

Date: 15 November 2011

USD-ZAR 7.9697/8.0926

GBP-USD 1.5840/941

GOLD \$1 770.34

EUR-ZAR 10.8380/9887

USD-JPY 76.88/7.34

BRENT \$112.28

GBP-ZAR 12.6656/8360

AUD-USD 1.0128/218

DJI 12 078.98

EUR-USD 1.3545/648

R157 6.595%

3M JIBAR 5.575%

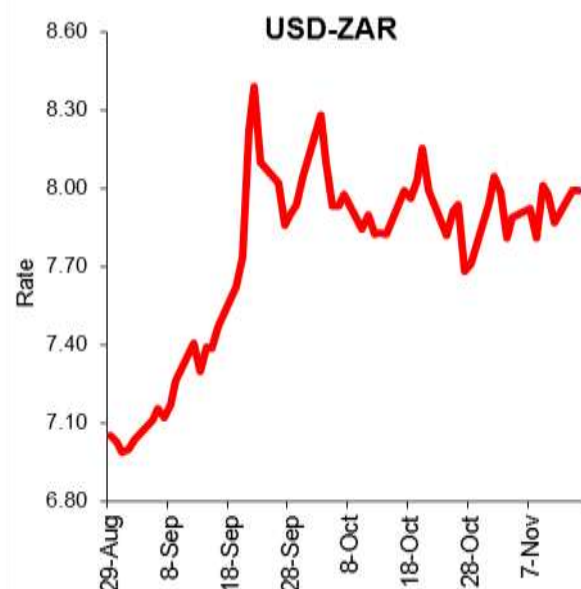
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R204 - R1000mn; R214 - R1100mn)			
07:00	DE	GDP Flash q/q	Q3	0.50%	0.10%
09:30	GB	CPI m/m	Oct	0.10%	0.60%
10:00	EZ	GDP flash q/q	Q3	0.20%	0.20%
10:00	DE	ZEW Economic Sentiment index	Nov	-52.50	-48.30
13:30	US	PPI m/m	Oct	-0.10%	0.80%
13:30	US	Advance Retail Sales m/m	Oct	0.30%	1.10%
13:30	US	St Louis Fed Pres. Bullard speaks on Monetary Policy			
15:00	US	Business Inventories	Sep	0.10%	0.50%

Today's Talking Point

Energy Update: Yesterday oil markets once again came under pressure as Italy's borrowing costs on 5yr debt climbed to the highest level since June 1997 in an auction, which resulted in sentiment around the Eurozone waning. Expectation that US crude inventories declined in the week ending 11 Nov countered some of the effects of Euro-area concerns. Nonetheless, Brent crude saw the lowest close in roughly a week. The Brent Dec contract, which expires today settled at \$111.89/bl while the more actively traded Jan contract closed at \$111.28/bl.

