SOUTH AFRICA MORNING SHEET

	Close		Change
USD/ZAR	7.74	↑	0.9%
EUR/USD	1.25	↑	2.4%
EUR/ZAR	9.70	↑	3.2%
3m Jibar	6.62%	→	0 bp
R157	7.96%	↓	7 bp
R186	8.97%	↑	7 bp
All Share	26,010	↓	0.9%
Gold $/oz	1,199	↓	3.5%
Brent $/bbl	71.5	↓	3.2%

Source: Reuters, Bloomberg

South Africa's June PMI disappoints. The June BER/Kagiso PMI dipped for the fourth consecutive month to 48.4 from 51.1 the prior month. The index is now well off its recent cyclical peak of 60.4 reached in February this year. All of the five sub-components making up the headline index fell in June, with the suppliers' performance and business activity sub-indices making up the bulk of the fall to 49.6 (55.0 prior month) and 45.2 (49.0 previously), respectively. As noted in the formal BER/Kagiso release, the dip in the business activity index could in part reflect the reduced working hours adopted by some manufacturers as a result of the Soccer World Cup (SWC). Critically though, despite their 1.5 index point fall in June, the new sales orders and inventories sub-indices remain in expansionary territory at 50.4 and 53.8, respectively. This suggests that demand-side dynamics remain positive and that companies continue to slowly rebuild their inventories. Employment conditions in the manufacturing sector, however, remain concerning, with the PMI employment index dipping for its second consecutive month to 45.9.

The disappointing PMI readings over the past few months suggest to us that the robust growth the sector has enjoyed in recent months seems to be slowing down. This leads to our expectation for a softening in May's manufacturing production growth due for release next week, where we look for growth in the sector to have moderated to around 6.6% y/y in May following April's 8.7% rise. While we expect a slowdown in manufacturing growth, it is important to note that the current and near-term PMI trends may continue to be influenced by developments around the SWC, which currently clouds the underlying trend in manufacturing output growth. In our view, the still-positive global growth outlook, along with domestic demand conditions that are slowly improving, should remain supportive of a recovery for the industry (albeit at a slower pace) for the remainder of 2010.

The SARB announces plans for an exchange control amnesty. The SARB plans to implement an exchange control amnesty for individuals and companies that contravened South Africa's exchange control laws on 1 November 2010. Should these plans go ahead, a 10% penalty will apply on the amount contravened if the funds are paid from offshore, while a 12% penalty will apply on payments that are made from local accounts. In 2003, there was a similar amnesty, but at the time it was only for individuals. Considering the debate around the so-called "strong rand" in South Africa, this move may be viewed by some as an attempt by authorities to influence the level of the currency. In our view, however, yesterday's announcement is nothing more than a move by the authorities to provide companies and individuals with an opportunity to regularise their affairs, which will put them on a better footing to allow for further future exchange control relaxation. As such, we do not think that the amnesty will have any significant impact on the level of the currency.

Key data releases. New vehicle sales data from NAAMSA for June is on the menu for South Africa today. We expect total sales growth (including sales from AMH&AAD) to moderate from the 35.3% y/y growth recorded in May, mainly on the back of favourable base effects slowly starting to reverse. In the US, the June employment report is released, where our US team expects nonfarm payrolls to have fallen 100k in June (cf. consensus:-130k). This reflects their expectation that the Census Bureau would have reduced the number of census workers by 245k. They look for ex-census payrolls to rise 145k, substantially above the May gain but not as strong as in April. In the euro area, our European economists are forecasting the euro area unemployment rate to have remained unchanged at 10.1% in May, despite an expected rise in the level of unemployment by 65k m/m.

