

Date: 30 January 2012

USD-ZAR 7.7372/8458  
 GBP-USD 1.5653/755  
 GOLD \$1 730.29

EUR-ZAR 10.2092/3153  
 USD-JPY 76.47/88  
 BRENT \$111.11

GBP-ZAR 12.1805/2896  
 AUD-USD 1.0530/610  
 DJI 12 660.46

EUR-USD 1.3120/231  
 R157 6.450%  
 3M JIBAR 5.596%

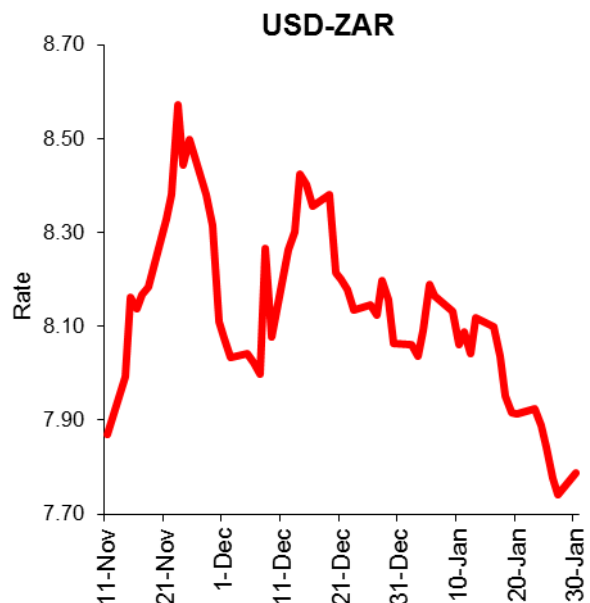
Time (GMT)	Country	Event	Month	Exp	Prior
00:00	DE	CPI Preliminary y/y	Jan	2.00%	2.10%
10:00	EZ	Sentiment Indicators	Jan		
13:00	EZ	EU Summit - Brussels			
13:30	US	Core PCE y/y	Dec		1.70%
13:30	US	Personal Income m/m	Dec	0.40%	0.10%
23:15	JP	Manufacturing PMI	Jan		50.20
23:50	JP	Industrial Production Preliminary y/y	Dec		-2.70%

## Today's Talking Point

**Energy Update:** Brent Crude rose on Friday ahead of a meeting in Iran on whether or not the country will halt exports to certain EU countries, raising the risk premium stemming from prospective supply-side disruptions. At market close Brent was trading at \$111.46/bl, up 1.46% on the week. NYMEX crude however declined on the day as US GDP data came in softer than expected, ending the week at \$99.23/bl. Overnight both Brent and NYMEX edged lower ahead of the resumption of the EU summit in Brussels, trading at \$111.02/bl and \$99.03/bl respectively at the time of writing. Supply side concerns stemming from geopolitical factors in Iran also remain on the radar.

