

Date: 03 February 2012

USD-ZAR 7.6025/7129
 GBP-USD 1.5771/872
 GOLD \$1 757.89

EUR-ZAR 10.0122/1323
 USD-JPY 76.01/42
 BRENT \$112.46

GBP-ZAR 12.0558/1717
 AUD-USD 1.0663/743
 DJI 12 705.41

EUR-USD 1.3097/198
 R157 6.415%
 3M JIBAR 5.596%

Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	ILB Auction (R600mn)			
08:55	DE	Services PMI	Jan	54.50	54.50
09:00	EZ	Services PMI	Jan	50.50	50.50
09:30	GB	Services PMI	Jan		54.00
10:00	EZ	Retail Sales m/m	Dec	0.20%	-0.80%
13:30	US	Non-Farm Payrolls	Jan	167.0k	200.0k
13:30	US	Private Sector Payrolls	Jan	185.0k	212.0k
13:30	US	Unemployment Rate	Jan	8.60%	8.50%
15:00	US	Factory Orders m/m	Dec	1.00%	1.80%
15:00	US	ISM Services PMI	Jan	53.20	52.60

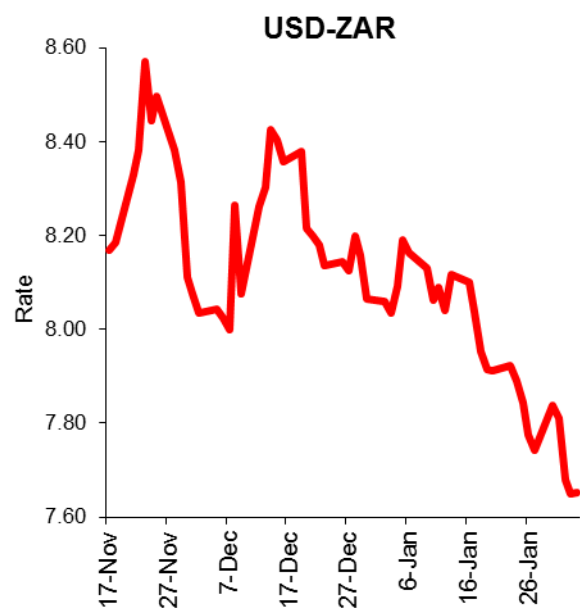
Today's Talking Point

Naamsa Vehicle Sales (Jan): In Jan NAAMSA total vehicle sales growth dipped to 7.0% y/y vs growth of 11.0% y/y in Dec. Domestic passenger car sales contracted 1.23% y/y following a 16.18% y/y expansion in Dec. Data will still be subject to some distortion owing to the withdrawal of data from Mercedes SA, however a sharp slowdown in annual growth in domestic passenger vehicle sales is evident. Although annual growth may be somewhat subdued in months ahead, sales volumes are expected to continue to trend higher in the rest of the year.

Rand Update

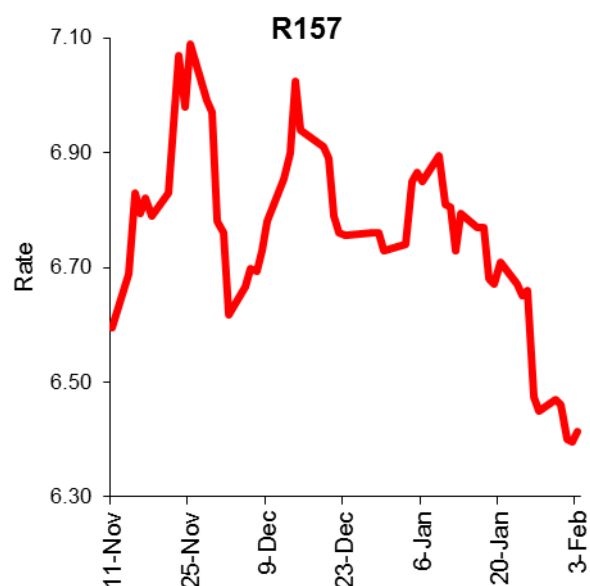
It has been a very strong start to the year and not entirely unexpected as the central banks ramped up their efforts to stabilise global financial markets and buy governments more time to bring their fiscal positions back towards a point of sustainability. In appreciating how the central bank dynamics have boosted risk assets and EM currencies one must then take into consideration the rising probability that central banks will be doing even more in the months ahead not less. As the ECB offers a fresh round of funding to the banks, as the BoE extends its quantitative easing and the Fed potentially reignites its own quantitative easing efforts, the developed world markets will become awash with liquidity and funding that will need to be placed somewhere. In 2009 and 2010 this had the effect of strengthening the ZAR significantly and one should not rule out the prospect that this unfolds again in 2012. Although there are some mitigating factors to restrict the extent of the ZAR appreciation, the fact is that the strong start to the year for the ZAR could extend even further through the months ahead and corporates would do well to be aware of this risk. Importers may feel more comfortable scaling back some of

their cover whilst exporters will need to look carefully at their costing rates vs forward rates available. Whilst these are longer term factors, the more immediate risk to currency direction will be today's US non-farm payrolls data. The precursor to this data, namely the ADP figures were slightly disappointing but still reflected an overall improvement. Anything better than expected and risk assets should benefit once more. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Thursday, closing at R7.6505 from R7.6808 on Wednesday. The ZAR strengthened against the EUR, ending at R10.0450 R10.1112 on Wednesday, while similarly finished stronger against the GBP at R12.0769 vs R12.1661 the previous day.



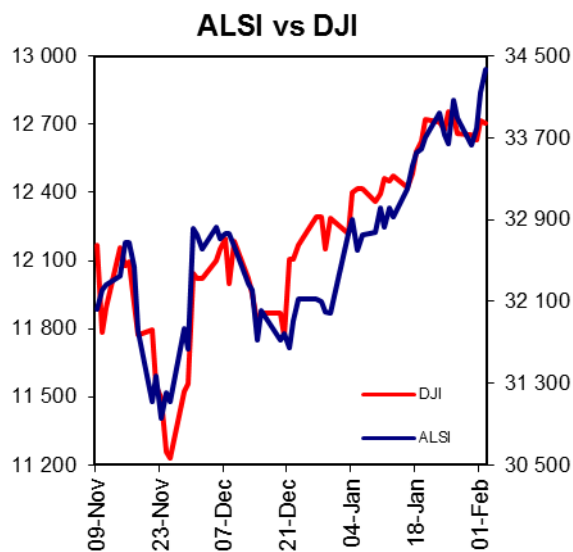
Bond Update

Activity across the local bond market was mixed yesterday, despite a stall on the recent rand rally. By the close yesterday the R157 yield had dropped just 0.5bpts to close at 6.395%, whilst the R186 moved lower from 8.135% to close at 8.065%. Market talk affirms the view that major funds continue to increase exposure to high-yielding EMs in a structural strategic sense, not only for tactical short-term plays. It appears as if many investors are in search of not only higher yielding markets, but also stability and a sound growth outlook. Given the structure of the local economy, investors are finding plenty of value in the South African markets. Data yesterday showed that a sharp slowdown in annual domestic passenger car sales growth in Jan was partially owing to statistical considerations. A correction in annual growth numbers is likely to play out in Q1 2012. Nevertheless, vehicle sales growth should remain supported given the rather resilient private sector credit growth is sustained. Although global market players will eye key data out of the US and EZ, the weekly ILB auction will also give direction to fixed income traders, which will also give insight into inflation expectations.



JSE Update

The local market closed higher once again yesterday, as the market's underlying bullish tone continues to drive trade higher. Closing 0.68% higher, the ALSI continues to push record levels to new highs. Despite a weak trading session on Monday, the local bourse looks set to end the week in positive territory today, unless there are some negative surprises out of either Europe or the US, which have the potential to spur significant profit taking given the recent gains. However, the ALSI is already over 1.5% higher on the week, and thus it is unlikely that these will be given up in just one session. Local gains yesterday outshone foreign markets which took a breather, following solid gains on Wednesday, as investors positioned themselves for crucial US jobs data that often set the tone for a week or two after their release. Although core EZ bourses closed higher, gains were tepid, as many investors would have preferred to take profits ahead key risk events. Sentiments were similar over the Atlantic as US investors digested a cautious economic outlook presented by Fed chair Bernanke speaking at Congress. It is likely that ahead of US payrolls later today market activity will be subdued.



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