

Date: 27 July 2010

USD-ZAR 7.2864/3949
 GBP-USD 1.5464/568
 GOLD \$1185.70

EUR-ZAR 9.4985/6106
 USD-JPY 86.753/9.183
 ALLSHARE 28 499.00

GBP-ZAR 11.3282/4486
 AUD-USD 0.8987/9069
 DJI 10 525.43

EUR-USD 1.2975/3057
 R157 7.605%
 3M JIBAR 6.565%

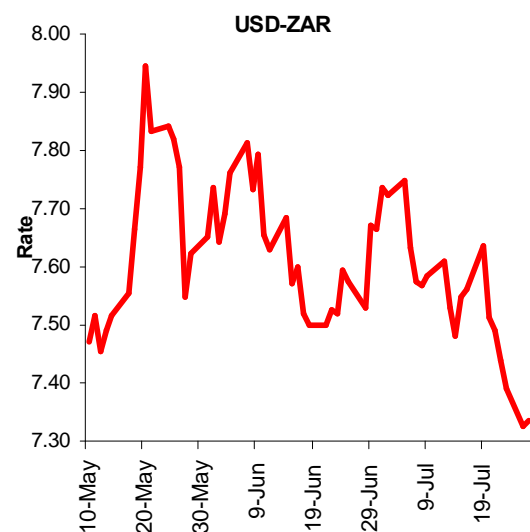
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	Bond Auction (R204 - R1100mn; R207 - R1000mn)			
09:30	SA	Quarterly Labour Force Survey	Q2		25.20%
06:00	DE	GfK consumer confidence index	Aug		3.5
08:00	EZ	M3 money supply	Jun	-0.10%	-0.20%
13:00	US	Case/Shiller home prices m/m SA	May	0.00%	0.40%
14:00	US	Consumer confidence	Jul	52.8	52.9
14:00	US	US House Committee on Transportation/Infrastructure hearing on stimulus			

Today's Talking Point

Quarterly Labour Force Survey (Q2) preview: The Quarterly Employment Statistics (QES) measures the number of people employed in the formal business sector whereas the Quarterly Labour Force Survey (QLFS) includes the informal labour force too. While the QLFS showed that 140k formal sector non-agricultural jobs were lost in Q1, while the QES showed a slightly lower figure of 79k. On the whole it is safe to say that unemployment remains a significant concern for consumers and policy makers alike, with unemployment rising above 25% and serving to restrict demand-led growth.

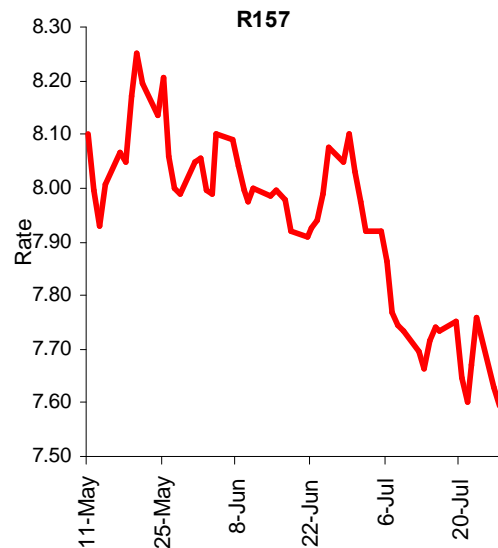
Rand Update

A lot is currently being made of the strength in the ZAR and the potential corporate inflows related to a take-over of one of SA's big-four banks that may be fuelling it. Market talk suggests that investors are pricing in the risk that these inflows reach the market and in so doing strengthen the ZAR. The fact that this comes over and above the inflows linked to Didata suggests that in just two deals more than \$5.0bn worth of inflows could find its way into SA. However, National Treasury appears reluctant to see the ZAR strengthen much further and appears to be intervening in the market to prevent undue ZAR strength. Despite this, the reality is that inflows into the bond market are more than likely the main driver of this current phase of ZAR strength. Ever since the SARB's decision to leave interest rates on hold, foreigners have seen this as a golden opportunity to expose portfolios to the attractive yields on offer, especially as SA's debt metrics remain conservative by international standards. According to Reuters data (bid chart), the ZAR strengthened against the USD on Monday, closing at R7.3274 from R7.39 on Friday. The ZAR also gained on the EUR and GBP, ending at R9.5212 vs. the EUR from R9.5361 on Friday, while finishing at R11.3457 vs. the GBP from R11.4057 at the end of last week.



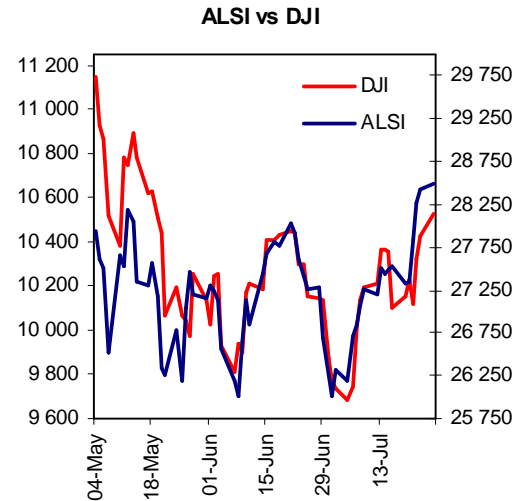
Bond Update

Although at the most recent MPC meeting SARB Governor Marcus highlighted the downside risks to international economic growth and the implications for the domestic economy, it was interesting to note the upward revision to the SARB's 2010 growth estimate from 2.7% to 2.9%. This is largely in line with although still below many private sector forecasts of between 3.0% to 4.0%. Against National Treasury's conservative forecast of 2.3% for the current year, it appears that tax revenue collections are likely to have been underestimated and hence NT may have to borrow less from the open market. This bodes well for the bond market and will be a structural driving force. Yesterday a combination of the stronger ZAR and offshore demand saw bond yields plummet lower (strengthen). At the close the benchmark R157 closed stronger ending the session at 7.630% vs. 7.760% on Friday. Similarly, the R186 yield drifted lower to close stronger at 8.690% vs. the previous close of 8.845%.



JSE Update

The JSE ALSI continues to churn higher in line with Wall St, gaining 0.3% yesterday to bring appreciation in the month-to-date to 8.5%. Appetite for domestic assets remains healthy, with the European bank stress tests not offering too many concerns and talk of a possible takeover of domestic bank Nedbank giving an additional boost to the market. As such, financial stocks gave support to the market on the day, rising 0.6% as banks climbed 0.7%, while resources ended flat as gold stock losses of 0.9% weighed against platinum stocks gains of 0.7%. US stocks ended higher yesterday as positive momentum carried through from last week on the back of upbeat data and earnings reports. New home sales for Jun came in better than expected, suggesting initial pessimism surrounding the housing market recovery may be overdone. At the close the Dow Jones and S&P were up 1.0% and 1.1% respectively. Meanwhile the markets in the Asia-pacific region are mixed overnight, with risk sentiment mostly subdued. The Nikkei has ended 0.1% lower, pressured by further JPY strength, while Aussie stocks added 0.3% in the build-up to August earnings season in Australia. At the time of writing the Hang Seng was flat and the Shanghai composite had lost 0.5%.



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