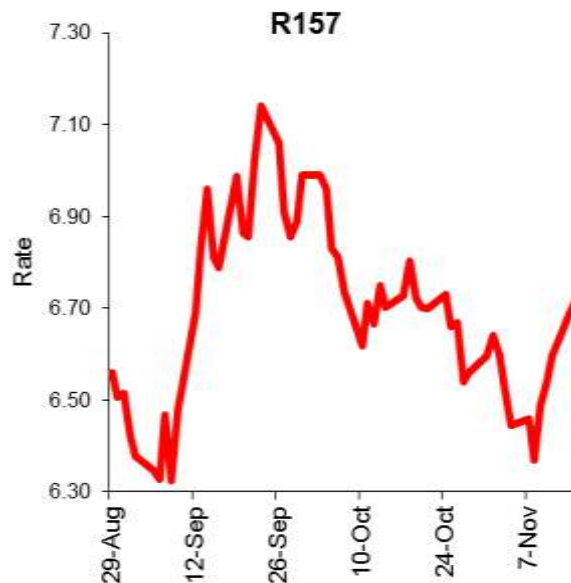
Rand Update

Clearly, yesterday's report which expressed the expectation that a bout of optimism would help risk assets rally was premature. As speculators turned their attentions to Spain as the next soft target, Greece continued to face more political wrangling as the opposition leader Samaras once again reiterated his stance against signing off on more austerity. Add to that Italy's bond yields that have risen again despite recent intervention by the ECB and it is clear that more needs to be done to stabilise Europe. The difficulty in assessing the situation is that the intervention of policy makers comes in fits and starts. The ECB can buy some time and relieve the pressure on highly indebted countries by more aggressively buying up the debt of Italy and Spain but there is clear reluctance to do so. This may very well leave the Eurozone in limbo for a while. It will not be allowed to implode, but if recent behaviour is anything to go by it will not be completely stabilised either. Whilst the monetary authorities do not intervene as forcefully as the interventions of the US Fed or the BoE, the reality is that the market may meander from one mini-crisis to the next. The upside to this is that accountability to resolve structural problems is being accepted and some reforms being implemented. The danger is that these reforms will take a long time to yield any positive results. In the run up to the end of the year, this means that the USD-ZAR pair could very well continue with its sideways oscillation that has been in place for six weeks now. It means that there is no place for total pessimism but that blind optimism is also less realistic as a scenario. This does not change longer term possibilities of ZAR resilience but one should not rule out bouts of pessimism. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Monday, closing at R7.9916 from R7.8701 on Friday. The ZAR weakened against the EUR, ending at R10.8902 from R10.8222 on Friday, while similarly finished weaker against the GBP at R12.7082 from R12.6496 the previous day.



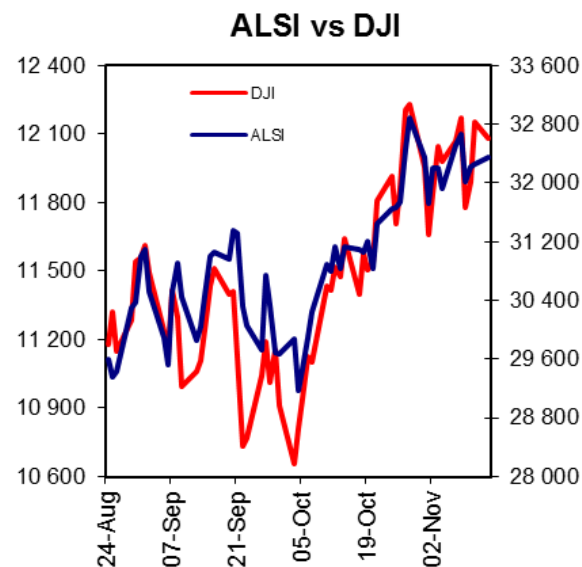
Bond Update

The local bond market came under pressure yesterday, despite reports of ECB activity within the Italian and Greek sovereign debt markets. Some USD strength would also have aided yesterday's local bonds weakness. By the close yesterday the R157 yield has moved 9bpts to close at 6.690%, whilst the R186 yield added 12.5bpts to end at 8.485%. While Italian yields have moderated following some concerted buying by the ECB, Spanish yields shot higher to Euro-era records yesterday. This has kept risk indicators at elevated levels. However, despite this, portfolio inflows have picked up smartly since the start of the month. Particularly healthy inflows were seen last week, with inflows of R4.7bn to the bond market. This compares with a small marginal net outflow of R550m from equities last week. On a net basis so far in November, local markets (both bond and equity) have seen inflows to the value of R4.3bn, slightly lower than the net inflows of R5.3bn seen over the same period last month. That being said, this is in stark contrast with the net outflows of R15.7bn seen in the first two weeks of September. Market players will monitor the local weekly bond auction later today.



JSE Update

It was a volatile session yesterday, as early gains were eroded, taking the local market into negative territory before a rally late in the session saw the local bourse closed marginally higher. By the close the ALSI was up just 0.25%, with most indices closing in positive territory. However, financial stocks came under pressure, as local investors rotated away from banking stocks toward resources. Some market players have indicated that banks are finding it difficult to increase earnings from loans, due to the current strict market regulations. With no local data, yesterday or today, Europe continues to steal the spotlight as two new governments in Italy and Greece have started to take shape. However, this was not enough to sustain the apparent improvement in risk appetite as all the major indices in Europe and Wall St fell yesterday with financial stocks in the region in particular losing ground. Investors in Asia are also concerned and speculators are now turning some focus to Spain as the next soft target. Overall, perceptions of risk are rising once again which could see the local market come under pressure in early trade today. EZ GDP figures will add some colour to the market today.



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