

Date: 17 November 2011

USD-ZAR 8.0850/2350
 GBP-USD 1.5701804
 GOLD \$1 765.00

EUR-ZAR 10.9347/1.1055
 USD-JPY 76.77/7.25
 BRENT \$111.82

GBP-ZAR 12.7626/9438
 AUD-USD 1.0056/144
 DJI 11 905.59

EUR-USD 1.3454/557
 R157 6.820%
 3M JIBAR 5.575%

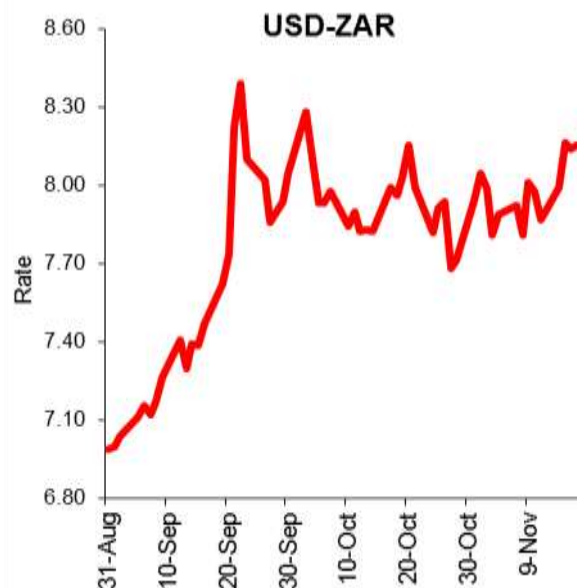
Time (GMT)	Country	Event	Month	Exp	Prior
09:30	GB	Retail Sales m/m	Oct	0.10%	0.60%
13:30	US	Housing Starts	Oct	606.0k	658.0k
13:30	US	Jobless Claims		395.0k	390.0k
13:30	US	Building Permit Units	Oct	600.0k	589.0k
16:00	US	Philadelphia Fed Business Climate Index	Nov	9.00	8.70
17:30	US	Cleveland Fed Pres. Pianalto speaks on 'Economic Outlook'			
	EZ	ECB Governing Council Meeting			
	JP	BoJ publish Monthly Report			

Today's Talking Point

Retail sales (Sep): Retail sales accelerated to 8.3% y/y in September from an upwardly revised 7.7% (previously 7.1%) in August, surprising market expectations of 6.5% growth to the upside. The stronger than expected reading is likely owing to the lagged effects of an uptick in money supply growth at the end of 2010. Year-to-date average growth has improved to 5.36% from 4.14% over the same period in 2010. The stronger growth in retail sales is encouraging but there is a risk that the momentum may not be sustained throughout Q4 owing to the still tight household environment. The data is unlikely to change the SARB's accommodative policy stance as the downside risks to economic still have not dissipated.

Rand Update

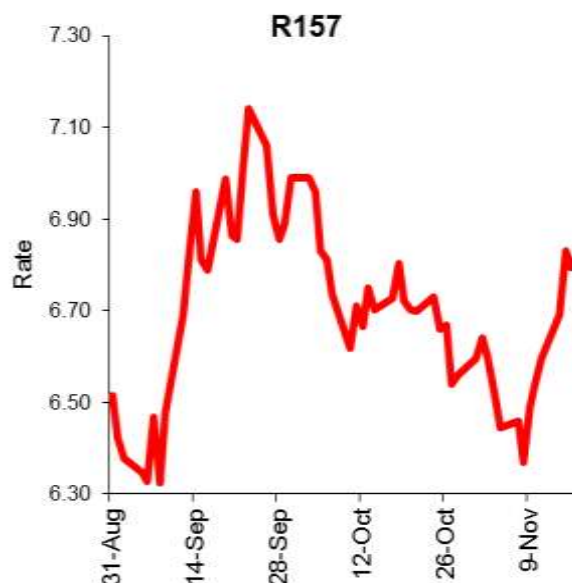
Next on the crisis list that needs to be dealt with is the role of the ECB. There is growing discontent within the EZ about what the ECB can and can't do and what they should be allowed to do. The French are firmly of the view that the ECB needs to take a more influential role in the containment of the EZ crisis, whilst the Germans have stood resolute by their pledge to the German people not to allow that to happen. As the rest of the world hopes that Europe chooses to buy itself some time to stave off mass default and a catastrophic outcome for the global economy, risk aversion remains elevated. Europe's interbank liquidity conditions remain extremely tight and the risk off trade remains a feature of global financial markets. In time, we expect that the ECB will join the ranks of the US Fed and the Bank of England, but the timing of this is uncertain. Perhaps the trigger will be the recession that the markets are pricing in at the start of 2012. Until such time as clarity is gained, the reality is that the risk assets will struggle to gain much traction. That is not to say that the outlook for risk assets is all bad, just that for now they will struggle to make any headway. For the USD-ZAR it means it may need to consolidate at these weaker levels or even weaken a little further before a more sustained recovery unfolds.