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES STARTING AFTER PAGE 4

Jeff Gable
+27 11 895 5368
jeff.gable@absacapital.com

Ian Marsberg
+27 (0)11 895 5347
ian.marsberg@absacapital.com

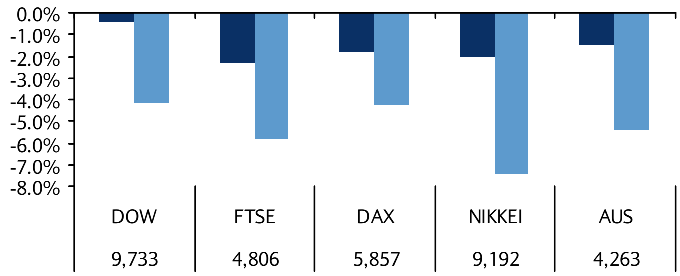
Jeffrey Schultz
+27 (0)11 895 5349
jeffrey.schultz@absacapital.com

www.barcap.com

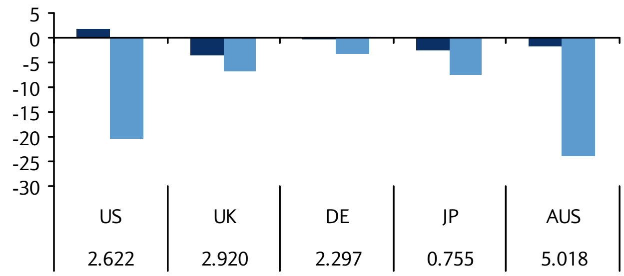
GLOBAL OVERVIEW

KEY: Daily Change 5 Day Change

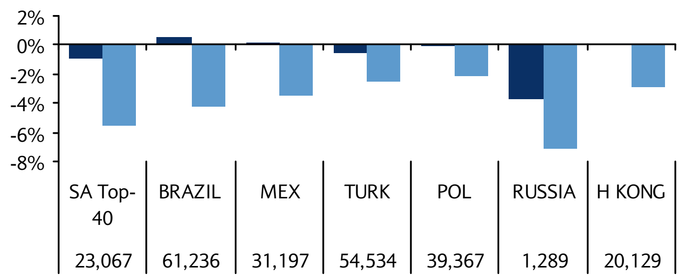
Developed Market Equities



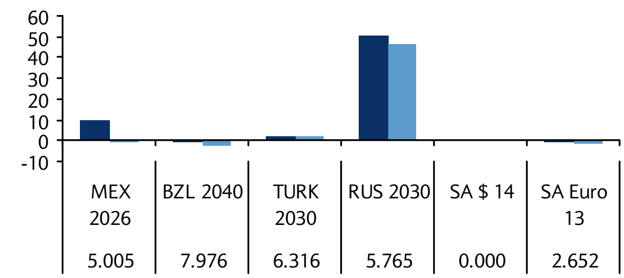
Developed Market 10yr Debt (bp)



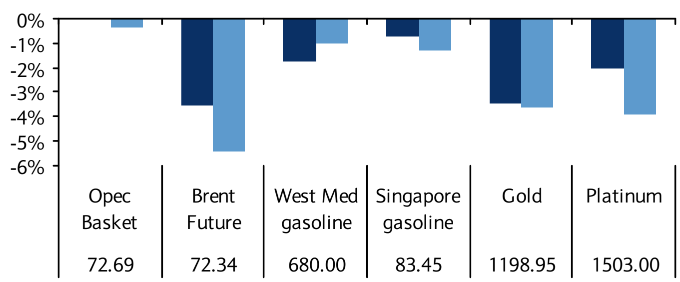
Emerging Market Equities



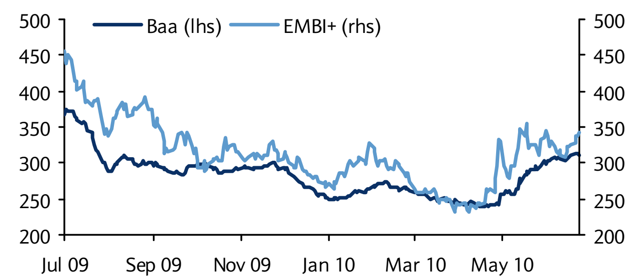
Emerging Market Debt (bp)



Commodity Prices



Baa and EMBI+ Spread



Source: Bloomberg

Data Releases and Events Highlights (See weekly calendar for details)

