

Date: 30 November 2011

USD-ZAR 8.3197/4542
 GBP-USD 1.5530/633
 GOLD \$1 721.59

EUR-ZAR 11.1109/2194
 USD-JPY 77.72/8.16
 BRENT \$110.69

GBP-ZAR 13.0067/1256
 AUD-USD 0.9933/1.0022
 DJI 11 555.63

EUR-USD 1.3256/361
 R157 6.950 %
 3M JIBAR 5.575%

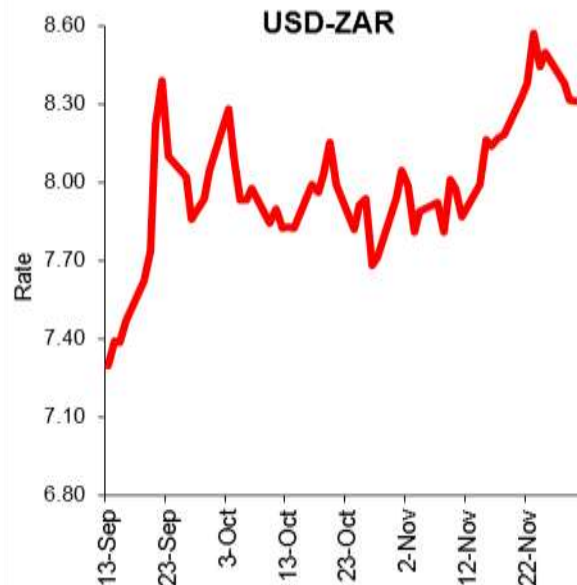
Time (GMT)	Country	Event	Month	Exp	Prior
12:00	SA	Trade Balance	Oct	-2.0bn	-2.5bn
12:00	SA	Government Finance Figures	Oct		-17.0bn
08:55	DE	Unemployment Rate sa	Nov	7.00%	7.00%
10:00	EZ	Unemployment Rate	Oct	10.30%	10.20%
	EZ	EU Economic and Financial Affairs Council Meeting			
12:30	US	Challenger Job Cuts y/y	Nov		42.8k
13:15	US	ADP Employment	Nov	130.0k	110.0k
14:45	US	Chicago PMI	Nov	58.80	58.40
18:00	US	Fed releases Beige Book of Economic Conditions			

Today's Talking Point

Trade balance (Oct): Trade dynamics in Oct are likely to be affected by seasonal considerations pertaining to stronger import growth ahead of the festive season. Moreover, the weaker ZAR will have bumped up the value of imports. Export growth is expected to suffer somewhat as the crisis in the EZ weighs on the demand for SA manufactured products and this will likely be increasingly reflected in SA's trade performance.

Rand Update

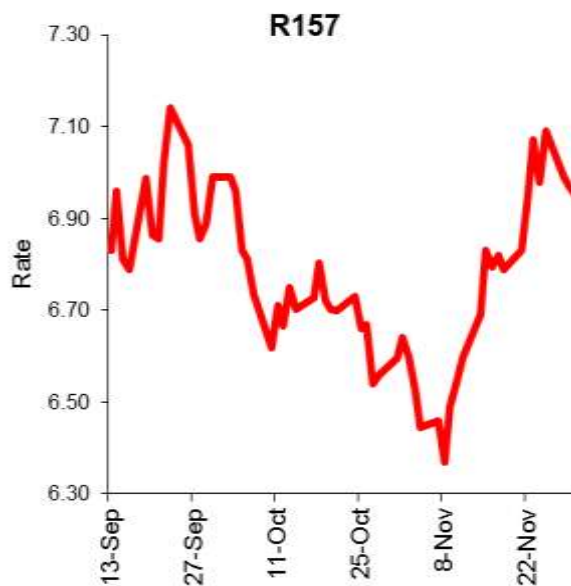
As the European crisis evolved further yesterday with Greece gaining its EUR 8.0bn bail-out package to prevent default it is interesting to note that the response was negligible. More significant are the talks between France and Germany for more fiscal integration. It is widely believed that greater fiscal integration and German control over fiscal issues in the EZ would be a prerequisite for Germany relenting on the issue of monetising debt. This is something that should have been discussed at the very beginning and is perhaps the biggest criticism against the EZ in the way that it was originally structured. The market is looking at such discussions in a far more positive light as it begins to strike at the root cause for the disjointed approach to resolving Europe's fiscal issues. Against this backdrop, the EZ needs to buy time and if it will not come from the ECB, then it must come from an organisation like the IMF. The next major event therefore becomes the EU summit in Brussels on the 9th Dec where treaty changes to allow for greater fiscal integration may be discussed. It might very well be a prerequisite for greater ECB intervention within the EZ. What this means is that a definitive solution is most likely still some months away.



