cps
TRU	Truworths Inc Ltd	dividend @ 249cps
WHL	Woolworths Holdings Ltd	dividend @ 92cps

Source: JSE

JSE PERFORMANCE

[back to top](#)

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Top40 constituents	Last price	%Δ -1d	%Δ MTD	%Δ YTD	%Δ 12Month	2018 Performance	MTD trend
ABG : Absa Group Ltd	172,45	-0,43	-4,51	6,57	-16,69	-11,08	↓
AGL : Anglo American Plc	382,30	0,81	2,58	18,63	34,31	26,07	↑
ANG : AngloGold Ashanti Ltd	185,52	-2,73	-8,16	2,07	62,74	41,31	↓
APN : Aspen Pharmacare Holdings Lt	141,15	0,94	1,23	4,70	-46,06	-51,42	↑
BHP : Bhp Group Plc	325,13	0,16	-0,56	12,32	47,14	21,24	↓
BID : Bid Corp Ltd	290,00	-0,85	-1,58	9,43	7,61	-11,96	↓
BTI : British American Tobacco Plc	580,26	2,70	13,37	23,64	-16,85	-43,42	↑
BVT : Bidvest Group Ltd	201,68	-1,73	-3,07	-2,50	-13,59	-5,15	↓
CFR : Financiere Richemont-Dep Rec	103,22	-0,31	-3,54	10,22	-1,65	-16,20	↓
CLS : Clicks Group Ltd	178,69	-0,79	-1,09	-6,66	0,95	5,70	↓
CPI : Capitec Bank Holdings Ltd	1238,33	-1,24	-5,20	10,76	43,29	1,83	↓
DSY : Discovery Ltd	149,00	-1,00	-3,30	-6,75	-20,89	-14,09	↓
FSR : Firststrand Ltd	62,32	-0,69	-3,08	-4,94	-10,34	-2,51	↓
GRT : Growthpoint Properties Ltd	24,59	-0,73	0,70	5,54	-18,63	-15,76	↑
INL : Investec Ltd	88,08	-1,63	-3,80	11,49	-16,11	-11,95	↓
INP : Investec Plc	88,06	-1,78	-3,83	10,54	-16,74	-11,25	↓
LHC : Life Healthcare Group Holdin	27,12	-0,29	0,22	2,73	-8,07	-4,86	↑
MCG : Multichoice Group Ltd							→
MND : Mondi Ltd	340,60	-0,39	2,84	10,02	7,93	-3,04	↑
MNP : Mondi Plc	337,00	-0,78	2,98	10,83	7,29	-4,78	↑
MRP : Mr Price Group Ltd	206,00	-0,48	-4,58	-16,31	-28,35	0,52	↓
MTN : Mtn Group Ltd	89,80	18,06	7,52	0,90	-33,48	-34,85	↑
NED : Nedbank Group Ltd	264,92	-2,60	-6,85	-3,57	-14,27	7,27	↓
NPN : Naspers Ltd-N Shs	3 130,00	-2,65	2,78	11,61	-6,65	-16,19	↑
NRP : Nepi Rockcastle Plc	122,21	-0,24	3,25	8,15	-1,76	-47,09	↑
NTC : Netcare Ltd	25,51	-0,51	0,28	-1,99	0,80	5,09	↑
OMU : Old Mutual Ltd	22,36	-1,02	-3,83	-0,18			↓
PSG : Psg Group Ltd	245,16	-2,74	-5,63	0,15	10,21	-9,33	↓
RDF : Redefine Properties Ltd	9,93	0,71	2,27	2,69	-13,65	-9,63	↑
REM : Remgro Ltd	203,00	-0,98	0,89	4,24	-15,16	-17,48	↑
RMH : Rmb Holdings Ltd	77,51	-0,86	-3,26	-1,76	-7,31	-0,34	↓
RNI : Reinet Investments Sca	239,00	2,52	7,62	9,41	4,14	-20,27	↑
SAP : Sappi Limited	72,38	-0,39	0,18	-11,35	-9,90	-8,77	↑
SBK : Standard Bank Group Ltd	182,43	-3,07	-5,85	2,02	-17,44	-8,61	↓
SHP : Shoprite Holdings Ltd	176,52	-0,49	2,81	-7,17	-34,41	-14,03	↑
SLM : Sanlam Ltd	78,38	1,37	-0,39	-1,78	-16,74	-8,28	↓
SOL : Sasol Ltd	432,49	0,38	0,61	1,76	4,03	-0,74	↑
SPP : Spar Group Limited/The	199,70	-0,39	0,00	-3,76	-6,45	2,05	→
TBS : Tiger Brands Ltd	266,25	0,47	-0,02	-2,75	-26,06	-40,48	↓
TFG : The Foschini Group Ltd	170,81	0,07	-0,58	2,75	-25,06	-15,76	↓
VOD : Vodacom Group Ltd	116,30	3,07	0,16	-11,89	-29,94	-9,39	↑
WHL : Woolworths Holdings Ltd	46,07	-1,16	0,59	-16,37	-28,90	-15,65	↑

