

Date: 12 August 2010

USD-ZAR 7.2697/3783  
 GBP-USD 1.5605/88  
 GOLD \$1199.0

EUR-ZAR 9.4012/5008  
 USD-JPY 85.00/50  
 ALLSHARE 27 461.76

GBP-ZAR 11.4349/5520  
 AUD-USD 0.8925/925  
 DJI 10 378.83

EUR-USD 1.2844/952  
 R157 7.500%  
 3M JIBAR 6.585%

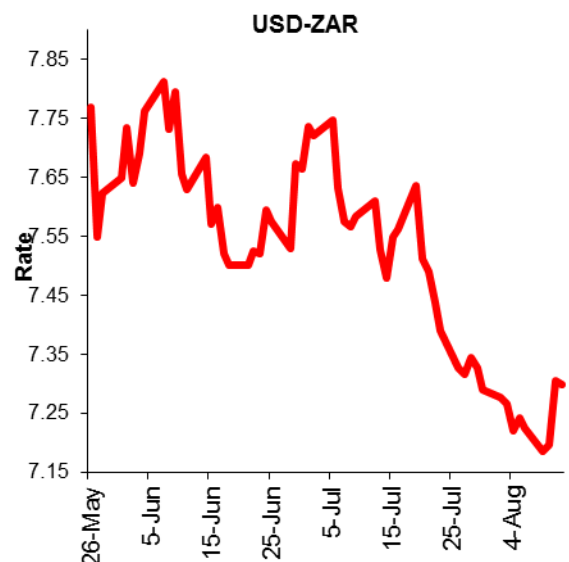
Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	Mining production y/y	Jun		2.71%
09:30	SA	Mining sales y/y	May		6.67%
08:00	EZ	ECB publishes monthly bulletin			
09:00	EZ	Industrial production m/m	Jun	0.60%	0.90%
12:30	US	Export prices	Jul	0.00%	-0.20%
12:30	US	Import prices	Jul	0.10%	-1.30%
12:30	US	Jobless claims	w/e		479.0k

## Today's Talking Point

**Mining production and sales (Jun and May):** The longer term trend suggests that the upward momentum in mining production is dissipating somewhat. A return to pre-crisis levels relies in part on a global environment that is conducive to a sustained increase in demand for commodities. Ongoing weakness in gold production is tempering the pace of recovery in overall mining production and this in turn will weigh on the contribution the sector as a whole makes to GDP. Note: May's mining data was delayed and may well be released with this month's Jun data.

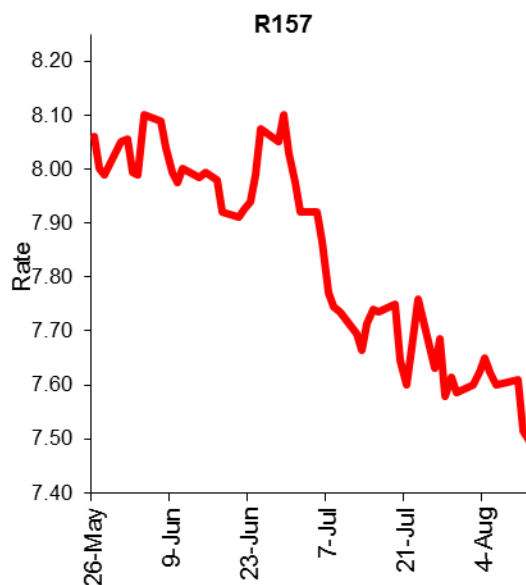
## Rand Update

Plans by the FOMC to reassure markets that all was under control and that a fresh round of stimulation would simply add to the reasons to become more confident and optimistic on the outlook appear to have accomplished the exact opposite. Equity markets the world over have responded negatively to the announcement with investors now being forced to price in the prospect that the economic recovery is not gathering momentum and that growth risks are elevated. Equity markets the world over have come under considerable pressure. The VIX has launched 13.5% higher on the day and the risk off trade is now back in full swing. Emerging market currencies the world over have come under significant pressure and unless tomorrow's US data comes to the rescue to help settle overall market confidence, the weakening trajectory is expected to remain largely unchanged. According to Reuters data (bid chart), the ZAR weakened against the USD on Tuesday, closing at R7.3050 from R7.1950 on Monday. The ZAR gained ground vs. EUR and GBP, ending at R9.37562 vs. the EUR from R9.4809 on Monday, while finishing at R11.4097 vs. the GBP from R11.4062 at the close of last week.



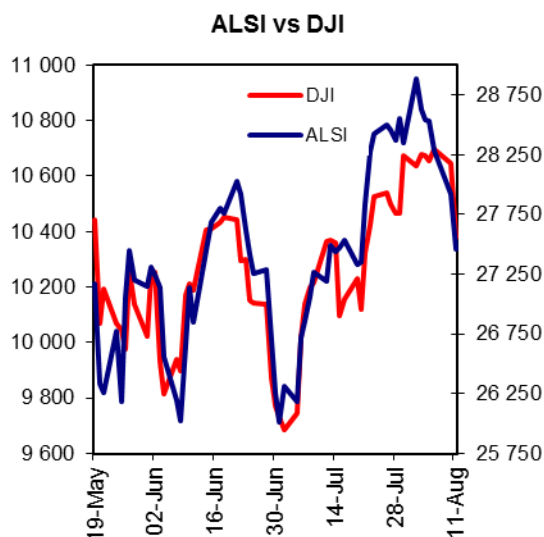
## Bond Update

The local bond market remains well bid with a number of supporting factors helping yields migrate lower. Although the benchmark R157 failed to hold onto its gains into the close, it was still a healthy 10bps fall on the yield. This morning traders will be coming into the office to find that the R157 has broken back below 7.50% and is at the 7.46% mark. With US Treasuries well supported the local bond market is drawing added support. Despite the USD-ZAR pushing back towards R7.30/\$, that the pair has failed to sustain the move above R7.30/\$ is bond market supportive. Yesterday the market has moved in one direction today following the US FOMC decision to leave rates on hold and by keeping monetary policy accommodative through the repurchase of US Treasuries. This has been further aided by the downward revision to the Fed's growth outlook, along with the softer GDP forecast by the BoE as it suggests global deflation pressures are likely to remain intact for longer. Overall at the close the key benchmark R157 closed sharply stronger with the yield at 7.515% vs. a previous close of 7.610%, while the longer dated R186 ended the session at 8.44% vs. Tuesday's close of 8.53%.



## JSE Update

US stock markets were under considerable pressure overnight and in the end the major indices gave up 2-3%. That poor sentiment has spilled over into Asia this morning with most major bourses across the Asia-Pacific region down 1-1.5%. The markets are worried about US growth and deflation prospects, fears that never bode well for stock market earnings valuations. With offshore equities priced for a solid h2 2010 earnings, any doubts over earnings expectations are bound to impact of quite sharply on equities. Local stocks are not immune from this and the JSE Alsi lost 1.6% y/day. The weaker rand and flight to safety helped gold shares rally almost 3% on the day, however resources shares as a whole dipped around 2%. Banks and financials lost 1.7% and 1.6% respectively. Industrial stocks shed 1.3%. In Asia-Pacific the ASX in Sydney is down 1.2%, the Nikkei has lost 0.9%, and the Hang Seng gave up 1.4%. Chinese stocks in the Shanghai Composite shed 0.9%. Alsi futures trading this morning suggests the spot market will open lower, but any losses today may well be cushioned by a slightly weaker rand and a bias for US stocks to bounce slightly after the heavy losses incurred y/day.



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