

Date: 06 February 2012

USD-ZAR 7.5193/6314
 GBP-USD 1.5715/817
 GOLD \$1 733.36

EUR-ZAR 10.9.8395/9494
 USD-JPY 76.53/93
 BRENT \$114.40

GBP-ZAR 11.8890/2.0000
 AUD-USD 1.0671/752
 DJI 12 862.23

EUR-USD 1.3007/109
 R157 6.460%
 3M JIBAR 5.596%

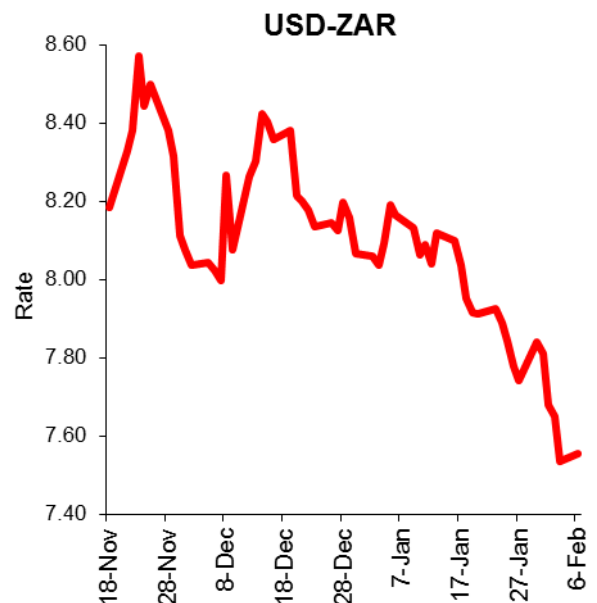
Time (GMT)	Country	Event	Month	Exp	Prior
09:30	EZ	Sentix Investor Confidence Index	Feb	-15	-21.1
11:00	DE	Industrial Orders m/m	Dec	1.00%	-4.80%
13:55	US	St Louis Pres. Bullard speaks on "US Inflation Targeting"			
16:00	EZ	EU Meeting			
17:15	US	Dallas Pres. Fisher on "Economic and Monetary Policy" IMF delegation begin 2-week review of loan deal			

Today's Talking Point

Energy Update: On Friday oil rallied in line with the broad-based rise across equity markets as US jobs data surprised strongly to the upside, sparking a rotation toward risk assets. At market close Brent was up 2.8% on the week at \$114.85/bl, its highest close in nearly two months. Overnight however Brent traded marginally lower to \$114.51/bl at the time of writing, as the USD rebounded off recent lows. With little in the way of data due for release today, market players will look to developments regarding the Greek debt deal for trading direction.

