

Date: 23 January 2012

USD-ZAR 7.9013/8.0116

GBP-USD 1.5498/598

GOLD \$1 670.00

EUR-ZAR 10.2046/3165

USD-JPY 76.81/7.22

BRENT \$110.16

GBP-ZAR 12.3133/4263

AUD-USD 1.0446/527

DJI 12 720.48

EUR-USD 1.2845/846

R157 6.705%

3M JIBAR 5.596%

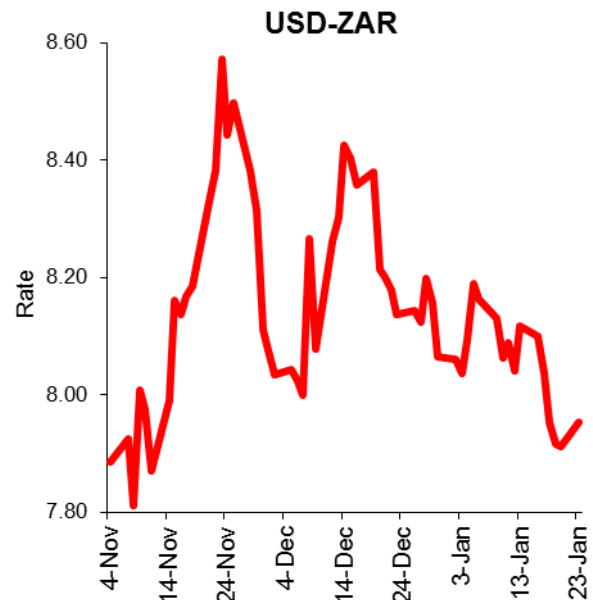
Time (GMT)	Country	Event	Month	Exp	Prior
16:00	EZ	Eurogroup Meeting			
15:00	EZ	Consumer Confidence	Jan		-21.10
	EZ	SNB Publish Monthly Statistical Bulletin			
	EZ	Italian Gov. Outline Economic Measures to EU Finance Ministers			
	US	EIA Release Annual Energy Report			

Today's Talking Point

Energy Update: Brent came under pressure on Friday as the USD basket rebounded off recent lows, exerting downward pressure on USD denominated commodities. At market close, Brent was down 1.52% to close at \$109.86/bl. The move sent Brent down 0.53% on the week. Overnight Brent opened marginally higher, however direction was lacking as movements remained subject to a weighing between on-going concerns around Europe and prospective supply disruptions from Iran. Up ahead today oil traders will keep an eye on a Euro-group meeting in Brussels regarding sanctions against Iranian oil exports, as well as the release of the EIA's annual energy report. At the time of writing, Brent was trading at \$110.07/bl.

