

Date: 02 September 2010

USD-ZAR 7.2526/3612
 GBP-USD 1.5366/470
 GOLD \$1246.30

EUR-ZAR 9.2860/3966
 USD-JPY 83.957/4.387
 ALLSHARE 27 979.26

GBP-ZAR 11.2016/3204
 AUD-USD 0.9023/9104
 DJI 10 009.73

EUR-USD 1.2747/829
 R157 7.215%
 3M JIBAR 6.375%

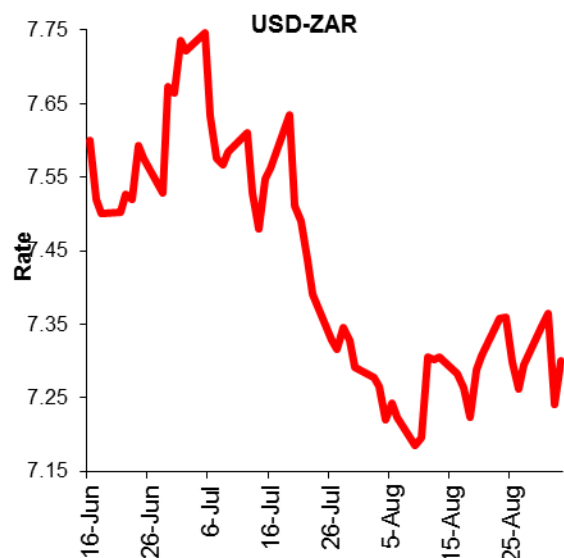
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Vehicle sales y/y	Aug		20.00%
10:00	SA	Monthly ALBI Reweighting			
09:00	EZ	GDP q/q second revision	Q2	1.00%	1.00%
09:00	EZ	PPI m/m	Jul	0.30%	0.30%
11:45	EZ	ECB rate decision	Sep	1.00%	1.00%
12:30	EZ	ECB news conference following rate decision			
14:00	US	Factory Orders m/m	Jul	0.40%	-1.20%
14:00	US	Pending Home sales m/m	Jul	-1.50%	-2.60%

Today's Talking Point

Vehicle sales (Aug) preview: Vehicles sales growth has improved over recent months with Jul sales rising 27.6% y/y from 14.3% in Jun. Of particular relevance is that passenger car sales are currently within the 20-25k a month range, which has been a sustained improvement from levels seen last year. However one must take this in context as numerous factors have helped boost sales figures. This includes the re-fleeting of rental vehicles ahead of and into the World Cup. The positive effects of the World Cup are unlikely to be substituted by rising domestic demand as consumers hold off from purchasing big ticket items. As such, there is a risk that the apparent strength in passenger car sales will weaken and level off in the coming months.

