

Date: 25 August 2010

USD-ZAR 7.3122/4208
 GBP-USD 1.5364/468
 GOLD \$1232.00

EUR-ZAR 9.2561/3680
 USD-JPY 84.179/609
 ALLSHARE 27 069.73

GBP-ZAR 11.2932/4188
 AUD-USD 0.8843/930
 DJI 10 040.45

EUR-USD 1.2598/680
 R157 7.215%
 3M JIBAR 6.540%

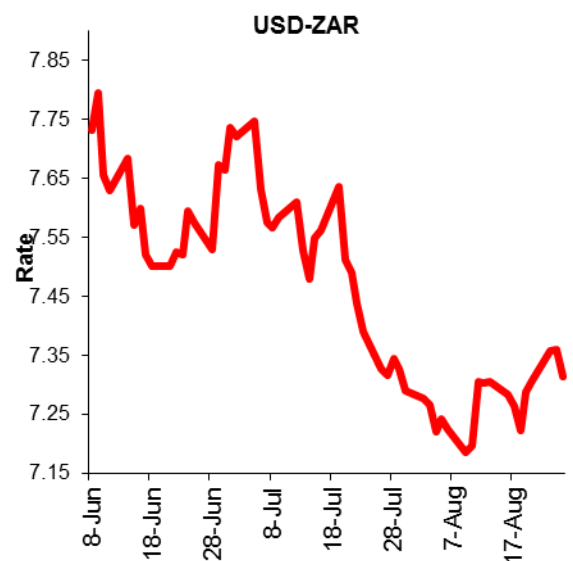
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Eskom Bond Auction (ES15 - R500mn)			
09:30	SA	CPI y/y	Jul	4.00%	4.20%
08:00	DE	Ifo business climate index	Aug	105.7	106.2
12:30	US	Durable goods orders	Jul	2.80%	-1.20%
12:30	US	New orders XT	Jul	0.50%	-0.90%
14:00	US	New home sales	Jul	0.33mn	0.33mn
14:00	US	Home Prices y/y	Jun		-1.20%

Today's Talking Point

CPI (Jul) preview: The longer term trend in y/y CPI remains to the downside. This was evident again in the Jun data where CPI fell to 4.2% y/y from 4.6% in May and this came despite Jun being a measurement month for many categories such as owners' equivalent rent. Any potential upward price pressures continue to be countered by weak credit and money supply growth as well as low food inflation. However, if the Namibian inflation figures for Jul are anything to go by, domestic CPI may well show a temporary uptick in Jul. Namibia's inflation climbed to 4.6% y/y in Jul from 4.3% in Jun, and given that SA and Namibia effectively form a common monetary union, the two economies' CPI figures follow a similar trend.