Source: Bloomberg & Nedbank CIB

Time 2019/03/08 07:40

Europe

- Eurozone GDP growth was finalised at 0.2% q/q in 4Q18, in line with consensus. This was up from 0.1% q/q achieved in the third quarter. Better household and government spending were key reasons for the pick-up in growth. Net exports were lifted on the back of better export growth over the quarter.
- The ECB left interest rates unchanged, but shifted its tone significantly dovish, pledging further monetary support for the economy in the form of greater TLTRO loans to commercial banks, to keep credit conditions quite loose.
- The ECB also pledged to keep interest rates unchanged this year as a result of a weakened economy and lower inflationary pressures.
- The ECB reduced its inflation and growth forecasts sharply lower – CPI estimates were revised to 1.2%, 1.5% and 1.6% for each of the next three years, versus 1.6%, 1.7% and 1.8% previously forecast.
- Moreover, the central bank made substantial cuts to its growth estimates as a result of weak manufacturing activity, increased protectionist policies, a lack of reform within the Eurozone, weaker EM growth, and the uncertain Brexit. Real GDP growth is now seen at 1.1% in 2019 (1.7% prev.), 1.6% in 2020 (1.7% prev.) and unchanged at 1.5% in 2021. The ECB reiterated that growth risks remain to the downside.
- Policymakers admitted to discussing maintaining policy rates at current negative rates for an extended period of time given the weakness evident in the economy, but also debated changing its forward guidance to reflect a possibility of a hike in March 2020.

Synopsis: The ECB has had to buckle under pressure, after the economy showed significant cracks as a result of trade tensions and weak global demand. As a result, more stimulus was pledged until at least March 2020, and the monetary policy rhetoric has reverted to accommodation, just three months after the ECB ended its bond-buying programme. The global central bank sentiment has shifted more dovish as a result of weak inflationary pressure, and deteriorating growth, therefore it is unsurprising that the ECB has had to follow suit as well.

SA

- The SA current account (CA) deficit narrowed sharply in 4Q18, to -2.2% of GDP, from -3.7% of GDP in Q3, better than consensus of -3.2%. For the calendar year, the CA deficit widened to 3.5% of GDP, from 2.5% in 2017.
- The key reason for the narrower deficit in the fourth quarter was due to a slump in imports, which helped widen the trade surplus. A trade surplus of R71.8bn in Q4 was recorded, relative to +R10.2bn in Q3. As we saw in the recent GDP print, exports rose modestly on a q/q basis, while imports declined sharply (the volume of imports declined by the most since 4Q13). The trade surplus for the year was down to R24.3bn (or 0.5% of GDP), from R64.9bn (or 1.4% of GDP) recorded in 2017 – the deterioration was due to a combination of lower export growth and higher import growth for the calendar year.
- The net services, income and transfer payments account showed a narrower deficit, of R182bn in 4Q18, from R190.6bn in the previous quarter – therefore this also helped narrow the current account deficit in Q4. Due to large portfolio outflows and a decline in primary incomes, the deficit in this account widened to 4% of GDP in 2018, from -3.6% of GDP in 2017.