Country	GMT	SA time	Data	Period	Latest	Forecast	Consensus
Events							
E16	**10:00 AM**	**12:00 PM**	**E16: ECB Executive Board member Stark speaks**				
E16	**11:00 AM**	**1:00 PM**	**E16: ECB Executive Board member Gonzalez-Paramo speaks**				
Data releases							
UK	8:30 AM	10:30 AM	UK: PMI construction, index	Jun	58.5	59.0	58.5
E16	9:00 AM	11:00 AM	E16 : PPI, % m/m (y/y)	May	1.0 (2.8)	0.4 (3.3)	0.3 (3.0)
E16	9:00 AM	11:00 AM	E16: unemployment rate, % (000s)	May	10.1 (25)	10.1 (65)	10.1
SA	9:00 AM	11:00 AM	SA: NAAMSA vehicle sales (%, y/y)	Jun	35.2	-	-
US	12:30 PM	2:30 PM	US: Nonfarm payrolls, chg, thous	Jun	431	-100	-110
US	12:30 PM	2:30 PM	US: Unemployment rate, %	Jun	9.7	9.6	9.8
US	2:00 PM	4:00 PM	US: Factory orders, % m/m	May	1.3	-0.8	-0.5

FOREIGN EXCHANGE

Forex Spots

Unit	$	Change	R	Change
USD	1.000	-	7.740	-0.89%
GBP	1.518	1.55%	11.746	-2.39%
EUR	1.253	2.36%	9.696	-3.18%
JPY	87.600	0.95%	11.318	-1.82%
CHF	1.059	1.72%	7.307	-2.56%
AUD	0.843	0.31%	6.527	-1.19%
CAD	1.060	0.41%	7.305	-1.29%
HKD	7.795	-0.08%	0.993	-0.75%
THB	32.370	0.25%		
IDR	9071.000	0.03%		
MXN	13.009	-0.52%		
BRL	1.791	0.76%		
TRY	1.580	0.29%		
PLN	3.324	1.93%		
CZK	20.533	2.36%		

Source: Bloomberg, all rates are mid rates

Rand Forwards

Term	Forward Points Last	Forward Points Previous	Forward Points Change	Outright Forward rate	Forward cover cost (ann.)
1 month	0.042	0.042	0.000	7.781	6.3%
3 months	0.120	0.121	-0.002	7.859	6.1%
6 months	0.233	0.234	-0.001	7.972	6.0%
9 months	0.343	0.346	-0.002	8.083	5.9%
1 year	0.457	0.461	-0.004	8.196	5.9%

Source: Bloomberg

Rand Options

Term	Option Implied Volatilty Last	Option Implied Volatilty Previous	Option Implied Volatilty Change	Price as a % of $ nominal	Change
1 month	18.0%	17.3%	0.7%	2.1%	0.1%
3 months	17.8%	17.7%	0.0%	3.6%	0.0%
6 months	18.1%	17.7%	0.4%	5.1%	0.1%
9 months	18.1%	17.7%	0.4%	6.2%	0.1%
1 year	18.1%	17.9%	0.3%	7.1%	0.1%

Source: Reuters

Nominal Effective Exchange Rate of the Rand (Trade weighted Rand)

Date	Value	% YTD	Date	Value
02 Jul 10	74.27	6.34%	**1 month ago**	
01 Jul 10	74.27	6.34%	2 Jun 10	74.92
30 Jun 10	74.81	7.12%	**12 months ago**	
29 Jun 10	74.92	7.27%	2 Jul 09	69.84
28 Jun 10	75.56	8.19%	**End of last year**	
25 Jun 10	74.94	7.30%	30 Dec 09	72.62
24 Jun 10	75.58	8.22%		

Source: SA Reserve Bank

SA Fuel prices

Rands per Litre	Gauteng 95 Octane	Diesel 0.005%
This month	8.45	7.66
Last Month	8.72	7.81
Change	-0.27	-0.15
*Average Unit over/(under) recovery	17.79	14.27

Note: *A fuel price over recovery indicates that the next price changeis likely to be down and vice versa for an under-recovery

