

Date: 20th July 2010

USD-ZAR 7.5737/6823
 GBP-USD 1.5215/319
 GOLD \$1183.05

EUR-ZAR 9.8344/9452
 USD-JPY 86.744/7.174
 ALLSHARE 27 329.75

GBP-ZAR 11.5812/7033
 AUD-USD 0.8729/812
 DJI 10 154.43

EUR-USD 1.2928/3010
 R157 7.700%
 3M JIBAR 6.555%

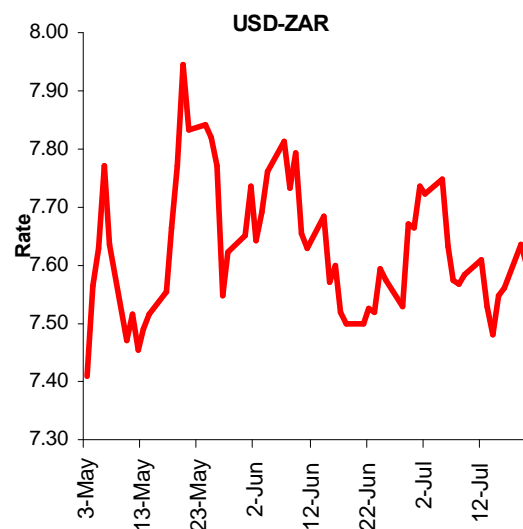
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R203 - R1500mn; R208 - R600mn)			
06:00	DE	PPI m/m	Jun	0.20%	0.30%
08:30	GB	Money Supply	Jun		0.00%
12:30	US	House starts	Jun	0.57mn	0.59mn
12:30	US	Permits units	Jun	0.57mn	0.57mn
13:00	CA	Bank of Canada rate decision		0.75%	0.50%

Today's Talking Point

Co-ordination of wage bargaining positive for long term economic growth: The OECD's economic analysis of South Africa highlighted an important issue surrounding wage negotiations. The OECD suggested that reforms to the labour market be implemented insofar as increasing co-ordination in wage bargaining is concerned. If the govt provides a central platform from which the unions' concerns are voiced, greater levels of regulation and co-ordination could be achieved. This implies not only that wages are likely to converge to more market-related levels, but also that the negative impact of strike action on the domestic economy will likely be reduced. This would ultimately be positive for longer term growth.

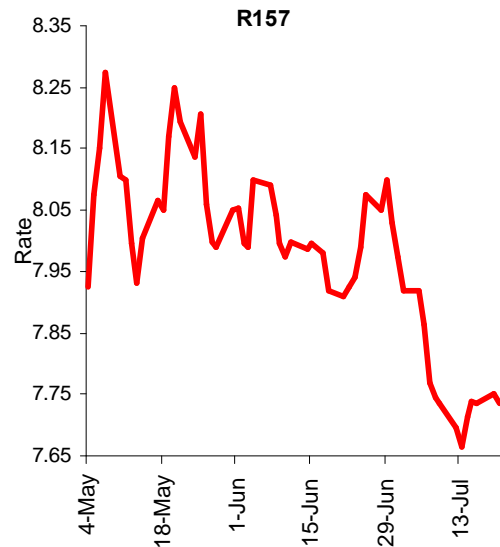
Rand Update

There were some significant comments made by both the OECD and Fin Min Pravin Gordhan yesterday to do with the ZAR. The OECD added to the voices calling for a weaker ZAR and called on the authorities to intervene in the currency market or face a currency which they would regard as overvalued. The issue of currency intervention has become a topic of conversation ever since it became known that it was Treasury that was purchasing USDs. Most of the inflows as reported by the JSE into the stock market from foreigners totalling some R18-20bn for the year-to-date have been offset by this. This may offer some insight into why the ZAR has not posted more gains than it has. The fact that the bulk of these purchases are more likely to have occurred in the more recent months highlights the fundamental resilience of the ZAR. Gordhan highlighted government's position that it would want a competitive and stable currency. According to Reuters data (bid chart), the ZAR weakened against the USD on Monday, closing at R7.6355 from R7.561 on Friday. The ZAR also lost ground vs. the EUR and GBP, ending at R9.8796 vs. the EUR from R9.7764 on Friday, while finishing at R11.6228 against the GBP from R11.5593 at the end of last week.



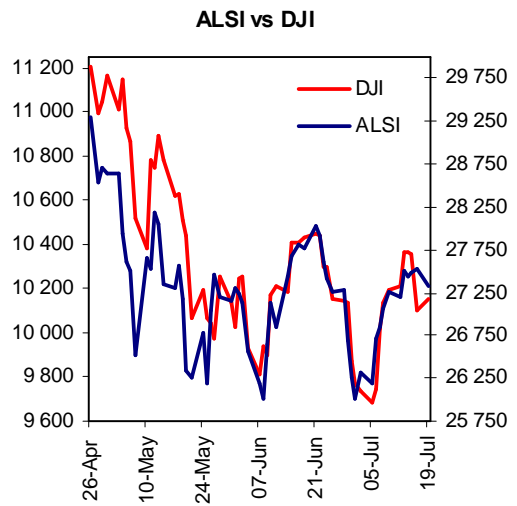
Bond Update

Trading activity was reported to be on the thin side yesterday, which is expected to continue into the SARB MPC meeting on Thursday. Interest on the domestic yield curve yesterday was reported to be sporadic, which was reported to be related to some position squaring into the MPC. Given the above macroeconomic backdrop, if one considers that South African bonds on the middle to longer portion of the yield curve are yielding at least 8.5%, this offers substantial value over G7 bonds. In the context of the yield on offer and given SA's risk profile, there still appears to be significant value to be found in SA govt debt. Overall, despite the above, ahead of the SARB MPC on Thu, position taking is likely to be limited as players sit back and wait for the MPC decision and guidance given by SARB Governor Marcus. Overall, the benchmark R157 closed weaker on Monday, ending the session at 7.750% vs. 7.735% on Friday. Similarly, the R186 closed weaker at 8.910%, higher than the previous close of 8.900%.



JSE Update

Local stocks ended weaker yesterday after trading in the green very briefly in the afternoon session. Players remained cautious as US economic data continued to disappoint, European markets traded lower and ahead of additional US earnings reports later in the week. At the close of trade the JSE ALSI had fallen 0.7%. Resources slipped 0.6%, with gold stocks losing 2.8% and platinum miners shedding 0.9%. Financials ended 0.6% weaker as banks declined 0.7%, while industrials fell 0.9%. Sentiment in the US market, however, remained upbeat ahead of the earnings. The VIX index, a measure of volatility in the US markets, fell by 1% on the day and helped to ease jitters. Talk in the market suggested the market was "30% below fair value" and so stocks were likely to be bought up prior to earnings reports. At the close both the Dow Jones and S&P were up 0.6%. Meanwhile the Asian markets are mixed overnight. The Japanese markets reopened for trade today and subsequently the Nikkei has ended 1.2% lower, with concerns of a strong JPY and disappointing earnings last week weighing negatively. Aussie stocks, however, ended 1.0% higher and at the time of writing the Hang Seng and Shanghai composite were up 1.4% and 2.1% respectively.



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