

Date: 22 November 2011

USD-ZAR 8.2680/3805
 GBP-USD 1.5592/695
 GOLD \$1 681.59

EUR-ZAR 11.1660/2870
 USD-JPY 76.86/7.30
 BRENT \$107.37

GBP-ZAR 12.9594/3.0831
 AUD-USD 0.9801/88
 DJI 11 547.31

EUR-USD 1.3433/536
 R157 6.825%
 3M JIBAR 5.575%

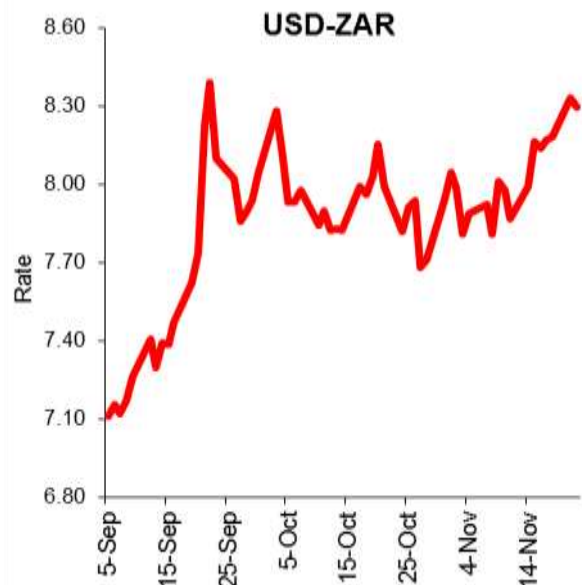
Time (GMT)	Country	Event	Month	Exp	Prior
07:00	SA	Leading Indicator	Sept		130.7
09:00	SA	Bond Auction (R209 - R1.1bn; R204 - R1.0bn)			
	EZ	Greece's Papademos Meets EU's Juncker in Luxembourg			
09:30	GB	PSNB ex Interventions	Oct	6.5bn	14.1bn
13:30	US	GDP Secondary q/q (Annualised)	Q3	2.50%	2.50%
13:30	US	Personal Consumption Secondary	Q3	2.40%	2.40%
15:00	EZ	Consumer Confidence	Nov	-21.00	-19.90
15:00	US	Richmond Fed Manufacturing Index	Nov	-1.00	-6.00
19:00	US	Minutes of 1-2 Nov FOMC Meeting			

Today's Talking Point

Fuel Price Outlook: In November we expect the ZAR price of Brent crude to average around R889.48/bl compared with the previous month's R865.78/bl. However, owing to a substantial decline in the refining cost to an estimated 40c/l from last month's 81c/l, the final outcome is an estimated over recovery (expected petrol price reduction) of roughly 26c/l at the beginning of Dec. The price of 95 ULP will dip to R10.51/l should such a price adjustment be realised and fuel price inflation will decline to 24.38% y/y in Dec from 29.45% y/y in Nov. This in turn bodes well for a moderation in terms of the outlook for CPI.

Rand Update

As was pointed out yesterday, there is simply too much uncertainty for investors to feel comfortable investing in higher risk assets. Despite the fact that some of the risk stemmed from the US with the failure of the fiscal super committee to arrive at a compromise solution to reduce the US fiscal deficit, it seems that investors still see US Treasuries as a safe haven asset to shield themselves against the debt crisis in Europe which continues to unfold. Whilst the Germans and the ECB stubbornly stand by their view that there should be minimal intervention in the sovereign debt markets, there is unlikely to be much of a let up in sentiment. There are suggestions that the German authorities are using these higher bond yields as a means to force austerity plans through reluctant governments that suddenly have no choice and that this is the strategy going forward to ensure that fiscal harmonisation is assured. If that is the case and the ECB will only step in when it absolutely has to, then investors best prepare for a prolonged period of uncertainty and muddle through interventionist type policies which leave no-one with a clear picture of the longer term future. In such an environment, we



