

# South Africa Morning Sheet

South Africa Strategy

2 March 2010

	Close		Change
USD/ZAR	7.64	↓	1.0%
EUR/USD	1.36	↓	0.5%
EUR/ZAR	10.36	↓	1.5%
3m Jibar	7.18%	↓	1 bp
R157	8.17%	→	0 bp
R186	8.97%	↓	2 bp
All Share	27,026	↑	1.0%
Gold \$/oz	1,119	↑	0.1%
Brent \$/bb	76.4	↓	0.4%

Source: Bloomberg

## Jeff Gable

Head of ABSA Capital Research  
+27 11 895 5368  
jeff.gable@absacapital.com

## Ian Marsberg

Macro Strategist  
+27 11 895 5347  
ian.marsberg@absacapital.com

## Jeffrey Schultz

Macro Strategist  
+27 11 895 5349  
jeffrey.schultz@absacapital.com

## Judy Padayachee

Technical Strategist  
+27 11 895 5350  
judy.padayachee@absacapital.com

## Bulent Badsha

Fixed Income Strategist  
+27 11 895 5323  
Bulent.Badsha@absacapital.com

www.barcap.com

**SA PMI hits a near three-year high.** Another robust print came from the February survey of purchasing managers, which jumped an impressive 6.8 index points, to 60.4, from January's 53.6 reading. The February figure marks the highest level in the index since March 2007 and follows a number of better-than-expected high-frequency releases recently that show that SA's economy may be recovering more quickly than expected. With the exception of the suppliers' performance sub-index, which deteriorated marginally in, the PMI's improvement in February was again broad based, with the business activity and more-forward looking new sales orders sub-indices rising 9 and 13.2 index points, respectively, to 65.2 and 68.6. Supporting the notion that domestic companies are in the process of replenishing their inventories, the PMI inventories component also jumped 6.9 index points last month to 58.7 – its highest level since May 2007 and more than double its lows of 29.1 reached in April last year. The PMI employment sub-index also continued to provide a more sanguine outlook for manufacturing employment prospects, with the index rising to 52.1, its second consecutive month above the neutral level of 50 and suggesting some relief to the industry in 2010 after over 200k jobs were shed in the sector last year alone.

Our belief that both the global and domestic economic recoveries should continue to gain traction in the coming months underpins our relatively positive outlook for the manufacturing sector in 2010. Support to SA's export sector through an improvement in global demand and our belief that companies should continue to rebuild inventories (predominantly in H1 10) support this view. That said, the likely protracted pick-up in the demand-side of the economy throughout 2010 should see the recovery in the manufacturing sector moderate somewhat in the second half of the year once the bulk of inventory rebuild has taken place. New vehicle sales statistics compiled by NAAMSA are released this morning, where base effects from last year's poor sales numbers should help sales growth remain in positive y/y territory in February after last month's 12.0% y/y rise.

**Department of Public Enterprises makes strides toward independent power producers.** Speaking at an infrastructure cluster briefing in Parliament yesterday, Public Enterprises Minister Barbara Hogan said that co-generation agreements, which would add at least 1143MW from independent power producers (IPPs), were "virtually in place". Hogan added that that there was "general consensus" that Eskom could not be the single provider of power and pointed to the fact that SAPPI and Sasol were among some of the companies with which agreements would be concluded. We view the strides toward the acquisition of IPPs as a positive in light of the large structural constraints in SA's power generation sector and should, if attained, help alleviate some of the electricity supply pressures Eskom continue to face.

**US consumer spending off to a strong start in Q1 10.** Consumer spending rose 0.5% m/m in January, above our and consumer expectations of a 0.4% rise, while personal income rose 0.1%, below the consensus (0.4%) forecast. The report also showed a solid gain in wage and salary income in January, but downward revisions to this source of income in previous months. Consumer spending is off to a strong start in Q1 10, though we think the February data will be weakened by negative effects from the snowstorms.

**Key international data and events.** Today sees the release of US vehicle sales, where our US economists look for a weak February report, as the global recall of Toyota vehicles and poor weather conditions likely hampered sales during the month. In Europe, euro area "flash" HIPC and PPI numbers, and UK construction PMI numbers are scheduled for release.