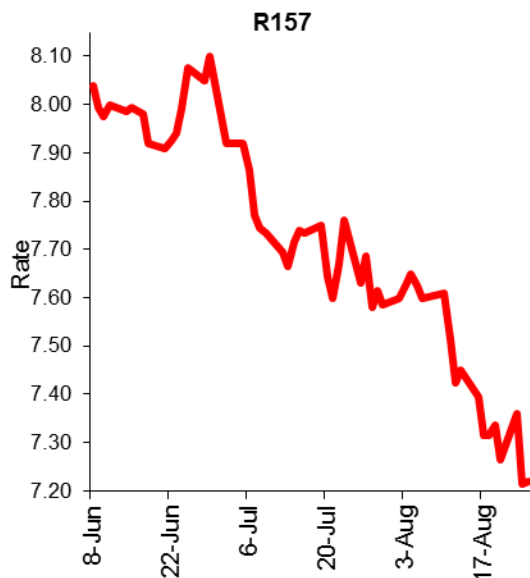
Rand Update

Not particularly well publicised were some comments made by Fin Min Gordhan detailing plans that the government has to look into the existing tax rules governing interest earned by foreign investors based in SA from operations outside of SA's borders. It is however worth pointing out that the amendment will need to be delayed until 2013 to allow for the negotiation of different tax treaties. Any news on this front will therefore have little bearing on the short term movements on the currency market, but is nevertheless something to keep an eye on. This news follows indications that government may be considering a Tobin type tax on portfolio inflows and would suggest that regulatory intervention of some sort is almost certainly in the pipeline. Whether this will change the fundamental and structurally driven direction of the currency is doubtful, but uncertainty in this regard holds the potential to fuel some volatility. According to Reuters data (bid chart), the ZAR weakened slightly against the USD on Tuesday, closing at R7.36 from R7.358 on Monday. The ZAR also lost ground vs. the EUR, ending at R9.292 from R9.2523 on Monday, while strengthening vs. the GBP to end at R11.3381 from R11.4221 the previous day.



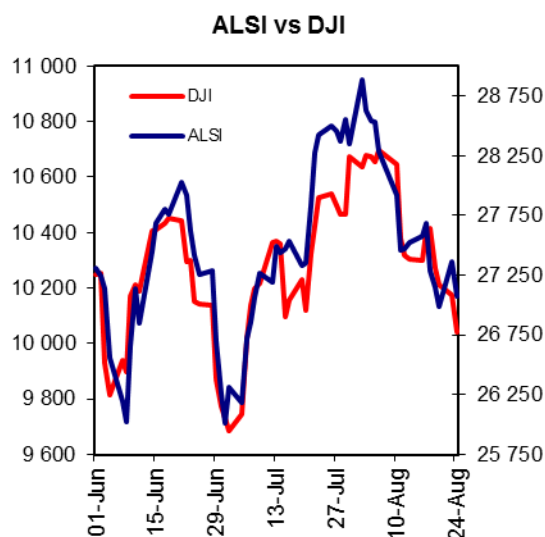
Bond Update

Growth uncertainties and deflation fears remain intact the world over and have intensified following yesterday's poor set of US housing data. This has once again prompted a rally in major sovereign bond markets and benefited local bonds, particularly on the medium to longer end of the curve. Yesterday's housing data adds to the argument for the Fed and other major central banks to keep quantitative easing policies intact in order to stimulate global growth, while it is also likely to have pushed out interest rate hike expectations with many now only talking of rate hikes at the earliest of 2012. A theme that has been in full force over the past year is one of rotation into Emerging Markets given the more attractive growth and yield prospects on offer. This was again evident during yesterday's bond market session locally with the yield curve migrating lower, while the curve flattened further (longer end outperformed the shorter end). At the close, the key benchmark R157 (2015) closed stronger at a yield of 7.215% lower than the previous close of 7.360%, while the R186 (2026) closed at 7.840%, which was similarly lower than Monday's close of 8.015%.



JSE Update

While shares of local names such as Nedbank and Old Mutual remained resilient due to takeover talk from offshore firm HSBC, the overall market came under significant strain as US data once again sparked fears of rapidly slowing economic growth. Added to that was a soft domestic GDP report for Q2 which meant that the market found no support on the day. At the close of trade the JSE ALSI had dropped 1.1%, with all sectors declining. US stocks dipped into the red at the open and remained weak for the entire session yesterday, with the Dow Jones closing 1.3% lower and the S&P falling 1.5%. US housing data showed that existing home sales decreased 27% m/m in July, the sharpest drop on record. This spurred demand for safety and a further rotation of funds away from perceived riskier assets such as stocks. The Asian markets have suffered a similar fate overnight, losing ground as Wall St stocks ended at their lowest levels in seven weeks. Furthermore the JPY continues to surge ahead vs. the USD and pressure Japanese exporters. At their respective market closes we find the Nikkei down 1.6% while Aussie stocks have shed 1.4%. Meanwhile at the time of writing the Hang Seng had fallen 0.4% and the Shanghai composite had dropped 1.4%.



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