

Date: 24 November 2011

USD-ZAR 8.4989/6089
 GBP-USD 1.5495/598
 GOLD \$1 692.44

EUR-ZAR 11.3730/4873
 USD-JPY 76.94/38
 BRENT \$107.55

GBP-ZAR 13.2393/3574
 AUD-USD 0.9665/749
 DJI 11 257.55

EUR-USD 1.3312/415
 R157 6.970%
 3M JIBAR 5.575%

Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	PPI m/m	Oct	0.00%	-3.30%
	US	Market Holiday (Thanksgiving Day)			
07:00	DE	Domestic Demand	Q3	0.50%	0.40%
07:00	DE	Exports	Q3	1.60%	2.30%
07:00	DE	GDP Final sa q/q	Q3	0.50%	0.50%
09:00	DE	IFO - Business Climate	Nov	105.50	106.40
09:30	GB	GDP preliminary q/q	Q3	0.50%	0.50%
11:00	GB	CBI Trends Total Orders	Nov	-19.00	-18.00

Today's Talking Point

PPI (Oct): Often PPI falls on a m/m basis in October owing to various seasonal considerations. However, there is a risk of price growth having remained marginally in October this year on the back of considerable cost push pressures. As such lower base factors will serve to buoy this year's annual growth rate. Cost push pressures have stemmed from the impacts of the weaker ZAR.

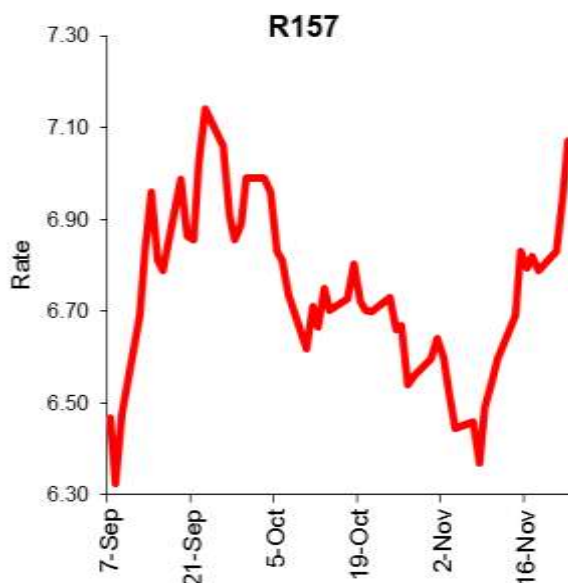
Rand Update

In recent weeks we have described the European debt crisis as a slow moving train wreck and something that the rest of the world cannot do much about. It is for the Europeans to sort this out and they are rapidly learning that simply imposing austerity guarantees little in so far as resolving this crisis is concerned. What is disturbing is that the sovereign debt crisis has picked up some healthy momentum to the extent that even countries such as Germany and France are being directly affected, the latest casualty being Germany. Although Germany was always treated as a fiscally sound economy, an island of stability within the EZ, yesterday's 10yr bund auction suggests something different. Germany's 10yr bund auction only generated some 60% demand and the German authorities had to be content with not allotting the full amount. This is a huge statement made by the market to the German government that Germany may no longer quite hold its status as a safe haven. In simple terms, the risk may have now become systemic and if Germany can no longer comfortably raise capital in the debt markets, then which country in the EZ can? Of course we would need to see German bund yields rise further in the days and weeks ahead to have such a dire prognosis confirmed, but one should not underplay the significance of yesterday's bond auction and the possibility that speculators have turned even against the likes of Germany and France. If that is the case and the Germans persist in their opposition to ECB intervention, one should expect the volatility on risk assets to persist for a while longer. We ultimately believe that the EZ will eventually have no choice but to include the ECB as a tool to promote stability but in the interim and as we approach that point one should expect volatility in financial markets to escalate significantly further. Europe's credit crunch has intensified further and this only promotes further rotation away from EMs and the likes of SA. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Wednesday, closing at R8.5717 from R8.3815 on Tuesday. The ZAR weakened against the EUR, ending at R11.4263 from R11.3251 on Tuesday, while similarly finished weaker against the GBP at R13.2941 from R13.1062 the previous day.