According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Wednesday, closing at R8.1380 from R8.1614 on Tuesday. The ZAR strengthened against the EUR, ending at R10.9521 from R11.0448 on Tuesday, while similarly finished stronger against the GBP at R12.7978 from R12.9073 the previous day.

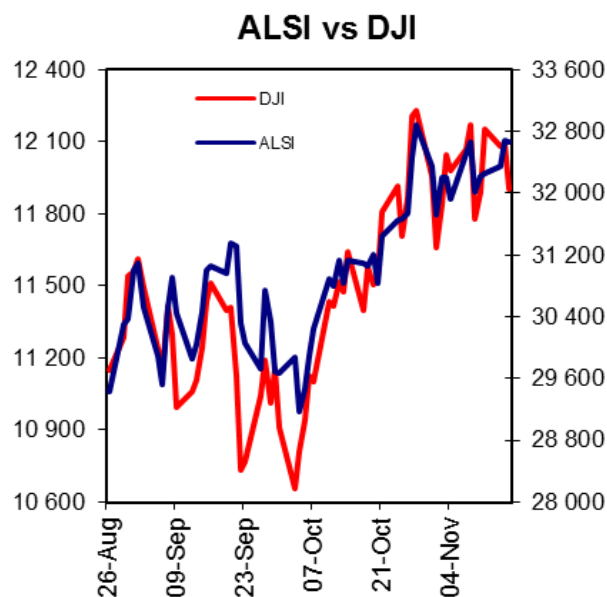
Bond Update

Local bonds staged a mild recovery yesterday, as yields across the board moved lower, this despite a volatile session for the USD-ZAR, which saw the pair close the local session unchanged offering little direction to the market. By the close the R157 yield has dropped 3.5bpts to close the day at 6.795%, whilst the R186 yield dropped just 0.5bpts to end at 8.480%. Retail sales surprised the market strongly to the upside yesterday, recording growth of 8.3% y/y in September from an upwardly revised 7.7% (previously 7.1%) in August. Consensus was looking for a reading of 6.5%. Alleviation of price inflation pressures in the short-term, coupled with an upswing of money supply growth seen in recent months will result in an improvement in the capacity of households and businesses to lift real spending. However, this is unlikely to be long-lived. In the day ahead, eyes will be on UK retail sales, following data yesterday that showed the UK jobless number is at the highest since 1994. Another weak number is expected. Data out the US will show housing starts and building permits for Oct. Capital markets will also keep an eye on the Spanish bond auction of Jan 2022 debt worth EUR4bn.



JSE Update

It was a rollercoaster ride for local traders yesterday. The local bourse moved between losses and gains throughout the session as investors tracked snippets of news regarding the EZ debt crisis. Despite this, by the close the ALSI has changed just 2 points, leaving the index completely flat, registering a change of 0.005%. In line with this, the indices were mixed, and some including the gold index closed flat in line with the headline number. Yesterday's market activity is a good gauge of current market sentiment. As political leaders in the EZ struggle to meet eye to eye, market players grapple with continued uncertainty resulting no clear direction for the local market. The situation in Europe continues to weigh on sentiment with Asian markets mostly in retreat. As was the case on Wall St overnight, financials are leading the losses on concerns of exposure to Eurozone risks. A statement by Fitch which signalled trouble for US banks should Europe's debt situation deteriorate further put paid to an early rally on Wall St that was in turn spurred by data showing economic improvement. Amid all the uncertainty investors will be somewhat reluctant to take on risk, including local traders on the JSE.



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