IQnews DAILY
Bringing you economic intelligence every week day

Date: 13 February 2012

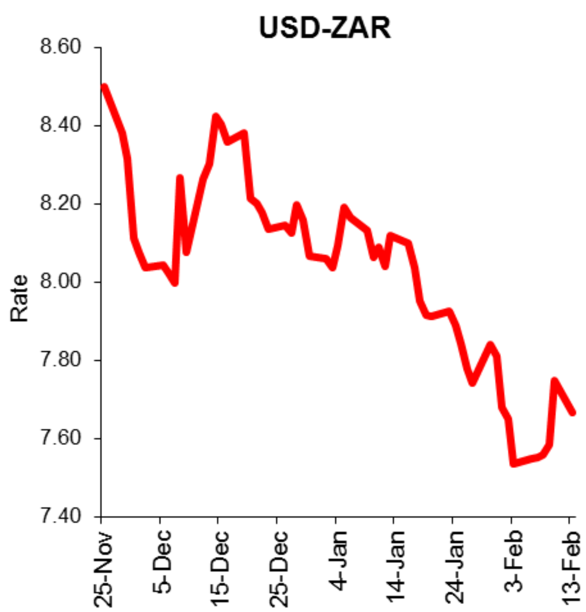
USD-ZAR 7.6153/7253	**EUR-ZAR** 10.1071/2171	**GBP-ZAR** 10.1071/2171	**EUR-USD** 1.3198/299
GBP-USD 1.5735/837	**USD-JPY** 77.43/84	**AUD-USD** 1.0697/778	**R157** 6.600%
GOLD $1 727.59	**BRENT** $118.30	**DJI** 12 801.23	**3M JIBAR** 5.600%

Time (GMT)	Country	Event	Month	Exp	Prior
00:00	JP	Gross Domestic Product q/q	Q4 P	-0.30%	1.40%
02:45	US	Fed's Williams Speaks in Claremont, CA			
04:30	JP	Capacity Utilization m/m	Dec F		-2.90%
04:30	JP	Industrial Production y/y	Dec F		-4.10%

Today's Talking Point

Energy Update: Brent crude declined on Friday as investors opted to book profits ahead of an uncertain weekend. At market close Brent was down 1.1% on the day at $117.31/bl. Nevertheless, despite Friday's losses Brent ended the week up 2.4%. Overnight Brent rallied as Greek authorities agreed on a tough austerity package in order to secure a bailout. The news sparked a wave of positive sentiment in markets and risk assets will likely find some support at the start of the week. At the time of writing, Brent was trading at $118.28/bl.

