

Date: 31 January 2012

USD-ZAR 7.7614/8713  
 GBP-USD 1.5688/789  
 GOLD \$1 735.99

EUR-ZAR 10.2569/3661  
 USD-JPY 76.08/49  
 BRENT \$111.40

GBP-ZAR 12.2427/3557  
 AUD-USD 1.0598/679  
 DJI 12 653.72

EUR-USD 1.3142/242  
 R157 6.500%  
 3M JIBAR 5.596%

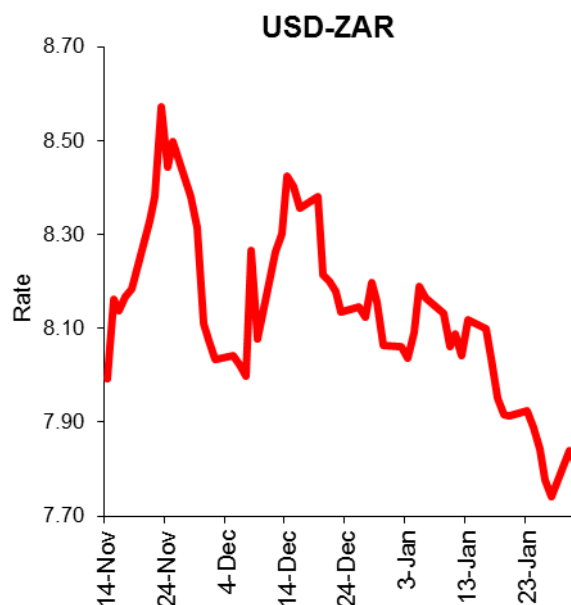
Time (GMT)	Country	Event	Month	Exp	Prior
06:00	SA	M3 Money Supply Growth y/y	Dec	7.88%	7.23%
06:00	SA	Private Sector Credit Growth y/y	Dec	6.00%	6.22%
09:00	SA	Bond Auction (R204 - R500mn; R207 - R500mn; R213 - R1100mn)			
12:00	SA	Trade Balance	Dec	-4.50bn	-8.00bn
09:30	GB	Money Supply	Dec		-0.60%
10:00	EZ	Unemployment Rate	Dec	10.40%	10.30%
14:00	US	Case/Shiller House Prices y/y	Nov	-3.20%	-3.40%
14:45	US	Chicago PMI	Jan		62.50
15:00	US	Consumer Confidence	Jan	68.00	64.50

## Today's Talking Point

**M3 and PSCE (Dec):** Contrary to market expectations, PSCE growth was flat at 6.21% y/y in Dec following an increase of 6.22% y/y in Nov. Markets were expecting a 5.91% y/y reading. M3 money supply growth however accelerated to 8.21% y/y versus 7.23% y/y growth in Nov, surprising market expectations for a 7.60% y/y reading to the topside. The upward trend in money supply growth persists and is expected to translate into some support for domestic economic activity in the months ahead. Whether this trend is sustainable amidst the uncertain economic environment globally however is yet to be seen.

