

Date: 19 January 2012

USD-ZAR 7.9041/8.0118

GBP-USD 1.5379/481

GOLD \$1 663.19

EUR-ZAR 10.1756/2875

USD-JPY 76.55/95

BRENT \$111.40

GBP-ZAR 12.2235/3325

AUD-USD 1.0349/429

DJI 12 578.95

EUR-USD 1.2807/908

R157 6.640 %

3M JIBAR 5.601%

Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	SARB Announce Interest Rate		5.50%	5.50%
13:30	EZ	Current Account sa	Nov		-7.5bn
13:30	US	CPI y/y	Dec	3.00%	3.40%
13:30	US	Housing Starts m/m	Dec	0.00%	9.30%
13:30	US	Building Permits	Dec	675.0k	680.0k
13:30	US	Jobless Claims	w/e	385.0k	399k
15:00	US	Philadelphia Fed Index	Jan	10.7	10.3
23:30	JP	Reuter Tankan	Jan		

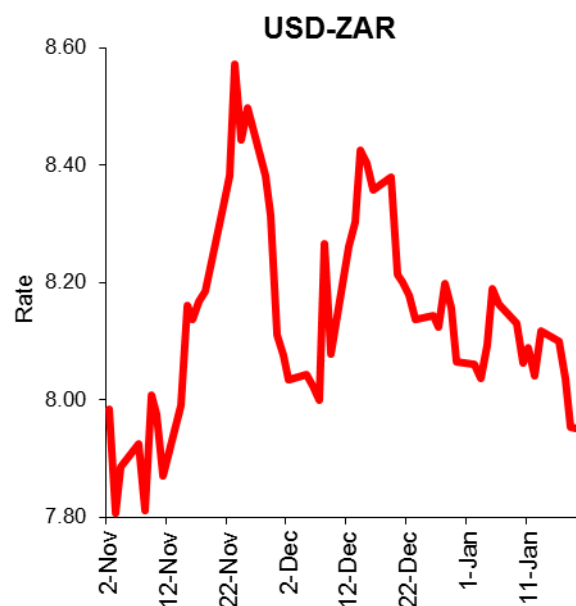
Today's Talking Point

SARB Rate Decision: Through Q4 2011 and the beginning of 2012 market participants priced in an increasing chance of a rate hike in H1 2012. However historically the SARB is accommodative to growth and thus it is unlikely to put undue pressure on the economy through raising rates in the current economic environment, despite inflation remaining above the 6% upper target. This kind of balancing act is one which we feel the SARB may be treading for some time. At present we believe the decision is very much in the balance and should result in the Bank keeping rates on hold on Thursday.

Rand Update

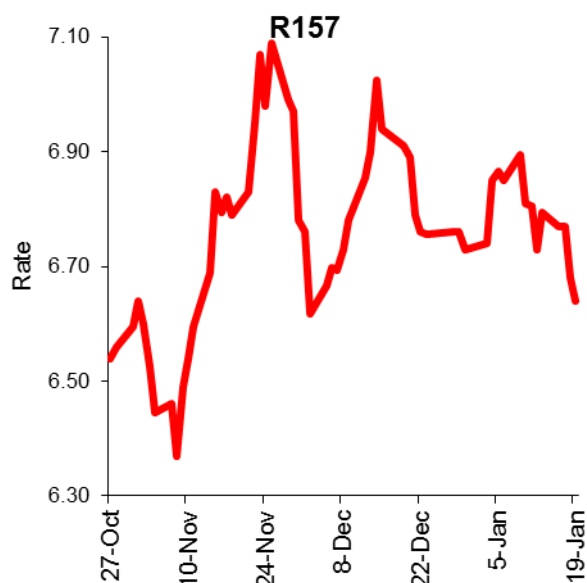
Finally, the USD-ZAR cracked below the 8.0000 handle in line with expectations. Many had anticipated a relatively range bound trading session ahead of the SARB's decision and statement today, but the reality is that direction has not been driven by expectations for the SARB but rather by developments abroad. In so far as the SARB is concerned, there is every reason to believe that the central bank will feel comfortable keeping rates on hold as they try to achieve the balance between buoyant inflation and soft growth. Leaving interest rates on hold would also mean that the SARB by comparison to its larger international peers would still be conducting some fairly conservative monetary policy. SA's growth in M3 and PSCE has been rising, but at a gradual pace and the growth being achieved is less than half of what it was in the boom times. Looking ahead at the SARB's MPC statement, it will be interesting to gain the guidance from the central bank on what the ECB's efforts might mean for the eurozone. They are likely to continue talking bearishly about growth prospects amid wide spread austerity measures being implemented, but the sense of despair may have lifted. A stable monetary policy is the best

