

Date: 08<sup>th</sup> March 2010

USD-ZAR 7.3706/4861  
 GBP-USD 1.5107/211  
 GOLD \$1134.80

EUR-ZAR 10.0985/2250  
 USD-JPY 90.238/468  
 ALLSHARE 27 904.65

GBP-ZAR 11.1972/3283  
 AUD-USD 0.9066/147  
 DJI 10 566.20

EUR-USD 1.3634/716  
 R157 8.205%  
 3M JIBAR 7.145%

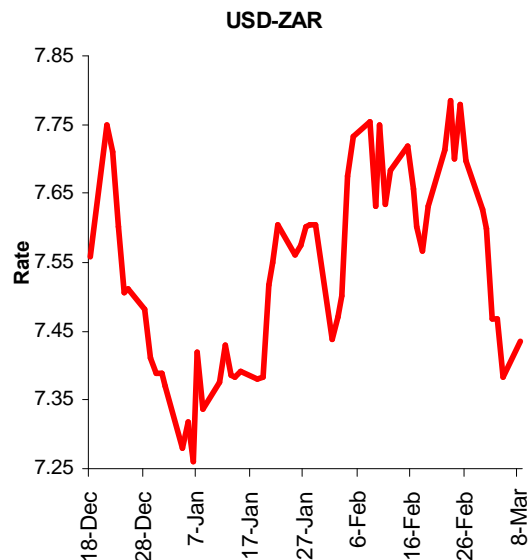
Time (GMT)	Country	Event	Month	Exp	Prior
09:30	EZ	Sentix Investor Confidence Index	Mar		-8.2
11:00	DE	Total industrial production m/m	Jan	1.20%	-2.60%
13:00	US	NABE 2010 - Various speaks including ECB Exec Stark and FDIC Chair Bair			
	EZ	Global Economy Meeting of central bank heads - final day			

## Today's Talking Point

**Domestic markets reflecting improvement in growth sentiment:** It was a fairly muted end to an otherwise busy week for bonds, which were not able to replicate the gains seen in either the equity market or the ZAR. Nevertheless, a R4.6bn inflow was recorded into the bond market last week, while equities saw a R1.4bn inflow leaving ytd inflows at R18.6bn, which would partly help explain the ZAR's strength of late. Generally sentiment has improved with the equity markets reflective of improved levels of risk appetite. The fact that Greece has pushed ahead with fiscal austerity measures despite massive public outcries and demonstrations would suggest that there is real action behind these fiscal reforms. With the Greek "5.0bn bond auction having proceeded without a hitch, one would expect the fears of Greek funding risks to dissipate and this should see general growth sentiment improve.

## Rand Update

A better than expected set of US non-farm payrolls data on Friday has certainly set the stage for more optimism on the stock market and has consequently translated into another dip in the VIX which is now quoted at 17.42 after recording a drop of nearly 7% in Friday's trade alone. Increasingly, there is appreciation that the bull run has not yet run its course and that very gradually, there are signs of the global economy gaining traction. Add to that the stimulus efforts which are likely to remain in place for as long as is required for the global economy to be certain of job creation and sustained expansion and it is possible that equity investors will feel justified in pushing stock markets even higher than current valuations. Equities on Wall St posted some significant gains on Friday with the Dow now showing every sign of rallying back up to the prior high recorded in mid-Jan. The Allshare index is not far behind and highlights why the ZAR might remain well supported or even gain ground through the course of the next few months. According to Reuters data (bid chart), the ZAR appreciated against the USD on Friday, closing at R7.3825 from R7.4675 on Thursday. The ZAR also strengthened against the EUR and GBP, ending at R10.0557 against the EUR on Friday from R10.1401 the previous day, while ending at R11.1719 against the GBP from R11.2259 on Thursday.



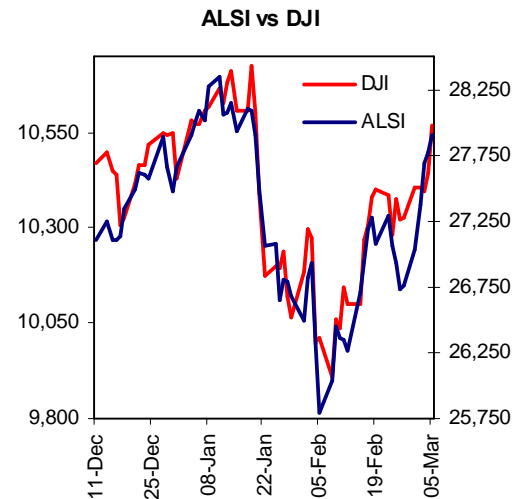
## Bond Update

Although the domestic bond curve shifted off its best levels last week, it did nevertheless gain significant ground on the week. Key to the bond mkt strength on the week has been the strength in the ZAR, which has helped moderate inflation expectations. Given that there is a near 70% correlation between the movements in the trade weighted ZAR and the inflation 9 months later, the above stands to reason. Given the appreciation of the trade weighted ZAR in the first few weeks of 2010 off an impressive appreciation performance recorded in 2009, the prognosis for inflation has improved considerably. Inflation will continue to surprise to the downside and as it re-enters the target band possibly as soon as the next round of inflation data and then heads down to test levels closer to 4.0%, so speculation of a rate cut will intensify. Overall, the R157 closed largely unchanged on Friday with the yield last bid slightly higher at 8.175% vs. the previous close of 8.165%, while the R186 was last bid weaker with the yield higher at 9.015% vs. Thursday's close of 8.955%.



## JSE Update

Global equity markets pushed higher on better than expected US data out on Friday, which added to recovery optimism and further gains for emerging markets. The JSE ALSI had lost ground prior to the release of the data, but subsequently recouped 1.0% to end 0.5% higher on the day. Resources added 0.9% as both gold and platinum stocks firmed 0.3%. Financials ended 0.3% higher as banks gained 1.0%, while industrials climbed just over 0.1%. US stocks opened higher and sustained their strength throughout the day on Friday. While non-farm payrolls data showed that more jobs were lost in Feb than in Jan, the figure was much better than expected and in fact saw the US unemployment rate decline to 9.7% from a previous 9.8%. Positive sentiment from this led the Dow Jones up 1.2%, while the S&P added 1.4%. Asian markets have gained overnight on the back of these Wall St gains despite Japanese data out this morning pointing towards further deflation concerns. The Nikkei ended 2.1% higher, while Aussie stocks strengthened 0.9%. At the time of writing the Hang Seng and Shanghai composite were up 1.9% and 0.5% respectively.



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