

**Date: 18 November 2011**

USD-ZAR 8.1539/2664  
 GBP-USD 1.5719/822  
 GOLD \$1 723.09

EUR-ZAR 11.0014/1435  
 USD-JPY 76.64/99  
 BRENT \$108.54

GBP-ZAR 12.8851/13.0064  
 AUD-USD 0.9951/1.0036  
 DJI 11 770.73  
 EUR-USD 1.3440/543  
 R157 6.830%  
 3M JIBAR 5.575%

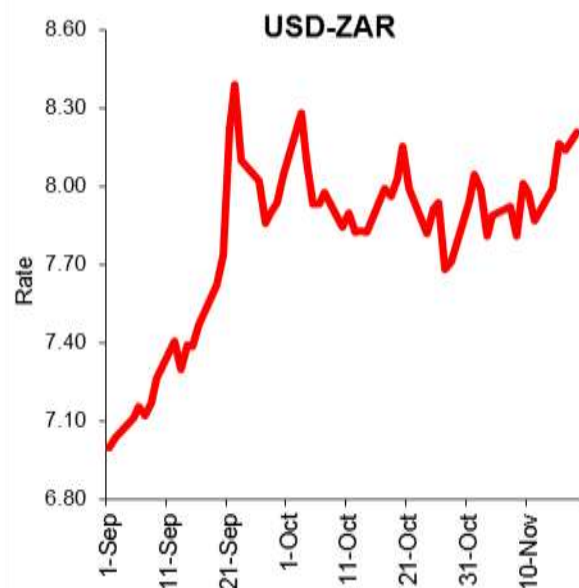
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	ILB Auction R600mn			
07:00	DE	PPI m/m	Oct	-0.10%	0.30%
07:00	DE	PPI y/y	Oct	5.30%	5.50%
15:00	US	Leading Indicators	Oct	0.60%	0.20%
	EZ	21st Frankfurt European Banking Congress			
09:00	SA	ILB Auction R600mn			

## Today's Talking Point

**Fuel Price Outlook:** Yesterday was yet another bleak day for markets and Brent plunged lower, tracking equities, to end the session down 2.84% on the day at \$107.74/bl, its lowest close in more than a month. Looking at the prospective fuel price adjustment at the start of December, an average USD-ZAR FX rate of around R8.00 coupled with an estimated average price of Brent crude of \$111.44/bl, will translate into an over recovery of roughly 25c/l for 95 Reef ULP. Despite a marginal uptick in the average Brent price and a slightly weaker ZAR, the downwardly adjustment in the fuel price will be owing to a substantial decline in the refining cost, expected to dip to around 40c/l from 81c/l in the previous month.

## Rand Update

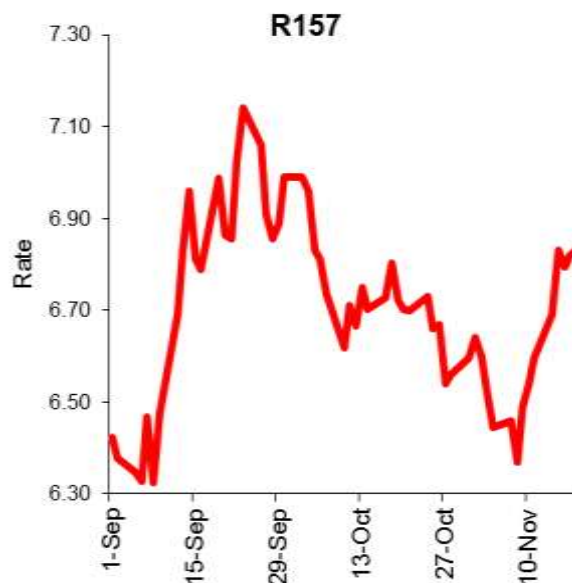
Over the past two days we have turned a little more inclined to buy USDs and that is largely as a result of the subdued levels of intervention by the ECB. As if to highlight the point that the ECB will not backstop the eurozone, the ECB has allowed bond yields to cruise north and raise the level of anxiety that the eurozone really does not have the ability to contain the crisis. Germany refuses to budge on allowing the ECB to play a more significant role and it is clear from the behaviour of the sovereign debt markets that the authorities have simply run out of time to contain the debt crisis through structural reforms to boost the fiscus. About the only institution that can buy more time in the short term is the ECB. Aside from the fact that the EFSF is still being negotiated, even the leveraged version of it at EUR 1.0trln will be far too small. Whilst this unpleasant scenario continues to unfold, risk-off trades are attracting investors. US Treasuries are once again gaining traction and the rotation away from EMs is plain to see. As long as the ECB does not get wholeheartedly involved, it is difficult to turn bullish on the ZAR. Although the structural underlying factors relating to monetary aggregates are not



