

Date: 16th February 2010

USD-ZAR 7.6547/7792
 GBP-USD 1.5655/759
 GOLD \$1108.98

EUR-ZAR 10.4630/5945
 USD-JPY 89.591/90.021
 ALLSHARE 26 701.36

GBP-ZAR 12.0517/1928
 AUD-USD 0.8892/975
 DJI 10 099.14

EUR-USD 1.3601/83
 R157 8.365%
 3M JIBAR 7.185%

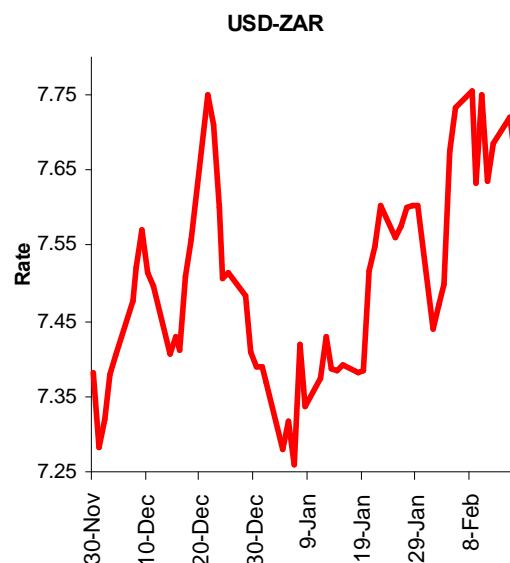
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R186 - R1100mn; R203 - R1000mn)			
09:30	GB	CPI m/m	Jan	-0.1%	0.6%
10:00	DE	ZEW index	Feb	41	47.2
13:30	US	NY Fed manufacturing	Feb	18	15.92
14:00	US	Net long-term TIC flows	Dec		126.8bn
	EZ	EU Economic and Financial Affairs Council			
17:00	US	Kansas Fed Pres Hoenig on "Knocking on the Central Bank's Door"			

Today's Talking Point

Monetary policy debate heats up ahead of Budget Policy Statement: Ahead of the budget, speculation within the media and markets revolves around whether the inflation targeting mandate will undergo any meaningful changes. The probability is fairly high that greater flexibility is introduced (in the form of a dual mandate with more focus on growth) by if recent SARB statements are anything to go by any official change to mandate may have little practical significance. It is certainly clear that strict inflation targeting has been overly reactive and since its inception in 2002 SA has been out of the 3-6% target band more than it has been in it. Gill Marcus seems to recognise this shortcoming. Regardless of the outcome, the bottom-line is that policy makers need to eliminate any market uncertainty associated with a change in official policy mandate, which is most likely to be achieved through continuity in the current policy of inflation targeting.

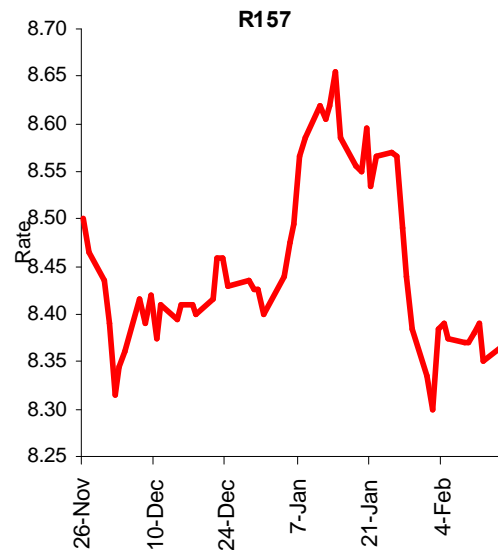
Rand Update

Front page of the Business Report this morning focuses attention to an announcement due to take place on Thursday on the country's industrial policy and ways in which volatility in the ZAR can be reduced. On the former, such a document is indeed required as the perception amongst economists is that SA has no coherent industrial policy, however, when Mr Davies Minister of Trade and Industry speaks of "drastic reforms", there will always be an element of caution attached. Perhaps this means that there will be some significant tax incentives to invest in metals beneficiation, transport goods and capital goods. However, investors are likely to question the viability of such investments if they are not accompanied by policies which will help business become more efficient. At this point, it is not known what measures other than the re-introduction of some type of exchange controls, or the greater use of foreign exchange reserves building could be utilised to "reduce" volatility in the ZAR. According to Reuters data (bid chart), the ZAR weakened against the USD on Monday, closing at R7.72 from R7.685 on Friday. The ZAR also weakened against the EUR and GBP, closing at R10.4977 vs. the EUR on Monday from R10.4654 on Friday, while finishing at R12.0872 against the GBP from R12.0562 on Friday.



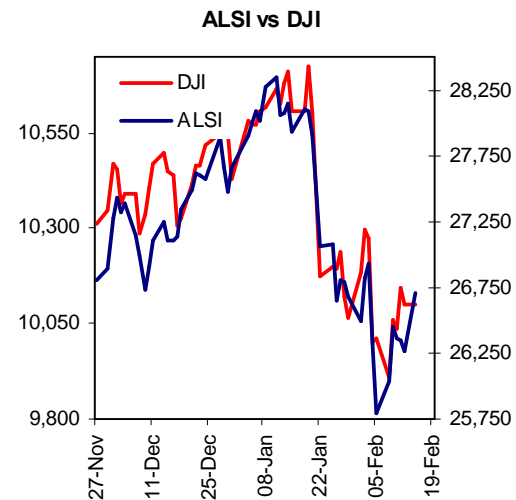
Bond Update

Position taking was very limited during the course of yesterday's trading session with the US Public holiday seeing lower levels of liquidity across global financial markets. Moreover, there has also been a mentality of fence sitting ahead of the Budget Policy Statement over the past few sessions, which has lower overall levels of trading activity. The big questions, which continue to do the rounds, are, will the budget deficit be expanded further, and what change, if any, is going to be announced with respect to monetary policy following the discussions behind closed doors amongst various groups of policy makers? Overall, the R157 closed slightly weaker at the close of trade on Monday although was generally unchanged with the yield last bid higher at 8.365% vs. the previous close of 8.350%, while the R186 similarly was last bid weaker with the yield higher at 9.150% vs. Friday's close of 9.135%.



JSE Update

Stocks on the JSE ended well in the green yesterday amid thin trading as the US and China celebrated holidays. Stocks tracked gains on the European markets and commodities after losing ground on Friday. At the close the JSE ALSI had strengthened 1.7%. Resources were up 2.1% as gold and platinum stocks climbed 1.5% and 1.6% respectively. Banks added 2.7%, pushing financials up 2.2%, while industrials firmed 0.9%. US markets were closed for Presidents Day yesterday and so volumes are likely to pick up later today. Stock futures are currently pointing towards a tentative start on Wall St, which would not be surprising considering that the market is awaiting further news on the bailout plan for Greece. Asian markets were also quiet overnight with the Hang Seng and Shanghai closed. The Hang Seng reopens tomorrow, while the Shanghai remains closed for the week. At the time of writing the Nikkei had gained just 0.2%, while Aussie stocks were up 0.5%. Sentiment is mostly positive following the release of Japan's strong Q4 GDP numbers and gains in European stocks.



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