

Date: 18 August 2010

USD-ZAR 7.2295/3381
 GBP-USD 1.5482/586
 GOLD \$1224.75

EUR-ZAR 9.2913/4101
 USD-JPY 85.215/645
 ALLSHARE 27 680.73

GBP-ZAR 11.2432/3706
 AUD-USD 0.8977/9059
 DJI 10 405.85

EUR-USD 1.2805/87
 R157 7.3300%
 3M JIBAR 6.565%

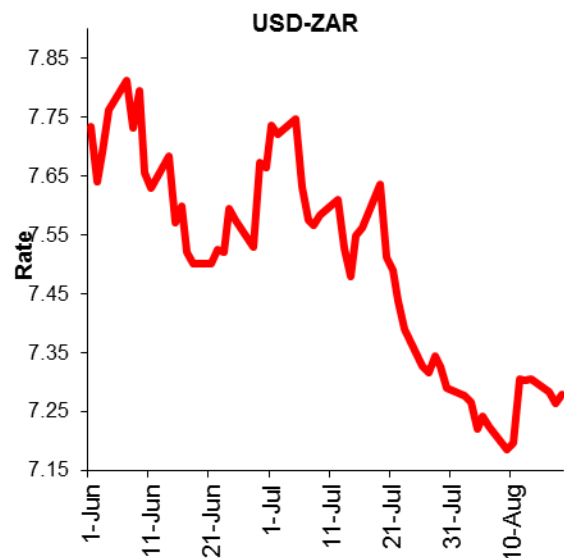
Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	Retail Sales y/y	Jun	5.00%	4.60%
00:30	JP	ECB Gov member Honohan speaks at EU CoC			
	GB	BoE publish minutes of Aug 4-5 MPC meeting			

Today's Talking Point

Retail Sales (Jun) preview: Retail sales growth has surprised to the upside in recent months and the data has shown that retailers across all of the main types of dealers have enjoyed improved growth. Various factors continue to point to a moderate pace of recovery in sales with job growth seen to be sluggish and the appetite for taking and granting new credit still soft. At the same time, retail inflation continues to moderate, reflecting limited producer pricing power but more so a restricted ability by retailers to pass on costs given that PPI has ticked higher whilst CPI continues to moderate.

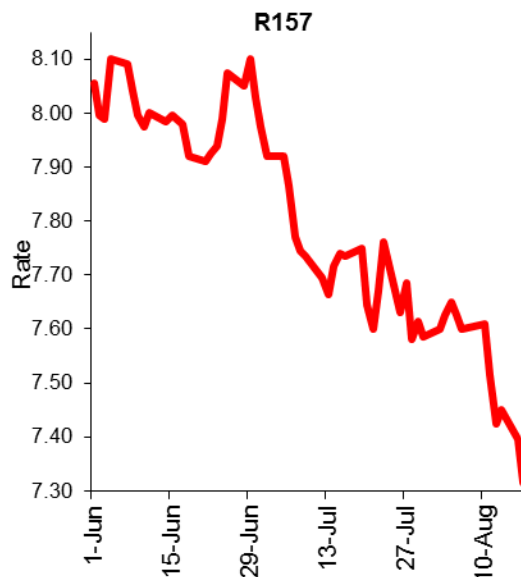
Rand Update

Yesterday we spoke of the structural drivers of a stronger ZAR and the fact these drivers are unlikely to abate any time soon. It is also worth touching on the portfolio (hot money) flows into SA as this is ultimately how the structural forces find expression in the currency market. Since the start of the month, inflows into bonds alone have totalled some R4.7bn, more than offsetting the outflows from the equity market of some R3.1bn. For the year-to-date, the SA economy has attracted nearly R81.0bn worth of inflows which compares well with the R102.5bn recorded for the whole of 2009. Should the current trend continue, it is quite likely that the inflows into bonds and equities this year will exceed those of 2009. This comes at a time when the current account deficit remains reasonably narrow. The financing of this deficit is being managed with great ease at present which gives perspective on why the ZAR remains as strong as it has been. According to Reuters data (bid chart), the ZAR strengthened against the USD on Tuesday, closing at R7.2642 from R7.2825 on Monday. The ZAR also gained on the GBP, ending at R11.3191 from R11.4088 on Monday, while finishing weaker vs. the EUR at R9.556 vs. R9.3383 the previous day.



