

Date: 26 July 2010

USD-ZAR 7.3788/4907
 GBP-USD 1.5393/497
 GOLD \$1191.60

EUR-ZAR 9.5420/6602
 USD-JPY 87.315/745
 ALLSHARE 28 424.17

GBP-ZAR 11.4192/5478
 AUD-USD 0.8915/97
 DJI 10 424.62

EUR-USD 1.2873/955
 R157 7.695%
 3M JIBAR 6.565%

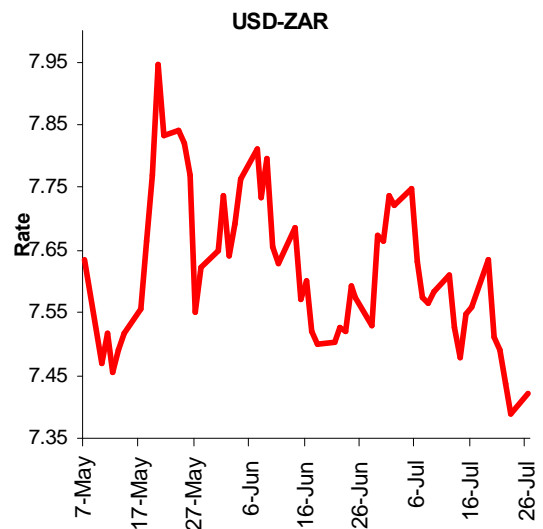
Time (GMT)	Country	Event	Month	Exp	Prior
07:00	SA	SARB Leading Indicator	May		128.2
12:30	SA	Liquidations and Insolvencies	Jun		166%; -34%
14:00	DE	Basel Committee discussion on bank capital reform			
	US	New home sales	Jun	0.32mn	0.3mn
16:00	US	Treasury Undersecretary Brainard speaks on global economic agenda			

Today's Talking Point

Liquidations and Insolvencies (Jun) preview: The y/y growth in insolvencies has declined over recent months and it is likely that the impact of low domestic interest rates and the National credit act (in terms of reducing action against debtors unable to repay debt) is helping the financial position of consumers. However, y/y growth in liquidations has showed much higher volatility, with the trend heading higher since late last year. This will be a factor to watch in the quarters ahead as subdued economic growth puts pressure on companies' bottom line figures.

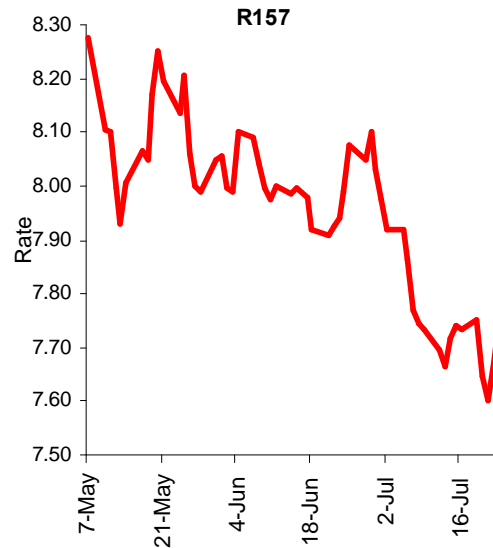
Rand Update

Today is likely to be dominated by interpretations of the EU bank stress tests and the manner in which investors respond. Ultimately, between the financial safety net that Europe has already developed, coupled with the ECB which has shown its willingness to step in and help highly indebted eurozone governments avoid default, the stress tests may ultimately still reflect the reality that intervention should prevent a repeat of the banking crisis seen in 2008/09. Although investors would have preferred to see which banks are more vulnerable than others in the worst case scenario, the fact that the outcomes were many multiples better than what the market had been pricing in could still boost sentiment to some degree and the criticism levelled at the outcome so far could dissipate. For the ZAR, this would mean ongoing support for the local unit and would suggest that levels approaching 7.4000 could very well be retested in the upcoming trading session. According to Reuters data (bid chart), the ZAR strengthened against the USD on Friday, closing at R7.39 from R7.438 on Thursday. The ZAR also gained on the EUR, ending at R9.5361 from R9.5876 on Thursday, while finishing weaker against the GBP at R11.4057 from R11.345 the previous day.



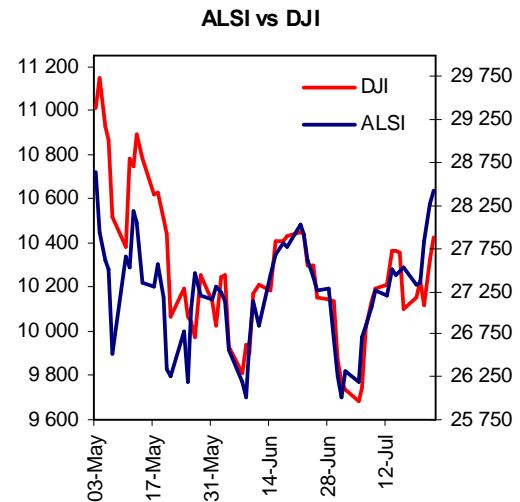
Bond Update

On Friday the domestic yield curve was offered higher with players speaking of some near term profit taking after the SARB failed to lift rates. Despite the SARB having not cut rates last week (or perhaps because of it), however, there is increasing talk from a number of sectors that the local sovereign debt market offers immense value. Main justification is that debt laden developed countries, with no room to lower rates further unless they start the printing presses, are unattractive vs. those developing markets with fiscally prudent debt metrics and attractive yield on offer (especially on the longer end). This leaves scope for the bond market to strengthen further in the weeks ahead, which will only be further aided by expectations of at least one more rate cut. Overall, the benchmark R157 closed weaker ending the session at 7.760% vs. 7.670% on Thursday. Similarly, the R186 yield drifted higher to close weaker at 8.845% vs. the previous close of 8.725%.



JSE Update

Local stocks ended higher on Friday, extending gains from earlier in the week as risk sentiment continued to improve. At the close of trade the JSE ALSI had risen 0.5%, pushing weekly gains up to 3.2%. The Top 40 index strengthened by a similar margin to reach its highest close since early May. However, players remained cautious heading into the weekend, with the results of the European bank stress tests released later in the US session. With the stress tests mostly better than what the markets had initially priced in, US stocks subsequently posted a solid day of gains. Trading was cautious in the opening hours of trade leading up to the release, with earnings reports over the previous days fairly mixed. The Dow Jones ended 1.0% stronger to reach a one-month high, while the S&P topped 1,100 by gaining 0.8% on the day. The Asian markets have risen overnight, showing a positive response to the offshore news as well as data out of the region. South Korea's GDP expanded 7.2% y/y in Q2, while Japan's exports climbed 27.7% y/y in Jun. Both sets of data were better than expected. As such, the Nikkei gained 0.8% by the close and Aussie stocks climbed 0.6%, while at the time of writing the Hang Seng and Shanghai composite had added 0.2% and 0.4% respectively.



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