

Date: 16 November 2011

USD-ZAR 8.1664/2779
 GBP-USD 1.5712/815
 GOLD \$1 765.99

EUR-ZAR 10.9937/1.1108
 USD-JPY 76.78/7.23
 BRENT \$111.68

GBP-ZAR 12.9023/3.0229
 AUD-USD 1.0023/111
 DJI 12 096.16

EUR-USD 1.3388/492
 R157 6.850%
 3M JIBAR 5.575%

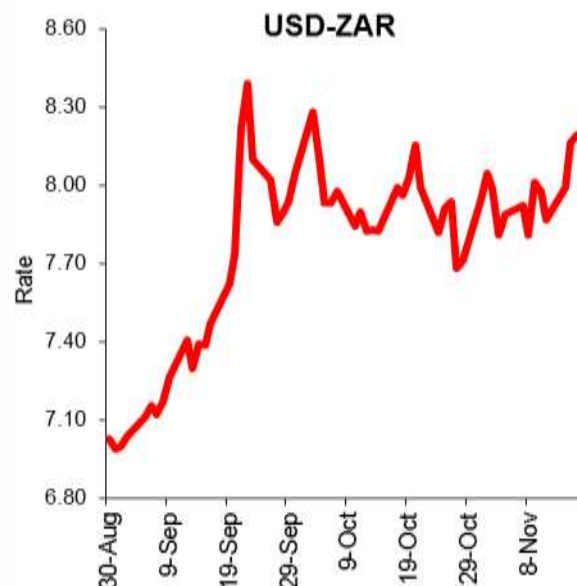
| Time (GMT) | Country | Event | Month | Exp | Prior |
|------------|---------|----------------------------------------|-------|--------|--------|
| 11:00 | SA | Retail Sales y/y | Sep | 6.50% | 8.20% |
| 03:30 | JP | BoJ Rate decision | Nov | 0.10% | 0.10% |
| 10:00 | EZ | CPI m/m | Oct | 0.30% | 0.80% |
| 10:30 | GB | BoE release Quarterly Inflation Report | | | |
| 13:30 | US | CPI m/m | Oct | 0.00% | 0.30% |
| 14:00 | US | Overall Flows | Sep | | 89.6bn |
| 14:15 | US | Capacity Utilisation | Oct | 77.70% | 77.40% |
| 14:15 | US | Industrial Production m/m | Oct | 0.40% | 0.20% |
| 15:00 | US | NAHB Housing Market Index | Nov | 17.00 | 18.00 |

Today's Talking Point

Retail sales (Sep): Retail sales often rise in m/m terms in Sep however the higher base established last year will suppress this year's annual growth from 7.1% y/y in Aug to 6.0% y/y in Sep. Retail sales are unlikely to gain meaningful traction into year-end as there is nothing to suggest that domestic consumer demand will strengthen. Inflation remains elevated and this is eating into disposable incomes whilst household finances are still precarious. Any credit extension that is taking place is mostly limited to distressed borrowing. Relatively soft internal demand coupled with uncertain prospects for foreign demand will weigh on the productive sector of the economy.