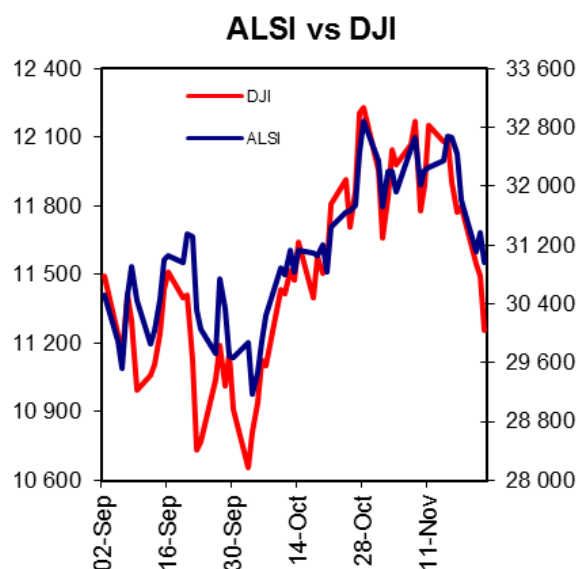
Bond Update

It was quiet for most of the session within the local bond market yesterday, however a sharp sell-off late in the session fuelled by significant weakness on the local currency sent yields higher. Both the close R157 yield had surged 12bpts higher, taking the level back above the 7.000% level to 7.070%, whilst the R186 yield moved 9bpts upward to 8.755%. It's all about the Eurozone again this morning. That said this is not your run-of-the-mill periphery Eurozone debt crisis as contagion has spread to core Europe proper now. Investors yesterday did not bid for 35% of a EUR6bn German 10yr bund auction. The question being raised is that if investors don't want to take up debt of the top-rated credit in the Eurozone, what does it say about demand for the rest, including the likes of France and Italy? Local bonds continue to come under pressure following elevated measures of risk and volatility being priced in globally. Today sees the release of local PPI figures which will give further indications of local price movements. Although this will hold significance for local fixed income traders, investors will now monitor German bond yields to see if the crisis has spread to the nation.



JSE Update

After plunging at the open yesterday, the local bourse failed to recover, and although losses were tepid through the rest of the session, the local market ended well lower in line with global equities. By the close the ALSI was down a solid 1.32%, as all indices closed well lower. After falling from 55 index points in the first quarter of the year to 39 in the third quarter, the RMB/BER Business Confidence Index released yesterday, eased by one point to 38 in Q4. This release did little to change direction on the local market as investor fears regarding financial contagion looks to be playing out and investors worldwide rotate away from risky asset classes such as equities. Wall St closed sharply lower ahead of the Thanksgiving holidays which start today. Risk off has persisted and it would appear that the risk is now heading Germany's way. Yesterday's failed German bond auction served as a reminder that Germany is directly affected by what happens in the rest of the Eurozone. It highlights the depth of the crisis and increases the pressure on the authorities to consider using the ECB to help. With investors on the back foot, caution is favoured.



With Compliments from IQuad Group Limited

Incorporating the specialists in investment incentives, treasury risk management, business optimisation and verification and audit services.



This report is provided on a complimentary basis by IQuad Group Limited and is prepared by Econometrix Treasury Management (Pty) Ltd. www.e-treasury.co.za

DISCLAIMER: IQuad Limited (IQuad) obtains information for its analyses from sources, which it considers to be reliable, but IQuad does not guarantee the accuracy or completeness of its analyses or any information contained therein. IQuad makes no warranties, expressed or implied as to the results obtained by any person or entity from use of its information and analyses, and makes no warranties or merchantability or fitness for a particular purpose. In no event shall IQuad be liable for indirect or incidental, special or consequential damages, regardless of whether such damages were foreseen or unforeseen. IQuad shall be indemnified and held harmless from any actions, claims, proceedings, or liabilities with respect to its information and analyses. Clients should be fully aware of the risks involved in trading stock market related products. All illustrations, forecasts or hypothetical data is for illustrative purposes only and is not guaranteed.

The information contained in this communication does not constitute an offer, advertisement or solicitation for investment, financial or banking services. It is for informative purposes and not intended to constitute advice in any form, including but not limited to investment, accounting, tax, legal or regulatory advice. The information therefore has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient.