

Date: 24 January 2012

USD-ZAR 7.8940/8.0038

GBP-USD 1.5508/610

GOLD \$1 676.25

EUR-ZAR 10.3103/4176

USD-JPY 76.81/7.22

BRENT \$110.78

GBP-ZAR 12.3109/4500

AUD-USD 1.0463/545

DJI 12 708.82

EUR-USD 1.2981/3064

R157 6.665%

3M JIBAR 5.596%

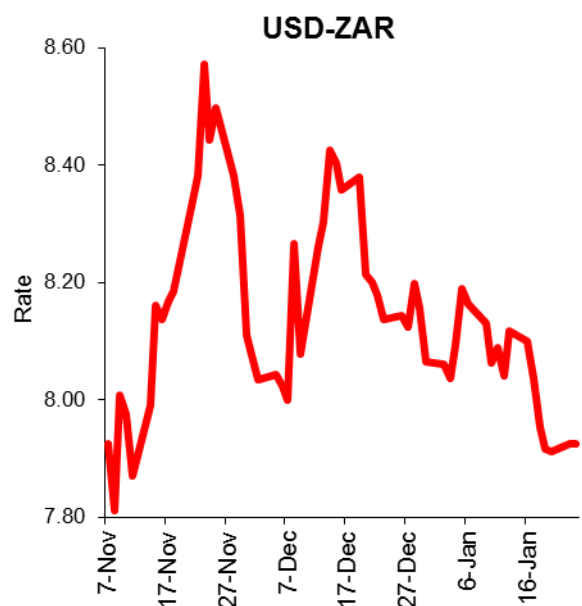
Time (GMT)	Country	Event	Month	Exp	Prior
07:00	SA	SARB Leading Indicator	Nov		131.40
09:00	SA	Bond Auction (R203 - R1100mn; R208 - R1000mn)			
08:30	DE	Manufacturing Flash PMI	Jan	49.00	48.40
08:30	DE	Services Flash PMI	Jan	52.50	52.40
09:00	EZ	Manufacturing Flash PMI	Jan	47.30	46.90
09:00	EZ	Services Flash PMI	Jan	49.00	48.80
09:30	GB	Public Sector Net Borrowing	Dec		15.23bn
10:00	EZ	Industrial New Orders m/m	Nov	-2.50%	1.80%
15:00		IMF Release World Economic Outlook			
23:50	JP	Trade Balance Total	Dec	-154.9bn	-687.6bn

## Today's Talking Point

**SARB Leading Indicator (Nov):** The SARB leading indicator rose to 131.4 in Oct, from a revised 130.9 a month earlier. The indicator continues to edge off year lows seen in Aug at 130.7. The slow upward trend seen on index alludes to softer growth in the year ahead, as it can be used as a rough proxy for projected growth 2-3 quarters ahead. The SARB will monitor the number closely, given the recent bearish growth outlook alluded to in the most recent MPC statement.

## Rand Update

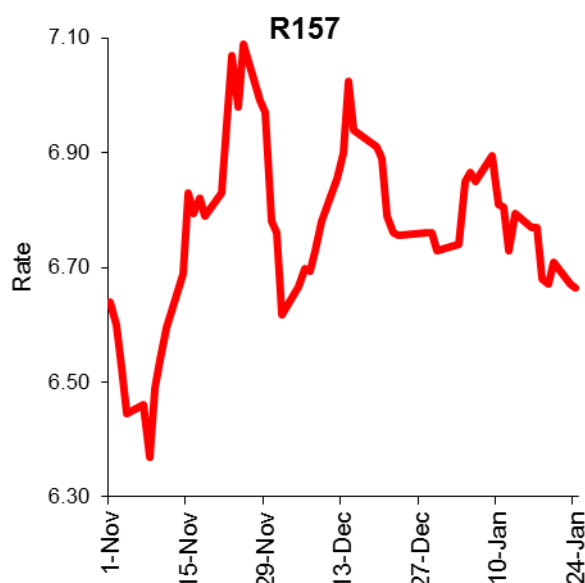
Direction at the moment is coming almost exclusively from developments abroad, most notably the eurozone. News that a Greek deal had been rejected has soured sentiment to some extent, but in the main the eurozone finance ministers seem to be making progress elsewhere, both in trying to secure a fiscal compact and in increasing the size of the European Stability Mechanism (ESM). Whilst the EUR may have stalled its gains, it has not reversed them and so the impact on the ZAR at this point should be minimal. As we are trading at slightly weaker levels this morning than we were yesterday it is clear that the news may have affected sentiment slightly, but as yet it is too soon to suggest that it has reversed the trend. As was the case yesterday, we felt that a period of consolidation was necessary at the very least. That consolidation might very well be unfolding at the moment with the ZAR struggling to make back more ground. That the possibility exists for more ZAR appreciation should not however be discounted. Of interest today will be the release of the leading indicators data. Whilst this is not a huge market mover, it does offer some perspective on the outlook for the domestic economy. With the money supply