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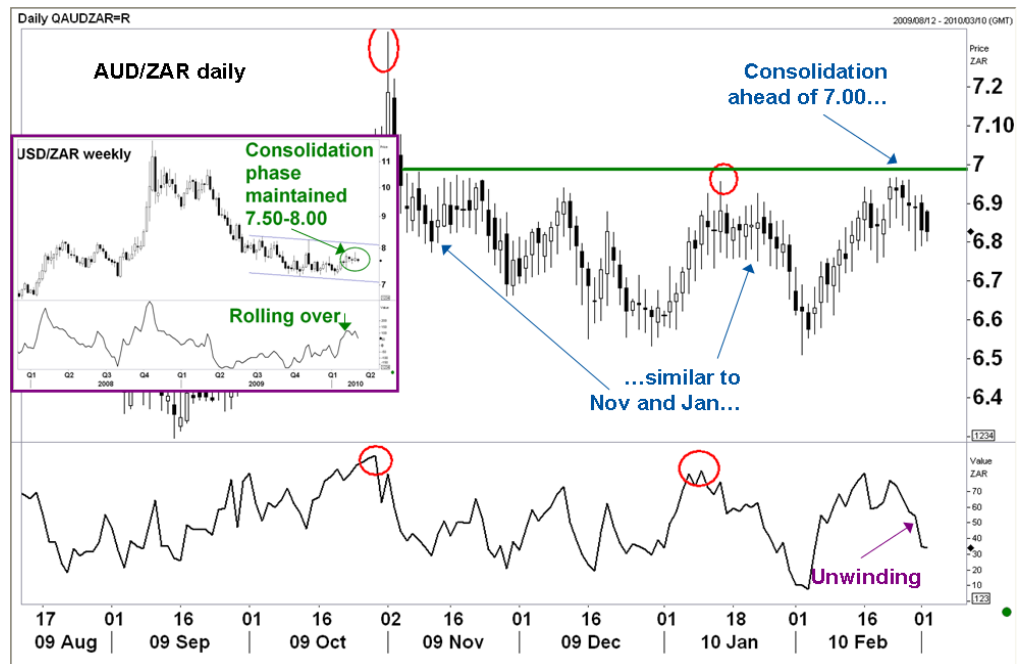
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# Technical Strategy

## Rand Technical Comment: - (USD/ZAR)

### USD/ZAR: Consolidation

AUD/ZAR continues to consolidate below 7.00 and the risks are for a dip lower (within the range) before another attempt is made to overcome this level. Similar extended consolidation patterns are evident near 7.00. Indeed, the sideways action is helping the divergence pattern to unravel and we cannot rule out a push to 6.70, first before tackling 7.00. USD/ZAR continues to hold to the range initiated in early-February and we expect more of the same into the end of March. Our range for the month is 7.50-8.00.



Source: Reuters  
 Support: 7.60 / 7.55 / 7.50  
 Resistance: 7.80 / 7.90 / 8.00  
 Today's range: 7.60-7.73

## FI Technical Comment (R186 and R157)

### Bonds: Recovery leg ahead of a bottom

The small real bodies in the R157 and R186 signal a pause in the recovery phase. Indeed, the Inside Day pattern in the R157 keeps our focus lower over the next couple of days. We continue to advocate lower yields first, within the context of the range that has defined the bond market over the past 10 months. As highlighted in yesterday's update, our focus remains on 8.00% for the R157 and 8.80% for the R186.

A bottom and upward leg in yields is only signaled on a close above 8.35% by the R157 and above 9.20% by the R186.

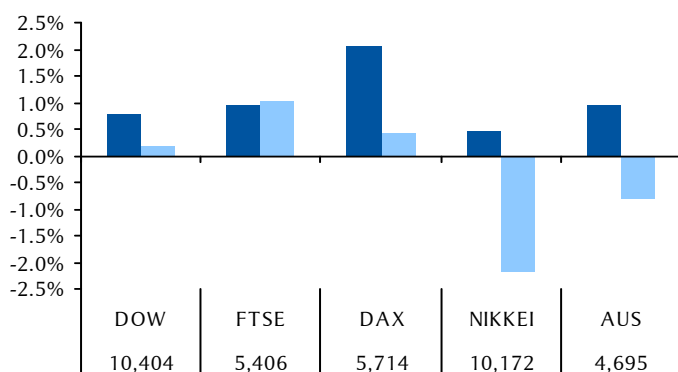


Source: Reuters  
 R157: Support: 8.22 / 8.26 / 8.33  
 R157: Resistance: 8.14 / 8.10 / 8.02  
 R157: Today's range: 8.14-8.20  
 R186: Today's range: 8.94-9.00