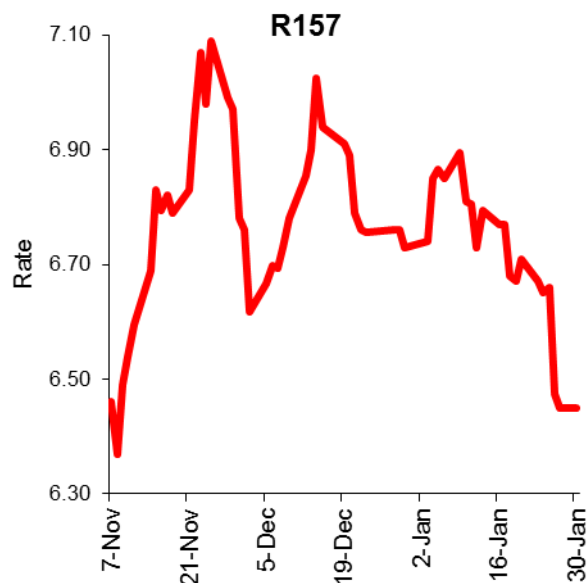
## Rand Update

For the time being, it is clear that Europe will remain the driver of direction for many reasons. First is the issue of the Greek-Private Sector Initiative (PSI) negotiations which need to conclude successfully and soon if Greece is to be given the next tranche of its bail-out. Secondly, proposals of the establishment of a budget commissioner in the EU will annoy Greek authorities that will see this as an attempt for the EU to seize budgetary control and thirdly, the likes of Spain will be producing their GDP data which will show that they are in recession and that structural reforms are desperately needed to bolster the growth outlook. None of these events are particularly positive in that they highlight the frailties of the eurozone, but so much bad news has been priced in that some relief rallies could follow should the PSI negotiations conclude positively, should Greece get the EUR130bn it needs to avoid default and a credible oversight body is established in Europe to identify fiscal crises long before they unfold as they have. We therefore continue to caution against holding a permanently pessimistic outlook for the eurozone, at least in the short to medium term and investors should refrain from automatically pricing in the probability of another bout of volatility and risk aversion. The reality is that the stakes are high and there is too much to lose should negotiations at this stage of developments unravel. Already there are signs that the domestic JSE and bond markets are looking attractive and starting to attract foreign inflows all of which will help support the ZAR. At this point we see no reason to deviate away from a stronger ZAR outlook in the months ahead. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Friday, closing at R7.7415 from R7.7765 on Thursday. The ZAR weakened against the EUR, ending at R10.2389 from R10.1918 on Thursday, while finishing stronger against the GBP at R12.1805 from R12.2022 the previous day.



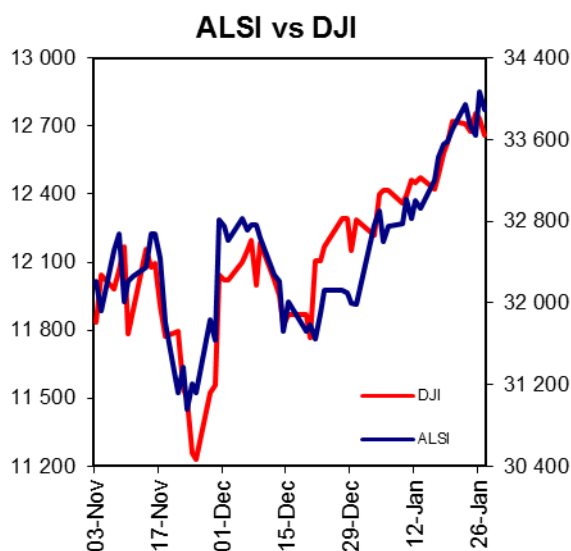
## Bond Update

Local bonds continued to rally on Friday, but it was longer dated bonds which outperformed on the day. As a result the R157 yield dropped just 2.5bpts to close at 6.450%, whilst the R186 moved 8.5bpts lower to close at 8.145%. Local bond strength recently has been aided by a significant rand recovery against the US dollar, with the USD-ZAR closing the week at 7.7400, levels last seen way back in Nov as demand for risk assets gains momentum. Supporting the decline of yields last week was healthy demand from non-residents for local bonds. Excluding Friday, last week saw non-residents take up a net R3.4 billion worth of local bonds, according to JSE data. Foreign interest looks to be picking up once again for risk assets, such as SA bonds. Turning then to local data, in the week ahead the main focus will be on money supply, PSCE, and international trade data due for release tomorrow, followed by the Kagiso PMI due for release on Wednesday. The latter is expected to move back above 50, following the dip below 50 last month. Money supply and credit data will give us an idea of whether the domestic recovery will continue to gain momentum.



## JSE Update

After what turned out to be a relatively strong week for the local bourse, there was an element of profit taking amongst equity traders which weighed on the local market. As a result the ALSI ended in negative territory, dropping 0.50%, moving off recent record levels. Despite this however, the ALSI still managed to end the week on a positive note after Thursday's strong rally boosted shares. Last week was the fourth consecutive week in which the ALSI has ended higher, and with just two sessions left this month, it is now very likely that January will show net gains for the month setting a solid platform for the rest of the year. In foreign markets, weaker than expected US GDP data, compounded concerns surrounding the on-going negotiations between Greece and private creditors which weighed on core EZ bourses on Friday which slipped into negative territory across the board. Over in the US, investors used the opportunity to lock in recent gains, as major indices on Wall St. closed mixed but mostly lower. The week starts with an EU summit later today and ends with a key report on the US job market on Friday.



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