

Date: 12 January 2012

USD-ZAR 8.0325/1425
 GBP-USD 1.5274/376
 GOLD \$1 645.90

EUR-ZAR 10.2293/3374
 USD-JPY 76.69/7.10
 BRENT \$113.03

GBP-ZAR 12.3398/4490
 AUD-USD 1.0259/341
 DJI 12 449.45

EUR-USD 1.2665/765
 R157 6.750 %
 3M JIBAR 5.600%

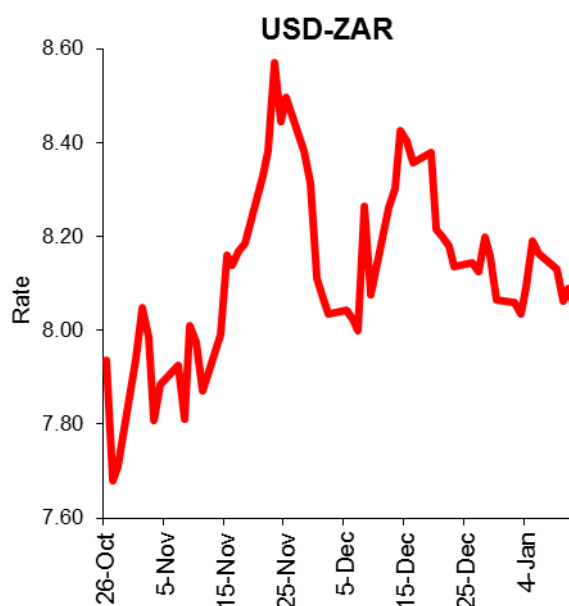
Time (GMT)	Country	Event	Month	Exp	Prior
11:00	SA	Manufacturing Production y/y	Nov	1.00%	1.00%
07:00	DE	CPI Final m/m	Dec	0.70%	0.70%
09:30	GB	Industrial Production m/m	Nov	-0.10%	-0.70%
10:00	EZ	Industrial Production m/m	Nov	-0.40%	-0.10%
12:00	GB	BOE Rate Decision	Jan	0.50%	0.50%
12:45	EZ	ECB Rate Decision	Jan	1.00%	1.00%
13:30	EZ	ECB News Conference following Rate Decision			
13:30	US	Jobless Claims	w/e	375.0k	372.0k
13:30	US	Retail Sales m/m	Dec	0.20%	0.20%
15:00	US	Business Inventories m/m	Nov	0.40%	0.80%

Today's Talking Point

Manufacturing Production (Nov): Manufacturing production expanded at a far slower rate in October than in months gone by with a figure of 1.0% y/y in comparison to September at 7.7% y/y. Considering the sharp fall in October could see a slight rebound in the figure in November, particularly considering there was no strike activity during that month. However November is historically a slow month for production and the local economy is following a slowing economic trend thus any rebound is likely to be moderate.