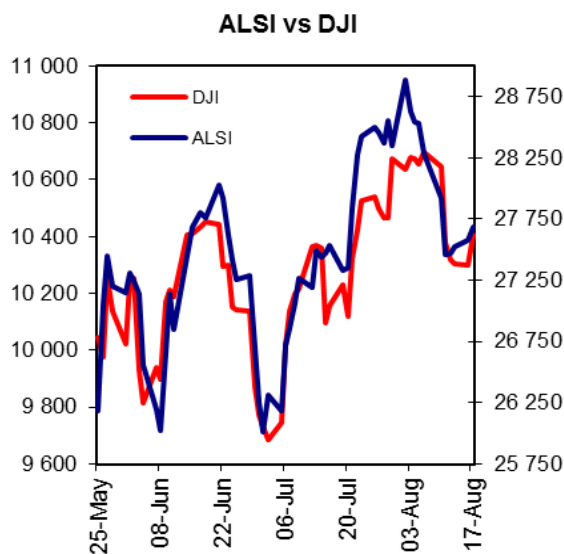
Bond Update

On the day the domestic yield curve has bombed lower with the longer end of the curve particularly well bid. No change to the broader theme of offshore players lapping up debt on the medium to longer end of the curve amid drive for yield and low interest rate environment offshore (G4). The move started this morning, although the R208 auctions in which a cover ratio of 7 times was seen for the R1.5bn on offer on further bolstered sentiment and saw the R157 post the low of 7.265%. With the total number of successful bids at for the R208 at 4 vs. total number of bids received of 45, it suggests there was one or at best two players taking up all the debt on offer. Good liquidity was reported on the medium to longer end of the curve from the R207 right through to the R214. The demand for the longer end of the curve is evident with the R186/R157 spread at 76bps vs. the overnight close of 83bps. At the close, the key benchmark R157 ended sharply stronger at 7.315% vs. a previous close of 7.395%, while the longer dated R186 also ended the session stronger at 8.085% vs. Monday's close of 8.245%.



JSE Update

Local stocks posted cautious gains yesterday amid a short term recovery in global equity markets. BHP Billiton's takeover bid for international Potash firm PotashCorp was rejected, and talk is that this news kept resource stocks on the back foot despite commodity prices rising. US data also came in mixed, offering little direction to the local market. At the close of trade the JSE ALSI was up 0.4%, with resources down 0.3% and financials up 0.8%. US stocks capped a good day of gains yesterday, with the Dow Jones and S&P rising for the first time in six days to close 1.0% and 1.2% higher respectively. In terms of data, housing starts and permits for Jul disappointed but sentiment stabilised as Jul industrial production and capacity utilisation figures beat expectations to the upside. The market also saw upbeat earnings reports from retail giants Wal-Mart and Home Depot. In the Asian markets, the Nikkei has followed the trend on Wall St by finishing some 0.9% higher overnight. However, the other major Asian markets traded in the red with Aussie stocks ending 0.1% lower and the Hang Seng and Shanghai composite down 0.2% and 0.1% respectively at the time of writing.



With Compliments from IQuad Group Limited

incorporating the specialists in investment incentives, treasury risk management, business optimisation and verification and audit services.



This report is provided on a complimentary basis by IQuad Group Limited and is prepared by Econometrix Treasury Management (Pty) Ltd. www.e-treasury.co.za

DISCLAIMER: IQuad Limited (IQuad) obtains information for its analyses from sources, which it considers to be reliable, but IQuad does not guarantee the accuracy or completeness of its analyses or any information contained therein. IQuad makes no warranties, expressed or implied as to the results obtained by any person or entity from use of its information and analyses, and makes no warranties or merchantability or fitness for a particular purpose. In no event shall IQuad be liable for indirect or incidental, special or consequential damages, regardless of whether such damages were foreseen or unforeseen. IQuad shall be indemnified and held harmless from any actions, claims, proceedings, or liabilities with respect to its information and analyses. Clients should be fully aware of the risks involved in trading stock market related products. All illustrations, forecasts or hypothetical data is for illustrative purposes only and is not guaranteed.

The information contained in this communication does not constitute an offer, advertisement or solicitation for investment, financial or banking services. It is for informative purposes and not intended to constitute advice in any form, including but not limited to investment, accounting, tax, legal or regulatory advice. The information therefore has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient.