

Date: 09<sup>th</sup> March 2010

USD-ZAR 7.3669/4782  
 GBP-USD 1.4963/5067  
 GOLD \$1121.00

EUR-ZAR 10.0485/1625  
 USD-JPY 89.792/90.222  
 ALLSHARE 28 116.69

GBP-ZAR 11.0847/2038  
 AUD-USD 0.9049/133  
 DJI 10 552.52

EUR-USD 1.3573/655  
 R157 8.245%  
 3M JIBAR 7.145%

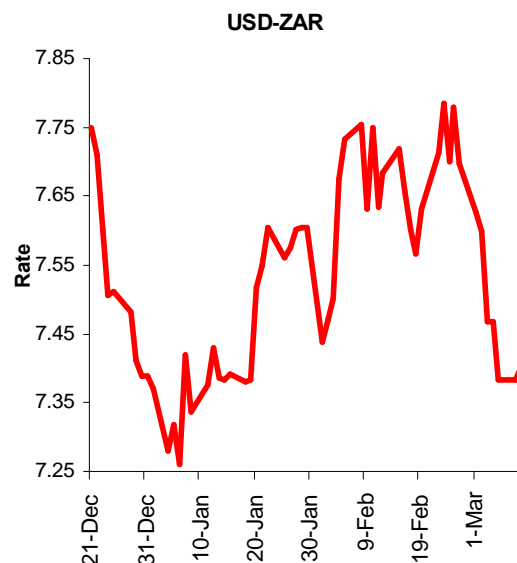
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R203 - R700mn; R207 - R1400mn)			
10:00	SA	BER Business Confidence Index	Q1	32.5	28.0
09:30	GB	Retail sales m/m	Feb		-1.80%
09:30	GB	Trade	Jan	-7.00bn	-7.28bn
13:00	US	NABE 2010 - Economic Adviser Christina Romer speaks			
14:30	US	NABE 2010 - Chicago Fed Pres speaks on "A View from the Federal Reserve Bank of Chicago"			
15:00	US	IBD consumer sentiment	Mar		46.8

## Today's Talking Point

**BER Business Confidence Index (Q1):** The mild improvement witnessed in a number of key economic indicators in recent months notably the recovery in the manufacturing industry and the sustained bounce in vehicle sales during that of Jan and Feb, suggests that the BER Business Confidence Index is expected to follow suit and show a further improvement in Q1 following the Q4 reading of 28.0. This would be a further improvement from the 10 year low of 23 posted in Q3. The overall figure is not much of a market mover but can provide some insight into business sentiment.

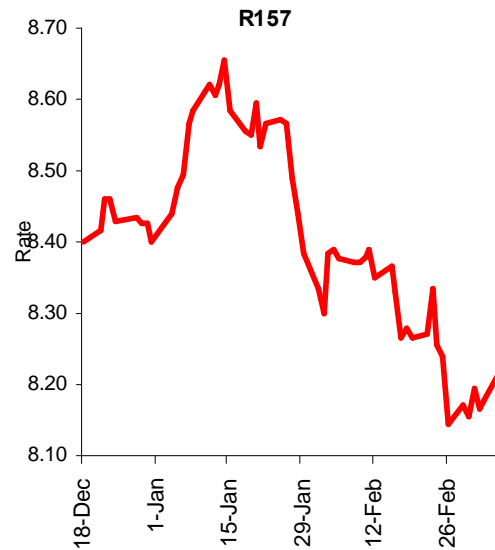
## Rand Update

In just the past two weeks a combination of BESA and the JSE has reported inflows of some R8.3bn. For the year-to-date, the figure is even more impressive at some R18.6bn which goes a long way to explaining how the ZAR has remained so resilient in the face of a sell-off in equity markets in Jan and Feb and the sovereign woes that plagued the euro zone. In house regression analysis further reveals a rule of thumb that for every R10.0bn worth of inflow or outflow, the ZAR moves on average 20 cents in the direction of the flow. This cannot be applied absolutely and cannot be true in every instance, but serves to highlight the significance of such portfolio inflows, especially at a time when the current account deficit is no longer the concern in once was. Whether these portfolio flows will persist is ultimately the most important question to ask. Although sluggish, growth metrics in SA are gradually improving. According to Reuters data (bid chart), the ZAR ended flat against the USD on Monday, closing at R7.3825 from the same level on Friday. Meanwhile the ZAR weakened against the EUR, ending at R10.0616 on Monday from R10.0557 on Friday, while strengthening against the GBP to end at R11.1188 from R11.1719 at the end of last week.



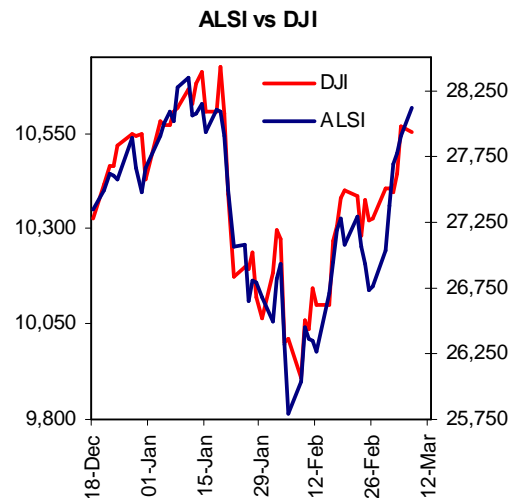
## Bond Update

Local bonds came under some pressure at the start of the week in what appeared to be a response to supply issuance concerns and a sell-off in US Treasuries. With little key domestic data due for release the focus has turned to the big issuance week locally and abroad. Yesterday saw the Umgeni parastatal raise R600mn, which generated a cover ratio of 2.6 times for the UG21 (2021). This was decent considering the amount of paper on offer this week, which could total anywhere between R6 - 8bn. This includes the City of Cape Town, African Bank, Investec and Eskom as well as National Treasury. There also appeared to be a belated response in the domestic bond market to the weakness on US Treasuries. A light economic news week has seen the focus turn to \$154bn worth of supply in the form of bills and coupons coming to market this week. Overall, the R157 closed weaker on Monday with the yield last bid higher at 8.220% vs. the previous close of 8.175%, while the R186 was last bid weaker with the yield higher at 9.070% vs. Friday's close of 9.015%.



## JSE Update

Local stocks ended higher yesterday as emerging markets performed well on the back of a continued rise in recovery sentiment and firm commodity prices. At the close of trade the JSE ALSI was up 0.8%. Resources gained 0.9% as platinum stocks strengthened 0.7%, while gold stocks slipped 1.0%. Banks ended 0.9% higher, pushing financials up 0.6%, while industrials added 0.7%. US stocks ended mixed yesterday as gains from last week saw players take some profits. The Dow Jones climbed 2.3% last week, while the S&P added 3.1%. The USD also strengthened slightly against the EUR yesterday, weighing on equity sentiment. At the close the Dow Jones had lost 0.1%, while the S&P was flat. Asian markets were mostly in the green overnight. Chinese stocks firmed on corporate profit forecasts and at the time of writing the Hang Seng had gained 0.2% and the Shanghai composite was up 0.5%. The Nikkei, however, had lost 0.2%, in line with Wall St losses, while Aussie stocks were up 0.3% from their previous close.



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