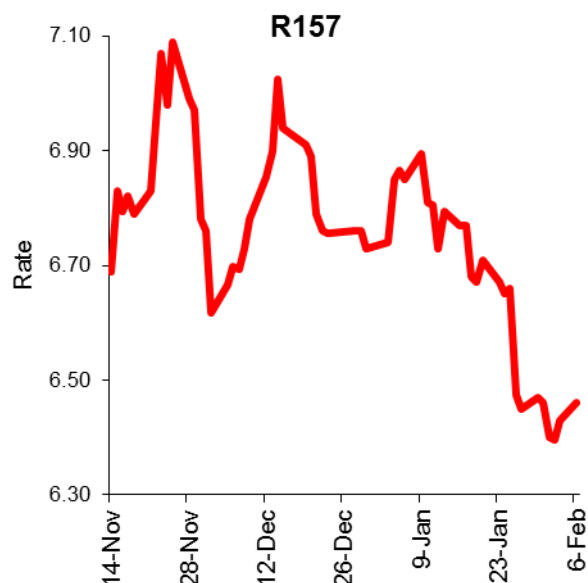
Rand Update

Anyone in the past two weeks that has tried to pick the bottom of the move on the USD-ZAR will have been caught out with a pair that continues to gravitate lower. Technically, the pair has been oversold for a long time now and one could be forgiven for thinking that it needs to take a breather. However, the response to Friday's non-farm payrolls data again highlighted how the ZAR will continue to respond to generally positive data. One must not lose sight of the effects of the monetary stimulation implemented by the Fed, the BoE and the ECB in recent months. At the moment, there has been a positive response to these monetary efforts and whilst one could argue that the growth being achieved is of a poor quality, namely credit rather than investment driven, they are offering some support nonetheless. There is a lot of focus being placed on Greece at the moment, but investors and corporates are reminded that we have seen this movie play out many times in the past 18 months, more or less with the same conclusion. Through the brinkmanship that is taking place, the Greeks will want to adopt the least economically damaging (in the short term) reforms that they can, and the eurozone authorities will continue to push for more to be done. Although the worst case scenario of a Greek default and being removed from the eurozone cannot be completely excluded as a possibility, history in the past two years has shown that when push comes to shove, that Greece will sign up to the new reforms and one should be cautious of turning overly bearish on the ZAR in the medium term. According to Reuters data (bid chart), the ZAR finished stronger vs. the USD on Friday, closing at R7.5348 from R7.6505 on Thursday. The ZAR strengthened against the EUR, ending at R9.9022 from R10.0450 on Thursday, while similarly finished stronger against the GBP at R11.9170 from R12.0769 the previous day.



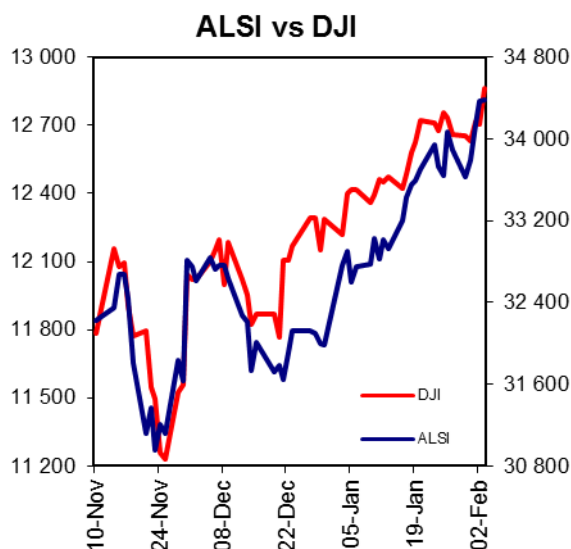
Bond Update

Despite initially reacting positively to Friday's US jobs data, local bonds came under pressure late in the session on, with yields across the curve ending higher. By the close the R157 yield had edged 3.5bpts higher to close at 6.430%, whilst the R186 yield moved just 2bpts upward to end at 8.085%. The USD-ZAR on Friday punched below 7.6000 from the topside for the first time since July 2010 when the pair proceeded to move to multiple year lows of 6.5000 toward late 2010. In the past ten weeks, the USD-ZAR has shed 100 cents, and it would not be surprising to see another 100 cents shed in the coming ten weeks. This strength on the local currency is an indication of an improvement in global risk appetite, and thus although local bonds look overbought at current levels, the longer term outlook continues to favour an improvement in demand for risk assets and thus local bonds. No local data due for release today, players will keep an eye on Greek debt swap talks which will hold some significance in upcoming sessions, as negotiations surrounding a possible Greek default present a key risk event which could also place the local market under pressure in the near term.



JSE Update

After opening lower, the local bourse experienced a very volatile session on Friday, and after remaining within negative territory for most of the session, the local bourse managed to creep into positive territory late in the session. Although the ALSI was up just a fraction by the close, adding only 0.05%, these marginal gains meant that the ALSI has moved higher for four consecutive sessions last week. Furthermore, the local market closed higher on the week once again, meaning that every week this year so far the ALSI has closed higher and is the best weekly rally since September 2010. European markets closed with a flurry on Friday, buoyed by a significant improvement in US jobs data on as well as an overall improvement in PMI data through the week. The surprisingly robust US jobs data bolstered investor risk appetite, overshadowing worries about a lack of progress in Greek debt restructuring talks that are vital to containing the euro zone crisis. With Asian markets well in positive territory, the JSE is likely to get off to a good start, although some investors may favour caution ahead of a key meeting EU meeting to take place later today.



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