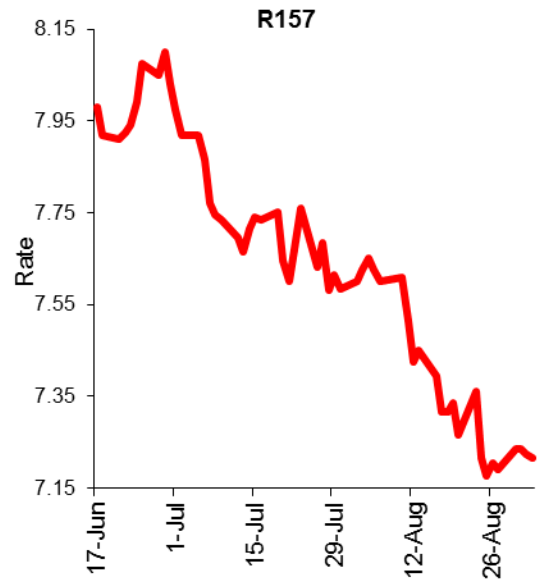
Rand Update

On-going strike activity notwithstanding, sentiment in global financial markets has improved following some stronger than expected manufacturing data both out of China and the US. Following the recent sell-off, any positive news is bound to translate into a relief rally and this was clearly the result through yesterday's trade as stock markets all rallied in unison. As risk off trades were placed under pressure, so the USD staged a retreat and it was not surprising to note the 8.3% drop in the VIX (risk barometer) to take the volatility measure down to the lowest levels in three weeks. By historical comparison, current levels of the VIX are synonymous with more subdued levels of risk aversion and this will be treated as good news for emerging market currencies which remain driven from offshore developments. This all speaks to a broader structural theme where the kind of policies being adopted by developed economy central banks are supportive of the carry or "risk-on" trade given the assumption that investors have desire for reasonable yield. According to Reuters data (bid chart), the ZAR strengthened against the USD on Wednesday, closing at R7.241 from R7.3645 on Tuesday. The ZAR also gained on the EUR and GBP, ending at R9.2764 vs. the EUR from R9.3419 on Tuesday, while finishing at R11.1924 vs. the GBP from R11.3045 the previous day.



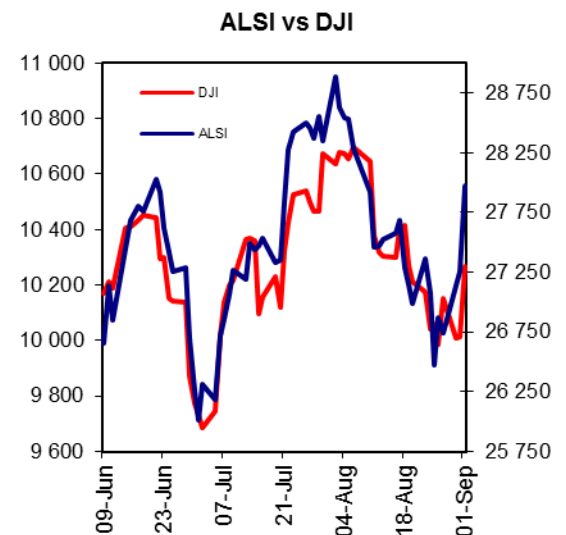
Bond Update

Better than expected Chinese PMI data, followed by the US ISM data, lifted growth sentiment and appetite for risk yesterday, which saw bond yields rally with the R157 pushing back below the 7.20% mark. However, the view is that the market appears to be a touch nervous at current levels with market participants hesitant to push yields lower ahead of the SARB MPC. Talk suggests that the R157 yield still likely to churn between 7.10 – 7.25% although a break below 7.00% is likely should the SARB cut rates by 50bps in Sep and allude to further monetary policy easing. Looking to the remainder of Q3 and Q4 the prospects for the bond market look bullish and players could see another 50bps move on the R157 (with the probability of a rate cut following the likely 50bps in Sep a strong possibility). At the close, the key benchmark R157 (2015) yield ended off the lows of the session closing at a yield of 7.225% lower than the previous close of 7.235%, while the R186 (2026) similarly closed stronger at 8.035%, vs. Tuesday's close of 8.065%.



JSE Update

All the sectors across the JSE gained yesterday as strong manufacturing PMI readings across the globe boosted growth sentiment. Most of the rise was seen as Wall St rallied on the back of the US PMI, while the upbeat Australian GDP numbers also gave support to resource stocks. At the close of trade the JSE ALSI was up 2.7%. Resources added 3.2% as platinum stocks climbed 4.7%, while financials strengthened 2.3% as banks rose 2.9%. US stocks started on a firm footing posted their best daily performance in eight weeks yesterday on the back of the Chinese PMI and the domestic ISM manufacturing PMI, which climbed to 56.3 amid expectations of a decline. The report showed an increase in the employment component. This helped markets shrug off the slightly weaker than expected ADP employment data. At the close the Dow Jones was up 2.5%, while the S&P had gained 3.0%. The Asian markets have seen another sizeable rally overnight following the strong gains yesterday. Much of the direction continues to be taken from Wall St. The Nikkei has ended 1.5% higher despite the JPY strengthening slightly, Aussie stocks added 0.8%, and at the time of writing the Hang Seng and Shanghai composite were both up 1.3%.



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