

Date: 10 August 2010

USD-ZAR 7.1725/2850
 GBP-USD 1.5790/5850
 GOLD \$1198.55

EUR-ZAR 9.4630/5705
 USD-JPY 85.78/6.425
 ALLSHARE 28 282.12

GBP-ZAR 11.3752/4842
 AUD-USD 0.9100/214
 DJI 10 698.75

EUR-USD 1.3110/210
 R157 7.595%
 3M JIBAR 6.585%

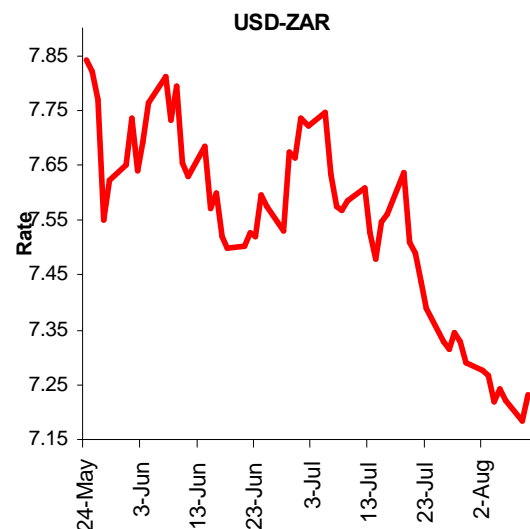
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R203 - R1200mn; R209 - R900mn)			
08:30	GB	Trade	Jun		-8.06bn
12:30	US	Labour cost Q2	Q2	1.00%	-1.30%
14:00	US	IBD Consumer sentiment	Aug		44.7
14:00	US	Wholesale inventories m/m	Jun	0.50%	0.50%
14:00	US	Wholesale sales m/m	Jun	0.50%	-0.30%
18:15	US	FOMC rate decision		0-0.25%	0-0.25%

Today's Talking Point

Oil prices off their highs but still above \$80/bl: Front dated crude oil futures have pulled back off the recent highs over the past few trading sessions. Following the weaker than expected non farm payrolls data some concern has been raised over the strength of the US economic recovery. This has been compounded by other weak US economic data sets despite the encouraging economic data out of the EZ. There also appears to be reluctance in many markets, including oil, to put on fresh positions ahead of the FOMC meeting later tonight. There is much speculation surrounding whether the Fed will extend/re-introduce QE policies, which holds implications for growth sentiment and hence oil. For the most part looking to month end so as long as front month crude futures remain above the \$80/bl, notwithstanding further significant ZAR strength a petrol price hike of 16c/l seems likely.

Rand Update

It is worth recapping the developments of yesterday as they may prove significant today. On the D4 data available, the USD-ZAR finally cracked through 7.1900 support to trade as low as 7.1740. The pair closed below the key 7.1900 support and although the pair has bounced back up this morning this would signal a brief breach of the technical support that has held since Sep 2009. Whether or not such a technical break should be taken seriously given the thin market conditions and lack of domestic participants is up for debate, however technically, the pressure on this technical support at 7.1900 has intensified. What is needed for the ZAR to break this key support once more will be another bout of bullish investor sentiment. Against this backdrop, one is likely to find that significant position taking will be absent from many markets today. The EUR-USD came in for some profit taking yesterday ahead of the FOMC statement and this hints at traders preferring the safety of the side lines for now. According to Reuters data (bid chart), the ZAR strengthened slightly against the USD on Monday, closing at R7.1845 from R7.2234 on Friday. The ZAR also gained ground vs. EUR and GBP, ending at R9.5065 vs. the EUR from R9.5941 on Friday, while finishing at R11.4234 vs. the GBP from R11.5177 at the close of last week.

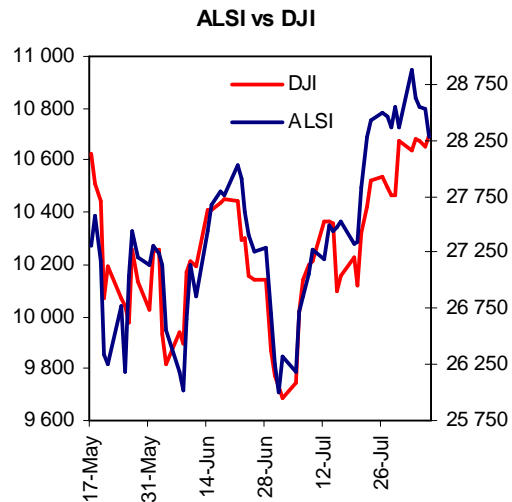


Bond Update

Bonds were little changed vs. overnight levels in the early part of the Friday session. The market was quiet with some players on leave ahead of the long weekend. Added to this were players cautious of entering the market with some uncertainty surrounding the non farm payrolls data due mid Friday. However, following the softer than expected release in the US, non farm payrolls, bonds strengthened, which is a likely function of players rotating into safe haven bonds. Foreign investors however sold into the rally with an outflow of R1.648bn recorded on Friday. At the close the benchmark R157 closed stronger ending the session at 7.600% vs. 7.625% on Thursday. Similarly the R186 yield drifted lower to close stronger at 8.500% vs. the previous close of 8.540%.

JSE Update

After a public holiday on Monday the JSE will have to play some catch-up to the offshore sessions which all traded while SA markets were closed. The FTSE and Eurofirst 300 indices ended the Monday session comfortably higher (1.5% and 1.4% respectively), while Wall St all closed around 0.5% higher. That positive sentiment has not transferred into Asia however with major markets on the Asia-Pacific rim all in the red this morning. Talk out of Asia is that China's trade data was disappointing in that it showed a weaker than expected import component, which places pressure on the expect growth sectors of the other Asian economies. So there is a mixed picture for the JSE ALSI today as it needs to price in gains in Europe and the US from Monday but also losses in Asia today. A strong rand will also be weighing on equity sentiment, especially in the traditional and heavily weighted rand-hedge component. On Friday the ALSI closed down 0.9%, perhaps creating a rebound bias today, but any bullish moves are likely to be limited by the Asian losses overnight. On Friday platinum shares fell 3.3%, bank shares dropped 1.6%, and industrials gave up 0.6%.



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