MONEY MARKET

General

	Last 1 Jul 10	Previous 30 Jun 10	Date of last change
SARB Repo Rate	6.50	6.50	25 Mar 10
Prime Interest Rate	10.00	10.00	25 Mar 10

Johannesburg Interbank Agreed Rates (Jibar)

	Last 1 Jul 10	Previous 30 Jun 10	Change (bps)
SAFEX Overnight Rate	6.22	6.22	0.0
1-month Jibar	6.44	6.44	0.0
3-month jibar	6.62	6.62	0.0
6-month Jibar	6.79	6.79	0.0
1-year Jibar	7.26	7.26	-0.4

Negotiable Certificates of Deposit (NCDs)

	Last 1 Jul 10	Previous 30 Jun 10	Change (bps)
3-month NCD	6.75	6.75	
6-month NCD	6.89	7.15	-25.2
9-month NCD	7.24	7.03	21.6
12-month NCD	7.32	7.28	4.7

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

	Last 1 Jul 10	Previous 30 Jun 10	Change (bps)
USD Overnight	0.30	0.31	-0.5
USD 1-month	0.35	0.35	-0.1
USD 3-months	0.53	0.53	-0.1
USD 6-months	0.75	0.75	-0.1
USD 9-months	0.95	0.95	0.1
USD 1-year	1.17	1.17	0.0
Fed Funds target Rate	0.25	0.25	0.0

Source: Reuters

Chart: SARB Repo rate and 3-month Jibar

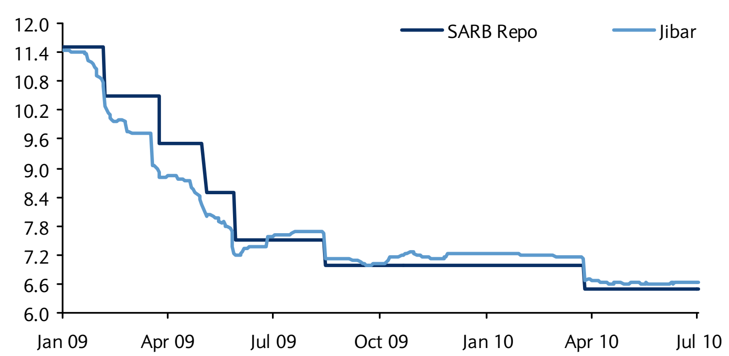
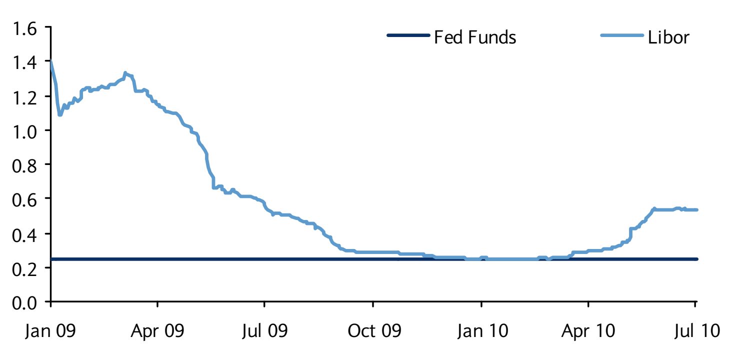


