

Date: 10 January 2012

USD-ZAR 8.0759/1857  
 GBP-USD 1.5428/531  
 GOLD \$1 620.39

EUR-ZAR 10.3440/4547  
 USD-JPY 76.61/7.02  
 BRENT \$113.04

GBP-ZAR 12.5300/6428  
 AUD-USD 1.0276/358  
 DJI 12 392.69

EUR-USD 1.2739/840  
 R157 6.885 %  
 3M JIBAR 5.600%

Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R204 - R1100mn; R213 - R1000mn)			
09:30	SA	SACCI Business Confidence Index	Dec		97.4
10:00	SA	NAAMSA Vehicle Sales y/y	Dec		11.70%
00:00	GB	BRC Retail Sales y/y	Dec	0.40%	-1.60%
	CH	US Treasury Sec Geithner visits China (to Jan 11)			
12:30	US	NFIB Small Business Optimism Index	Dec		92
15:00	US	IBD Consumer Sentiment Index	Jan		42.8
15:00	US	Wholesale Inventories m/m	Nov	0.40%	1.60%

## Today's Talking Point

**NAAMSA Vehicle Sales (Dec):** Vehicle sales are likely to moderate into year end with higher base effects dampening this year's annual growth rate. Recent private sector credit figures showed corporate credit growth picking up, which if sustained, signals the early stage of a business cycle upswing but this is unlikely to push through into vehicle sales just yet. On the whole, there is still a risk of the slowing bias in vehicle sales becoming more entrenched as volumes are looking frothy and may need to moderate soon.

## Rand Update

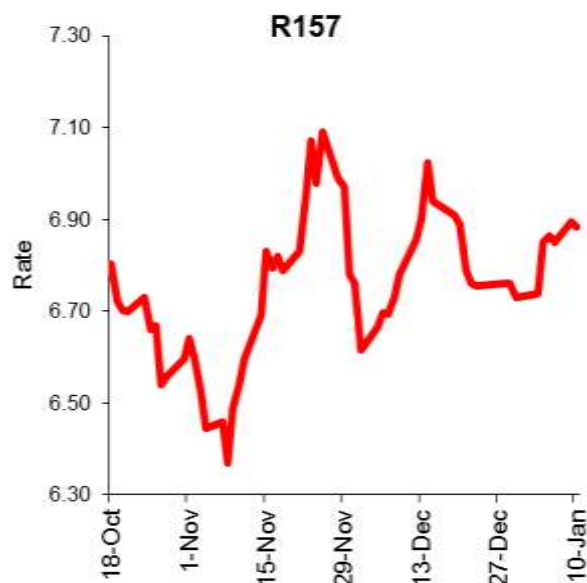
When there has been no significant movement in the currency market, it is difficult to come up with anything new and exciting to discuss. The markets are thin and investors are still finding their feet as the interbank money market normalises and strategies for the year are gradually formulated. It allows us the opportunity to consider some possible themes for 2012 as a whole. One such theme is the possible deterioration in the correlation between the EUR-USD and the USD-ZAR. We would hesitate to call this a decoupling as the eurozone will always remain a significant trading partner with SA, but it is possible that the EUR-ZAR pair begins to reflect the differences in the state of the underlying fundamentals of the two economies. Why 2012? Why would such a structural change unfold this year when the troubles and differences between the two economies have been plain to see for many months and quarters? The difference now relates to the actions undertaken by the ECB and the difference in approach they have adopted. Whereas before Dec 2011 during Trichet's term the ECB might have been regarded as an ultra-prudent/conservative central bank given the circumstances,

that has changed to some degree with the ECB turning a lot more supportive of the eurozone economy overall and a consequence of this is the debasement pressure which should become evident through 2012. Add to that the possibility that a fiscal compact could prompt the ECB to become even more accommodative of eurozone growth through QE policies later in the year and 2012 could be the year the ZAR rallies against the EUR. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Monday, closing at R8.1313 from R8.1637 on Friday. The ZAR strengthened against the EUR, ending at R10.3768 from R10.3842 on Friday, while similarly finished stronger against the GBP at R12.5639 from R12.5966 the previous day.



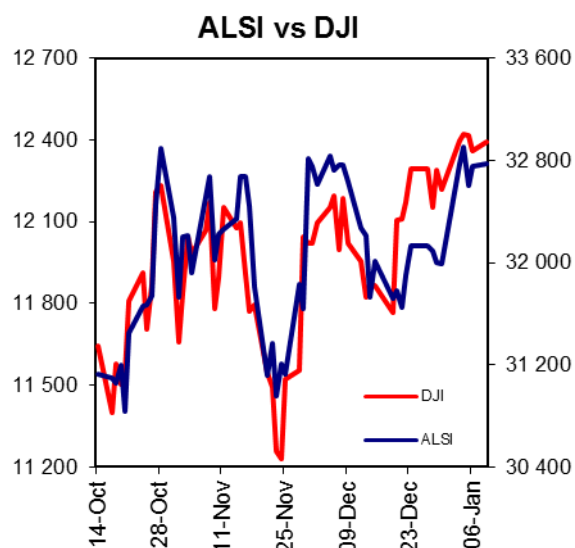
## Bond Update

The local bond market came under pressure yesterday, with yields across the curve moving higher through the session. By the close the R157 yield had added 4.5bpts to close at 6.895%, whilst the R186 yield moved 5bpts upward to end at 8.685%. Local data released yesterday showed that SARB gross reserves declined to \$48.86bn in December from \$49.65bn in November. The decline in reserves was largely owed to a 10% decline in the gold price, and a currency revaluation adjustment on the back of an appreciation in the USD. Once again no evidence that the SARB is intervening to weaken the Rand. Over in the US, consumer credit surged in November, increasing at an annualised rate of 9.9%, up from 3.7% in Sep and 2.9% in Oct. The increase in consumer credit was broad based, with both revolving and non-revolving credit growth accelerating strongly. The increase in credit within the world's largest economy indicates that the US economy looks to be on the mend, which will bode well for the local market as investors rotate away from US Treasuries toward local bonds. Today will see the first government bond auction for 2012 which will give local investors something to think about.



## JSE Update

The local market lacked any clear direction yesterday moving between losses and gains throughout the session. By the close the ALSI was up just 0.08%, although the platinum and gold indices lost 1.16% and 0.80% respectively. Local investors took cue from continued uncertainty within the EZ, and with little in the way of pertinent local data, investors found little inspiration during yesterday's session. In Europe, markets struggled for support, with core bourses closing well into negative territory. This came despite some encouraging economic data from the region, and thus reaffirms the risks which many players feel that region holds. The major risk event yesterday was the meeting between French President Nicolas Sarkozy and German Chancellor Angela Merkel to boost growth in euro zone states. Across the Atlantic in the US however, stocks edged higher as investors continued to keep a close eye on events in Europe and geared up for the start of fourth-quarter corporate earnings announcements. Given the positive close in the US, there is the possibility for the ALSI to improve on yesterday's performance. Local data releases in the form of SACCI business confidence and Naamsa car sales will add colour to the market.



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