

Date: 17 February 2012

USD-ZAR 7.7165/8248
 GBP-USD 1.5751/852
 GOLD \$1 732.59

EUR-ZAR 10.1438/2548
 USD-JPY 78.90/9.31
 BRENT \$120.37

GBP-ZAR 12.2221/3353
 AUD-USD 1.0725/806
 DJI 12 904.08

EUR-USD 1.3075/176
 R157 6.630%
 3M JIBAR 5.600%

Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	ILB Auction (R600mn)			
09:00	EZ	Current Account SA	Dec		-1.8bn
09:30	GB	Retail Sales w/Auto Fuel y/y	Jan	0.60%	2.60%
13:30	US	CPI y/y	Jan	2.80%	3.00%
15:00	US	Leading Indicators	Jan	0.50%	0.40%

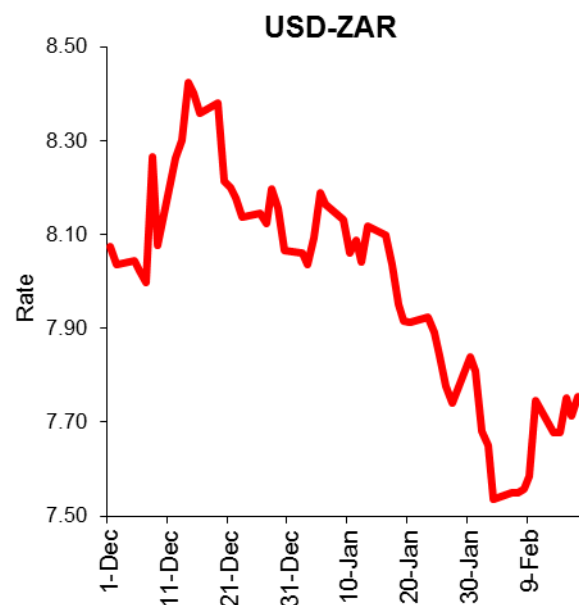
Today's Talking Point

Energy Update: Oil continued to rally yesterday, testing eight-month highs, as a combination of upbeat US economic data and continued concerns regarding supply shocks boosted markets. Moreover, newswires reported that authorities were making progress on a Greek bailout, which aided appetite for risk assets. At market close, Brent was trading at \$120.11/bl.

Rand Update

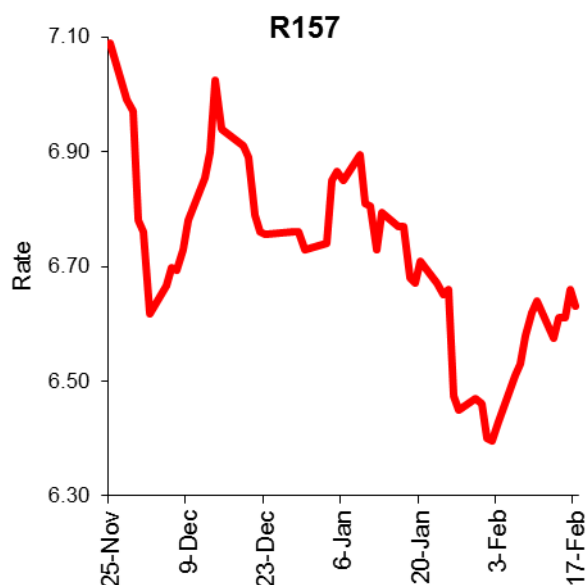
Other than the gyrations in the EUR which account for the bulk of the movements in the ZAR this morning, there was not a great deal of news worth paying attention to beyond indications that Greece is one step closer to securing its bail-out funding, possibly as early as Monday next week. From a currency perspective it is worth noting the strength of retail and wholesale sales data released earlier this week. Both were stronger than anticipated and reflected more buoyant consumption driven demand than one thought might be possible at this stage of the economic cycle. Analysis of the credit data possibly reveals why. There has been an up-tick in credit demand at a household level and it appears as though that tapping of credit is being used for consumptive purposes. The relevance of this for the currency is that the greater the growth in the use of credit to finance consumption, the more the pressure on the trade and current accounts increase. This is a structural development rather than something that would affect any near term strategies but it is something that should be monitored over the medium to longer term and it can play a role in offsetting the currency debasement policies being implemented in the more developed economies, perhaps not entirely, but at least partially.

