

Date: 11 January 2012

USD-ZAR 8.0692/1781  
 GBP-USD 1.5408/511  
 GOLD \$1 636.79

EUR-ZAR 10.3018/4116  
 USD-JPY 76.72/7.13  
 BRENT \$112.99

GBP-ZAR 12.5028/6161  
 AUD-USD 1.0254/345  
 DJI 12 426.47

EUR-USD 1.2698/799  
 R157 6.815 %  
 3M JIBAR 5.600%

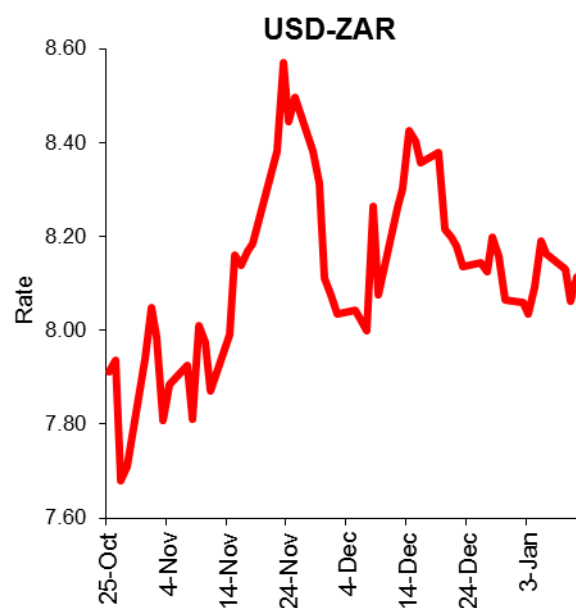
Time (GMT)	Country	Event	Month	Exp	Prior
08:00	DE	Full-year GDP	2011	3.00%	3.60%
09:30	GB	Trade	Nov	-8.40bn	-7.56bn
	EZ	German Chancellor Merkel and Italian PM Monti hold talks on Eurozone Crisis			
	EZ	World Economic Forum launches Global Risks 2012 Report			
13:40	US	Fed member Evans speaks on "Perspectives of Current Economy"			
17:30	US	Fed member Plosser speaks on Economic Outlook			
	US	Fed Beige Book of Economic Conditions Released			

## Today's Talking Point

**SACCI Business Confidence (Dec):** Business confidence has increased for Dec printing 99.1 from a prior reading of 97.4 in Nov. The rise in the number brings to an end five straight months of decline, and lifts the index off year lows. The improvement in the number comes despite mounting concerns regarding the EZ fiscal debt crisis which remained unresolved by year end. Economic data in the form of PMI and retail sales have affirmed some improvement in the local economic outlook which would have boosted business optimism. Despite the improvement however, the index remains low, with plenty of room for improvement.

