

Date: 16 February 2012

USD-ZAR 7.7414/8508  
 GBP-USD 1.5620/732  
 GOLD \$1 718.24

EUR-ZAR 7.7414/8508  
 USD-JPY 78.23/64  
 BRENT \$118.81

GBP-ZAR 12.1593/2752  
 AUD-USD 1.0628/709  
 DJI 12 780.95

EUR-USD 1.2972/3073  
 R157 6.665%  
 3M JIBAR 5.600%

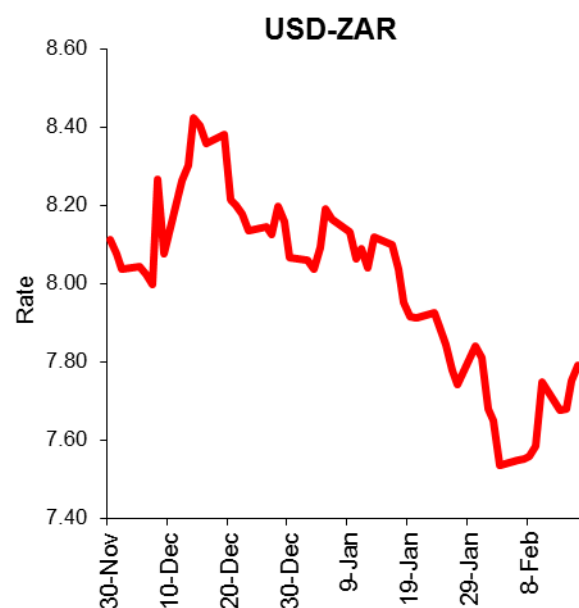
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	EZ	ECB Publishes Feb. Monthly Report			
13:30	US	Building Permits	Jan	680K	679K
13:30	US	Housing Starts	Jan	671K	657K
13:30	US	Initial Jobless Claims	11-Feb		
13:30	US	PPI y/y	Jan	4.10%	4.80%
14:00	US	Fed's Bernanke Speaks on Community Banking			
15:00	US	Geithner testifies before Senate Budget on the budget			
15:00	US	MBA Mortgage Foreclosures	Q4		4.43%
15:00	US	Philadelphia Fed Index	Feb	8.4	7.3

## Today's Talking Point

**Retail Sales (Dec):** Retail sales have spiked higher in Dec 2011 to 8.7% y/y growth from 6.8% y/y in Nov 2011. Market consensus was looking for a number of 6.5% y/y. Household borrowing on credit cards was particularly strong in Dec, increasing 12% m/m from Nov to Dec. The rise in credit demand appears to continue to outstrip the effect of rising retail inflation on retail sales. This strong retail sales number is indicative of the effect that the recent uptick in money growth is having on local economic growth which is likely to continue in the months ahead as consumer and investor sentiment recovers on the back of a recovering risk appetite in global markets.