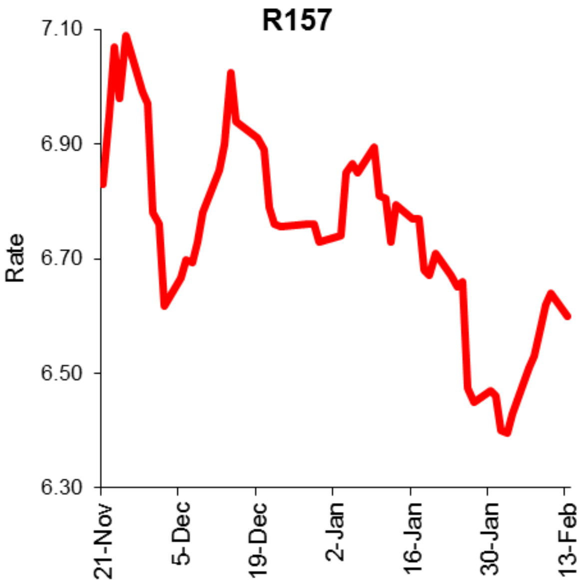
Rand Update



A complete overreaction. That's the only way to describe Friday's behaviour. Not without justifiable reason. When the three pillars of economic policy, namely the SARB the Department of Finance and the Presidency issue a joint statement to inform the markets that there will be an announcement of national importance, imaginations can run wild, and they did. It would have been more comforting for all concerned if the statement simply read,"...... of national importance, but does not include any personnel or policy changes". The net result is that the ZAR weakened significantly further than other emerging market currencies, something in the region of 1.0-1.5%. Looking at the USD-ZAR rate this morning which has already retreated by some 1.3% off those highs, it is clear that the bulk of that SA related weakness is now back out of the price. However, there is more to consider. Greece over the weekend took the plunge to pass a very unpopular but absolutely necessary austerity bill through parliament. This now paves the way for the bail-out package to be paid out and would guarantee that the issue of a Greek default fades back to the side lines again. It also means that the PSI can now proceed with Greece's privatisation plans to begin shortly thereafter. We maintain that this is the kind of environment where short term blips will unfold, but should not derail the underlying trends which remain very much intact. Those trends include a risk-on environment where risk assets continue to perform well, where equities out-pace bonds in generating returns and where emerging market currencies all perform quite strongly. The potential for more ZAR gains in the weeks and months ahead should not be under estimated. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Friday, closing at R7.7475 from R7.5845 on Thursday. The ZAR weakened against the EUR, ending at R10.2096 from R10.0761 on Thursday, while similarly finished weaker against the GBP at R12.1942 form R11.9956 the previous day.

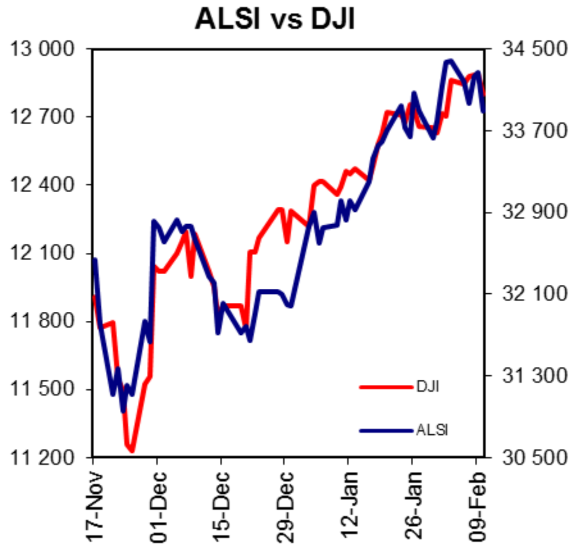
Bond Update

The local bond market was relatively quiet on Friday, and although yields edged higher, the local bond market largely ignored a significant rand sell-off late in the day. By the close the R157 yield had added 2bpts to close at 6.640%, whilst the R186 yield moved just 2.5bpts higher to end at 8.310%. After markets were spooked by the trio of the Presidency, the SARB and National Treasury on Friday about their joint announcement of "national importance" on the weekend, things are likely to calm today as Asian stocks are bid across the board overnight, and the ZAR has erased losses against the USD following the panic buying heading into the local close on Friday. It will be a quiet week in terms of local economic data, with the only notable release being December retail sales on Wednesday. Following an annual increase of 6.8% y/y in Nov, consensus expects an increase of 6.6% in Dec. Don't be surprised if retail sales surprise to the topside in December, following the sharp spike in credit card borrowing by households in that month. Also on Wednesday, Eskom will also issue a R150 million 2018 bond and a R100 million 2026 bond.



JSE Update

The local equity market opened weaker and slid lower throughout the session on Friday, to end the day well within negative territory, bringing to an end what was a relatively volatile week for equity traders. By the close the ALSI was down 1.10%, led by the resources index which shed 1.99%. Friday's drop meant that the index closed 1.44% lower on the week, the first time that the ALSI has closed in negative territory on w weekly basis this year. Despite the losses last week, the ALSI remains just under 6.00% higher for the year-to-date, a solid performance thus far. European markets came under pressure heading into the weekend, with major bourses closing well lower, with the German DAX losing almost 1.50%. Market jitters carried through into the US session where markets also closed in the red. However, after a week dominated by hopes and fears about Greece, equity traders will find relief in news overnight that the Greek Parliament passed an austerity bill to cut government spending by nearly USD 4.4bn. Wall St. futures are positive, and Asian markets have rallied, both signs that the ALSI is set to start on a solid footing at today's open.



With Compliments from IQuad Group Limited

incorporating the specialists in investment incentives, treasury risk management, business optimisation and verification and audit services.