

Date: 02 August 2010

USD-ZAR 7.2181/3267
 GBP-USD 1.5686/790
 GOLD \$1182.75

EUR-ZAR 9.4604/5700
 USD-JPY 86.411/841
 ALLSHARE 28 355.21

GBP-ZAR 11.3873/5044
 AUD-USD 0.9057/1.0039
 DJI 10 465.94

EUR-USD 1.3043/125
 R157 7.565%
 3M JIBAR 6.585%

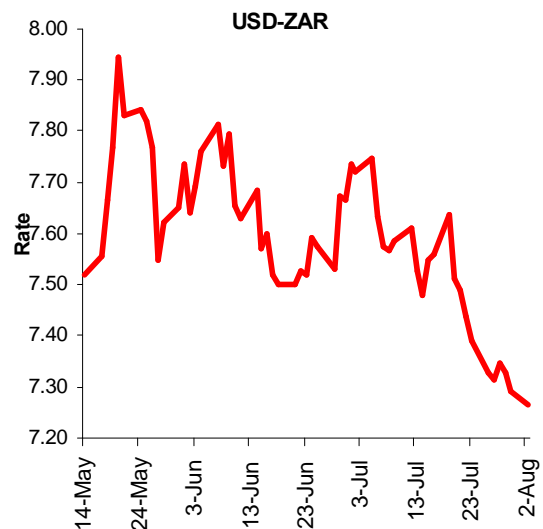
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Kagiso PMI	Jul	48	48.4
09:00	SA	Transnet Bond Auction (TN20, TN23 - R300mn)			
02:30	CH	Manufacturing PMI	Jul	51.4	52.1
07:55	DE	Manufacturing PMI	Jul	61.2	61.2
08:00	EZ	Manufacturing PMI	Jul	56.5	56.5
14:00	US	Construction spending m/m	Jun	-0.60%	-0.20%
14:00	US	ISM Manufacturing	Jul	55	56.2

Today's Talking Point

Kagiso PMI (Jul) preview: The PMI in Jun showed that manufacturing sector activity had slipped back into contractionary territory, declining to 48.4 to 51.1. This is likely to have been a function of lower productivity on the back of the World Cup and so some of this may still be felt in the Jul reading. As such, the market is expecting another marginal decline to 48.0 in Jul. However, deterioration in activity could prove to be temporary in nature once interruptions arising from the World Cup are no longer an issue. It would therefore be too early to suggest that the trend in the manufacturing sector is now a contractionary one.

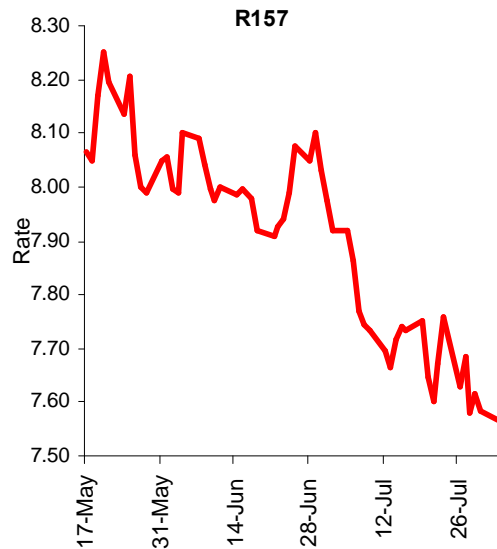
Rand Update

It is shaping up to be a positive start to the trading week for the ZAR with very little in the way of market information which could count against the ZAR at the moment. Risk aversion barometers remain under pressure with the likes of the VIX trading at around the 23.5 mark which given recent history is synonymous with a more benign investment environment. Add to that some of the local, more structural factors that impact on the ZAR such as last week's trade figures, FDI and the low growth in the monetary aggregates and the ZAR might very well continue to enjoy some fairly healthy support. Trade data last week reflected a very strong surplus. Excluding the impact of the Transnet strike in May, SA would still have recorded two consecutive months of surpluses of R2.0bn or larger. This would suggest that the current account deficit in Q2 is likely to be fairly easily financed, especially if one considers the rampant portfolio (hot money) flows at the moment. According to Reuters data (bid chart), the ZAR strengthened against the USD on Friday, closing at R7.2905 from R7.3271 on Thursday. The ZAR also gained on the EUR and GBP, ending at R9.5105 vs. the EUR from R9.5847 on Thursday, while finishing at R11.433 vs. the GBP from R11.4361 the previous day.



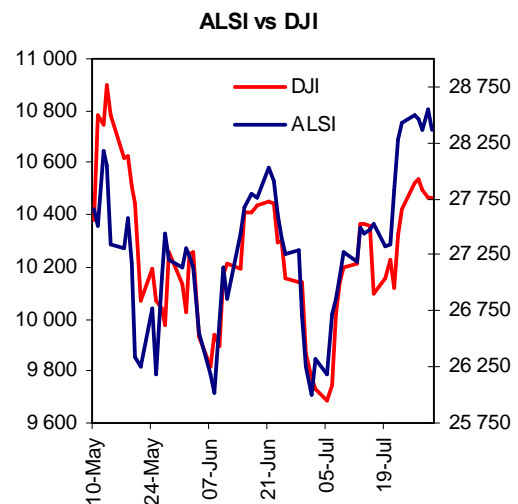
Bond Update

Having traded on the backfoot for most of the session the most recent set of government finance figures saw a turn around on yields. No doubt this was aided by the weaker equity market sentiment; however, the strong revenue collections shown in the government finance figures appeared to be the main driver as it suggests National Treasury's borrowing schedule could be lower than initially expected. A lower borrowing schedule bodes well for the domestic bond market as it means National Treasury will issue less to the market. This will see a lower term structure of interest rates as in the curve is likely to flatten. This is apparent in Friday's performance with the longer end of the curve outperforming the shorter end. At the close the benchmark R157 closed narrowly stronger ending the session at 7.585% vs. 7.615% on Thursday. However, the R186 powered ahead with the yield closing sharply lower at 8.445% vs. the previous close of 8.545%. The spread between the R186 and R157 narrowed to 86bps from 93bps at the previous close.



JSE Update

Local stocks ended lower on Friday as players took profits seen at the end of the week and throughout the month. Furthermore, US data was mixed, but with Wall St struggling in the early hours, sentiment in the domestic market remained subdued. The JSE ALSI fell 0.7% on the day but finished 8.0% higher on the month. Resources lost 0.9% despite gold stocks gaining 1.4%, while financials slipped 1.0% as banks weakened 1.3%. US stocks finished flat on the day, with the Dow Jones and S&P moving by just 0.01% at the close. While Q2 GDP data showed that the economy expanded at 2.4% q/q annualised, less than anticipated by the markets, both the Jul Chicago PMI and Jul Michigan consumer confidence index were better than expected. This helped stocks gain in the later hours of trade. Meanwhile the Asian markets are well in the green overnight as China's manufacturing PMI for Jul climbed when factoring out seasonal distortions. South Korea's exports also remained resilient in the month. The Nikkei has ended 0.4% higher with some pressure felt from the strong JPY, while Aussie stocks strengthened 1.1%. At the time of writing the Hang Seng and Shanghai composite had risen 1.3% and 1.1% respectively.



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