

Date: 05 December 2011

USD-ZAR 7.9475/8.0875

GBP-USD 1.5569/672

GOLD \$1 743.44

EUR-ZAR 10.6765/8454

USD-JPY 77.77/8.19

BRENT \$110.43

GBP-ZAR 12.4358/6132

AUD-USD 1.0183/214

DJI 12 019.42

EUR-USD 1.3380/474

R157 6.690%

3M JIBAR 5.575%

Time (GMT)	Country	Event	Month	Exp	Prior
08:53	DE	Services PMI	Nov	51.4	51.4
08:53	EZ	Services PMI	Nov	47.8	47.8
09:30	EZ	Sentix Investor Confidence	Dec	-19.7	-21.2
10:00	EZ	Retail Sales m/m	Oct	0.1%	-0.7%
15:00	US	Factory Orders m/m	Oct	-0.3%	0.3%
15:00	US	ISM Non-Manufacturing PMI	Nov	53.5	52.9
17:10	US	Fed's Evans Speaks in Muncie, Indiana			

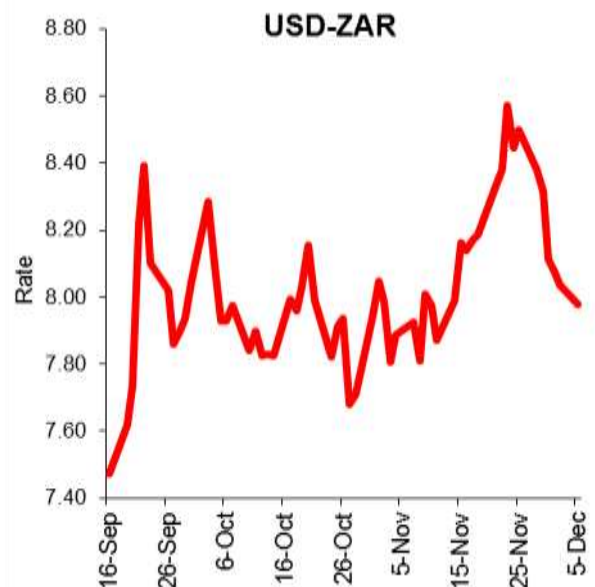
Today's Talking Point

Fuel Price Adjustment: The DOE on Friday announced that the price of 95 ULP will drop 11c/l on Wednesday, 7 Dec. Whilst the ZAR depreciated vs the USD in Nov and the average price of Brent crude increased marginally, the refining cost declined markedly to roughly 39c/l from around 81c/l in the previous month. However, the magnitude of the drop in refining costs was offset by an increase in dealer margins to 91.8c/l from 85c/l. Retail margins in contrast fell slightly to 53c/l from 54c/l. Fuel price inflation for December will moderate to 26.1% y/y from 29.4% y/y in Nov, seeing the contribution to the CPI reading decrease to 1.03% y/y from a prior 1.16% y/y.

Rand Update

News of the weekend should on the whole offer more support to the risk trade as it became clear that Italy was taking steps to restore fiscal credibility as it passed EUR 30bn worth of austerity measures. This will go a long way to boosting the prospect of Italy being able to record a budget surplus and help arrest the gradual rise in government debt levels as a proportion of GDP. This will help support the EUR which found itself under pressure on Friday following some reports out of Germany that the German govt. may be forced to consider nationalising the country's second largest bank, Commerzbank. With French Pres. Sarkozy and German Chancellor Merkel meeting on Monday to unveil proposals for stronger economic ties between member countries, it seems that concerns over the fragmented and dislocated union between member states is now being tackled head-on. It is yet another step taken towards ensuring that the EZ remains intact and that member countries work towards forging a more robust economic union. Every such step increases the probability of a more credible fiscal union which will impose fiscal discipline on member countries. EM currencies should therefore continue

to view developments in the EZ in a more positive light and even if conclusive and finalised decisions are not made this week, commitment to working towards a stronger fiscal union will go a long way to reducing global levels of risk aversion. Whilst the EUR finds itself on the defensive, the ZAR may struggle to post significant further gains at the start of the week. Downside momentum has stalled and given the USD-ZAR retreat realised last week, investors will feel justified in anticipating a mild USD-ZAR rally. That is not say that the medium term bias has now turned ZAR bearish again, merely that a breather might quite easily be seen amid the anticipation of more developments in Europe. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Friday, closing at R8.0351 from R8.0750 on Thursday. The ZAR strengthened against the EUR, ending at R10.7686 from R10.8679 on Thursday, while similarly finished stronger against the GBP at R12.5372 from R12.6686 the previous day.



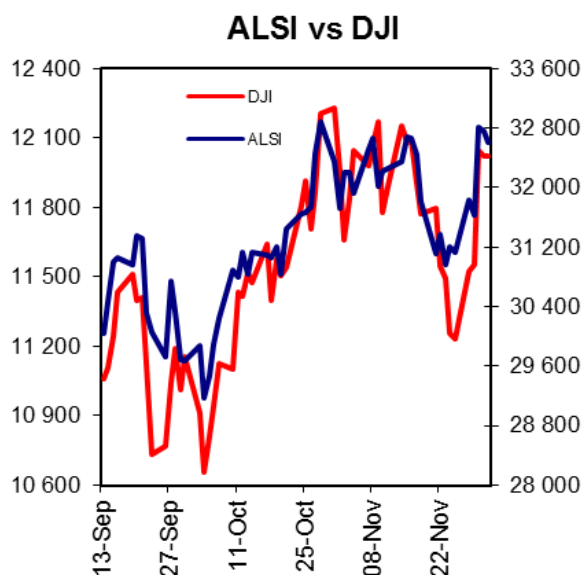
Bond Update

The local bond market found significant support on Friday, the entire yield curve shifted significantly lower, with all yields dropping 10bpts or more. By the close the R157 yield had dropped 14bpts to close the day at 6.620%, whilst the R186 yield moved 13.5bpts to end the day at 8.325%. Local bonds surged last week as coordinated central bank intervention drove asset prices higher around the globe. Over the period of last week the R157 yield dropped 44bps, taking the yield back to levels last seen on Nov 14. In terms of local data due for release this week, tomorrow will see the SACCI business confidence index released at 9.30 GMT. Also up for release later this week will be SARB net reserves and retail sales data on Wednesday. Thursday will see the SARB Q3 quarterly bulletin, which will include current account data. This data will begin to reflect the accelerating credit growth, so the current account balance will most likely begin to widen once again. Also up on Thursday will be mining and manufacturing production. Today however will see nothing in the way of local data, and thus fixed income markets will likely remain quiet ahead the slew of local data.



JSE Update

A poor start to the session set the tone for trade on Friday, as the local bourse edged lower throughout the day to close in negative territory. By the close the ALSI was down just 0.42%, which went against the grain as key markets in the EZ closed higher. Market players noted that the continued rand rally weighed heavily on mining stocks. Despite a weaker close on three out the five days last week, this was not enough to erase the major rally seen on Wednesday, and the local market closed the week higher. This has given the local market on a solid base for December, and is now positioned for positive end to what has been a volatile year for financial markets. Furthermore, global equity traders will breathe a sigh of relief as the Italian government approved a three-year austerity plan, to the value of EUR 30bn late yesterday, ahead of a crucial week for European leaders' campaign to save the euro zone from collapse. Asian markets have taken cue from this and are trading higher. Although equity markets will remain focused in the EZ, key data this week in the form of manufacturing and retail sales will also give direction.



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