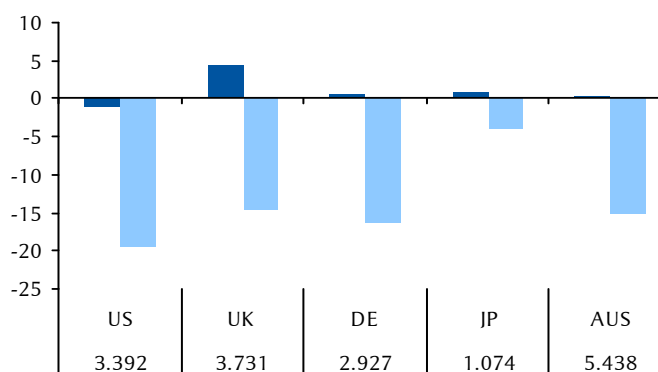
# Global Overview

KEY: ■ Daily Change ■ 5 Day Change

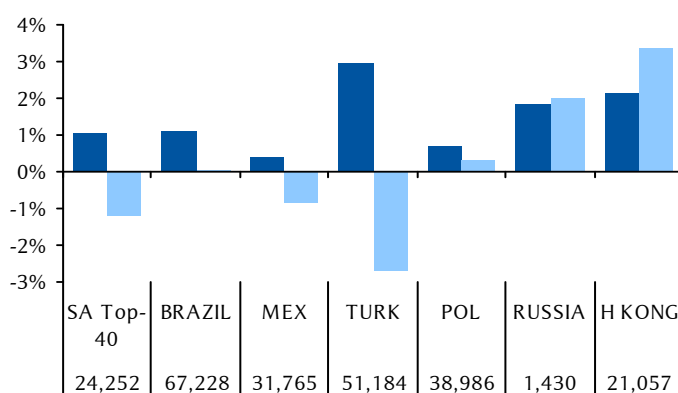
## Developed Market Equities



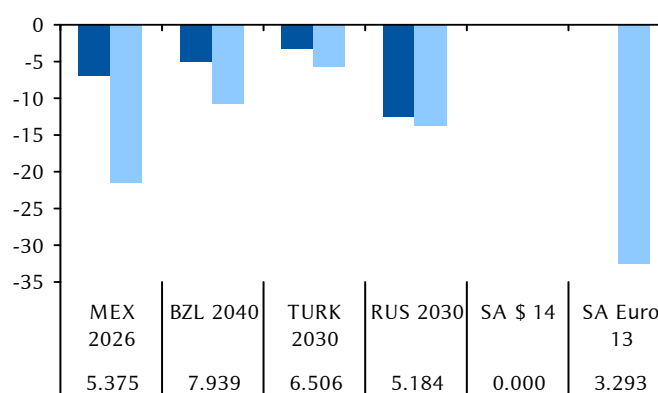
## Developed Market 10yr Debt (bp)