numbers showing signs of gaining traction, it would not be at all surprising to see this number improve slightly. This would if anything support any improvement in sentiment towards SA. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Monday, closing at R7.9240 from R7.9125 on Friday. The ZAR weakened against the EUR, ending at R10.3242 from R10.2324 on Friday, while similarly finished weaker against the GBP at R12.3377 from R12.3206 the previous day.

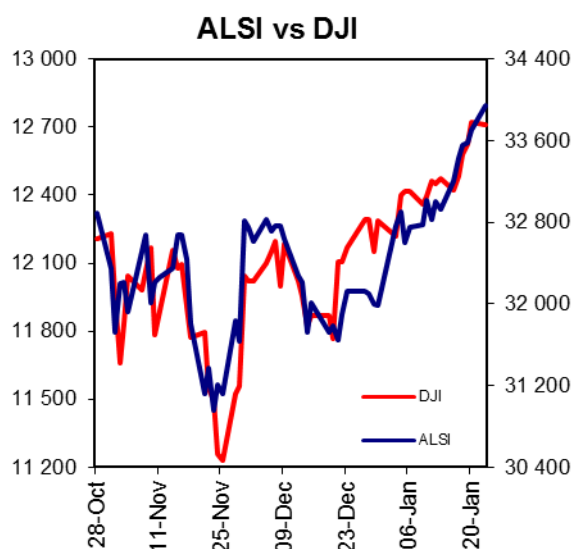
## Bond Update

The local bond market was mixed yesterday amidst global market uncertainty regarding the Greek debt debacle. By the close the R157 yield had dropped 4bpts to close at 6.670%, whilst the R186 yield moved just 2.5bpts lower to end at 8.330% yesterday. Pulling back the lens local bond yields have lacked any clear direction in recent sessions, an indication of some uncertainty. An element of risk aversion has contained gains on the local bond market, however as the European crisis subsides, as reflected by Italian and Spanish bonds remaining strong despite negotiations for private creditors to take up to a 70% haircut on their Greek bonds, and the strongest returns on European and US bank bonds in two years, a rotation out of US Treasuries is likely to take place. This will continue to support local bonds as market players look for higher yielding markets. This morning the SARB leading indicator for November will be released, before attention will turn to a host of Eurozone PMI's. Today will also see the weekly bond auction where R1100mln worth of R203 (2017) and R1000mln worth of R208 (2021). Markets are still looking ahead to the US Fed rate decision which will hold some significance amongst market players.



## JSE Update

The local bourse continued to rally yesterday, with a strong surge late in the session the ALSI again reached an all-time high. By the close the ALSI was up 0.7%, buoyed by the gold index which added 1.27%. Market commentators have indicated that there remains a strong underlying buyer interest within the market, and as risk appetite comes back to the fore, the local market will continue to benefit. However, given recent gains, investors will take any hint of bad news as an opportunity to take profits. In foreign markets, cautious optimism that Greece will come to an agreement with creditors pushed core EZ bourses into positive territory yesterday, with the UK FTSE adding almost 1.00%. At this stage there are unconfirmed rumours that Greece will likely face an orderly default on its sovereign debt, however investors are confident that negotiators will minimise losses helping to buoy market sentiment. This did not carry through into US where markets closed largely flat amidst lacklustre trade. With so much uncertainty at this stage, many investors will err on the side of caution. The SARB leading indicator will give some guidance to local investors regarding the local economic outlook going forward.



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