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Date: 09 February 2012

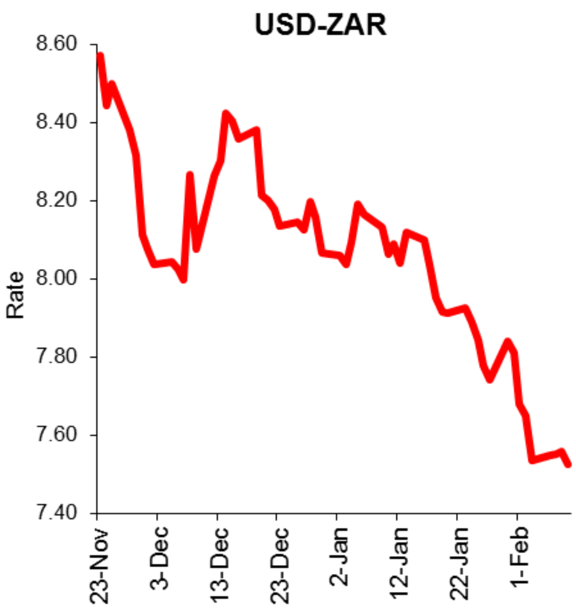
USD-ZAR 7.4969/6069	**EUR-ZAR** 9.9910/10.1046	**GBP-ZAR** 11.9095/2.0239	**EUR-USD** 1.3253/354
GBP-USD 1.5790/892	**USD-JPY** 77.00/41	**AUD-USD** 1.0774/855	**R157** 6.500%
GOLD $1 736.69	**BRENT** $117.53	**DJI** 12 883.95	**3M JIBAR** 5.596%

Time (GMT)	Country	Event	Month	Exp	Prior
09:30	SA	Reuters Econometer Survey	Jan		
09:30	SA	Mining Production y/y	Dec		-4.60%
11:00	SA	Manufacturing Production y/y	Dec	2.60%	2.60%
17:00	SA	Pres. Zuma State of the Nation Address			
12:00	GB	BoE Rate Decision	Feb	0.50%	0.50%
12:45	EZ	ECB Rate Decision		1.00%	1.00%
13:30	US	Jobless Claims		370.0k	367k
15:00	US	Wholesale Inventories	Dec	0.50%	0.10%

Today's Talking Point

Manufacturing (Dec): Manufacturing production rebounded marginally in Nov to 2.6% y/y from a prior 1.2% y/y in Oct. Output in the manufacturing sector has been rather subdued in Q4, however may contribute some positive growth to quarterly GDP in Q4 after subtracting from growth in both Q2 and Q3. Regarding Dec, consensus is expecting growth to remain unchanged at 2.6% y/y. Going forward, we may see an improvement in manufacturing data given the recovery in the ZAR is sustained in months ahead.