Synopsis: While Nedbank sees a slightly narrower CA deficit of 3.4% of GDP in 2019, the risk is that global demand remains fairly weak through the year, weighing on the trade balance. On the other hand, any further monetary stimulus from key central banks may result in portfolio inflows to EMs, supporting primary incomes.

Japan

- Japanese GDP growth was finalised at 0.5% q/q in 4Q18, from -0.6% in Q3, better than consensus of 0.4%. In Q4, private consumption and household spending picked up, both residential and non-residential investment was sharply higher, along with government consumption. On the other hand, net exports contributed negatively towards real GDP growth as a result of weak export growth and higher import growth over the quarter.
- Despite the positive end to 2018, the start to 2019 has been negative with manufacturing activity deteriorating and the PMI falling in February. Export activity remains weak.
- The Japanese trade balance saw its deficit widening to ¥964 billion in January, from a surplus of ¥216 billion in December, better than consensus of -¥1.1 trillion.
- Despite the trade deficit, the current account surplus widened to ¥1.8 trillion in January, from ¥1.6 trillion in December. Large inflows of primary incomes and portfolio flows helped the current account mitigate the negative impact of the trade balance.

Synopsis: Japan continues to battle with low inflation and disappointing economic growth and would likely keep monetary policy unchanged and loose for some time. The tighter labour market has not aided wage growth enough to impact inflation – inflation is likely to remain well below the BOJ target over the medium term, warranting loose monetary policy. Despite recent adjustments to the range in which it commits to buy bonds, policy remains loose.

China

- The Chinese trade surplus slumped to \$4 billion in February, from \$39 billion in January, significantly worse than consensus of \$26.2 billion. The main reason for the disappointment was a sharp contraction in exports – exports were down 21% y/y in February, from 9.1% growth in January. Imports also contracted by 5.2% y/y, from -1.5% in January.
- Exports to the US has fallen sharply relative to a year ago, along with exports to Hong Kong. In contrast, Chinese exports to Europe picked up modestly, but this did not offset the decline in the aforementioned regions.
- The Chinese Lunar new year holiday week, and trade war uncertainty played a role in hampering exports – the decline in exports was the largest since February 2016.

Synopsis: China's PBOC have started to ease liquidity in order to counter the effects of the trade war with the US. However, inflation remains below the target and so interest rates are likely to be kept low for some time. 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.

ECONOMIC CALENDAR

[back to top](#)

