

Date: 26 January 2012

USD-ZAR 7.8329/9413

GBP-USD 1.5609/711

GOLD \$1 708.89

EUR-ZAR 10.2932/4021

USD-JPY 77.43/84

BRENT \$110.67

GBP-ZAR 12.2974/4128

AUD-USD 1.0586/667

DJI 12 756.96

EUR-USD 1.3068/168

R157 6.560%

3M JIBAR 5.596%

Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	PPI y/y	Dec	9.90%	10.10%
07:00	DE	GfK Consumer Confidence Index	Feb	5.60	5.60
13:30	US	Chicago Fed National Activity index	Dec	-0.37	-0.37
13:30	US	Durable Goods Orders	Dec	2.00%	3.70%
13:30	US	Jobless Claims			352.0k
13:30	US	New Orders XT	Dec	0.90%	0.30%
15:00	US	Leading Indicators	Dec	0.70%	0.50%
15:00	US	New Home Sales	Dec	320.0k	315.0k
	EZ	ECB Hold Non-Rate Setting Meeting			

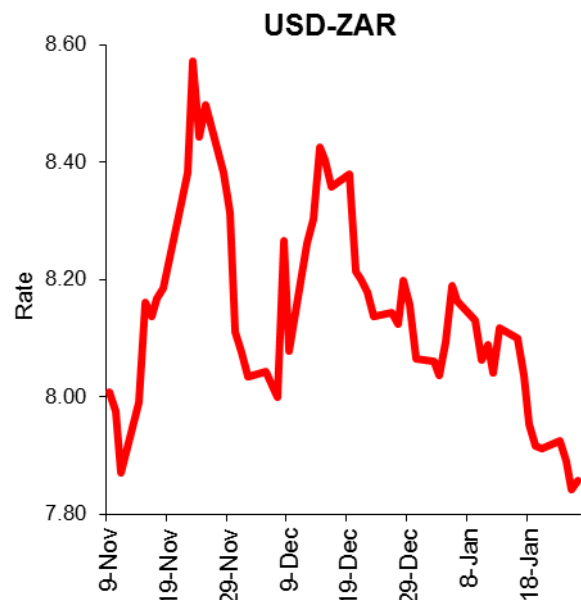
Today's Talking Point

PPI (Dec): Although PPI remains fairly buoyant, with the Nov reading printing 10.1%, there are indications that the number is topping out. The PPI reading tends to move in close correlation with the continuous commodity index (CCI), which has been seen to moderating. Thus although the upcoming reading will reflect still elevated producer prices, the bias is for moderation as we move deeper into 2012.

Rand Update

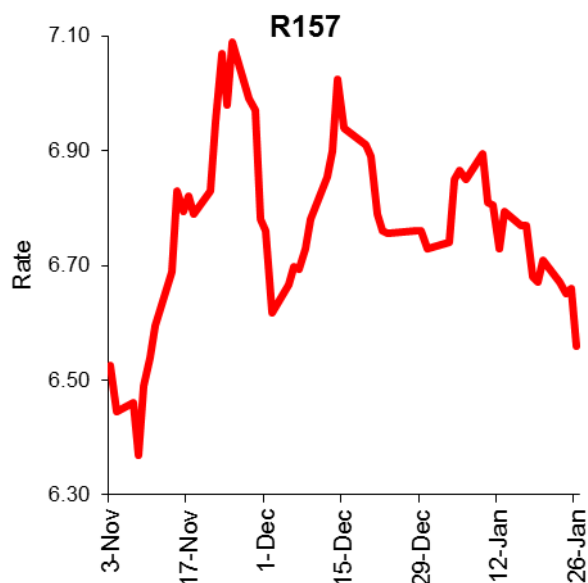
Just when everyone thought that the outlook for the US economy had been digested and that the market was well-positioned for the Fed's stance, the Fed surprised by being significantly more dovish than many anticipated. Earlier this week we warned that the mix of Fed members had become more accommodative of growth and that the possibility of a third round of quantitative easing should not be discounted. We remain concerned that the US is now rapidly bogging itself down in a liquidity trap where monetary policy will progressively become less and less effective in bolstering the economy, but that the fear of another major recession will keep the policy makers more inclined to try and reflate than allow another bout of deflation to unfold. The consequences of this will become increasingly evident over time. Throughout most of 2011 we expressed the view that the structural forces generated by such monetary policy stances abroad vs the relatively conservative stance adopted by the SARB would hold consequences for the SA economy. One such consequence is a ZAR which reflects impressive resilience and strength beyond most forecasters' expectations. A hint of this was evident last