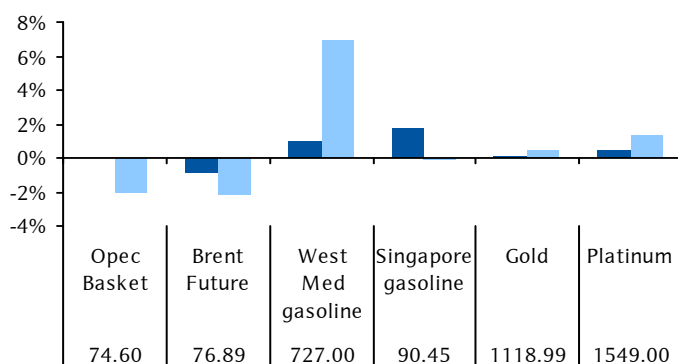
## Emerging Market Equities



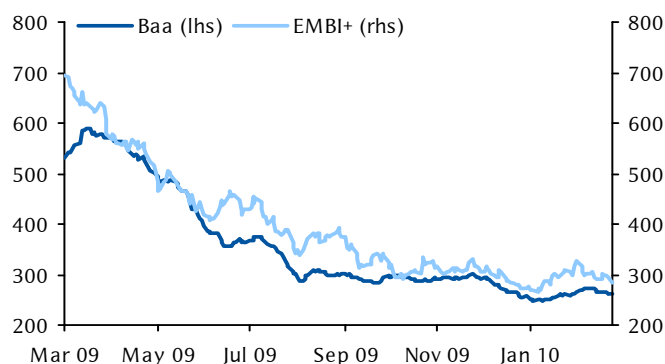
## Emerging Market Debt (bp)



## Commodity Prices



## Baa and EMBI+ Spread



## Data releases and events highlights (see weekly calendar for details)

Country	GMT	SA time	Data	Period	Latest	Forecast	Consensus
<b>Events</b>							
US	6:00 PM	8:00 PM	US: Minneapolis Fed President Kocherlakota (FOMC non-voter) speaks				
<b>Data releases</b>							
SA	9:00 AM	11:00 AM	SA: NAAMSA new vehicle sales (% y/y)	Feb	12.0	-	-
UK	09:30	09:30	UK: PMI construction, index	Feb	48.6	47.0	48.8
E16	10:00	10:00	E16: "Flash" HICP, % y/y	Feb	1.0	0.9 R	1.0
E16	10:00	10:00	E16: PPI, % m/m (y/y)	Jan	0.1 (-2.9)	0.7 (-1.0)	0.6 (-1.1)
US	12:30 PM	2:30 PM	US: Vehicle sales, mn	Feb	11	10.3	11

Source: Bloomberg, Reuters

# Foreign Exchange

## Forex Spots

Unit	\$	Change	R	Change
USD	1.000	-	7.642	0.96%
GBP	1.499	-1.62%	11.455	2.62%
EUR	1.356	-0.52%	10.362	1.49%
JPY	89.130	-0.18%	11.659	1.14%
CHF	1.079	-0.54%	7.080	1.51%
AUD	0.901	0.61%	6.885	0.34%
CAD	1.041	0.99%	7.339	-0.03%
HKD	7.765	-0.03%	0.984	0.99%
THB	32.840	0.67%		
IDR	9263.000	0.86%		
MXN	12.733	0.31%		
BRL	1.798	0.55%		
TRY	1.537	0.86%		
PLN	2.894	-0.03%		
CZK	19.068	-0.26%		

Source: Bloomberg, all rates are mid rates

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

Date	Value	% YTD	Date	Value
02 Mar 10	70.50	24.19%	1 month ago	
01 Mar 10	70.50	24.19%	2 Feb 10	72.36
26 Feb 10	70.50	24.19%	12 months ago	
25 Feb 10	70.52	24.22%	2 Mar 09	56.77
24 Feb 10	70.66	24.47%	End of last year	
23 Feb 10	71.19	25.40%	30 Dec 09	72.62
22 Feb 10	71.67	26.25%		

Source: SA Reserve Bank

## Money Market

### General

	Last	Previous	Date of last change
SARB Repo Rate	7.00	7.00	13 Aug 09
Prime Interest Rate	10.50	10.50	13 Aug 09

### Johannesburg Interbank Agreed Rates (Jibar)

	Last	Previous	Change
	1 Mar 10	26 Feb 10	(bps)
SAFEX Overnight Rate	6.78	6.78	0.0
1-month Jibar	6.94	6.95	-1.0
3-month jibar	7.18	7.19	-1.0
6-month Jibar	7.60	7.60	0.0
1-year Jibar	8.06	8.10	-4.5

### Negotiable Certificates of Deposit (NCDs)

	Last	Previous	Change
	1 Mar 10	26 Feb 10	(bps)
3-month NCD	7.26	7.20	5.6
6-month NCD	7.42	7.39	3.0
9-month NCD	7.68	7.59	8.9
12-month NCD	7.77	7.78	-1.3

