

Date: 20 February 2012

USD-ZAR 7.6160/7260

GBP-USD 1.5822/923

GOLD \$1 734.70

EUR-ZAR 10.0802/1870

USD-JPY 79.31 /72

BRENT \$121.06

GBP-ZAR 12.1212/2303

AUD-USD 1.0733/813

DJI 12 949.87

EUR-USD 1.3170/251

R157 6.585%

3M JIBAR 5.600%

Time (GMT)	Country	Event	Month	Exp	Prior
23:50	JP	Exports y/y	Jan	-9.40%	-8.00%
23:50	JP	Imports y/y	Jan	9.60%	8.10%
23:50	JP	Trade Balance Total	Jan	-1456.3bn	-205.6bn
14:00	EZ	Greek hold Summit "Europe and Greece are Changing"			
16:00	EZ	Eurogroup Meeting			
17:00	EZ	ECB Exec Peter Praet speaks on "Monetary Policy in Times of Crisis"			

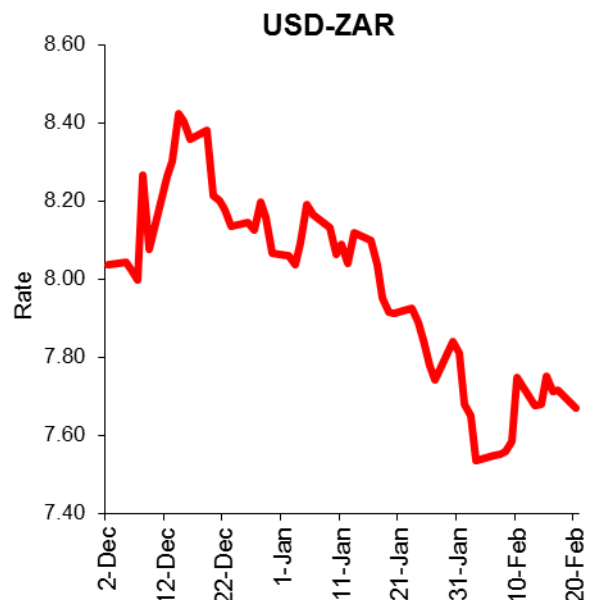
Today's Talking Point

Busy week locally, with particular focus on the Budget: It is due to be a busy week in terms of local data releases in combination with the closely watched Budget speech due from FM Gordhan on Wednesday. In particular it will be worth noting how the government intends to finance the R300 billion worth of infrastructure plans, and whether much of these projects weren't already in the pipeline, ie: whether or not they had been budgeted for. The Medium Term Budget Policy Statement in October forecast a budget deficit of 5.5% for 2011-12, a deficit that may well need to be revised higher as growth comes in below initial budget estimates of 3.4% for 2012.

Rand Update

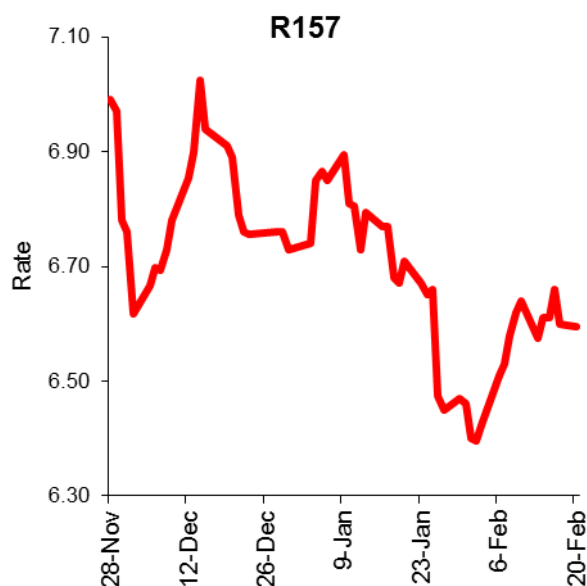
Being a resource driven economy that is very responsive to the international growth environment, the ZAR will tend to reflect improvements and deteriorations in the global growth environment quicker than most, especially as it is classified as a Continuous Linked Settlement (CLS) currency that can trade outside of SA trading hours as it did this weekend. The fact that China has loosened its stance monetary policy has seen commodity prices in general jump higher over the weekend. Beyond just China's central bank, it is clear that whether one looks at the US Fed, the BoE or the ECB, these central banks are all adopting very loose monetary policies which will be generally supportive of commodity prices and will more readily reflect the effects of currency debasement. Stated differently, as these central banks print up money not backed by underlying production or value added to the respective economy, the forces on that currency to depreciate will escalate. That might not always explain the short term movements in the commodity prices or in the commodity linked currencies, but it did over the weekend that has just passed. Furthermore, from a longer term structural perspective such money printing will also be reflected in a weaker currency and higher commodity price bias.

The behaviour of the ZAR in response to news that China was opening up the monetary taps once more is both logical and justified. When one of SA's biggest sources of demand for resource related exports is looking to protect its strong growth rate this must be positive for the ZAR. Furthermore, it entrenches the approach by the world's major central banks to resort to monetary means to keep the current economic climate intact. According to Reuters data (bid chart), the ZAR finished flat vs. the USD on Friday, closing at R7.7140 from R7.7125 on Thursday. The ZAR strengthened against the EUR, ending at R10.1389 from R10.1866 on Thursday, while similarly finished stronger against the GBP at R12.2049 from R12.2541 the previous day.



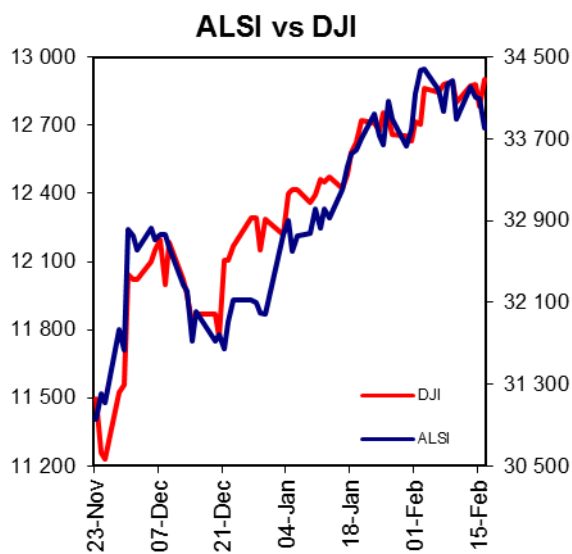
Bond Update

Local bonds recovered on Friday, with the entire yield curve shifting lower on the day. However, looking at the weeks movement, local bonds remain weaker a reflection of the volatility seen last week. By the close the R157 yield had dropped 6bpts to close at 6.600%, whilst the R186 yield moved lower to 8.230%. Emerging Market bonds have outperformed Developed Market bonds substantially since December, returning 2.8% compared with only 0.3% for G7 bonds. The average yield on emerging market local currency bonds has declined from the March 2011 high of 7.11% to 6.2%, according to the JP Morgan Chase GBI-EM index. The major focus for bonds in the week ahead will be Jan CPI data and Fin Min Gordhan's 2012 budget speech. Both are scheduled for Wednesday. Players will be keeping an eye on how the government intends to finance the R300 billion worth of infrastructure, and whether much of these projects weren't already in the pipeline. The MTBPS released in October forecasted a budget deficit of 5.5% for 2011-12, while forecasting official growth of 3.4% in 2012. Gordhan has already said that growth will come in well below 3% this year, which means we may see a revision of the deficit.



JSE Update

The local bourse rallied at the open, and although the local market struggled to add any further through the rest of the session, by the close the ALSI was well higher up 0.83%. After coming under pressure earlier in the week, the platinum index lead to charge on Friday, adding 2.30% as commodities across the board supported the local market. The gains on Friday helped to take the ALSI back into positive territory on a weekly basis, and although gains were contained in comparison to prior weeks the index remains off record highs seen earlier in the year. Looking at markets abroad, European equities ended well higher on Friday, as investors continued to be optimistic about a Greek debt deal being near. Despite optimism in Europe, gains in US markets were contained as the possibility of a Greek default still looms large over world markets. Nevertheless, European finance ministers will meet today, and are expected to sign off on Greece's latest economic reform proposal. This coupled with further monetary easing from the Chinese central has sent Asian equities well higher ahead of the local open. As a result, it is likely that we see positive start on the ALSI today.



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