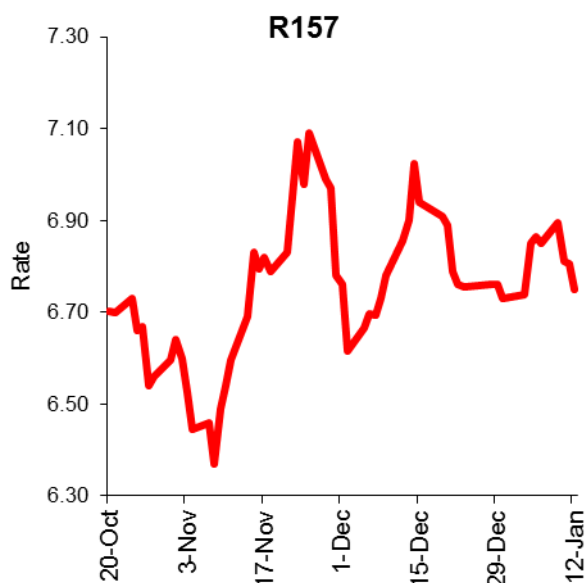
Rand Update

Of major significance today will be the ECB decision and statement. It is widely believed that the ECB will do nothing and assess the impact of the actions they have taken thus far. They may not have conducted quantitative easing my normal methods, but they certainly have created a carry trade that entices the banks to buy sovereign debt with fresh printed ECB money. Thus far the programme has helped prop up sovereign debt auctions but has not translated into an outright strengthening of sovereign debt. ECB officials may feel that confidence is in the process of being built and are likely to be reluctant to do much more at this juncture out of fear that they overplay their hand. They will now feel that it is up to the sovereigns to restore confidence through their fiscal policies which is why ECB officials have been vociferous in their calls for fiscal reforms and for the individual countries to do as much as possible to restore fiscal credibility. Ultimately, the eurozone is making some real effort which should help contain the crisis for now. Interbank liquidity constraints in the eurozone persist as they have in the past six months but there are some signs that the pressures are abating somewhat. Should they continue to do so, the probability increases that the risk assets will find renewed support and that currencies such as the ZAR may fare better than they did in 2011 when the crisis reached its zenith. A general improvement in conditions in the eurozone will ease risk profiles in general and as such risk assets are still favoured over safe haven assets. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Wednesday, closing at R8.0885 from R8.0619 on Tuesday. The ZAR strengthened against the EUR, ending at R10.2764 from R10.3381 on Tuesday, while similarly finished stronger against the GBP at R12.3940 from R12.5307 the previous day.



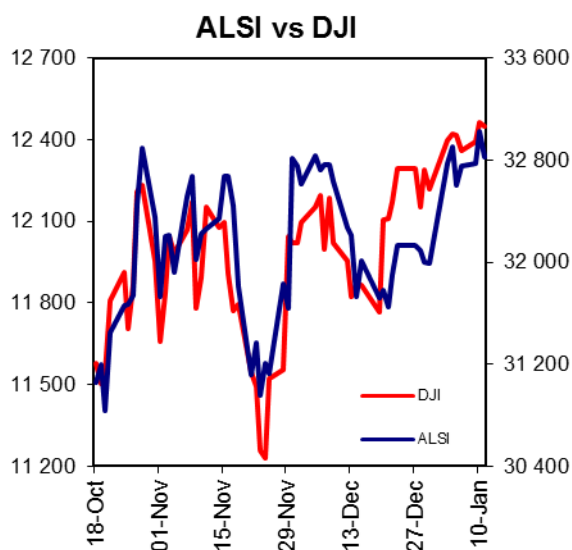
Bond Update

Local bonds failed to add onto Tuesday's gains yesterday, with yields across the board ending the day largely unchanged. Most yields remained well within the recent range and lack any clear direction at this stage. By the close the R157 yield had dropped just 0.5bpts to close at 6.805%, whilst the R186 yield followed suit moving by the same amount to end at 8.585%. Although there appears to be a bias for some bond resilience at the start of the 2012, there are some major risks that may begin to unfold later in the year. The biggest risk being that the US economy cannot maintain the momentum seen in the recent improvement of economic data. This may outweigh any positive news out the rest of the world, and drive another major sell-off of EM currencies and debt. In the day ahead, eyes will be on local manufacturing data for November. In October manufacturing output rose 1% y/y, and consensus foresees a marginal uptick to 1.3% in November. It would not be surprised to see a small topside surprise, in line with the view of an somewhat resilient local economy. Otherwise, focus will also be on Italian, Spanish and US government bond issuance today.



JSE Update

Without sounding like a broken record, the EZ sovereign debt crisis continued to weigh on sentiment within global equity markets yesterday, and as energy stocks and commodities in particular came under pressure major bourses across the globe struggled for support. The local market followed suit. There was no local data to aid investors, which gave traders little to be optimistic about leaving few options but to take direction from abroad. After opening positively yesterday, nervous traders moved away from riskier assets and the ALSI gradually moved deeper into negative territory through the day. By the close the ALSI was down 0.58% as the gold index led the decline shedding 1.67%. Despite the negativity locally and in the EZ, in the US stocks recovered from earlier losses to end little changed. Although today will see the release of local manufacturing data, given the historical nature of the numbers, this will hold more significance with fixed income traders. Rather, through the course of the day today eyes will remain fixed on the EZ where Spain and Italy will undertake debt auctions and the ECB will announce its latest rate decision. As a result caution likely to dominate equity markets through the day.



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