night when the ZAR strengthened from levels of 8.0500 all the way down to levels below 7.9000/dlr. As the ECB offers commercial banks in Europe another opportunity to raise capital at very cheap rates and as the BoE extends its quantitative easing efforts, we remind readers of our expectation that 2012 could very well be a year where the ZAR makes a comeback. It may not be as pronounced as it was post the 2008 crash, but the systematic debasement of the world's major currencies might very well translate into a stronger rather than weaker ZAR. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Wednesday, closing at R7.8428 from R7.8900 on Tuesday. The ZAR weakened against the EUR, ending at R10.3343 from R10.2728 on Tuesday, while similarly finished weaker against the GBP at R12.3481 from R12.3179 the previous day.



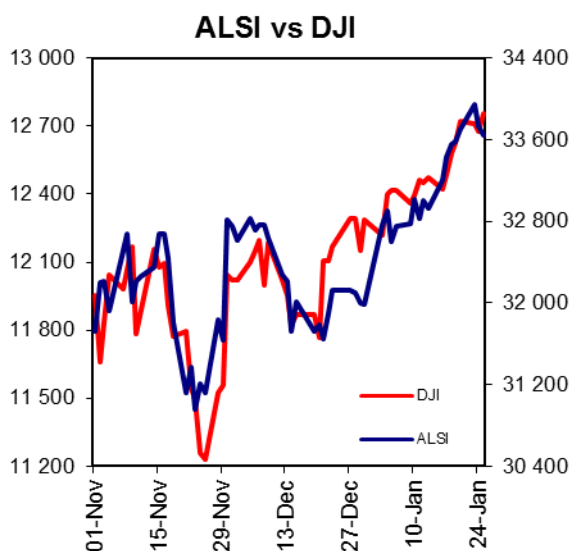
Bond Update

Local bonds were sold off yesterday, with yields across the curve moving higher for the first time in three sessions. With the local currency coming under pressure during the local session and selling off against the USD, underperforming in comparison to EMEA currency peers, there was reason for investors to move away from the local bond markets. By the close the R157 yield had moved 1bpt higher to close at 6.660%, whilst the R186 yield added 4bpts to close at 8.375% yesterday. Overnight however, the Fed FOMC announced it was pushing out its expectations for when the fed funds rate would be hiked from mid-2013 to late 2014, which came as a surprise to many. Markets were boosted by this statement overnight, the USD-ZAR has fallen to fresh lows below 7.9000, which will aid local bonds, which are set to post gains as risk appetite improves. As we head into February and the budget statement approaches, focus is starting to shift back on to SA's fiscal position. The mismanagement of tax revenues has come into sharp focus recently, and both Fitch and Moody's have downgraded SA's credit rating outlooks, highlighting the difficulties in trying to keep current expenditures on welfare policies intact.



JSE Update

Profit taking throughout the morning session weighed on the local bourse, and although there was some buyer interest in the second half of the session the ALSI failed to recoup all losses. By the close the ALSI was down 0.29% as all indices lost ground during the session. It was noted by some traders that activity was relatively subdued within the local market as investors awaited the US Fed interest rate decision, which took place after the local close. Over in foreign markets, as talks on avoiding a Greek debt default remained unsolved, equity traders within the EZ had to contend with weaker GDP data from the UK pointing to signs of a recession within Europe's third largest economy. Although the closely watched IFO German business index rose for a third month, analysts said the wider region was still in trouble. As a result most core EZ bourses ended in negative territory. However over in the US, stocks shaved early losses and ended higher after the Fed said it plans to keep interest rates near historic lows through late 2014. Improvement in sentiment will aid appetite however with the ALSI still hovering around record highs, local buyer interest may be contained.



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