

Date: 02 February 2012

USD-ZAR 7.6120/7324

GBP-USD 1.5796/898

GOLD \$1 745.06

EUR-ZAR 10.0574/1728

USD-JPY 75.93/6.34

BRENT \$111.85

GBP-ZAR 12.1039/2240

AUD-USD 1.0550/650

DJI 12 716.46

EUR-USD 1.3127/228

R157 6.380%

3M JIBAR 5.596%

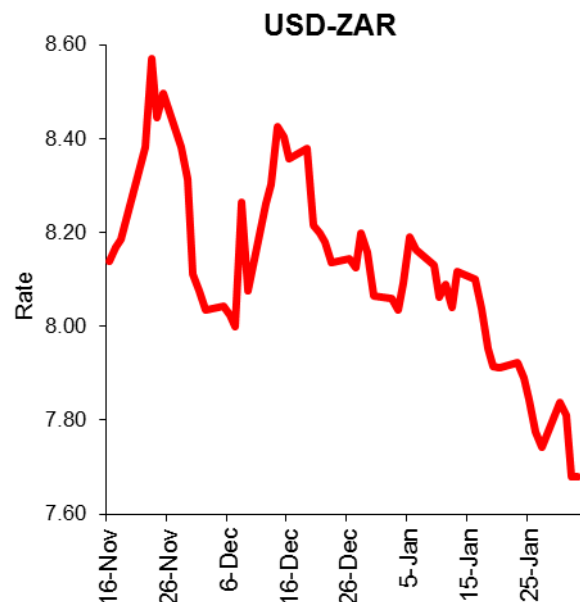
| Time (GMT) | Country | Event | Month | Exp | Prior |
|------------|---------|----------------------------------|-------|--------|--------|
| 10:00 | SA | NAAMSA Vehicle Sales y/y | Jan | 9.80% | 11.00% |
| 09:30 | GB | Construction PMI | Jan | | 53.20 |
| 10:00 | EZ | PPI y/y | Dec | 4.10% | 5.30% |
| 12:30 | US | Challenger Job Cuts | Jan | | 41.8k |
| 13:30 | US | Jobless Claims | w/e | 420.0k | 377.0k |
| | US | G20 'Sherpas' Meeting (to Feb 3) | | | |

Today's Talking Point

Naamsa Vehicle Sales (Jan): Owing to a decision by Mercedes Benz SA to withdraw car sales data, the Dec car sales data would have been subject to some distortions. Regardless, Naamsa vehicle sales growth slowed for the third consecutive month in Dec to 11.0% y/y. Markets expect the downward trend in car sales to have persisted in Jan with consensus looking for a 9.8% y/y reading.