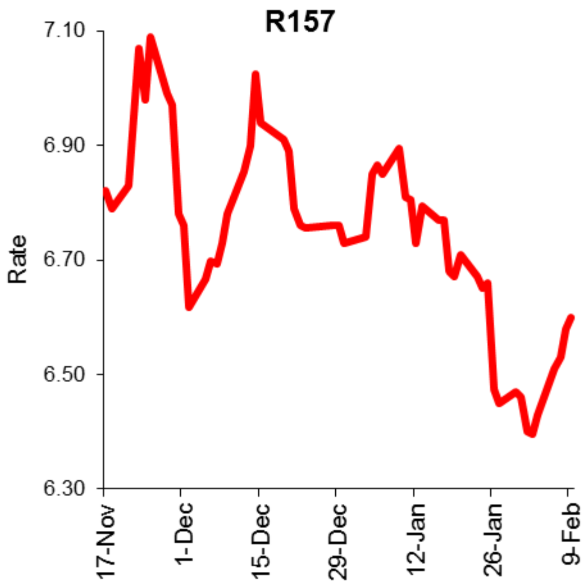
Rand Update



Ahead of the State of the Nation address which is due to take place later today, there is much speculation on what Pres. Zuma will focus on. In the main, he is expected to focus on implementation of policies that are aimed at increasing employment. Following the release of the Planning Commission's National Development Plan it will be interesting to see how much of the speech touches on the need to address many of the structural impediments to SA's inability to generate adequate economic growth. The risk is of course that a lack of strong leadership to implement the plans put forward in the NDP forces government to become more reactive and to focus on short term objectives which may at first appear to generate a more meaningful response. One such example is talk of the establishment of a sovereign wealth fund which would use proceeds of an extra mining tax to intervene in the ZAR market and prevent currency appreciation. There are two main reasons to be concerned with this. Firstly, an extra tax on the mining sector will do very little to attract foreign capital into what is an already struggling sector. The second is that intervening in such a way as to weaken the ZAR effectively imposes an inflation tax on the rest of the economy. It is clear from the market reaction that investors are not as yet taking this seriously, with the USD-ZAR still trading within a well-worn range and continues to look for direction either from Greece or the ECB for further direction. For now, these rumours are justifiably being ignored and focus remains on developments in Greece and the upcoming ECB and BoE meetings abroad. Greece has agreed on all but one point that they will consult with the Troika about, however it is still expected that Fin Min Venizelos will make the eurogroup meeting with a signed agreement that will help Greece secure the funding it requires. According to Reuters data (bid chart), the ZAR finished weaker vs. the USD on Wednesday, closing at R7.5572 from R7.5506 on Tuesday. The ZAR strengthened against the EUR, ending at R9.9447 from R10.0351 on Tuesday, while similarly finished stronger against the GBP at R11.8654 from R12.0297 the previous day.

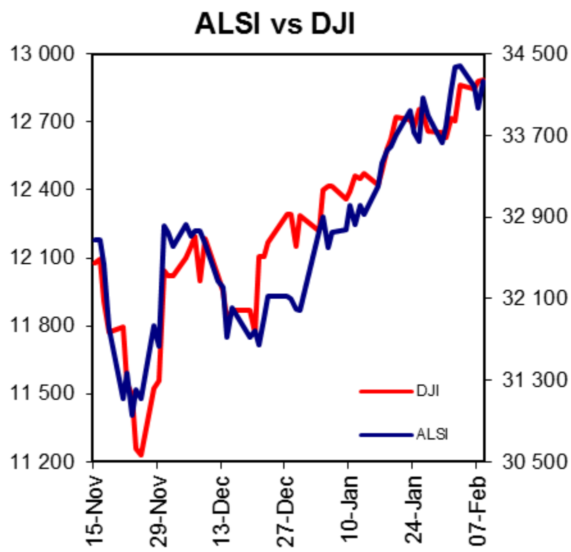
Bond Update

Local bonds came under pressure once again yesterday, however once again it was the longer dated bonds which were sold off more aggressively. By the close the R157 yield had added 5bpts to close at 6.580%, whilst the R186 yield moved 6.5bpts upward to end at 8.230%. Turning then to local economic data, the SACCI business confidence index slipped from 99.1 in Dec to 97.1 in Jan. This equates to a 6.0% y/y decline and is the lowest reading seen on the index since May 2010. In the press release SACCI states that while fewer sub-indices were negative, those reflecting financial sector confidence deteriorated. Business activity indicators in general declined on the month in Jan, which may suggest that the current upswing is running out of steam. However, before reading too much into the data it is important to note two things. Firstly, the BCI is one of the weaker economic indicators, so not too much is to be read into this number. Secondly, it is more important to take note of the set of manufacturing data in recent months, which have generally surprised to the topside. In this regard, market will be focussed on manufacturing data to be released today to gauge the direction of the economy.



JSE Update

After a poor start to the week, the local bourse ended decidedly firmer yesterday, snapping a two-day losing streak, on fresh hopes that Greece was on the verge of striking a deal with its creditors in return for a bailout. By the close the ALSI had gained 0.74%, enough to erode the losses seen on Tuesday, as the upward trend seen on the local index continues to dominate. Market traders noted that not only did positive news out of the EZ help to lift local stocks, but improving demand for commodities, boosting the resources index which added over 1.00%, drove buyer interest yesterday. Despite the positive sentiment locally, with very little in the way of key economic data yesterday, core EZ stocks erased earlier gains to close marginally in the red. Over in the US, although the sentiment was similar, major indices managed to edge higher. News overnight that Greece's debt talks stalled over proposed pension cuts has seen Asian stocks move into negative territory. Thus, with plenty of data and the ECB rate decision, trade is likely to start off cautiously on the JSE today given the dampening in risk appetite.



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