

Date: 15 December 2011

USD-ZAR 8.3808/4907
 GBP-USD 1.5394/496
 GOLD \$1 568.99

EUR-ZAR 10.9057/1.0137
 USD-JPY 77.85/8.26
 BRENT \$105.79

GBP-ZAR 12.9832/3.0899
 AUD-USD 0.9842/1.0023
 DJI 11 823.48

EUR-USD 1.2940/3041
 R157 7.050%
 3M JIBAR 5.58%

Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	PPI y/y	Nov	10.60%	10.60%
08:30	DE	Manufacturing Flash PMI	Dec	47.40	47.90
09:00	EZ	Services Flash PMI	Dec	47.00	47.50
09:00	EZ	ECB Publish Monthly Bulletin			
13:30	US	Current Account Balance	Q3	-108.7bn	-118.0bn
13:30	US	Jobless Claims		390.0k	381.0k
13:30	US	PPI m/m	Nov	0.20%	-0.30%
14:00	US	Overall Flows	Oct		57.4bn
14:15	US	Industrial Production m/m	Nov	0.20%	0.70%

Today's Talking Point

PPI (Nov): Oct's PPI reading surprised market expectations to the downside, accelerating to 10.6% y/y from 10.5% in the previous month. Consensus was for an 11% y/y growth rate. Rising producer prices have been largely due to the depreciation in the ZAR over recent months. This will once again be reflected in the upcoming reading, with significant ZAR weakness and higher commodity prices, specifically oil putting upside pressure on the reading.

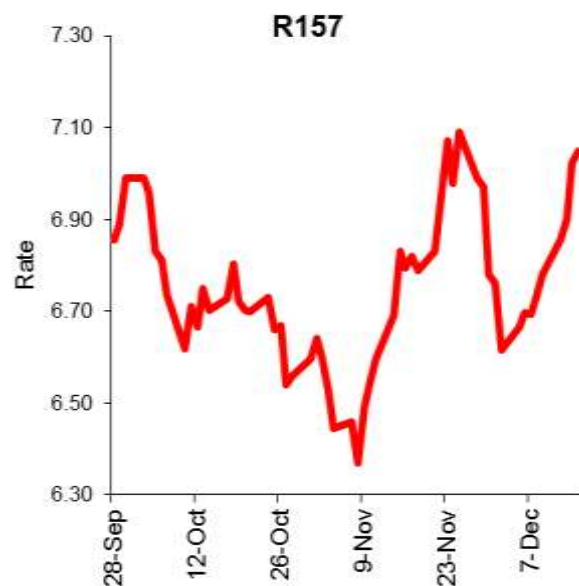
Rand Update

There is not much in the way of good news to speak of at the moment, especially in so far as the EZ is concerned. Difficulties in the banking sector are if anything escalating and once again we would point out that the relationship between the ZAR's performance and the state of the European interbank money market remains high. A poor economic outlook for the Eurozone as reflected in the latest Reuters long-term forecast polls highlights the disparity in expectations between the US compared with Europe. For now, this forms the basis for the optimism of the USD vs. the EUR. If anything, investors are expressing surprise that the EUR has been able to remain as resilient as it has in recent months despite the troubles that it has faced. In the short to medium term the current trends could very well continue. Why wouldn't they? Germany and the ECB continue to voice their opposition to the ECB intervening in sovereign debt markets and it is the fragility and solvency of those governments that has shattered the confidence in the banking sector. Longer term however the issue of the US budget deficit is likely to come back into the spotlight. As it is, the US is currently facing the prospect of an imminent government shutdown with the Democrats refusing to sign off on a \$1.0trln funding bill that would keep federal agencies funded beyond the cut-off date which is thought to be Friday, i.e. tomorrow. Whilst all of this unfolds, investors will not be inspired to increase exposure to risk assets and that unfortunately includes SA. From this perspective, it is difficult to justify a recovery in the ZAR vs. the USD in the short term, but we do caution corporates that US fiscal challenges will come back into the spotlight as the debt ceiling is once again approached which could start to weigh on the USD in the coming weeks. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Wednesday, closing at R8.4250 from R8.3021 on Tuesday. The ZAR weakened against the EUR, ending at R10.9314 from R10.8510 on Tuesday, while similarly finished weaker against the GBP at R13.0234 from R12.8897 the previous day.



