

Date: 17 January 2012

USD-ZAR 7.9850/0913  
 GBP-USD 1.5319/421  
 GOLD \$1 657.54

EUR-ZAR 10.1753/2837  
 USD-JPY 76.48/88  
 BRENT \$112.11

GBP-ZAR 12.2991/4110  
 AUD-USD 1.0346/427  
 DJI 12 422.06

EUR-USD 1.2677/778  
 R157 6.775 %  
 3M JIBAR 5.601%

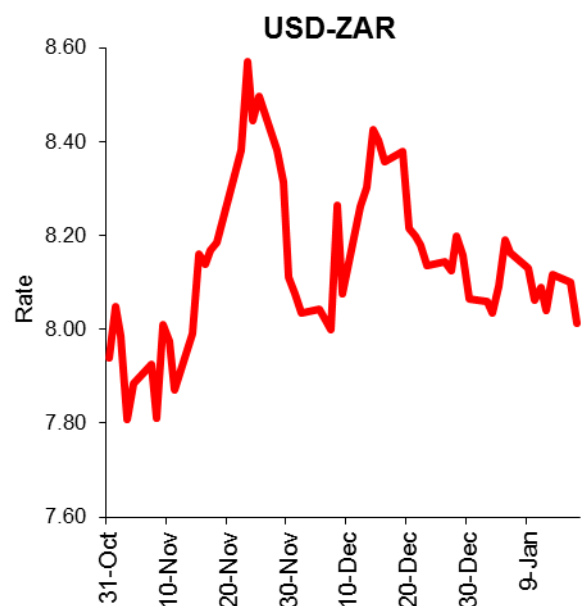
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R207 - R1100mn; R214 - R1000mn)			
09:30	SA	Gold Production y/y	Nov		-3.30%
09:30	SA	Mining Production y/y	Nov	-9.00%	-12.70%
09:30	GB	CPI y/y	Dec	4.20%	4.80%
10:00	EZ	CPI y/y	Dec	2.80%	3.00%
10:00	DE	ZEW Economic Survey Index	Jan	-49.4	-53.8
12:30	EZ	EU's Van Rompuy Meets Spain's Rajoy in Madrid			
13:30	US	Empire Manufacturing	Jan	11.00	9.53
14:00	CA	BOC Rate Decision		1.00%	1.00%
04:30	JP	Industrial Production y/y	Nov		-4.00%

## Today's Talking Point

**Gold and Mining Production (Dec):** Mining production contracted by 12.7% y/y in Oct as the local mining sector felt the squeeze due limited demand from abroad. Europe remains in the doldrums with economic growth contracting both in the EZ and the UK. Thus the local mining sector is likely to remain under pressure in Dec. However there is some light from the US with economic growth there picking up in recent months which will be contributing towards market consensus looking for a slightly less negative number in Dec at -9.0% y/y.

## Rand Update

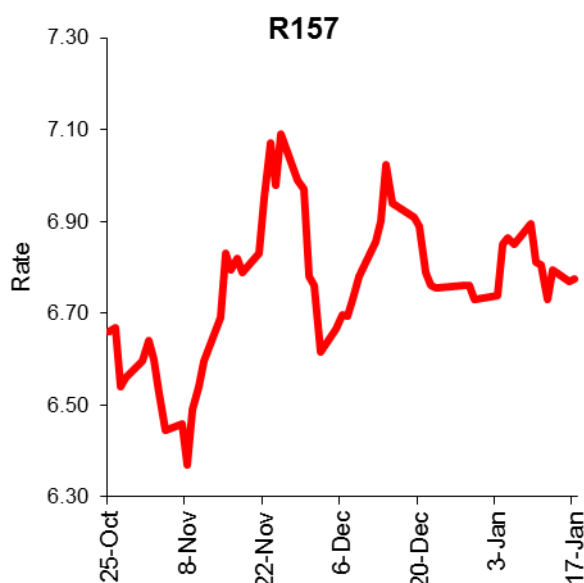
Yesterday we expressed the belief that one should not turn overly pessimistic on the ZAR based on the credit ratings developments alone and that the negative fall-out may reverse by the end of the week. Even we did not expect this negative sentiment to be dealt with in just one trading session, but it would appear that the markets have looked at the news from the ratings agencies as little more than the ratings catching up to reality. Practically, the change in the ratings does not change all that much, certainly not in relative terms when so many countries are being downgraded. As we have said before, one should not discount the power of the wall of money injected into the eurozone and its ability to dwarf many of the concerns still doing the rounds. The point to be made here is that the ECB is active. More active than many in the markets realise with the express purpose of buying the eurozone some time and reducing the overall levels of negative speculation on government bond purchases. It also aims to reduce the perceived risk of doing business with eurozone banks and to help them de-leverage in order to reduce the risk premium attached to the region. The more active the ECB at a time