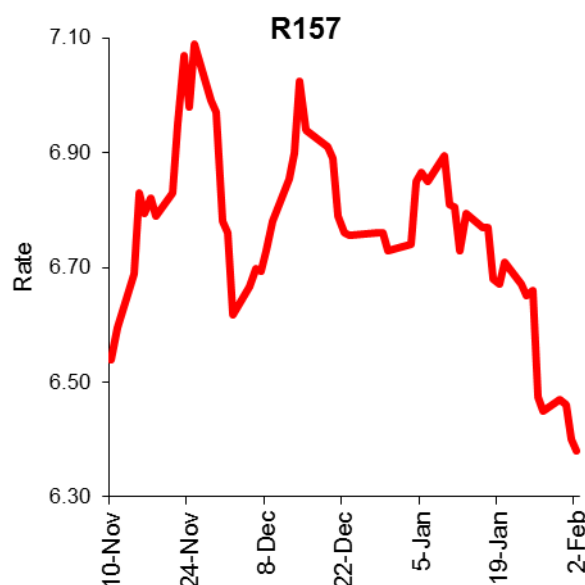
Rand Update

If there is a surprise in the way that the ZAR is performing it is not that the ZAR is strengthening. But that it strengthened as soon as it did. We had earmarked a positive response from Greece with regards to their debt restructuring negotiations with private bond holders as the potential catalyst for a rally in risk assets. It was still the eurozone that provided the catalyst but it came out of Portugal instead of Greece. As Portugal was able to auction off t-bills without much trouble, the risk of imminent disruption dissipated quickly. This offered yet more proof that the ECB's efforts are working and working very powerfully. Weak underlying economic fundamentals notwithstanding, so much bad news had been priced in to the eurozone that the recovery can now extend for several more months. Furthermore, expectations are building that the ECB's second Long Term Refinance Operation (LTRO) which will take place at the end of Feb will draw more than double the demand for the same operation in Dec. Now that the commercial banks have witnessed the power of that liquidity and have capitalised on the funding which has shored up their balance sheets, they will take advantage of the funding mechanism again. We therefore remain generally bullish on the outlook for the EUR and by extension bullish on the outlook for risk assets. If one also believes that the BoE will extend its quantitative easing programme as they have hinted they will do and the Fed does indeed proceed with a third round of quantitative easing, USD-ZAR levels significantly lower than they are at the moment could very well be on the cards. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Wednesday, closing at R7.6808 from R7.8100 on Tuesday. The ZAR strengthened against the EUR, ending at R10.1112 from R10.1657 on Tuesday, while similarly finished weaker against the GBP at R12.1661 from R12.2470 the previous day.



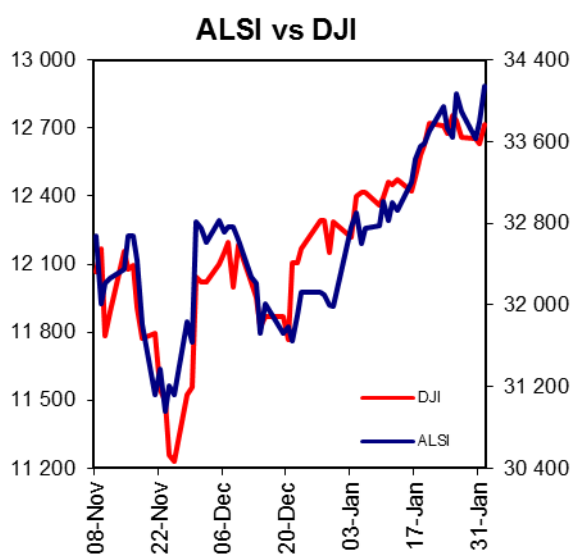
Bond Update

Local bonds enjoyed support yesterday, with the entire yield curve shifting lower, although it was the shorted end of the curve which found most of the support. By the close the R157 yield had dropped 6bpts to close at 6.400%, whilst the R186 yield had move 5.5bpts lower to end at 8.135% yesterday. No doubt yesterday's ZAR strength would have aided interest within the local bond market, but with EZ and the local PMI surprising to the upside, risk appetite looks to have improved which has aided the move lower across the local yield curve, a trend likely to continue today. So far this week, local bonds have seen net foreign buying of R1.8 billion. Monday saw a net outflow of R1 billion, Tuesday net buying of R1.5 billion, and yesterday net buying of R1.3 billion. Inflows are beginning to turn around on the back of global central banks all easing policy simultaneously, incentivising investors to search for yield. Today will see Naamsa vehicle sales released, which is likely to print a soft reading not due to a weak economy, but for statistical base-factor reasons. Otherwise, eyes will be on the Spanish note auction coming up today.



JSE Update

Despite a weak open, the local bourse rallied throughout the session yesterday to close the day well higher, as local market continues to break records and adding to the dream start to the year. By the close the ALSI had rallied 1.03% to close at 34139.52, yet another all-time record high for the index. Most shares added to the gains however the gold index lost ground shedding 0.73%, this despite the gold price edging higher. Yesterday's local PMI surprised to upside, with the release indicating some significant improvement in the local manufacturing sector which would have fuelled buyer interest in the local bourse. In foreign markets cautious optimism that the EZ crisis may be turning a corner fuelled demand for European government debt yesterday, easing pressure on Portugal, seen as the most vulnerable country after Greece. Furthermore, expanding manufacturing in the US and Europe as reflected in PMI numbers boosted investor confidence in the global economic recovery. As a result core EZ bourses surged higher yesterday, with the DAX adding just short of 2.50%. Wall St. futures are in positive territory, and Asian markets are well higher ahead of the London open, all indications of a positive start to today's session.



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