

Date: 05th March 2010

USD-ZAR 7.4235/5366
 GBP-USD 1.4982/5088
 GOLD \$1134.15

EUR-ZAR 10.1090/2255
 USD-JPY 89.061/491
 ALLSHARE 27 774.10

GBP-ZAR 11.1862/3088
 AUD-USD 0.8967/9049
 DJI 10 444.14

EUR-USD 1.3551/633
 R157 8.175%
 3M JIBAR 7.150%

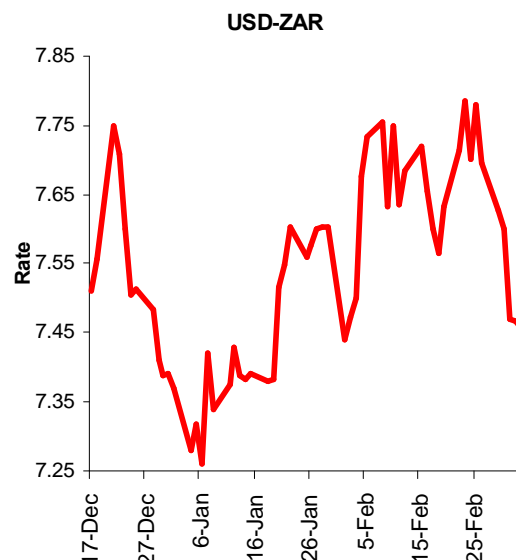
Time (GMT)	Country	Event	Month	Exp	Prior
06:00	SA	Reserves (Net)	Feb	\$38.3bn a	\$38.6bn
09:00	SA	ILB Bond Auction (R197, R210, R202 - R600mn)			
	SA	Federation of Unions SA meet SARB Gov Marcus			
11:00	DE	Industrial orders m/m	Jan	1.00%	-2.30%
13:30	US	Non-Farm payrolls	Feb	-68.0k	-20.0k
13:30	US	Unemployment	Feb	9.80%	9.70%
20:00	US	Consumer credit	Jan	-4.50bn	-1.73bn

Today's Talking Point

SA reserves fall as central bank forex buying remains non-existent: The latest reserves data for Feb show that SARB foreign reserve fell by \$50m while net reserves fell by \$350m. Netting off foreign exchange and gold price adjustments shows that actual SARB forex accumulation during the month was negligible. In fact if anything it would appear as though the bank sold a small amount of foreign exchange during the month. Players can expect a far more aggressive accumulation of reserves in the March data as the proceeds of the \$2 billion offshore Treasury auction are absorbed by the central bank. The question will be how much of that \$2 billion is taken up by the Bank but the amount could be sizable.

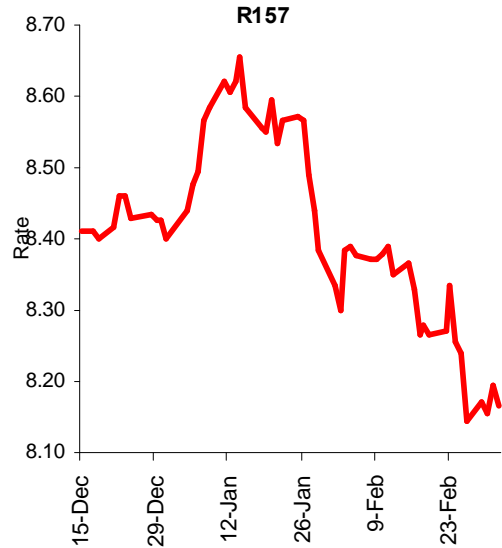
Rand Update

Equity markets appear to have rejoined the bull market for now. Stocks both abroad and in SA have launched higher and in the case of the JSE Allshare the index is now rapidly approaching the prior high levels witnessed in Dec. Although these prior high levels of the Allshare index have yet to be tested, indications are that they will with foreign investors once again being reported as buyers. Inflows into stocks are a significant driver of ZAR and whilst the inflows into both stocks and bonds at a time when money supply has contracted by some 4-5% in real terms means that there is strong fundamental justification for the rampant ZAR which is showing signs of extending its appreciation against the majors. On a trade weighted basis, appreciation of the ZAR for the year-to-date now stands at 3.6% representing an appreciation of over 4.0% in just the past two weeks. This very clearly represents ZAR strength rather than USD weakness with the USD index yesterday staging a strong recovery against its major trading partners. According to Reuters data (bid chart), the ZAR ended relatively flat against the USD yesterday, closing at R7.4675 from R7.4695 on Wednesday. The ZAR, however, gained ground on the EUR and GBP, ending at R10.1401 against the EUR on Thursday from R10.2607 the previous day, while ending just slightly stronger against the GBP at R11.2259 from R11.2359 on Wednesday.



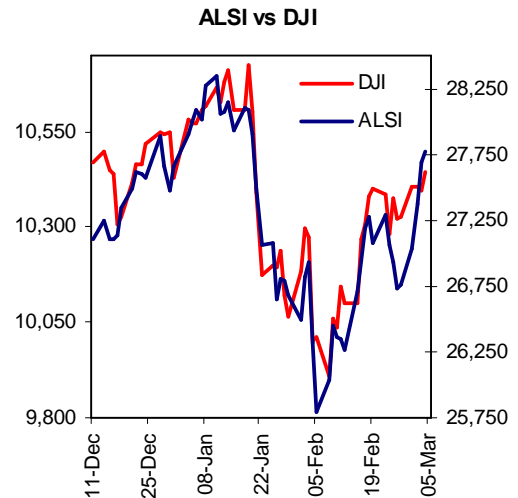
Bond Update

On the day the domestic yield curve shifted lower with the USD-ZAR gaining significant ground on the day, 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. With domestic money supply and credit extension likely to remain soft and given the potential for further ZAR strength, inflation is expected to fall further. The likely re-entry of CPI below the upper limit of the target band at the start of Q2 could well see CPI inflation fall below the mid-point of the 3-6% target band by year end. This is likely to bode well for inflation expectations and further interest rate cuts. In light of recent comments from the SARB Gov that the central bank is not an inflation nutter+ and yesterday's comments from Treasury Minister Gordhan that inflation needs to be looked at in a balanced way+ possibly suggests a more balanced approach. This could suggest interest rates could remain lower for longer. Overall, the R157 closed stronger on Thursday with the yield last bid lower at 8.165% vs. the previous close of 8.195%, while the R186 similarly was last bid stronger with the yield lower at 8.955% vs. Wednesday's close of 8.980%.



JSE Update

Local stocks opened weaker yesterday but managed to gain ground approaching the afternoon session. Sentiment in the domestic markets was fairly upbeat with metal prices rising and US economic data offering mild support heading into the close. At the close of trade the JSE ALSI was up 0.3%. Resources ended flat as the marginal losses of 0.1% on platinum stocks weighed on 0.2% gains on gold stocks. Financials added 0.8% as banks strengthened by the same proportion, while industrials climbed 0.4%. US stocks finished higher despite mixed economic data yesterday and ahead of the monthly non-farm jobs report today. Jan factory orders showed a mild improvement, but a worse than expected pending home sales report for Jan saw stocks lose some of their earlier gains. Overall, the Dow Jones end 0.5% higher, erasing its ytd losses, while the S&P gained 0.4%. Asian markets were in the green overnight with the Nikkei posting an impressive 2.2% gain as a slightly weaker JPY assisted export stocks. At the time of writing the Hang Seng was up 0.9% and the Shanghai composite had added 0.5%, while Aussie stocks finished 0.4% higher.



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