when the BoE is in quantitative easing mode and the US Fed is talking about reigniting its quantitative easing efforts, the greater the probability that a risk on environment is approaching. Gains in commodity prices, the debasement of these currencies and the ultra-accommodative monetary policies aimed at monetary reflation will be supportive of currencies such as the ZAR in the weeks and months ahead if sustained. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Monday, closing at R8.1001 from R8.1176 on Friday. The ZAR strengthened against the EUR, ending at R10.2563 from R10.2874 on Friday, while similarly finished stronger against the GBP at R12.4077 from R12.4394 the previous day.

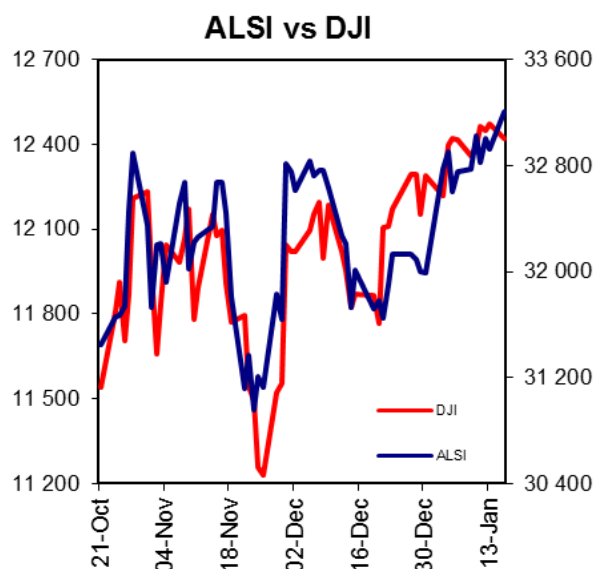
## Bond Update

Local bonds showed some improvement yesterday, with yields across the curve moving lower as risk appetite gained traction. However, movement was tepid amidst cautious optimism. By the close the R157 yield had dropped 2.5bpts to close the day at 6.770%, whilst the R186 yield moved 2bpts lower to end at 8.545%. It is instructive to note the way markets have responded to the news of blanket European downgrades and also a slowing of Chinese GDP growth. Firstly, while markets sold off briefly following the downgrade of France and Austria on Friday, by yesterday losses had been recovered. As the ECB has a programme in place that provides banks with a very lucrative and low-risk way of financing government debt, downgrades are having very little impact on markets. News overnight of the downgrade of the European bailout fund has barely had an impact on markets. Players will keep an eye on upcoming gold and mining production figures for November due for release today. Otherwise focus will also be on the downgrade of the European bailout facility, which the market bulls have taken in their stride, whilst Greek negotiations with private creditors over a debt restructuring will also hold focus.



## JSE Update

The local bourse closed firmer yesterday as the market's early momentum carried through the day on the back of positive corporate news. Shoprite's six-month revenue stream increased by 13.2% to R41.1bn, according to its latest results whilst Kumba Iron ore and Richemont also showed positive growth. In line with global stocks, the ALSI was up 0.84% by the close, as all indices added to the gains. The improvement in the results from local firms also speaks to some resilience within the local economy, and thus today's mining and gold production data will be watched closely to get an indication into the health of the industry. In foreign markets, major stock markets edged up in Europe, showing a muted reaction to S&P's downgrade late Friday of nine European countries. However, market activity was subdued, with Wall Street closed in observance of Martin Luther King's Birthday. Adding to positive sentiment is the slightly better-than-expected Chinese economic growth data released this morning, which has soothed investor worries that the euro zone debt crisis was slowing global activity. The improvement in market sentiment and appetite for risk will support the ALSI, although there may be some profit taking after gains yesterday.



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