Chart: Fed Funds Target rate and 3-month USD Libor



INTEREST RATES

All Bond Index

Bond Code	Bond Details Issuer/coupon rate/maturity	Albi weighings	Last BESA m-t-m 1-Jul-10	Change (bp)
R155	RSA 13.00% Aug 2011	2.49%	6.905	-6.5
R206	RSA 7.50% Jan 2014	5.93%	7.725	-7.5
R201	RSA 8.75% Dec 2014	7.72%	7.815	-7.5
R157	RSA 13.50% Sep 2015	12.18%	7.960	-7.0
WS04	TCTA 12.50% May 2016	1.77%	8.570	-7.0
R203	RSA 8.25% Sep 2017	8.69%	8.600	-7.0
TN17	Transnet 9.25% Nov 2017	1.38%	9.830	-7.0
ES18	Eskom 9.25% Apr 2018	1.46%	9.235	-7.0
R204	RSA 8.00% Dec 2018	8.90%	8.710	-7.0
R207	RSA 7.25% Jan 2020	10.65%	8.790	-7.0
DV22	DBSA 9.45% Feb 2020	1.43%	9.890	-7.0
HWAY20	SANRAL 9.75% Jul 2020	0.74%	9.290	-7.0
R208	RSA 6.75% Mar 2021	7.41%	8.830	-7.0
ES23	Eskom 10.00% Jan 2023	0.89%	9.445	-7.0
ES26	Eskom 7.85% Apr 2026	2.70%	9.525	-7.0
R186	RSA 10.50% Dec 2026	14.75%	8.970	-7.0
TN27	Transnet 8.90% Nov 2027	1.19%	10.170	-7.0
ES33	Eskom 7.50% Sep 2033	2.68%	9.530	-7.0
R209	RSA 6.25% Mar 2036	6.24%	8.920	-7.0
DV23	DBSA 10.00% Feb 2023	0.78%	10.070	-7.0
Albi yield	Weighted average MTM yield	100.00%	8.626	-7.1
Albi Total Return Index		-	317.18	0.44%
Govi Total Return Index		-	318.42	0.43%

Source: BESA, Bloomberg

Government Primary Dealer Bonds

Bond Code	Trading stats for 1-Jul-10 Open	High	Low	Last
R206	7.850	7.850	7.725	7.725
R201	7.840	7.855	7.810	7.830
R157	8.035	8.042	7.940	7.957
R203	8.700	8.700	8.600	8.609
R204	8.810	8.810	8.720	8.725
R207	8.840	8.845	8.785	8.785
R186	9.035	9.035	8.965	8.990

Source: BESA

Government Inflation Linked Bonds

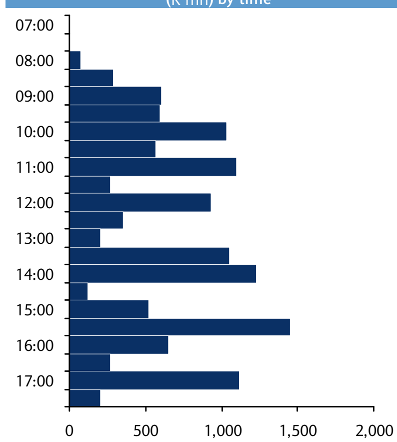
Bond Code	Trading stats for 1-Jul-10 Open	High	Low	Last	Last BESA m-t-m
R189	1.800	1.820	1.800	1.818	1.820
R197	2.985	2.985	2.970	2.980	2.980
R210	3.040	3.053	3.040	3.048	3.050
R202	3.000	3.010	3.000	3.008	3.020
BarCap/Absa SA Govt. Inflation Linked bond index				9.83	-0.71%

Source: BESA, latest yields-to-maturity from Reuters

Bond Trading Data

Bond Code	Total Non Repo Trades for the main government funding stocks (ZAR mn) 1-Jul-10	week-to-date	month-to-date	year-to-date
R154	0.00	0	0	5,271
R155	0.04	216	0	11,252
R206	147.09	1,692	147	92,959
R201	189.27	887	189	60,276
R157	6,768.37	21,670	6,768	840,219
R203	1,401.98	6,570	1,402	86,461
R204	86.36	1,353	86	83,095
R207	518.22	1,716	518	133,248
R208	512.06	4,502	512	140,985
R186	1,549.36	4,315	1,549	244,182
R209	109.31	1,880	109	63,928

BESA day's non-repo trade volumes (R mn) by time



Bond Code	Total client trades on BESA (ZAR mn) Local Clients	Foreign Clients
R154	0.00	0
R155	0.00	0
R206	-126.85	3
R201	-109.15	19
R157	-497.68	357
R203	118.72	168
R204	-9.40	51
R207	231.73	31
R208	49.40	-207
R186	-67.38	21
R209	-73.85	0

