

Date: 17th February 2010

USD-ZAR 7.6030/7170
 GBP-USD 1.5721/825
 GOLD \$1118.90

EUR-ZAR 10.4910/6090
 USD-JPY 90.127/557
 ALLSHARE 26 939.80

GBP-ZAR 12.0192/1448
 AUD-USD 0.8973/9055
 DJI 10 268.81

EUR-USD 1.3731/813
 R157 8.310%
 3M JIBAR 7.185%

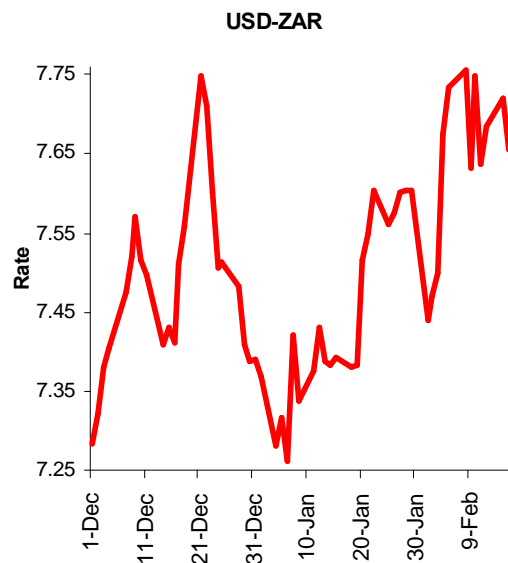
Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	Retail Sales	Dec	-5.60%	-6.60%
12:00	SA	Budget Policy Statement			
13:30	US	Permits units	Jan	0.62mn	0.653mn
13:30	US	House starts	Jan	0.58mn	0.557mn
13:30	US	Import prices	Jan	0.90%	0.00%
13:30	US	Export prices	Jan	0.40%	0.60%
14:15	US	Industrial production m/m	Jan	0.70%	0.60%
19:00	US	Federal Reserve minutes from Jan 26-27 meeting			

Today's Talking Point

Budget Policy Statement (12:00 GMT) preview: With sovereign debt becoming a significant theme across the globe at present it is natural that investors will be carefully scrutinizing the upcoming budget for signs of how SA will manage to get their spending back under control and reduce overall levels of government debt. Whilst SA can afford to run a budget deficit for a few years, the real challenge lies in not allowing the interest burden to become too onerous thereby channeling funds away from public expenditures into the SA economy. The path to sustainability is dependent on the country's finances being brought back into line, i.e. closer to a balanced position. Of interest this year will be whether the DoF announces any changes to inflation targeting or the functioning of the FX market.

Rand Update

Concerns over Greece finally seem to be easing and the desire to weaken the EUR as a result appears to be running out of steam. A lot of bad news has already been priced into the EUR and it would appear as though proactive steps are being taken by the EU to help Greece, by Greece itself to cut their deficit and to ensure that this sort of thing does not happen again in the future. As indications of a global recovery improve and confidence in a recovery gains traction, so the fiscal pressures across the globe will ease somewhat, although sovereign risk assessments will remain at the top of the list of concerns through the course of the next 2-3 years. Nevertheless, as the concerns over Greece recede to the sidelines it would appear as though many traders are now responding more positively to the reduction in risk aversion, generated out of a recovery in global stocks. With Wall St performing impressively overnight on the back of strong earnings results out of Merck and regional manufacturing data, risk aversion barometers have also receded and should help boost sentiment towards emerging markets. According to Reuters data (bid chart), the ZAR strengthened against the USD yesterday, closing at R7.655 from R7.72 on Monday. The ZAR, however, weakened against the EUR, closing at R10.5394 on Tuesday from R10.4977 the previous day, while finishing somewhat flat against the GBP at R12.0849 from R12.0872 on Monday.



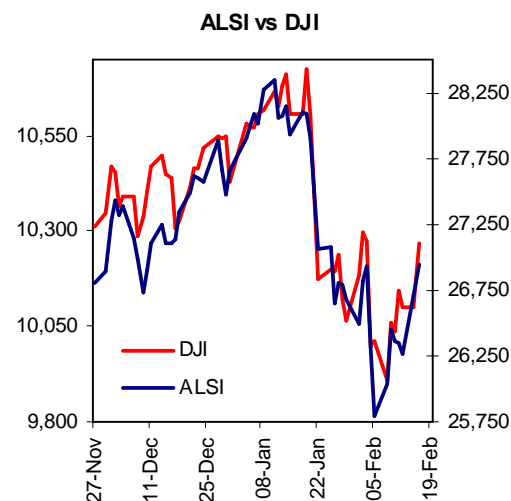
Bond Update

After a fairly favourable bond auction where some strong demand was generated, bonds strengthened yesterday with yields across the curve moderating lower. It would appear that the market is comfortable with what has been priced in with respect to the budget deficit and the PSBR to be announced at 12:00 GMT later today. With the focus across the globe on sovereign risk and fiscal prudence, it is widely expected that Fin Min Gordhan will produce a budget aimed at reducing the deficit in the next three years to far more manageable levels. As such, meaningful attempts to reduce the budget deficit will be greeted favourably by the bond market and further gains are possible from these levels, especially if one believes that further monetary easing is possible. This would be further supported by the strength in the ZAR along with expectations that, should any announcement on inflation targeting be made, it will at least favour a gradual move toward further monetary policy flexibility. Overall, the R157 closed stronger at the close of trade on Tuesday with the yield last bid lower at 8.330% vs. the previous close of 8.365%, while the R186 similarly was last bid stronger with the yield lower at 9.10% vs. Monday's close of 9.15%.



JSE Update

Domestic stocks lost some steam after the morning session but recovered again as Wall St and global equities in general posted substantial gains on the day. Commodities firmed in line with this and also offered the local bourse some support. At the close of trade the JSE ALSI had strengthened 0.9%. Resources were up 1.9% as gold stocks climbed 2.0% and platinum stocks added 0.9%. Financials gained 0.5%, supported by the banks, which ended 0.2% higher, while industrials were flat. US stocks posted their best gains in three months as the market reopened amid upbeat global sentiment. Concerns surrounding Greece's debt situation have eased somewhat and this saw the EUR regain ground against the USD and push stocks higher. At the close the Dow Jones was up 1.7%, while the S&P had gained 1.8%. Asian markets strengthened overnight in line with the gains on Wall St. Markets in Hong Kong have also reopened which has brought some liquidity back to the market. The Nikkei has ended 2.7% higher and Aussie stocks have firmed 2.2%, while the Hang Seng is currently up 1.8%. The Shanghai remains closed this week for New Year celebrations.



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