

Date: 10th March 2010

USD-ZAR 7.3436/4609
 GBP-USD 1.4925/5029
 GOLD \$1125.70

EUR-ZAR 10.0075/1295
 USD-JPY 89.839/90.269
 ALLSHARE 27 898.14

GBP-ZAR 11.0227/1508
 AUD-USD 0.9113/95
 DJI 10 564.38

EUR-USD 1.3561/643
 R157 8.260%
 3M JIBAR 7.145%

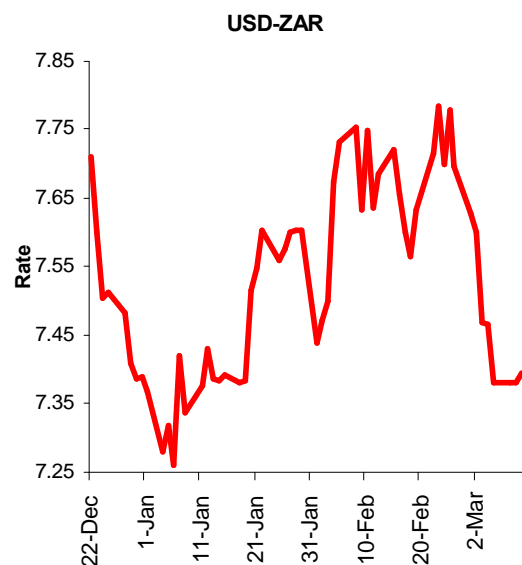
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Eskom Bond Auction (ES23 - R500mn)			
07:00	DE	CPI final m/m	Feb	0.20%	-0.60%
07:00	DE	Exports m/m	Jan	0.50%	3.30%
09:30	GB	Industrial production m/m	Jan	0.30%	0.50%
09:30	GB	Manufacturing production m/m	Jan	0.20%	0.90%
15:00	US	Wholesale inventory m/m	Jan	0.20%	-0.80%
19:00	US	US Federal budget	Feb	-200.0bn	-193.9bn

Today's Talking Point

ZAR in focus amid Strauss-Kahn's comments: Strauss-Kahn indicated that any policy measures aimed at weakening the ZAR would deter foreign investors as well as the capital needed to fund the deficit on the current account. Recent comments from Fin Min Gordhan about less volatility in the exchange rate of the ZAR could suggest the SARB will become increasingly active again in the forex market. However, the SARB has been very reluctant to build reserves over recent months and if anything the currency is getting less not more volatile without SARB intervention. That being said, given the past precedent and the chance of significant ZAR strength, SARB forex intervention could indeed pick up later in the year. However, any such action is unlikely to prevent major ZAR strength initially and is unlikely to be perceived as interventionist type policies in aid of weakening the ZAR to appease those proponents of a weaker ZAR, but rather will be seen a normal reserve building.

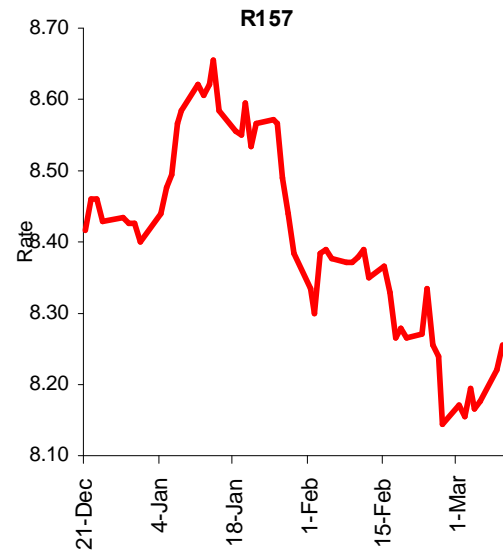
Rand Update

IMF MD Strauss-Khan's comments have made it front and centre onto today's Business Day front page. His most important message other than the need to turn the SA economy more efficient, related directly to efforts made to weaken the ZAR. He indicated that it would be short-sighted to adopt policies to weaken the ZAR. Reports often found in the media give the impression that a weaker ZAR is always good for the productive side of the SA economy in that it will boost exports. To some extent this is true, if the weakness in the ZAR is sustained, however in SA's case, the ZAR is known as a volatile currency and very few company executives would bank on ZAR weakness being sustained just as they would not bank on ZAR strength being sustained. It is however also worth noting how it has been the productive sector of the SA economy which has led to the economic recovery in the face of a strong ZAR where the local unit has been the second best performing currency last year behind the BRL and has remained firmly on the front foot this year. According to Reuters data (bid chart), the ZAR ended flat against the USD on Tuesday, closing at R7.3825 from the same level on Monday. Meanwhile the ZAR strengthened slightly against the EUR and GBP, ending at R10.0409 against the EUR on Tuesday from R10.0616 the previous day, while ending at R11.0723 against the GBP from R11.1188 on Monday.



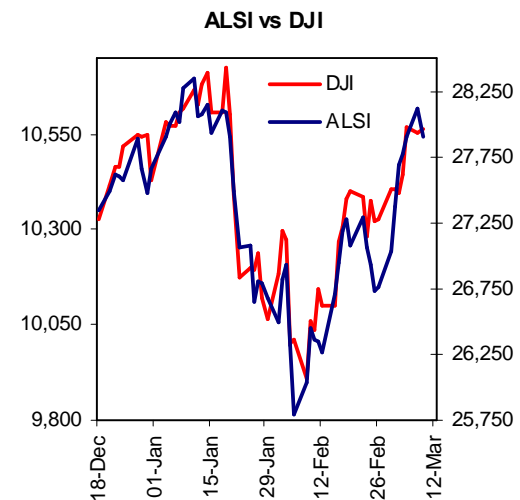
Bond Update

The USD-ZAR strength of late has been crucial in helping to moderate domestic market participants' inflation expectations. The break below 7.4225 on the USD-ZAR pair could extend further and levels toward 7.30 are likely to come into play in the weeks ahead. Moreover, with the USD index approaching some key resistance towards the 80.8 mark- failure to break through this level and a reversal of the recent strength could help the USD-ZAR pair push lower towards the 7.10/20 mark. Any further ZAR strength would bode well for inflation expectations and further interest rate cuts, which could lead to further curve steepening. That being said, it is interesting to note the manner in which the curve steepening that materialised since Dec 2009 has begun to lose some of its momentum. With every domestic data release that reflects a stronger growth outlook and given the improvement in offshore growth sentiment, it follows that the propensity for the curve to steepen lessens as players reassess the prospects for monetary easing. Overall, the R157 closed weaker on Tuesday with the yield last bid higher at 8.255% vs. the previous close of 8.220%, while the R186 was last bid weaker with the yield higher at 9.080% vs. Monday's close of 9.070%.



JSE Update

The domestic financial markets have eased up this week following the recent rally and further profit taking kept local stocks in the red yesterday. Commodity prices have also declined this week, impacting negatively on export stocks. At the close of trade the JSE ALSI was down 0.8%. Resources fell 1.4% as gold and platinum stocks lost 1.4% and 0.9% respectively. Financials finished 1.2% lower as banks fell 1.8%, while industrials ended flat. US stocks ended marginally in the green after losing some ground in the late session of trade yesterday. Talk is that recovery sentiment continued to buoy the market. At the close the Dow Jones had gained 0.1%, while the S&P was up 0.2%. Asian markets were mixed overnight but mostly flat in response to the tentative end on Wall St. The Nikkei ended slightly in the red, while Aussie stocks ended flat. At the time of writing the Hang Seng was also flat, while the Shanghai composite had fallen 0.6%.



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