

Date: 30 July 2010

USD-ZAR 7.3032/4118
 GBP-USD 1.5570/674
 GOLD \$1169.20

EUR-ZAR 9.5647/6756
 USD-JPY 86.252/682
 ALLSHARE 28 550.07

GBP-ZAR 11.4340/5538
 AUD-USD 0.8953/9035
 DJI 10 467.16

EUR-USD 1.3034/116
 R157 7.645%
 3M JIBAR 6.565%

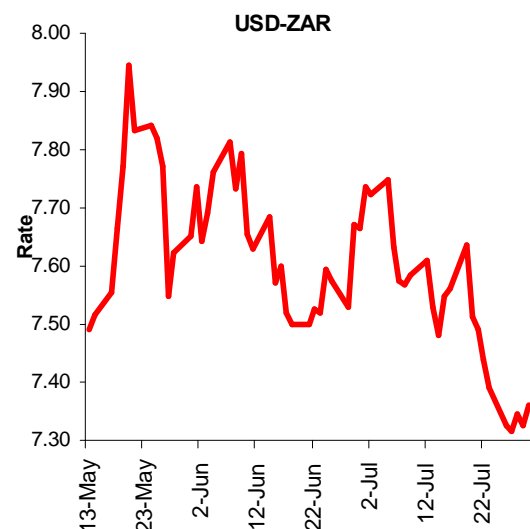
Time (GMT)	Country	Event	Month	Exp	Prior
09:00	SA	ILB Bond Auction (R600mn)			
12:00	SA	Trade Statistics	Jun	-R1.6bn	-R0.3bn
12:30	SA	Government Finance Figures	Jun	R4.55bn	-R20.9bn
09:00	EZ	Unemployment	Jun	10.00%	10.00%
12:30	US	Core PCE Q2	Q2	1.10%	0.70%
12:30	US	GDP advanced Q2	Q2	2.50%	2.70%
13:45	US	Chicago PMI	Jul	56	59.1
13:55	US	Michigan final	Jul	67	66.5

Today's Talking Point

Trade Statistics (Jun) preview: Imports only grew 3.1% on the month in May vs. the 6.8% growth recorded for exports. This brought the trade deficit to R300mn from R1.9bn in Apr. However, the strong jump in exports was mostly attributable to the sharp rise in precious and semi-precious stones and metals which increased R3.6bn. Excluding this category, the trade data would have looked significantly worse and one should be cautious in drawing too much comfort from the better than expected outcome. If the structural issues underpinning the current account deficit gather any sort of momentum, the ZAR could find itself somewhat exposed once more. This, however, would also require a loss of momentum in the level of portfolio (hot money) inflows seen over recent months.

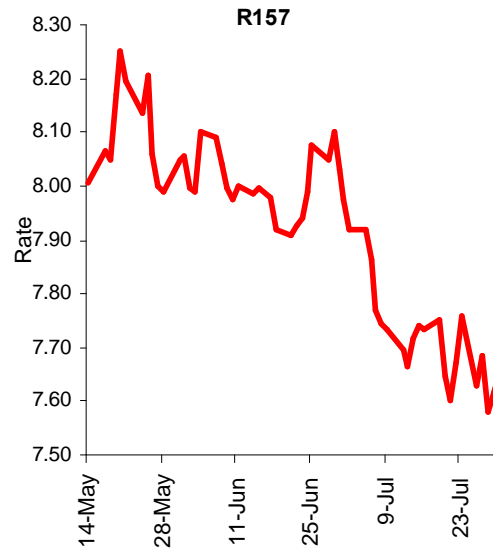
Rand Update

There is no question that yesterday's PPI data came as somewhat of a shock. Whilst a rise in PPI had been expected, the market was in some cases approximately 2.0% off the outcome. However, the rise in PPI does not guarantee that the pressures will filter through to the consumer level in wholesale fashion. Whilst consumer demand and growth in the monetary aggregates is weak, it implies that margins are more likely to be squeezed and that job losses in the manufacturing/retail supply chain may become more common place to dampen the final impact on inflation. Furthermore, if yesterday's outcome serves to keep local bond yields more elevated it simply implies that foreigners will enjoy a greater window of opportunity to expose themselves to SA yields which in itself will be ZAR supportive. This may not necessarily materialise in the short term and given that the ZAR has had a fairly robust week, it is ripe to come in for some profit taking heading into the weekend. According to Reuters data (bid chart), the ZAR strengthened against the USD on Thursday, closing at R7.3271 from R7.345 on Wednesday. The ZAR also gained on the GBP, ending at R11.4361 from R11.4501 on Wednesday, while finishing slightly weaker vs. the EUR at R9.5847 from R9.5426 the previous day.



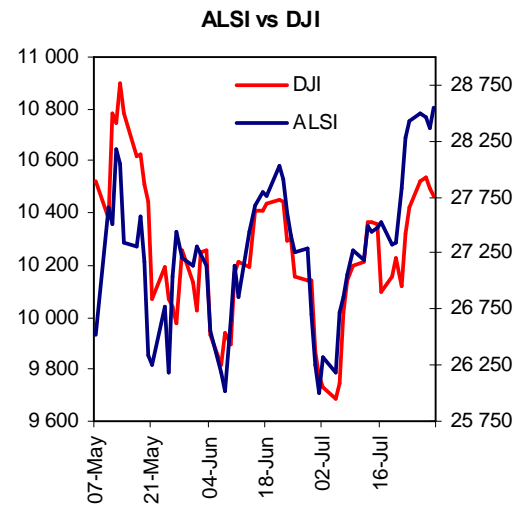
Bond Update

Following the strong surge lower on bond yields it appears some profit taking has crept in, which has seen bond yields migrate higher. No doubt this was aided by the higher than expected PPI reading as it suggests producer price inflation is rising, which could potentially have implications for inflation at the consumer level. However, given the soft credit growth environment, the producer price pressures could translate into a squeeze of margins and not be seen at the consumer level. Given that M3 growth has a lagged effect on CPI, underlying inflationary pressures have continued to moderate this year. There is scope for inflation to fall further in the months ahead, especially in the next two quarters. If money supply were to continue to stagnate throughout the rest of 2010 and into H1/2011, CPI would probably quite comfortably break below the 3% level. However, for now bonds have rallied hard and the profit taking heading into the close of the week is to be expected. At the close the benchmark R157 closed weaker ending the session at 7.615% vs. 7.580% on Wednesday. Similarly although to a lesser extent the R186 yield drifted higher to close weaker at 8.545% vs. the previous close of 8.540%.



JSE Update

The weaker USD combined with some positive earnings reports out of the US and Asia and marginally positive US jobs data yesterday helped lift sentiment in global equity and commodity markets. This in turn saw local stocks strengthen on the day. At the close of trade the JSE ALSI was up 0.6%. Resources gained 0.7%, with gold and platinum stocks rising 0.2% and 0.3% respectively, while financials added 0.6% as banks rose by the same margin. US stocks, however, lost ground for the second consecutive session as early gains eroded later in the day. Fed member Bullard stated that the Fed may have to take a severe measure of buying govt debt to avoid deflationary risks, while utility firm Constellation Energy reported lower than expected earnings and various technology firms cut their growth outlooks. At the close the Dow Jones had lost 0.3%, while the S&P was down 0.4%. The Asian markets have followed Wall St lower overnight, with additional pressure seen from disappointing Japanese data. Japan's jobless rate climbed to a seven-month high and industrial production levels in Jun failed to impress, pulling the Nikkei down 1.6% by the close. Aussie stocks fell 0.7%, while at the time of writing both the Hang Seng and Shanghai composite had fallen 0.5%.



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