

Date: 19 December 2011

USD-ZAR 8.3273/4385
 GBP-USD 1.5442/544
 GOLD \$1 589.89

EUR-ZAR 8.3273/4385
 USD-JPY 77.74/8.15
 BRENT 32 006.70

GBP-ZAR 12.9302/3.0478
 AUD-USD 0.9894/975
 DJI 11 866.39

EUR-USD 1.2962/3062
 R157 6.950 %
 3M JIBAR 5.58%

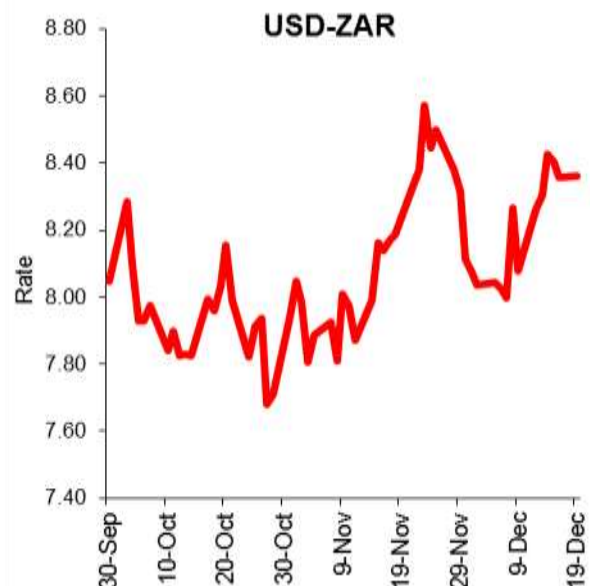
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	EZ	Current Account NSA	Oct	-1.8bn	-2.5bn
15:00	US	NAHB Housing Market Index	Dec	20.00	20.00
15:30	EZ	ECB Pres. Draghi appears at EU Committee on Economic and Monetary Affairs			
18:15	US	Richmond Fed Pres. Lacker speaks on "Economic Outlook for Dec 2011"			
	JP	BoJ Publish Monthly Economic Report			

Today's Talking Point

Energy Update: Brent traded within a \$2/bl range on Friday as investors remained uncertain around future demand for oil products out of Europe amidst the on-going debt crisis. At market close Brent was down roughly 20c/bl at \$103.35/bl, its lowest close since Oct 5. Weekly losses amounted to 4.85% for Brent, whilst NYMEX crude underperformed Brent on the week, down 5.91% at market close on Friday. Overnight Brent extended losses seen on Friday to \$102.58/bl. Developments in Europe will remain in the spotlight today with little in the way of data due for release.

Rand Update

Although it appeared as though the ZAR might extend its recovery towards the end of last week, the move lost some ground on Friday. However, when Fitch warned that it may downgrade France and six other Eurozone countries as it believed that a comprehensive solution to the Eurozone crisis was technically and politically beyond reach, markets gradually rotated back towards the USD by the end of the trading session. Once again the ZAR direction is being dictated to by developments abroad and with a relatively quiet data and events week ahead, that is unlikely to change. Out of Europe, it is worth pointing out that although Fitch has cast a shadow on the outlook for Eurozone credit ratings that the market has already priced the bulk of this in. Secondly, a quick glance at the highly indebted peripheral bond yields shows that in the main they have declined in the past two weeks which is welcome news indeed. Although there is not much improvement in interbank liquidity, the fact that bond yields have nudged lower confirms that the actions by the ECB have exerted some downward pressure on bond yields and will go some way to supporting sentiment. Against this more upbeat assessment is of course the fact that investors the world over are still rotating into US Treasuries so clearly, there is still some concern about risky assets doing the rounds. Thin end-of-year financial markets have done little to reduce perceived levels of volatility and risk and will also contribute towards some investors adopting a more cautious approach. Uncertainty remains high and direction difficult to gauge. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Friday, closing at R8.3571 from R8.4027 on Thursday. The ZAR strengthened against the EUR, ending at R10.8935 from R8.9344 on Thursday, while similarly finished stronger against the GBP at R12.9719 from R13.0301 the previous day.