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	Country	Event	Period	Survey	Actual	Prior	Revised
07-March							
07:00 AM	JN	Leading Index CI	JAN P	96,1	95,9	97,5	-
08:09 AM	SA	Net Reserves	FEB	USD 43,5b	USD 43,7b	USD 43,6b	-
08:10 AM	SA	Gross Reserves	FEB	-	USD 50,8b	USD 50,8b	-
10:30 AM	CH	Foreign Reserves	FEB	USD 3088b	USD 3090b	USD 3088b	-
11:00 AM	SA	Current Account as a % GDP	4Q	-3,20%	-2,20%	-3,50%	-3,70%
11:00 AM	SA	Current Account Balance	4Q	ZAR -0,2b	ZAR -110,2b	ZAR -176,6b	ZAR -180,4b
12:00 PM	EC	GDP SA QoQ	4QF	0,20%	0,20%	0,20%	-
12:00 PM	EC	GDP SA YoY	4QF	1,20%	1,10%	1,10%	-
02:45 PM	EC	ECB Deposit Facility Rate	MAR 7	-0,40%	-0,40%	-0,40%	-
02:45 PM	EC	ECB Main Refinancing Rate	MAR 7	0,00%	0,00%	0,00%	-
02:45 PM	EC	ECB Marginal Lending Facility	MAR 7	0,25%	0,25%	0,25%	-
03:30 PM	US	Initial Jobless Claims	NOV 24	225k	223k	225k	-
03:30 PM	US	Continuing Claims	NOV 17	1772k	1755k	1805k	-
10:00 PM	US	Consumer Credit	JAN	USD 17,0b	USD 17,0b	USD 16,6b	USD 15,4b
08-March							
01:30 AM	JN	Overall Household Spending YoY	JAN	-0,50%	2,00%	0,10%	-
01:50 AM	JN	GDP SA QoQ	4QF	0,40%	0,50%	0,30%	-
01:50 AM	JN	GDP Annualized SA QoQ	4QF	1,70%	1,90%	1,40%	-
01:50 AM	JN	Trade Balance BoP Basis	JAN P	JPY -1133b	JPY -965b	JPY 216b	-
01:50 AM	JN	BoP Current Account Adjusted	JAN P	JPY 1385b	JPY 1833b	JPY 1562b	JPY 1633b
05:17 AM	CH	Exports YoY CNY	FEB	6,60%	-16,60%	13,90%	-
05:17 AM	CH	Imports YoY CNY	FEB	6,20%	-0,30%	2,90%	-
05:17 AM	CH	Imports YoY	FEB	-0,60%	-5,20%	-1,50%	-
05:17 AM	CH	Exports YoY	FEB	-5,0%	-20,7%	9,1%	-
05:17 AM	CH	Trade Balance CNY	FEB	CNY 250,0b	CNY 34,5b	CNY 271,2b	-
05:17 AM	CH	Trade Balance	FEB	USD 26,2b	USD 4,1b	USD 39,2b	-
09:00 AM	GE	Factory Orders WDA YoY	JAN	-3,2%	-	-7,0%	-
03:30 PM	US	Building Permits	JAN	1287k	-	1326k	-
03:30 PM	US	Building Permits MoM	JAN	-2,94%	-	0,30%	-
03:30 PM	US	Housing Starts	JAN	1195k	-	1078k	-
03:30 PM	US	Housing Starts MoM	JAN	10,86%	-	-11,20%	-
03:30 PM	US	Average Hourly Earnings YoY	FEB	3,3%	-	3,2%	-
03:30 PM	US	Change in Nonfarm Payrolls	FEB	180k	-	304k	-
03:30 PM	US	Labor Force Participation Rate	FEB	63,2%	-	63,2%	-
03:30 PM	US	Unemployment Rate	FEB	3,9%	-	4,0%	-
11-March							
01:50 AM	JN	Money Stock M3 YoY	FEB	2,10%	-	2,10%	-
09:00 AM	GE	Current Account Balance	JAN	-	-	EUR 21,0b	-
09:00 AM	GE	Exports SA MoM	JAN	-1,00%	-	1,50%	-
09:00 AM	GE	Imports SA MoM	JAN	0,00%	-	0,70%	-
09:00 AM	GE	Trade Balance	JAN	EUR 0,0b	-	EUR 14,3b	-
09:00 AM	GE	Industrial Production WDA YoY	JAN	-3,10%	-	-3,90%	-
02:30 PM	US	Retail Sales Advance MoM	JAN	0,00%	-	-1,20%	-
12-March							
11:30 AM	UK	Industrial Production YoY	JAN	-1,55%	-	-0,90%	-
11:30 AM	UK	Manufacturing Production YoY	JAN	-2,00%	-	-2,10%	-
11:30 AM	UK	Trade Balance	JAN	GBP -3371m	-	GBP -3229m	-
02:30 PM	US	CPI YoY	FEB	1,60%	-	1,60%	-
02:30 PM	US	Real Avg Weekly Earnings YoY	FEB	-	-	1,90%	-
02:30 PM	US	Real Avg Hourly Earning YoY	FEB	-	-	1,70%	-

Source: Bloomberg 2019/03/08 07:40

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