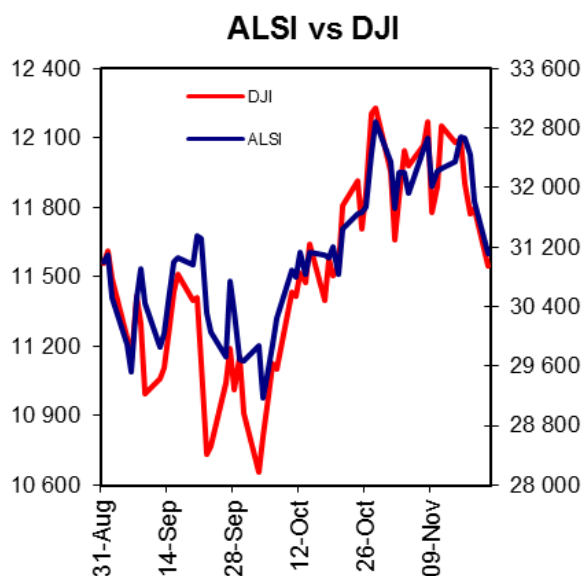
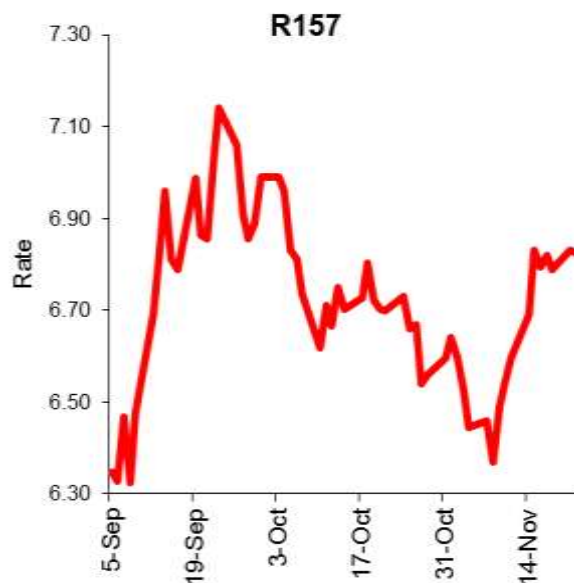
now need to acknowledge that risk assets might very well be side-lined for longer than first thought and that the poor sentiment fostered by such an approach will almost certainly override underlying structural fundamentals for a while longer. Only once risk barometers subside in a sustainable fashion to more palatable levels can we start to meaningfully talk of the structural ZAR bullish factors which remain hidden by the European debt crisis. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Monday, closing at R8.3300 from R8.1854 on Friday. The ZAR weakened against the EUR, ending at R11.2438 from R11.0597 on Friday, while similarly finished weaker against the GBP at R13.029 from R12.9275 the previous day.

Bond Update

It was a relatively quiet day for most of session within the local bond market yesterday. Very short dated yields saw little or no movement, but medium to longer dates saw yields shift higher as the local currency came under pressure. By the close yesterday the R157 yield had added 4bpts to close the day at 6.830%, whilst the R186 yield moved 7.5bpts upward to close at 8.525%. Eurozone bonds remain under pressure and note that the US "super" committee announced in an e-mailed statement that they failed to reach agreement over ways to cut the deficit. This will automatically result in some \$1.2 trillion worth of cuts from the projected deficit over 10 years, starting in 2013. This means it is now not only the Europeans who can't agree on austerity measures, but also the US federal government. These pressures will translate into a move away from the perceived riskiness of emerging markets including South Africa, and the associated weakness in the local currency will place the local bond market under pressure. With this in mind, today's weekly bond auction will serve as a good indicator of demand for local fixed income.

JSE Update

After a relatively quiet opening session, the local market tracked global equities lower, with the local bourse adding to Friday's losses closing deep in negative territory, and starting the week on the back foot. By the close the ALSI had plunged 2.19% with all indices losing over 1.50%, however the resource index took the lead shedding 3.35%. Yesterday's losses have taken the ALSI to levels last seen a month ago, and have taken the index outside of a recent sideways range. There was no local data released yesterday, but a constant flow of negative news from abroad has created jitters within the local market. Asian markets are retreating in step with the activity in Europe and Wall St. Questions over debt sustainability and the possibility of further sovereign credit ratings downgrades in both the US and Europe have weighed on sentiment. The threat of an economic contraction next year is shaping earnings expectations and as such dividend flow. Europe continues to reflect signs of strain with periphery bond yields remaining elevated and there has been little improvement in the interbank liquidity situation. The SARB leading indicator to be released later today will add some market colour, giving some perspective regarding the local economic outlook.



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