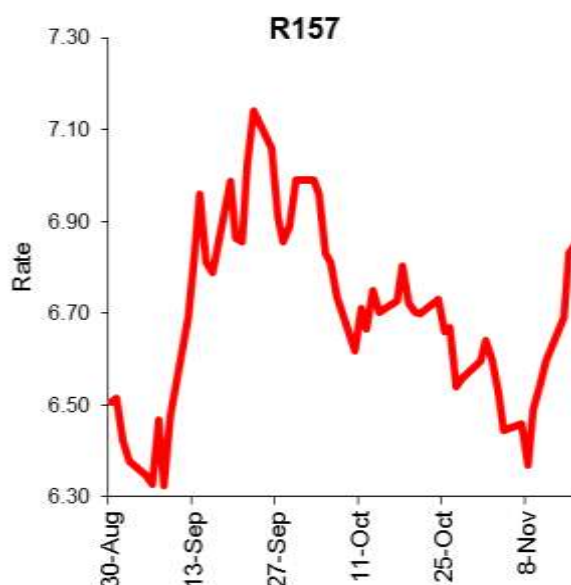
Rand Update

By this point, we truly believed that the stress in the EZ would have risen to levels too high to stomach and that leaders of the EZ would relent to allow the ECB to take a more active role in containing the debt crisis. The problem now is that the negative sentiment is building up a head of steam and it may require a greater level of intervention than might have been the case had the ECB committed a few weeks ago to do everything in its power to keep borrowing costs within the EZ at low and sustainable levels. Given current limited levels of ECB activity it is difficult to call for a USD retreat. The demand for safe haven assets remains high and the clamour for liquidity by the banks in Europe means that emerging market and other riskier investment destinations suffer an extended bout of currency depreciation. Again the ZAR becomes an unwilling passenger on this train ride and again is left to the mercy of foreign investors searching for safety and stability. Whilst France joins Italy and Spain as major EZ concerns, it is difficult to turn optimistic or bullish on the ZAR. We need to wait for the political forces to become more supportive of greater central bank intervention which we view as one of the few actions that can be taken in the short to medium term that can stabilise the situation. The problem has been and will remain that bond issuance in Europe, UK, US and Japan is simply too high. In the short term, more ZAR volatility is possible, longer term we would caution against turning overly bearish on account of the monetary intervention by major central banks which we still think is likely. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Tuesday, closing at R8.1614 from R7.9916 on Monday. The ZAR weakened against the EUR, ending at R11.0448 from R10.8902 on Monday, while similarly finished weaker against the GBP at R12.9073 from R12.7082 the previous day.



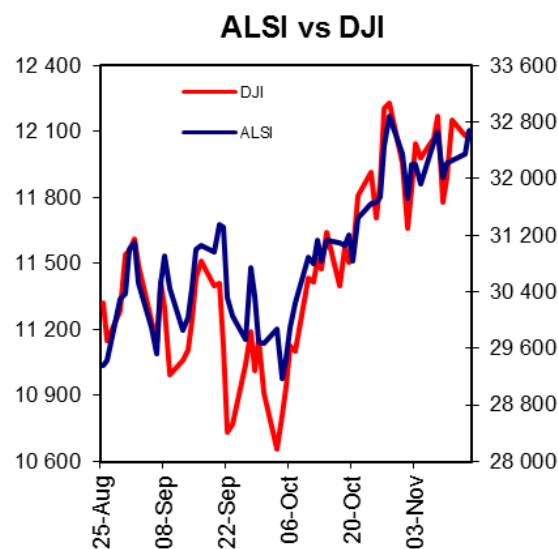
Bond Update

Shorter dated bonds were sold off sharply yesterday, and although medium to longer dated yields also mostly moved higher, momentum was contained in comparison. By the close the R157 yield had moved 14bpts higher to close at 6.830%, whilst the R186 yield closed unchanged at 8.485%. Following Gill Marcus' MPC statement and comments in the Q&A last week, the market has very definitely moved to price out the chance of another cut. However, yesterday Marcus seemed to back-track from her previous tone and made comments to the Swiss Chamber for Southern Africa that "Although our assumption for European growth has been lowered, it does not contain the worst-case scenario of a meltdown in the euro zone, which would have severe implications for the global economy and SA." Marcus also noted that "Although this is seen as a tail risk, it is not a remote possibility ... the MPC is prepared to take appropriate action should the need arise," reports Business Day. These statements spooked local investors, which sent the short end of the curve higher as some investors reassessed their rate expectations. Local market players will monitor September retail sales to be released later today. Markets expect the numbers to reflect a slowdown in retail activity.



JSE Update

It was a solid session for the local bourse yesterday. Opening stronger, the local market managed to add gains through most of the session, and received a solid boost late in the day after a positive tranche of economic data in the US. By the close the ALSI was up 1.02%, led by the platinum index which gained 2.32% during the session. A weaker local currency was noted by some traders as aiding the move higher, as exporters would have benefitted. Yesterday's US data releases placed some positive spin on the economy and this helped Wall St close on the front foot. Specifically, US retail sales indicated that US consumers may have upped their expenditure within the economy, sustaining a recovery. With debt metrics across the EU having deteriorated and Eurozone leaders remaining against the ECB taking on a more active role, Europe is likely to remain as the main risk for some time to come. Measures of risk remain elevated and indicate the rising discontent and concern over the way Europe is handling the crisis. After four sessions of gains, which has taken the ALSI near recent highs, we could see some profit taking during today's session.



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