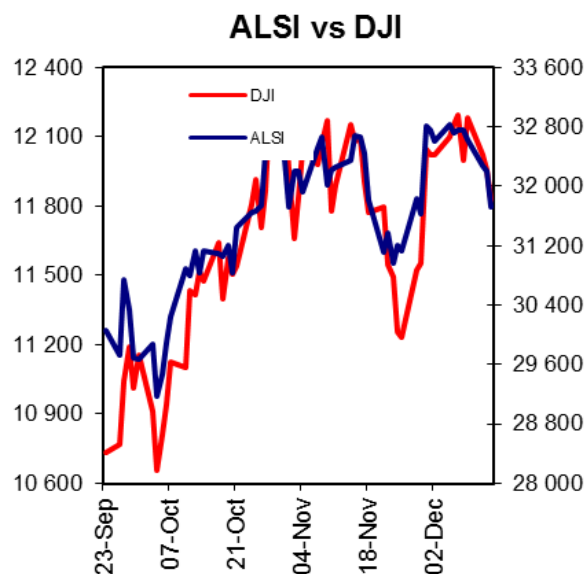
Bond Update

Local bonds continued to come under pressure yesterday, with yields across the curve moving higher. By the close yesterday the R157 yield had surged 12.5bpts to take levels back above 7.000% at 7.025%. The R186 also moved well higher, adding 15bpts to close at 8.780%. Big news yesterday was that the CPI increased by the biggest margin since January 2010. The CPI increased by 6.1% y/y in November, and was up 0.3% m/m, in line with consensus. The market was looking for an annual increase of 6.2%, however. In October, the CPI increased 6% y/y. Over the period from Jan 2010 to Nov 2011, while the CPI inflation rate was below the SARB's upper target, the consumer price index increased from 109.5 points to 119.7 points, an increase of 9.3% over the period. Since inflation targeting was introduced in 2000, the CPI is up over 65%. The upward march of the consumer price index continues, and the rate of increase has accelerated in recent months. However, it is likely that the domestic growth will pick up in early 2012, which could alleviate pressure for a rate cut. Today will likely be the last day of significant trade volumes ahead of the festive season.



JSE Update

The local market took the lead from global equities which flashed red across the globe yesterday. The local bourse opened weaker and suffered losses throughout the session to end the day well in negative territory. By the close the ALSI had lost 1.49%, with the gold index once again taking the lead shedding 3.29% yesterday. The gold price has come under severe pressure of late, with yesterday's move taking the price of the precious metal back below the \$1600/oz mark, currently trading at \$1569.85/oz, levels last seen back in July. This sharp drop continues to put gold mining stocks under severe pressure. The move lower in global equity markets was spurred by higher borrowing costs for Italy which sparked worries over the ability of European governments to get a grip on their ever-burgeoning debts. In the US investors can't shake off jitters regarding the EZ debt crisis, whilst a stronger USD dragged down commodity prices impacting the performance of major Wall St. indicators. In the Asian session this morning, negative sentiment has been compounded by weak Japanese business confidence as well as data confirming concerns that China's economy has been affected by the slowdown in the EU.



With Compliments from IQuad Group Limited

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



This report is provided on a complimentary basis by IQuad Group Limited and is prepared by Econometrix Treasury Management (Pty) Ltd. www.e-treasury.co.za

DISCLAIMER: IQuad Limited (IQuad) obtains information for its analyses from sources, which it considers to be reliable, but IQuad does not guarantee the accuracy or completeness of its analyses or any information contained therein. IQuad makes no warranties, expressed or implied as to the results obtained by any person or entity from use of its information and analyses, and makes no warranties or merchantability or fitness for a particular purpose. In no event shall IQuad be liable for indirect or incidental, special or consequential damages, regardless of whether such damages were foreseen or unforeseen. IQuad shall be indemnified and held harmless from any actions, claims, proceedings, or liabilities with respect to its information and analyses. Clients should be fully aware of the risks involved in trading stock market related products. All illustrations, forecasts or hypothetical data is for illustrative purposes only and is not guaranteed.

The information contained in this communication does not constitute an offer, advertisement or solicitation for investment, financial or banking services. It is for informative purposes and not intended to constitute advice in any form, including but not limited to investment, accounting, tax, legal or regulatory advice. The information therefore has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient.