

Date: 18th February 2010

USD-ZAR 7.6012/7176
 GBP-USD 1.5603/707
 GOLD \$1102.80

EUR-ZAR 10.3330/4545
 USD-JPY 90.751/1.181
 ALLSHARE 27 192.58

GBP-ZAR 11.9277/2.0553
 AUD-USD 0.8916/98
 DJI 10 309.24

EUR-USD 1.3528/610
 R157 8.295%
 3M JIBAR 7.185%

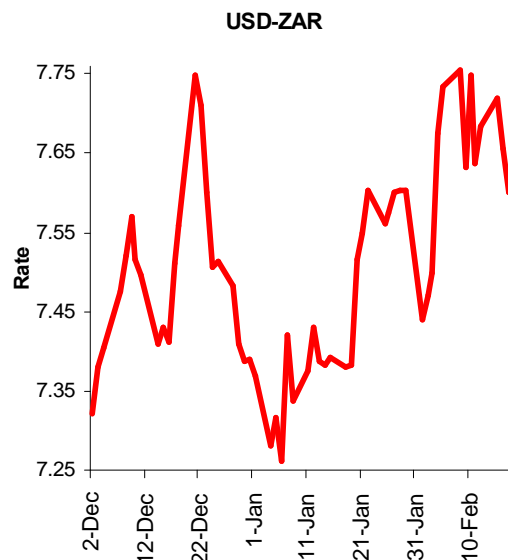
Time (GMT)	Country	Event	Month	Exp	Prior
	SA	Announcement of SA Industrial Policy			
09:00	SA	TCTA Bond Auction (WS04 - R100mn)			
09:30	GB	Money Supply	Jan	0.5%	-1.1%
09:30	GB	Public sector net borrowing	Jan	-2.8bn	15.7bn
10:00	EZ	Eurozone Consumer confidence Adv	Feb	-16	-16
13:30	US	Jobless claims	w/e	430.0k	440.0k
13:30	US	PPI m/m	Jan	0.8%	0.2%
15:00	US	Leading indicators	Jan	0.5%	1.1%
15:00	US	Phil Fed business index	Feb	17	15.2

Today's Talking Point

Petrol price hike of close to 40c/l likely in April: Trading volumes in crude oil were thin and evidently there has not been much support for the move lower overnight. Both Brent crude and the front month NYMEX contract have broken above their respective 100 day moving averages, which could have triggered some buy orders. Meanwhile Fin Min Gordhan announced a levy hike of 25.5c/l, comprising of a 10c/l general fuel levy, a 7.5c/l pipeline levy and an 8c/l road accident fund levy. Given ETM's forecast of a slight increase in the ZAR price of oil through to the end of Mar, these levy hikes are likely to see the petrol price increase to approximately R8.50/l in Apr. This will amount to a hike of around 40c/l on the month, and while this may weigh on consumer spending, the overall contribution to CPI for Apr would be approximately just 0.6% y/y.

Rand Update

A strong response to the budget has seen the ZAR consolidate slightly stronger levels to the USD despite the sharp reversal in the EUR. It would appear that the government's commitment to free market economics to allow the ZAR to float freely and the announcement that inflation targeting would remain exactly as is, spurred investors to unwind some of the risk of significant changes that had been priced in. If there was one ZAR negative it would be the prudential regulations which would be applied to the local banks allowing them to invest up to 25% of liabilities abroad. This is down from the 40% to take the current economic climate into account and so as not fuel undue volatility on the currency. Again it would appear that the DoF has seen the light in that stabilising the ZAR is not simply about regulating it, but instead about taking the correct industrial policy decisions to render the economy more dynamic, more productive and more of an investment rather than a speculative destination. According to Reuters data (bid chart), the ZAR strengthened against the USD yesterday, closing at R7.601 from R7.655 on Tuesday. The ZAR also gained ground against the EUR and GBP, closing at R10.3405 vs. the EUR on Wednesday from R10.5394 the previous day, while finishing at R11.91 vs. the GBP from R12.0849 on Tuesday.



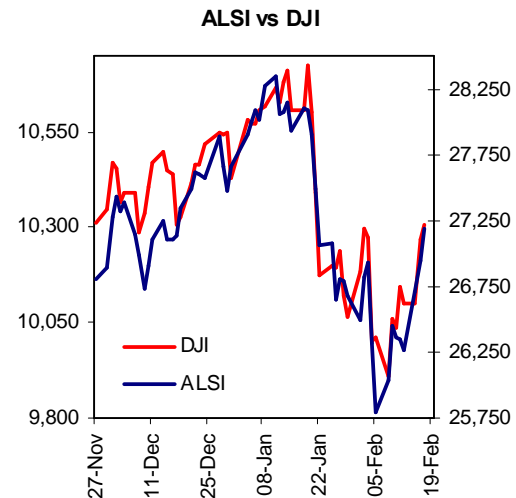
Bond Update

Yesterday bonds staged a sterling performance declining around 7-8bps on the shorter dates, 4bps on the medium to longer dates in the afternoon session although the longer dated R209 has sold off hard. With the budget deficit (% of GDP) for the current fiscal being revised lower to 7.3% from 7.6% local bonds gleaned some encouragement and strengthened on the news. The stronger ZAR has also added to the mix and boded well for bonds. With respect to monetary policy there appears to have been little change with Fin Min Gordhan indicating the SARB will continue to pursue a 3-6% inflation target band. This will bode well from a continuity perspective and will remove some of the uncertainty associated with this debate over recent weeks. Overall, the R157 closed stronger at the close of trade on Wednesday with the yield last bid lower at 8.265% vs. the previous close of 8.330%, while the R186 similarly was last bid stronger with the yield lower at 9.075% vs. Tuesday's close of 9.10%.



JSE Update

Local stocks moved higher yesterday following a budget speech that did not offer too many surprises. However, stocks did fall temporarily after some attention shifted to the bond market, but quickly recovered in line with gains seen in Europe and most other emerging markets. At the close of trade the JSE ALSI was up 0.9%. Resources collected 1.0% as platinum stocks added 2.9%, while gold stocks fell 1.0% on the back of a decline in the gold price. Financials ended 1.3% higher as banks firmed 1.5%, while industrials strengthened 0.7%. US stocks posted moderate gains yesterday after a choppy day of trade and focus on a stronger USD. Nevertheless, economic data for Jan including housing starts and industrial production beat expectations, which kept stocks buoyed. At the close both the Dow Jones and S&P had gained 0.4%. Asian markets have produced mixed results overnight with the Nikkei ending 0.3% higher, while Aussie stocks have dropped 0.3%. At the time of writing the Hang Seng was flat in its final trading session of the day. Sentiment has been mixed on the back of news that China was dumping a significant portion of its US Treasury holdings.



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