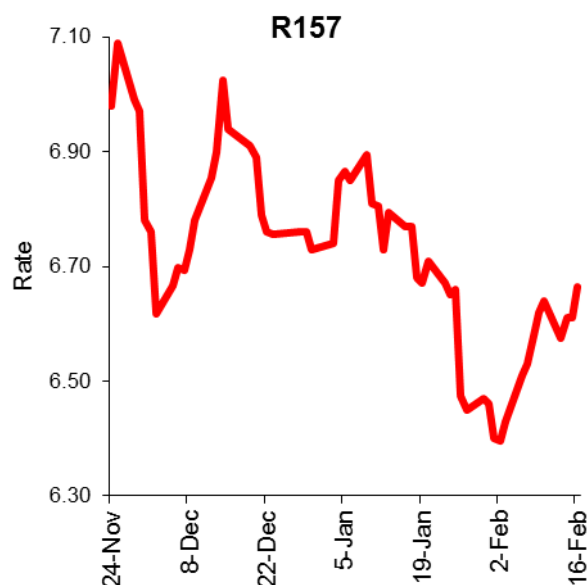
## Rand Update

Fundamentally and at the risk of sounding unimaginative, the issue of Greece remains top of the agenda. Not even the slightly better than expected GDP readings out of the eurozone's powerhouse economies France and Germany were enough to boost sentiment, nor was the ZEW investor sentiment index out of Germany which turned positive for the first time since May 2011. Possibly another dampening force was news that Moody's would be downgrading the credit ratings of 17 global and 114 European financial institutions in what is a sign that the eurozone debt crisis has permeated the globe and will have far reaching consequences if not managed. Although the ratings downgrade itself is not all that surprising, what does catch the eye is the extent to which the downgrades were broad based. Across the Atlantic, there were also some questions raised about the role the Fed might play in bolstering overall economic activity. The markets would have been somewhat disappointed by Dallas Fed President Richard Fisher's comments that QE3 was a Wall St fantasy, that it was not needed and that it would not happen. The combination of all of this has seen a risk-off environment emerge once more. We would caution in anticipating a significant reversal of fortunes for the ZAR in the weeks and months ahead. Not only would we expect the Greek bail-out to materialise in one form or another with the heavy lifting now done, but one should not forget the next round of the Long Term Finance Operation of the ECB at the end of the month which should offer markets more support. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Wednesday, closing at R7.7512 from R7.6782 on Tuesday. The ZAR strengthened against the EUR, ending at R10.0761 from R10.1195 on Tuesday, while finishing weaker against the GBP at R12.1027 from R12.0976 the previous day.



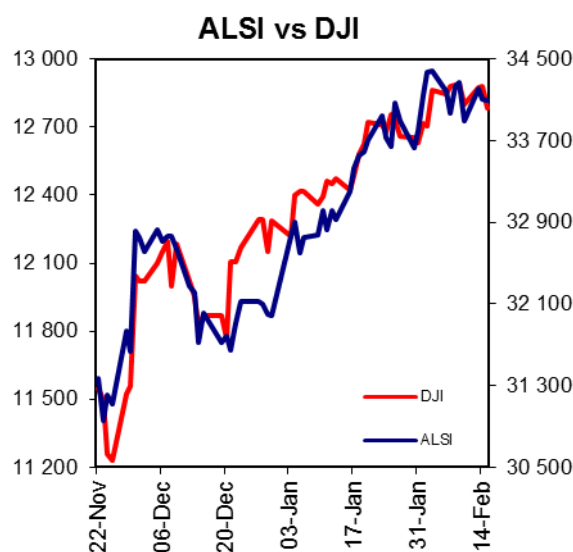
## Bond Update

It was a volatile session for the local bond market, although bonds came under pressure during the session, by the close most yields had closed the session largely unchanged. By the close the R157 yield was unchanged at 6.610%, whilst the R186 edged just 2bpts lower to close at 8.265% yesterday. Big news yesterday was that retail sales surged 8.7% y/y in Dec. Consensus expected an increase of 6.5% y/y. The November retail sales growth rate was revised higher from 6.8% y/y to 7.2%. There is a view amongst many market players that the price and money dynamics playing out in SA will support a strong consumer recovery, which is now clearly reflecting in the data. However, important to bear in mind is that this holds price inflation risks for the economy going into late 2012 and early 2013. As consumer spending picks up and real wages improve, demand for cash balances are likely to fall, and this will tend to drive consumer prices higher. Eskom auctioned its usual ES18 and ES26 bonds yesterday morning. The auction was a relative success, and suggests capital markets are strong on the back of the recent acceleration of money supply growth.



## JSE Update

Some uncertainty crept back into the market yesterday, and the local bourse tracked global equities, erasing earlier gains. The ALSI rallied at the open, but moved steadily lower throughout the session to end the day largely flat, up just 0.07%. It was the platinum, gold and resources indices which weighed on the local equity market, as all closed around 1% or more in the red. The other major indices managed to edge higher however, offsetting these losses. Although the positive local retail numbers helped to boost retail stocks, led by Massmart and Truworths, this was outweighed by renewed global concerns surrounding the Greek bailout debacle. Abroad, core EZ bourses pulled back from earlier gains, with the FTSE closing within negative territory. Market jitters were spurred by media reports that euro-zone officials may delay a bailout package for Greece. Furthermore, investors would not have found solace in the fact that the overall eurozone economy shrank for the first time in more than two years in the fourth quarter of 2011, but the 0.3%q/q decline was not as bad as economists expected. The ALSI may struggle for support early in the session, taking direction from the US and a weak Asian session.



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