ZAR bearish to the extent reflected in the ZAR movements recently, the short term sentiment and volatile flow driven factors are more than outweighing these deeper structural drivers of direction to keep the ZAR on the defensive. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Thursday, closing at R8.1680 from R8.1380 on Wednesday. The ZAR weakened against the EUR, ending at R10.9917 from R10.9521 on Wednesday, while similarly finished weaker against the GBP at R12.8654 from R12.7978 the previous day.

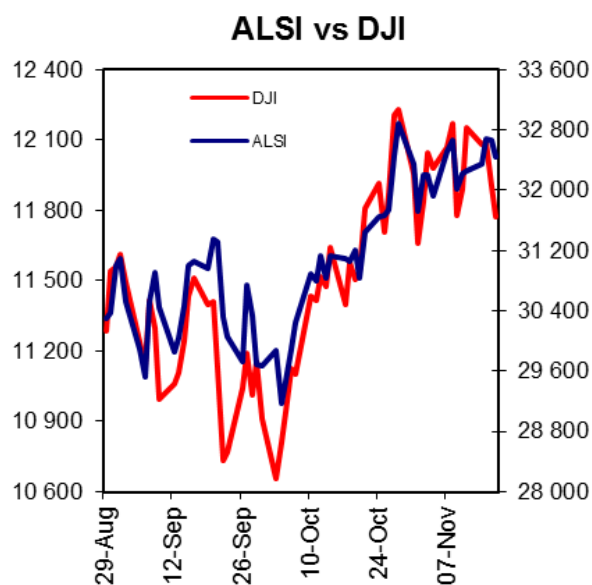
## Bond Update

Local bonds came under some pressure yesterday, with yields across the curve shifting higher, although movement was contained with the R203 (2017) standing out adding 5bpts. The R157 yield added just 2.5bpts to close at 6.820%, whilst the R186 yield closed flat at 8.480%, and has added just 0.5bpts through the week. It is simply astonishing that the ECB has let the Eurozone crisis go as far as this. Contagion has spread to the core countries, with the French 10yr yield spread over German bunds yesterday climbing above the 200bps handle for the first time since the creation of the EMU. All the while, the ECB has been buying bonds, but offsetting this, effectively negating any market support. This amounts to the ECB basically shuffling money from other sectors of the economy to governments, there is no net increase in new money creation when it does this, so it will fail to lower general funding costs. This lack of ECB activity has kept risk appetite in check, resulting in some weakness for the local currency. As a result the local bond market has come under pressure and this may likely remain the case as long as EU authorities show a lack of decisive action.



## JSE Update

After closing flat on Wednesday, the local bourse took direction from major equities markets across the globe, edging lower throughout the session to close the day in negative territory yesterday. By the close the ALSI was down 0.72%, with the platinum index plunging 3.42% while resources lost 1.23% and gold dropped 0.45%. Yesterday's losses were the first this week, however with just today's session left the ALSI remains in positive territory on the week. Volumes on the local market have remained relatively low through this month, an indicator that market players are a little uncertain regarding current market direction as the EZ fiscal crisis continues to offer twists and surprises. The woes in the EZ will continue to dominate headlines which are weighing on the performance of global equity markets as investors seek refuge in safer havens. Heading into the weekend risk off trading is likely to dominate trading conditions, and we have already seen the Asian market close in negative territory. The day is thin with regard to data both locally and abroad, and thus volumes and activity on the JSE could be quiet today. Once again direction will be taken from headlines and commentary stemming from developments in the EZ.



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