

Date: 05 August 2010

USD-ZAR 7.2177/3263
 GBP-USD 1.5850/954
 GOLD \$1194.80

EUR-ZAR 9.5184/6280
 USD-JPY 85.986/6.416
 ALLSHARE 28 540.46

GBP-ZAR 11.5067/6238
 AUD-USD 0.9061/153
 DJI 10 680.43

EUR-USD 1.3123/225
 R157 7.665%
 3M JIBAR 6.565%

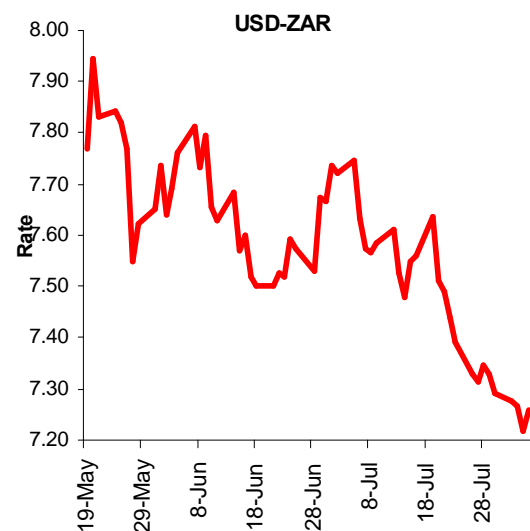
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Maxim-ETM Investor Confidence Index	Q2		105.9
09:30	SA	SACCI Business Confidence Index	Jul		84.8
10:00	DE	Industrial orders m/m	Jun	1.50%	-0.50%
11:00	GB	BoE rate decision	Aug	0.50%	0.50%
11:45	EZ	ECB rate decision	Aug	1.00%	1.00%
12:30	EZ	News conference following ECB decision			
12:30	US	Jobless claims	w/e	453.0k	457.0k
15:00	US	Second hearing on revisions to Home Mortgage Disclosure Act			

Today's Talking Point

Maxim-ETM Investor Confidence Index (Q2) preview: The ME Investor Confidence Index (ICI) climbed for the 5th consecutive quarter in Q1 2010 to 105.9. Q2 is unlikely to show the same improvement given the substantial fiscal fears that surfaced in the eurozone and the subsequent spike on the VIX index, implying higher volatility in the US equity markets. Pressure on equity sentiment is however likely to be offset by the improvement in bond sentiment, given a positive contribution from the strong ZAR and prudent underlying monetary and fiscal policies that South Africa enjoys.

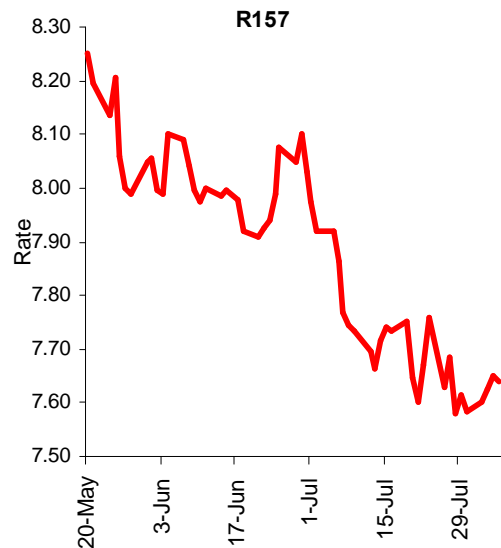
Rand Update

The USD-ZAR appears to have stalled at the critical technical support levels above 7.2000 and below 7.3000 to leave the pair in a long-term upward trend which has been in place since the start of 2005. There are many in the market that see this as an indication that the current phase of ZAR strength will not be sustained. However, the appreciative forces which have underpinned the strength in the ZAR over recent months still exist. At the top of the list is the depreciative ultra-accommodative monetary and fiscal policies adopted by the G7 economies with the so called hard currencies. Secondly, whilst so much stimulation is being applied in a time of great uncertainty, investors will want to continue looking for a hedge. A gradual recovery in growth and demand for hedges against these depreciative monetary policies should see demand for commodities remain buoyant. As the ZAR is classified a commodity currency, it is expected to benefit. According to Reuters data (bid chart), the ZAR strengthened against the USD on Wednesday, closing at R7.22 from R7.265 on Tuesday. The ZAR also appreciated vs. EUR and GBP, ending at R9.5001 vs. the EUR from R9.6087 on Tuesday, while finishing at R11.4682 vs. the GBP from R11.5848 the previous day.



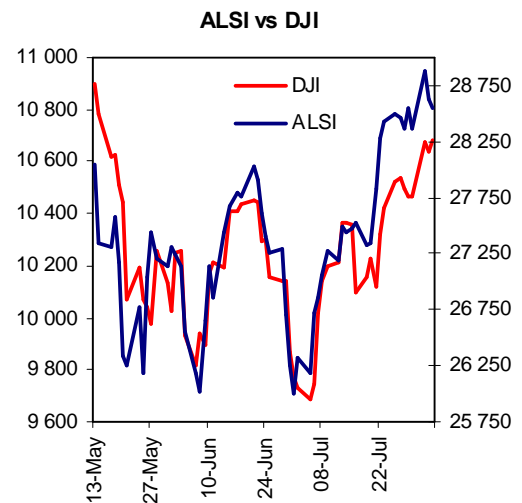
Bond Update

Yesterday the yield curve has migrated higher, as in bonds weakened, with many players opting for the sidelines and leaving the profit takers to drive the curve higher following the recent bond market strength. Despite the ZAR remaining resilient and US Treasuries migrating stronger (earlier in the session) bonds were under pressure. Reasons cited by players in market were thin liquidity ahead of the key US data and long weekend in South Africa this weekend. Given the volatility of late many players will be wary of leaving positions open over the course of the long weekend, which has seemingly given way to some profit taking. As such, at the close the benchmark R157 closed weaker ending the session at 7.650% vs. 7.625% on Tuesday. Similarly the R186 yield drifted higher to close weaker at 8.525% vs. the previous close of 8.475%.



JSE Update

The JSE ALSI closed 0.3% weaker yesterday, recovering some of its earlier losses in the late session as US data came in slightly better than expected. However, the overall mood remained subdued, with the rising gold price and strong Japanese yen pointing to ongoing demand for safety. Resources fell 0.1% on the day despite gold and platinum stocks adding 1.5% and 1.2% respectively, while financials lost 0.7% as banks dipped 1.2%. US stocks managed to close higher on the day despite some corporate reports offering concerning outlooks. Domestic data impressed however, with a report from the ADP showing 42k jobs were added in Jul and the ISM services PMI showing the services sector expanded a faster pace in the same month. This led stocks gradually higher and at the close the Dow Jones and S&P had gained 0.4% and 0.6% respectively. Meanwhile the Asian markets are mixed overnight. Aussie stocks climbed 0.5% and the Nikkei posted healthy gains to end 1.7% higher as JPY strength eased up and Toyota Motor raised its full-year profit outlook. The Hang Seng and Shanghai composite are however under pressure, down 0.1% and 0.4% respectively at the time of writing.



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