

Date: 03rd March 2010

USD-ZAR 7.5163/6411
 GBP-USD 1.4989/5093
 GOLD \$1134.40

EUR-ZAR 10.2695/4015
 USD-JPY 88.593/9.023
 ALLSHARE 27 371.92

GBP-ZAR 11.3227/4623
 AUD-USD 0.9011/94
 DJI 10 405.980

EUR-USD 1.35988/680
 R157 8.145%
 3M JIBAR 7.170%

Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	SACCI Business Confidence	Feb		81.2
08:55	DE	Mark services PMI	Feb	51.7	52.2
09:00	EZ	Mar services PMI	Feb	52	52
09:30	GB	CIPS services PMI	Feb	54.9	54.5
10:00	EZ	Retail sales m/m	Jan	-0.50%	0.00%
13:15	US	ADP Employment	Feb	-18.0k	-22.0k
15:00	US	ISM Non-manufacturing PMI	Feb	51	50.5
18:00	US	Atlanta Fed Pres Lockhart on credit markets & economic outlook			
19:00	US	Beige Book of US economic conditions			

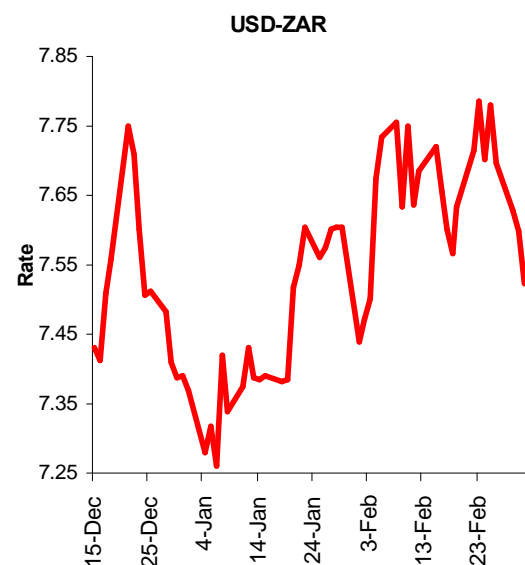
Today's Talking Point

Vehicle Sales (Feb) impress on the surface: Vehicle sales for the month of Feb have impressed yet again with total vehicle sales rising 20.5% y/y. Overall, the data will be seen as encouraging in that it would suggest that households are gaining the confidence to expose themselves to big ticket purchases once more although one should point out that Jan and Feb are traditionally strong seasonal months where vehicle buyers have opted to wait for the New Year before making the purchase. Furthermore, a breakdown of the data reveals that it was a strong rental agency buying month, no doubt gearing up for the World Cup, whilst the passenger vehicle sales was also boosted by the introduction of the new Polo which sold more than 1,500 units.

Rand Update

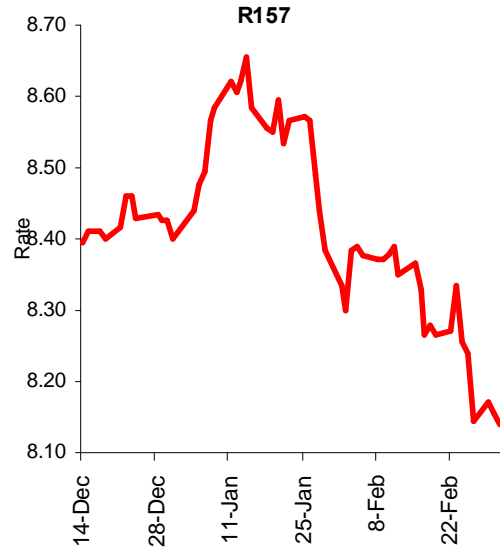
If anything, many of the developed economies would prefer to fight an inflation monster than they would a double dip as they will have very little in the way of stimulation left to draw on to help the global economy back out of a slump. Fiscal spending has already been stretched to its limit and monetary policy cannot be made any more stimulatory than it is. The point is that the double dip scenario is a worst case scenario that policy makers will do everything in their power to avoid. Ultra accommodative monetary policy has implications for global equities in that it promotes investment into stocks, it has implications for currencies as the focus shifts on to a combination of growth and interest rate differentials and it has implications for global levels of risk aversion which has a meaningful effect on emerging market currencies and commodities. That the ZAR is both an emerging market with higher growth and interest rate differentials than many developed economies and also offers exposure to the commodity cycle suggests that the ZAR may still enjoy ongoing resilience and strength. According to Reuters data (bid chart),

the ZAR strengthened against the USD yesterday, closing at R7.60 from R7.6275 on Monday. The ZAR also gained ground on the EUR and GBP, closing at R10.2752 against the EUR on Tuesday from R10.3421 on Monday, while ending at R11.3696 against the GBP from R11.4216 on Monday.



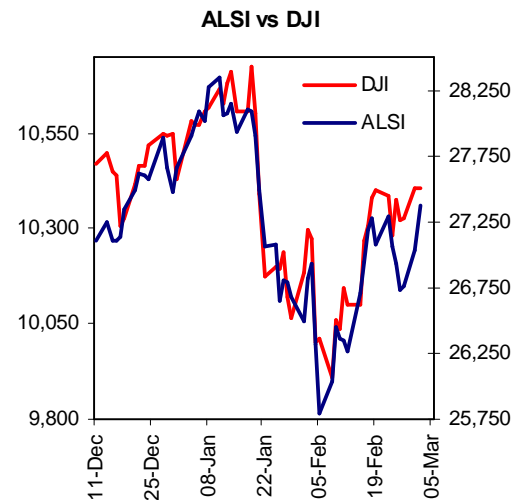
Bond Update

Despite the vehicle sales data, which may have added to the belief of some that rates do not need to be reduced further as economic growth is on a path of recovery, bonds continued to enjoy some buying interest. With the USD-ZAR gaining significant ground yesterday, it appears this may have helped generate good interest from foreign investors, while at the same time helping to moderate domestic market participants' inflation expectations and prompted further buying interest. The shift lower on yields also follows solid primary auction results seen earlier yesterday morning, which boded well for secondary market sentiment. The R157, however, failed to decisively break away from the 8.15% mark and continues to hover around this level. Overall, the R157 closed stronger on Tuesday with the yield last bid lower at 8.155% vs. the previous close of 8.170%, while the R186 similarly was last bid stronger with the yield lower at 8.925% vs. Monday's close of 8.975%. Interesting to note overall net portfolio inflows over the Jan-Feb period were the highest since 2006. In 2010, net portfolio inflows have amounted to R12.5bn with bonds accounting for R5.6bn or some 45%.



JSE Update

Local stocks ended comfortably higher yesterday after a cautious morning session of trade. A combination of upbeat global sentiment and rising metal prices supported stocks and at the close of trade the JSE ALSI had risen 1.3%. Resources had also added 1.3% as gold stocks climbed 2.2%. Platinum stocks, however, declined 0.6%. Both banks and financials ended 1.4% higher, while industrials strengthened 1.2%. US stocks lost steam towards the end of the US trading day after getting off to a strong start. Recent merger and acquisition activity has been buoying the market but profit taking set in ahead of today's economic data including the ADP employment report. At the close the Dow Jones was just marginally in the green, while the S&P had gained 0.2%. Asian stocks were mostly higher overnight with the Nikkei closing 0.3% stronger. Aussie stocks firmed 0.7% on the back of a rising gold price and an improvement in q/q GDP in Q4. At the time of writing the Hang Seng was flat and the Shanghai composite had added 0.4%.



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