this economy can hope for at this stage. Should the SARB leave rates unchanged along the lines priced in an expected by the markets then the effects of the money printing abroad will become increasingly evident in the months ahead though some ZAR appreciation. That might have already begun. In the very near term, some concern exists over the outlook for Greece given its difficult negotiations with private sector creditors, but should sense prevail a deal could be struck before the weekend. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Wednesday, closing at R7.9525 from R8.0363 on Tuesday. The ZAR strengthened against the EUR, ending at R10.2253 from R10.2366 on Tuesday, while similarly finished stronger against the GBP at R12.2731 from R12.3205 the previous day.



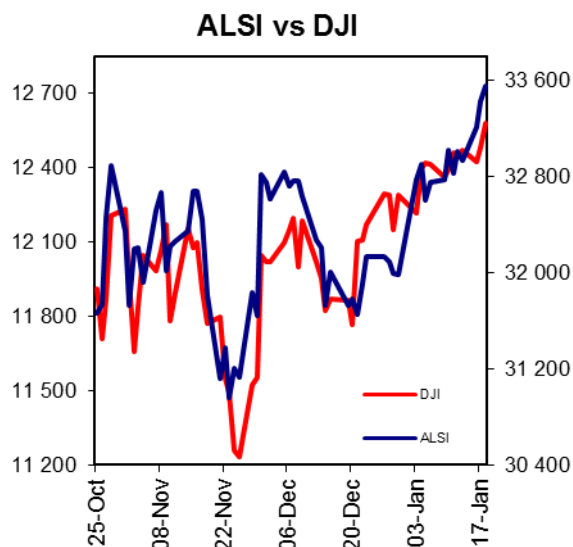
Bond Update

Local bonds enjoyed solid support yesterday with yields across the curve moving lower, despite the local currency closing flat on the day. Local fixed income traders would have taken direction from the flurry of local data instead. By the close the R157 yield had dropped 9bpts to close the day at 6.680%, whilst the R186 yield moved lower from 8.525% to 8.440%. CPI inflation this week surprised to the downside, coming in at 6.1% y/y vs consensus for 6.2%. The SARB initially expected CPI inflation to only fall back below target in Q2, and to average below 6% in the second half of the year. Secondly, PMI also released yesterday reflected a PMI once again below 50, indicating some contraction in the manufacturing sector. With this data in mind, all eyes will be on the first MPC meeting for 2012 later in the day. In the final two meetings of 2011, the SARB turned bearish on Eurozone risks, revised the global growth outlook lower, while revising higher the domestic price inflation outlook. The SARB has viewed these risks as balanced, and as a result, policy was kept unchanged. At the upcoming policy statement later today, it is widely expected that rates will remain at 5.50%.



JSE Update

The local market continued to rally yesterday, as the local bourse closed near another record high as momentum carried through from a boost that followed an earlier announcement by the IMF. During yesterday's session, the ALSI hit an all-time high for the second day in a row at 33557.62 points, however some profit taking late in the afternoon took the index off intraday highs. By the close the ALSI had gained 0.38%, despite both the gold and platinum indices posting losses on the day. Moving abroad, markets were very much a mixed bag across Europe yesterday, although there was some semblance of good news in an IMF proposal to raise \$500 billion to boost its lending capacity to constrained economies. Not one of the major bourses gained or lost more than half a percent, as investors remained cognisant of talks within Greece. US stocks however advanced to six-month highs as investors welcomed the news from the IMF, and optimism surrounding an improving housing market buoyed stocks. With risk on trade gaining traction likely that the JSE will add to yesterday's gains today, with the focus now shifting to the US where some key housing data is scheduled for release.



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