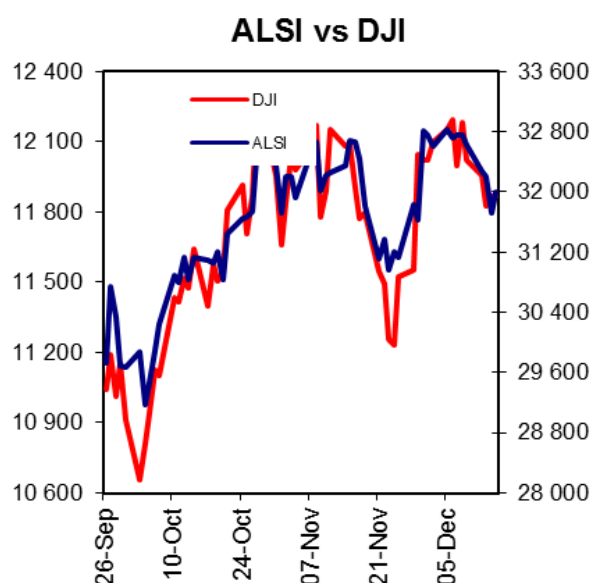
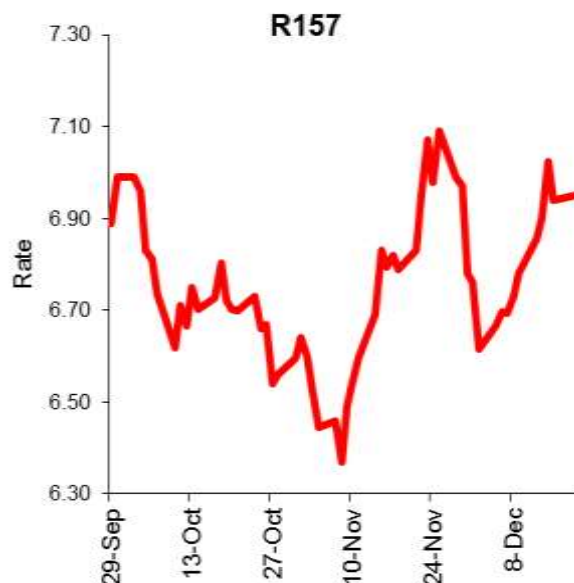


Bond Update

The local bond market recovered during the session on Thursday, as the local currency found support in the latter half of the day. By the close, the R157 yield had dropped 8.5bpts, moving back below the 7.000% level to close at 6.940%, whilst the R186 yield moved 7.5bpts lower to close at 8.705%. Liquidity will be thin in local markets ahead of Christmas. Already there is very little in the way of factors to watch today, other than news that Kim Jong Il has passed away, and that Fitch has warned it may downgrade France and six other Eurozone governments. Furthermore, there is no significant data due for release today, either locally or abroad. Data released on Friday showed that producer prices, as measured by the PPI, increased 10.1% y/y in November, following an increase of 10.6% in October. The November increase was less than expected. This is one to keep track of, because if this trend continues, and coincides with a slowdown of money and credit growth, it could mean that the economy will return to a phase of weakness again in Q2/Q3 2012. There will also be no fixed income auctions until next year.

JSE Update

After starting the day in negative territory and looking set to close weaker for the fourth straight session, a rally in the second half of the day on Thursday lifted the local bourse into positive territory. By the close the ALSI had gained 0.88%, with all indices moving higher except for the gold index which dropped 0.16%. Despite gains on Thursday, the ALSI closed the week lower, as negative market sentiment surrounding continued uncertainty in the EZ weighed on the index. Although the JSE was closed on Friday, Fitch Ratings warned that it may downgrade France and six other EZ countries, saying a comprehensive solution to the region's debt crisis was "technically and politically beyond reach". This spurred negative sentiment within the global equities, as most major bourses ended the week in negative territory. However, US stocks managed to hold onto their gains. Newswires this morning are dominated by the news of the death of North Korean leader Kim Jon Il, which has taken Asian stocks into negative territory. Although this will set the scene for a weak open on the ALSI, the issue is more isolated to the region, and thus the effects will be limited to local equities.



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.