Source: BESA

Bond Exchange Total Volumes Nominal amount traded (ZAR bn)			
Daily	1-Jul	37	44
Week to date	2-Jul	265	359
Month to date	Jul-10	37	1,478
Year to date	2010	7,379	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn)		latest	& Previous
Daily	1-Jul	451.9	-1,559
Week to date	2-Jul	-1,159.9	-975
Month to date	Jul-10	451.9	7,452
Year to date	2010	37,539.6	

Bond Exchange Cash Flows

Monthly Coupons and Maturities for the next twelve months (ZAR mn) Month	Coupons	Redemptions
June	10,698.86	6,566
July	6,077.22	12,744
August	5,181.62	22,746
September	14,898.97	6,185
October	1,862.57	3,970
November	1,933.13	7,309
December	10,599.31	1,882
January	5,490.79	407
February	3,695.33	147
March	14,573.29	2,334
April	1,862.67	4,918
May	1,871.78	3,480

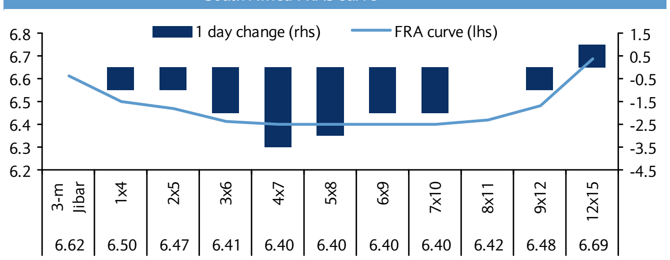
Source: BESA

Five Largest Coupon Payments for July 2010 (ZAR mn) Bond Code	Date	Issuer	Amount
R186	21 Jun 10	Republic Of South Africa	3,978
R204	21 Jun 10	Republic Of South Africa	1,964
R201	21 Jun 10	Republic Of South Africa	1,707
R197	7 Jun 10	Republic Of South Africa	1,521
R202	7 Jun 10	Republic Of South Africa	388

Five Largest Maturities for July 2010 (ZAR mn) Bond Code	Date	Issuer	Amount
LB01	30 Jun 10	Land And Agricultural Bank	1,840
UG65	1 Jun 10	Umgeni Water	972
MBF12	11 Jun 10	Mercedes-Benz South Africa	695
GFIC26	3 Jun 10	Gold Fields Limited	430

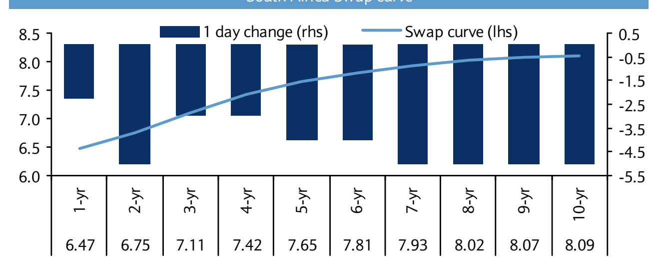
Fras and Swaps

South Africa FRAs curve



Source: BESA

South Africa Swap curve



Source: BESA

Analyst Certification(s)

We, Jeff Gable, Ian Marsberg and Jeffrey Schultz, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

For current important disclosures regarding companies that are the subject of this research report, please send a written request to: Barclays Capital Research Compliance, 745 Seventh Avenue, 17th Floor, New York, NY 10019 or refer to https://ecommerce.barcap.com/research/cgi-bin/all/disclosuresSearch.pl or call 212-526-1072.

Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays Capital may have a conflict of interest that could affect the objectivity of this report. Any reference to Barclays Capital includes its affiliates. Barclays Capital and/or an affiliate thereof (the "firm") regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). The firm's proprietary trading accounts may have either a long and / or short position in such securities and / or derivative instruments, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, the firm's fixed income research analysts regularly interact with its trading desk personnel to determine current prices of fixed income securities. The firm's fixed income research analyst(s) receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the investment banking department), the profitability and revenues of the Fixed Income Division and the outstanding principal amount and trading value of, the profitability of, and the potential interest of the firms investing clients in research with respect to, the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Barclays Capital trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. Barclays Capital produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.