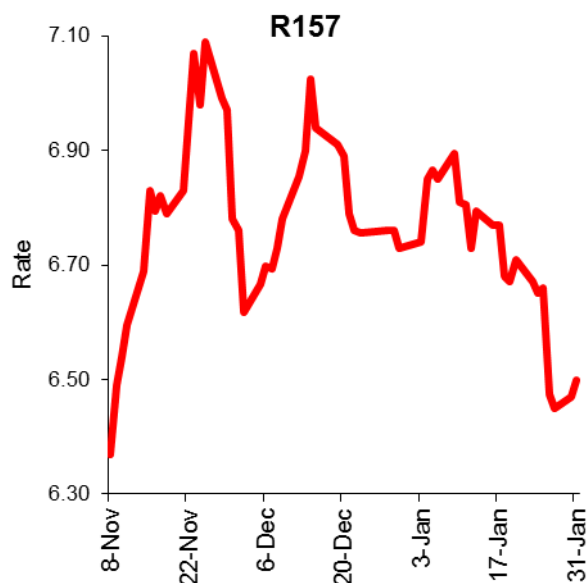
## Rand Update

As the markets continue to look for the next round of event risk, Greece and Portugal remain the soft targets. Greece as it continues to struggle to negotiate with private bond holders and Portugal on account of the recent spike in bond yields which has prompted concern that it could be following Greece down the road of deeper structural and fiscal reforms. It has been interesting to note the manner in which the ECB has been prepared to prop up the debt markets of Italy, Spain, France and one or two others, but has stayed away from Portuguese debt. The reasons are that Portugal already finds itself in the midst of a bail-out and the ECB will not allow itself to purchase bonds that have effectively been reduced to junk status by both the ratings agencies and by virtue of the fact that they have already been bailed out. On a scale of risk, we would weight Portugal's unfolding debt crisis at least as highly as the risk of a failed Greek debt restructuring negotiations. In both cases, the outlook is not particularly good. In short, these risks exist and cannot be ignored, but one should also be careful about overplaying them. Bail out mechanisms exist which can take care of Portugal's funding requirements, whilst Greece has progressed too far to allow for a disorderly default at this late stage of the game. One should not ignore the ability of these developments to spark a correction. The market has rallied impressively since the start of the year and indications are that the emerging market high yielding currencies may be overdue a bout of profit taking. This may prove to be the catalyst for such a move much in line with the behaviour of the USD-ZAR market yesterday where the USD-ZAR staged a modest recovery. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Monday, closing at R7.8395 from R7.7415 on Friday. The ZAR strengthened against the EUR, ending at R10.2298 from R10.2389 on Friday, while finishing weaker against the GBP at R12.2308 from R12.1805 the previous day.



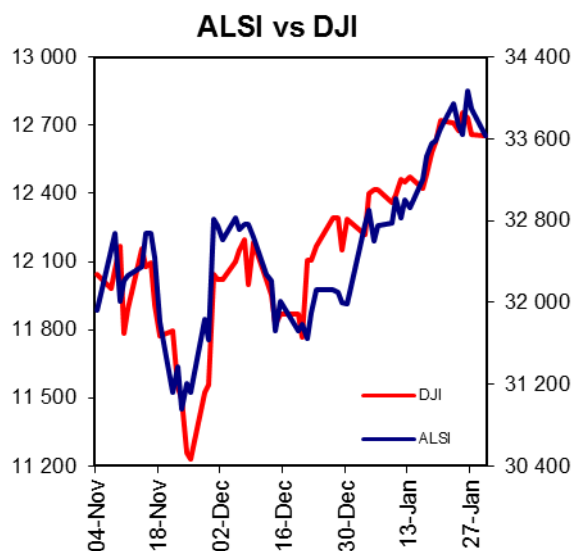
## Bond Update

Ahead of a heavy data week, it was a quiet session for the local bond market yesterday. Local bonds largely ignored the sell-off on the local currency, although this did spur some marginal upside across some yields. By the close the R157 yield had added just 2bpts to close the day at 6.470%, whilst the R186 yield moved 4bpts higher to end at 8.185%. Data just released by the SARB shows that Private sector credit extension growth came in at 6.2% y/y in Dec, vs consensus for a reading of 5.9%. M3 money supply growth similarly accelerated to 8.2% y/y, vs consensus for an increase to 7.6%, and up from 7.2% in Nov. This data generally supports the view that growing money supply will support an upswing in corporate profits in coming months. In data released yesterday, the South African government reported a budget surplus of R20.5 billion in December, following a deficit of R28.6 billion in November. The increase of the surplus was driven by the strong 23% y/y increase in revenue collection, or R19 billion, while spending only increased R4 billion, or 5%. The data will continue later today when SA trade figures for Dec will be released.



## JSE Update

The local bourse started the week on a bad footing, as the ALSI closed lower but off intraday lows. By the close the headline index had dropped 0.78%, led by a significant decline in the platinum index which lost 2.57%, and although most indices moved lower the gold index added 0.55%. The gold price is well above the \$1700/oz level at present, and is set to find continued support as risk aversion gains momentum. As a result gold related firms will see shares boosted through the week. Core European stock markets lost ground yesterday, adding to weakness seen late last week, as investors worried about the region's debt crisis. Although there has been some progress in Greek debt talks, the focus will shift to Portugal where sovereign yields have surged higher, as markets begin to price in the probability of another Portuguese bailout. Over the Atlantic, although US markets started off in the red, major indices trimmed losses but failed to move into positive territory. We have already seen local credit and money supply data released this morning, with trade data still on the cards later in the day. Focus will still largely remain fixed on the EU however.



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