

**Date: 23 July 2010**

USD-ZAR 7.3847/4933  
 GBP-USD 1.5221/325  
 GOLD \$1193.90

EUR-ZAR 9.5157/6280  
 USD-JPY 86.657/7.087  
 ALLSHARE 28 274.03

GBP-ZAR 11.3015/4195  
 AUD-USD 0.8863/947  
 DJI 10 154.43

EUR-USD 1.2826/908  
 R157 7.720%  
 3M JIBAR 6.515%

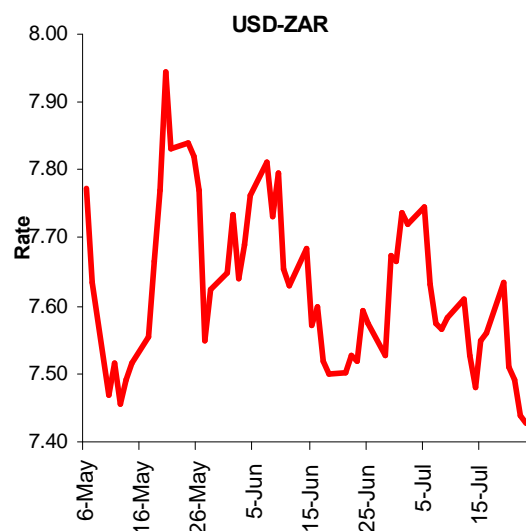
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	ILB Bond Auction (R600mn)			
08:00	DE	Ifo Business Climate index	Jul	101.6	101.8
08:30	GB	GDP advanced q/q	Q2	0.60%	0.30%
10:00	GB	ECB member Tumpel-Gugerell speaks at financial centre			

### Today's Talking Point

**SARB leaves rates on hold at 6.50%:** As many had expected the SARB chose to leave rates on hold at yesterday's MPC. There is, however, much being made of the decision in the papers this morning with some suggesting that the SARB missed a valuable opportunity to cut rates. That the SARB chose not to cut rates yesterday does not mean that further rate cuts before year-end can be ruled out, simply that the Bank deemed a deviation from current policy inappropriate at this time. The reality is that from a SARB perspective there are enough offshore growth risks emanating from Europe and enough downside pressures on the inflation front to squash any thoughts of rate hikes for a long time to come and leave the door open for more potential cuts.

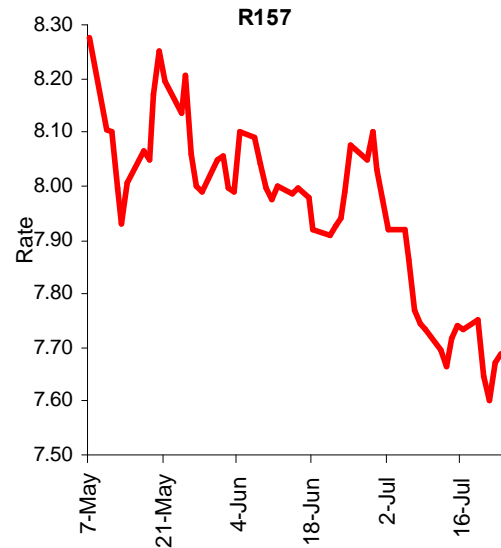
### Rand Update

In the wake of the interest rate decision it is worth trying to dissect how much of the strength in the ZAR was due to the MPC's decision and how much was related to the improvement in global levels of investor sentiment given the better than expected economic data released out of the eurozone yesterday and the reasonably strong earnings results out of the US. Ultimately, both would have a positive effect, but analysis of the post MPC movement suggests that foreigners were reasonably happy with the outcome as it promoted an extended period of attractive interest rates vs. what is available in the likes of the US, UK, Europe and Japan. This week Fed Chairman Bernanke alluded to rates in the US being kept low for a prolonged period of time. So long as policy makers abroad are concerned about growth and are expected to persist with accommodative monetary policies, the ZAR as well as other emerging market currencies are expected to enjoy ongoing support. According to Reuters data (bid chart), the ZAR strengthened against the USD on Thursday, closing at R7.438 from R7.49 on Wednesday. The ZAR also posted marginal gains vs. the GBP, ending at R11.345 from R11.3586 on Wednesday, while finishing slightly weaker against the EUR at R9.5876 from R9.5542 the previous day.



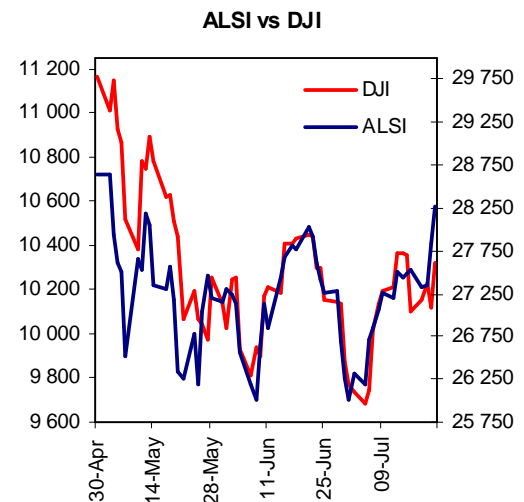
## Bond Update

As many had expected the SARB chose to leave rates on hold at y/day MPC. There is, however, much being made of the decision in the papers this morning with some suggesting that the SARB missed a valuable opportunity to cut rates. No doubt many in the fixed income space locally might feel aggrieved as the market had shifted quite aggressively toward expecting a rate cut. That the SARB chose not to cut rates y/day does not mean that further rate cuts before year-end can be ruled out, simply that the Bank deemed a deviation from current policy inappropriate at this time. The reality is that from a SARB perspective there are enough offshore growth risks emanating from Europe and enough downside pressures on the inflation front to squash any thoughts of rate hikes for a long time to come and leave the door open for more potential cuts. Nevertheless for now with the bond market priced for a cut, local bonds came under pressure. As the benchmark R157 closed weaker ending the session at 7.670% vs. 7.600% on Wednesday. Similarly, the R186 yield drifted higher to close weaker at 8.825% vs. the previous close of 8.775%.



## JSE Update

Stocks on the local bourse rallied yesterday in line with global markets as risk appetite improved. US data and earnings results were mostly upbeat, and while there was talk that the market was disappointed with the MPC's decision not to cut rates, foreign investors are still nevertheless comfortable to invest in local markets. At the close of trade the JSE ALSI had risen 1.6%, with resources up 1.9% on the back of platinum stock gains to the tune of 3.9%. Banks and financials strengthened 1.8% and 1.5% respectively, while industrials rose 1.4%. US stocks posted impressive gains on the day, with the Dow Jones adding 2.0% and the S&P rising 2.3%. Firms such as UPS, Caterpillar, AT&T and 3M all posted solid results, while Jun data in the form of existing home sales and the leading indicator were better than expected. The above served to offset the disappointing rise in jobless claims. The Asian markets have benefitted from this improvement in sentiment, with Aussie stocks rising 1.9% and the Nikkei closing 2.3% higher as recent JPY gains vs. the USD have eased up. At the time of writing the Hang Seng was up 1.1%, while the Shanghai composite was flat as concerns in the domestic banking sector limited gains.



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