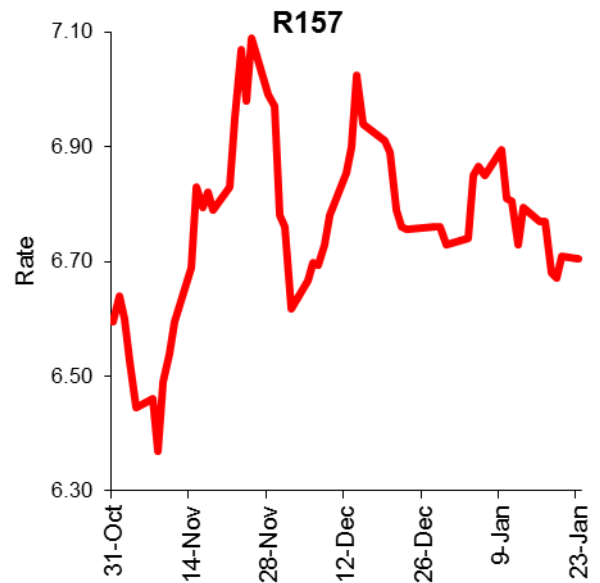
Rand Update

Last week, the USD-ZAR nudged back below the 8.0000 level for the first time since early Dec 2011. The move was both significant and unexpected in that it comes at a time when global fiscal positions have deteriorated, when credit ratings agencies have downgraded many countries and when growth outlooks have similarly been revised lower. At face value, the recovery in the ZAR looks as though this is something unsustainable and that this opportunity should offer importers a great opportunity to simply cover more of their exposures forward. Whilst there is no question that the underlying fundamentals of the developed economies remains poor and that debt metrics have continued to deteriorate, one must also pay attention to the behaviour of the major central banks and the efforts they have made and are likely to make in the future. Central banks have become integral to propping up the developed economies that want so desperately to deflate. It implies more monetary injections, more unorthodox easing in the hope that they fuel a more inflationary rather than deflationary environment. This has implications for currencies which are not being debased as quickly and whose central banks are conducting relatively more conservative monetary policy. SA is one such country and as we prepare for the ECB to offer another massive tranche of funding to the eurozone commercial banks at the end of Feb, we must bear in mind the consequences of doing so. Over the longer term it is likely to translate into a weaker EUR, just as another round of quantitative easing will over time weigh on the GBP as will a third round of quantitative easing from the Fed. It is the reason why investors and corporates should be wary of adopting a one-dimensional assessment of the ZAR, where it is always expected to weaken. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Friday, closing at R7.9125 from R7.9158 on Thursday. The ZAR strengthened against the EUR, ending at R10.2324 from R10.2597 on Thursday, whilst finishing weaker against the GBP at R12.3206 from R12.2568 the previous day.



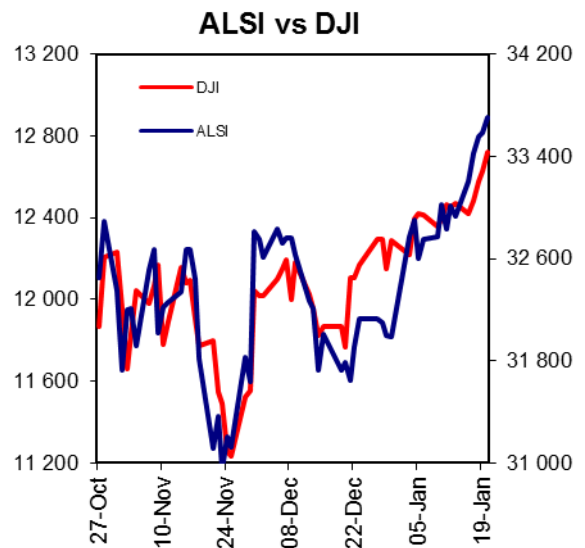
Bond Update

Local bonds were mixed on Friday, with the short end of the yield curve edging higher, whilst the longer end moderated. By the close the R157 yield had moved 4bpts higher to close at 6.710%, whilst the R186 yield edged just 0.5bpts lower to close the week at 8.355%. Market commentators have noted some concern regarding the SARB's upward revision to inflation forecasts, which has placed some upward pressure on shorter dated yields. Last week saw strong portfolio flows to the bond market, totalling R2.8 billion, according to JSE data. This is the first week in three that bank inflows have been generated while equity flows remain anaemic, totalling just R8 million last week. More inflows to the local bond market this week should help to contain losses across the local bond market. The focus in terms of local data in the week ahead will be on the SARB leading indicator due for release tomorrow and PPI on Thursday. Otherwise, attention will be on private creditor negotiations with the Greek government to restructure debt, as well as the US Fed rate decision and policy statement, press conference, and also for the first time, a forecast of the fed funds rate.



JSE Update

The local bourse ended the week on a positive note as investors displayed positive sentiment heading into the weekend. By the close on Friday, the ALSI had gained 0.35% to close at 33703.38 points and consequently another record close. Although the gold index shed 1.92%, all other indices finished firmer. It was a particularly good week for the local market, with ALSI posting gains from Monday through to Friday, resulting in a three week rally. As a result, January is set to end on a high note, creating a solid base from which the market can improve through the rest of the year. Despite the solid performance locally, major EZ bourses ended the week in the red on Friday. Although investor sentiment has been buoyed by improving US housing data recently, concerns surrounding Greece's ability to meet its debt obligations has contained risk appetite. There will be an EU Finance ministers meeting later today, where no doubt the Greek debt situation will be high on the agenda. With very little in the way of economic news or data, trading activity is likely to be contained, and given weaker sentiment abroad there could be some profit taking given recent gains.



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