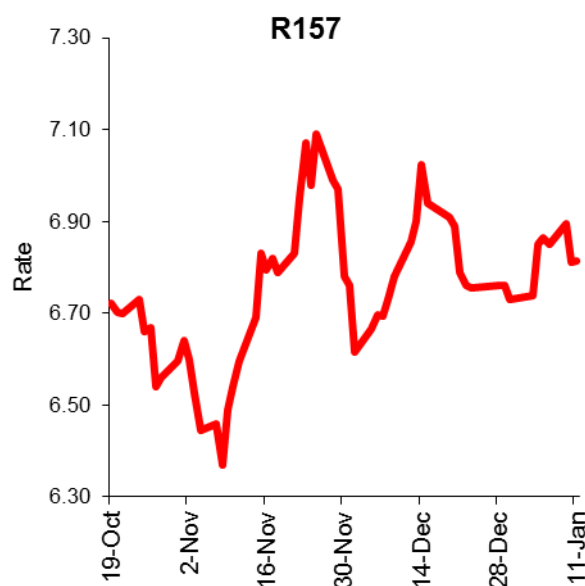
## Rand Update

Equity markets as a generalisation have enjoyed the interventions of the US Fed, Bank of England and the European Central Bank. Money and specifically how it gets deployed once injected into the banking system by the central banks matters. Ignoring the fact that there is a tremendous amount of funding that has now been created would lead one to only focus on the desperate fundamentals that many of these economies are displaying. Increasingly, investors are trading on the belief that the central banks stand ready to respond to any difficulties that their respective economies experience and are prepared to adopt unconventional methods to do so. Risk appetite has increased and risk assets have found some support. The ZAR has held up well against the USD and looks set to extend its gains vs the EUR. The EUR in particular is the latest currency to feel the effects of the unorthodox currency debasement policies as implemented by the ECB. Tomorrow, the markets will learn more about what the ECB plans to do, if anything to support the eurozone economy. For the time being and seeing the manner in which the equity markets are reflecting a more bullish undertone the risks remain tilted towards the ZAR appreciating rather than losing ground vs the USD. Against the EUR where a more accommodative stance is being adopted by the ECB, the trend remains more convincingly in favour of a weaker EUR-ZAR. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Tuesday, closing at R8.0619 from R8.1313 on Monday. The ZAR strengthened against the EUR, ending at R10.3381 from R10.3768 on Monday, while similarly finished stronger against the GBP at R12.5307 from R12.5639 the previous day.



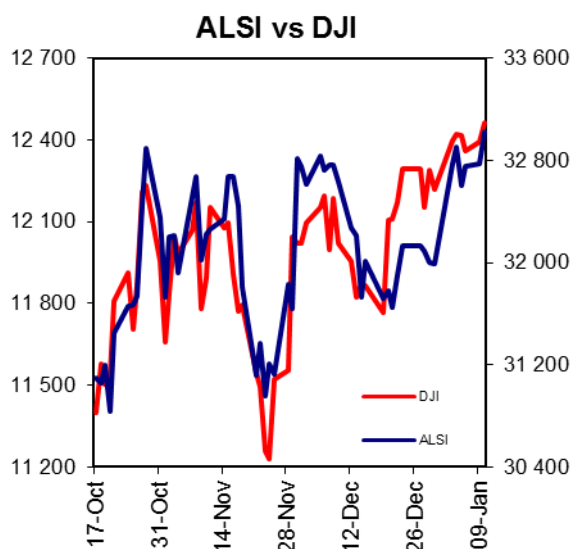
## Bond Update

Local bonds enjoyed a good rally during yesterday's session, with yields across the curve moving well lower. With equities also closing well in positive territory and the ZAR firmer against the majors, risk on trade appears to have aided the local market. By the close yesterday the R157 yield had dropped 8.5bpts to close at 6.810%, whilst the R186 yield dropped 9.5bpts to end at 8.590%. Naamsa vehicle sales and the SACCI business confidence index (BCI) both surprised to the upside yesterday, in line with the view of a resilient local economy. Total vehicle sales increased 11% y/y in Dec from 11.7% in Jan. The BCI increased from 97.4 in Nov to 99.1 in Dec. From Oct to Nov, the rate of decline of the BCI slowed, and the monthly increase to Dec suggests the downtrend that started in April 2011 may be over. Ten sub-indices were positive or unchanged from Nov to Dec, according to SACCI. Market is priced for a relatively weak growth environment, while headline indicators continue to surprise in strength. The first government bond auction for 2012 saw a rise in demand for R204 (2018) and R213 (2031) bonds yesterday. The auction evidences marginally rising demand for higher local yields on offer.



## JSE Update

It was a solid session for global equities yesterday, as positive sentiment flowed through the market with core EZ bourse enjoying a good rally. Although lagging gains seen abroad, the local market was no exception adding 0.75%. It has been a good week for the local bourse so far; yesterday's gains took the ALSI to the highest closing level for 2012 and just below last years' highest close seen around Feb. However, it would appear that markets are reluctant to maintain levels above the key psychological barrier of 33 000 on the ALSI index, and with many risk events still on the cards, this looks unlikely at this stage. Aiding the rally was China's December trade surplus which was wider than expected, whilst Fitch affirmed France's AAA credit rating and investors were reassured that Europe's second largest economy was not at front-line risk of contagion from the on-going eurozone debt crisis. This positive sentiment followed through into the US with Wall St closing higher. Although Asian markets are marginally in the black ahead of the London open, Wall St. futures are down and thus caution may contain gains at the open on the ALSI today.



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