In the near term and as we head into the weekend, investors will be focused almost entirely on the probability that Greece will be able to secure its bail-out on Monday. No trader will want to overcommit to a trading position given the amount of times the bail-out has been delayed, but from the reports read overnight, the likelihood has certainly increased considerably with even the ECB now expected to play an important role in helping Greece reduce its overall debt burden. This would in the main be supportive of emerging market currencies, the ZAR included. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Thursday, closing at R7.7125 from R7.7512 on Wednesday. The ZAR weakened against the EUR, ending at R10.1866 from R10.0761 on Wednesday, while similarly finished weaker against the GBP at R12.2541 from R12.1027 the previous day.



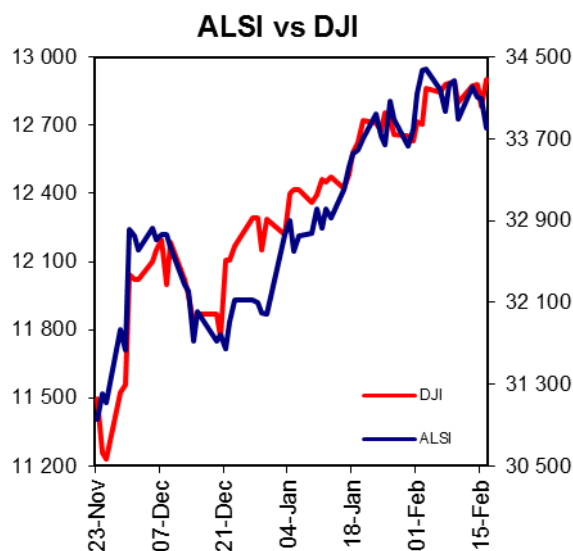
Bond Update

Local bonds came under pressure yesterday in line with other EM bond markets as risk aversion returned to the market. By the close yesterday the R157 yield had added 5bpts to close at 6.660%, whilst the R186 yield moved 4bpts upward to end the day at 8.305%. The Companies and Markets front page in the Business Day this morning suggests the economy is in the early stages of an upswing phase, with corporate revenue growth, profits, and M&A activity healthy. "ARM earnings to rise", "Curro buys schools", "Metrofile revenue up", "Trencor profit rises", "Sycom raises cash", "Basil Read expects 'bumper year'", "Implats sees platinum deficit as demand rises", reads more than half the headlines on the page. The real monetary space in the economy has spiked in recent months. This simply means that new money supply is flowing into the economy at a much faster rate than consumer or producer prices are rising, creating a real increase of money supply. This is what is driving the increase of economic activity at present, as reflected in the strong topside surprise of retail sales in December. Local fixed income traders will have the ILB auction to contend with later today.



JSE Update

The local markets ended well weaker yesterday, pulled down by commodity stocks, particularly in the platinum sector. Impala Platinum slid just over 4% after the platinum producer said it had lost 60,000 ounces of platinum production up to February 14 due to the illegal strike at its Rustenburg operation. This equated to around R1.2 billion in lost revenue. As a result the platinum index plunged 3.09%, whilst the gold index dropped 2.31%, as all indices closed in the red. As a result the headline ALSI ended 0.85% lower on the day. Losses yesterday have eroded all of the gains achieved this week, and as strike action at Impala continues, the firm is set to face further losses, weighing on the stock. Adding to the negativity within the local market was sentiment abroad. European equity markets were in a jittery mood yesterday due to continued uncertainty over Greece, but more buoyant US jobs data helped shore up sentiment. As a result it was a lacklustre session for core EZ bourses which closed mixed. Although market players have juggled with conflicting news out of Greece in recent sessions, it appears as if Greece is less likely to deliver a scare to markets going forward.



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