As yet not assured and that the bumpy road the EZ is currently travelling on will drag on for longer. It also means that whilst all these risks abound that the credit crunch that has impacted so negatively on EM currencies is unlikely to dissipate any time soon. On the contrary, interbank liquidity indicators have risen to levels of distress last seen at the start of 2009. Local and domestic data and events have taken a back seat, implying that SA is very much a passenger in this currency ride. Furthermore, if one holds the view that volatility rather than stability may be the order of the day, then the ZAR is likely to struggle to make any meaningful headway in the short term. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Tuesday, closing at R8.3148 from R8.3809 on Monday. The ZAR strengthened against the EUR, ending at R11.0786 from R11.1550 on Monday, while similarly finished stronger against the GBP at R12.9761 from R12.9879 the previous day.

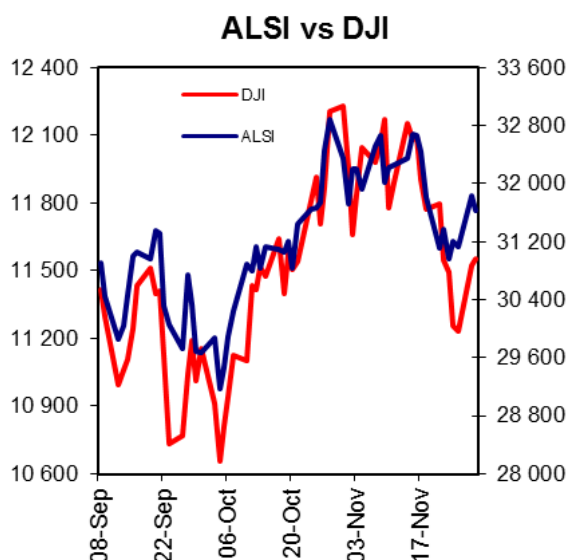
Bond Update

It was a mixed session for the local bond market yesterday. The short end of the curve found support, with yields up to the R204 (2018) moving lower, whilst from the R208 (2021) out along the curve yields moved higher. By the close the R157 yield had dropped 2bpts to close at 6.970%, whilst the R186 yield had added 4bpts to close that day at 8.670%. Data released by the SARB yesterday morning showed that money supply growth accelerated further in October. Money supply measures M2 and M3 have both climbed to the highest levels seen since Nov 2008, to +18% and +16.5% respectively. The acceleration of money supply growth is now reaching levels where it will begin to have a notable impact on growth of the capital goods and productive sectors of the economy. It will most likely also keep price inflation elevated in coming months. Players will be looking ahead to SA trade data as well as government finance figures, both due for release at 12:00 GMT today. Data out the US will come in the form of the Chicago manufacturing PMI and ADP payrolls, a precursor for the headline US employment figures on Friday.



JSE Update

After Monday's surge higher, the local bourse was subjected to some profit taking yesterday, which would have been spurred by continued caution within the EZ. By the close yesterday the ALSI was down 0.61%, with all indices moving lower except for the gold index which added 0.45%. Local data in the form of GDP would have also weighed on the local market. In Q3 the domestic economy expanded 1.4% q/q from Q2's 1.3% q/q growth on an annualised basis. The rate of growth surprised market expectations to the downside with expectations for a 1.8% q/q reading. Although activity improved marginally from the previous quarter, it is still well below levels seen in Q4 2010 and Q1 2011. The subdued growth outlook was affirmed by SA's fourth largest construction firm Group 5 which slashed over 500 jobs in the past five months and has downgraded its 2012 outlook. The weaker economic outlook would have placed downside pressure on many local stocks. Wall St posted moderate gains overnight whilst Asian markets are trading lower with the overall picture still one of concern. Local trade figures are on the cards today, as well as key data of the US which will give some market direction.



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