Sources: Reuters, Bloomberg

### International Money market rates: US dollar libor

	Last	Previous	Change
	1 Mar 10	26 Feb 10	(bps)
USD Overnight	0.18	0.17	0.1
USD 1-month	0.23	0.23	-0.1
USD 3-months	0.25	0.25	0.0
USD 6-months	0.38	0.39	-0.3
USD 9-months	0.60	0.60	-0.2
USD 1-year	0.84	0.84	0.0
Fed Funds target Rate	0.25	0.25	0.0

Source: Reuters

## Rand Forwards

Term	Forward Points			Outright Forward rate	Forward cover cost (ann.)
	Last	Previous	Change		
1 month	0.051	0.052	-0.002	7.693	7.8%
3 months	0.135	0.136	-0.001	7.777	7.0%
6 months	0.271	0.272	-0.001	7.913	7.0%
9 months	0.409	0.408	0.001	8.051	7.1%
1 year	0.535	0.541	-0.006	8.177	7.0%

Source: Bloomberg

## Rand Options

Term	Option Implied Volatility			Price as a % of \$ nominal	Change
	Last	Previous	Change		
1 month	16.5%	15.9%	0.6%	1.9%	0.2%
3 months	16.6%	17.8%	-1.2%	3.3%	-0.2%
6 months	17.9%	17.9%	0.0%	5.1%	0.0%
9 months	18.2%	18.2%	0.1%	6.3%	0.0%
1 year	18.6%	18.4%	0.2%	7.4%	0.1%

Source: Reuters

## SA Fuel prices

Rands per Litre	Gauteng 95 Octane	Diesel
This month	8.04	6.99
Last Month	7.86	6.89
Change	0.18	0.10
*Average Unit over/ (under) recovery	-25.68	-21.58

\*A fuel price over recovery indicates that the next price change is likely to be down and vice versa for an under-recovery

Chart: SARB Repo rate and 3-month Jibar

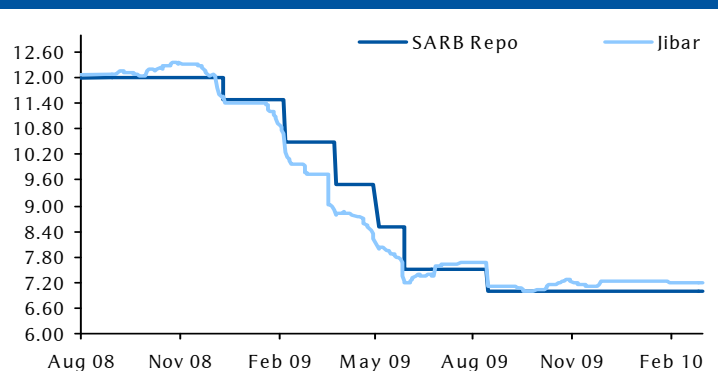
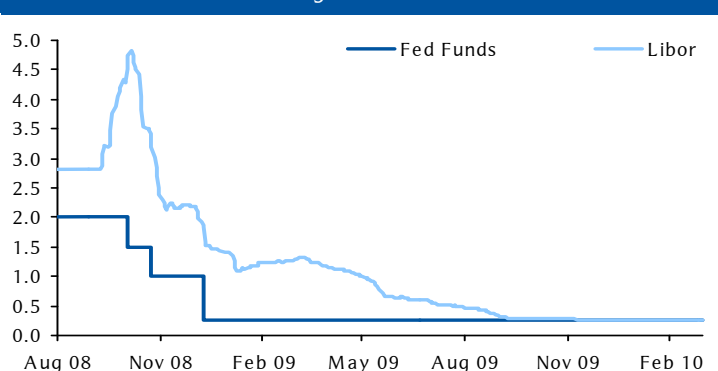


Chart: Fed Funds Target rate and 3-month USD Libor



# Interest Rates

## All Bond Index

Bond Code	Bond Details Issuer / coupon rate / maturity	Albi weightings	Last BESA m-t-1-Mar-10	Change (bps)
IN03	IFC 14.00% Jun 2011	0.54%	9.770	0.0
R155	RSA 13.00% Aug 2011	2.73%	7.320	0.0
R206	RSA 7.50% Jan 2014	5.56%	8.220	0.0
R201	RSA 8.75% Dec 2014	8.44%	8.190	0.0
R157	RSA 13.50% Sep 2015	13.07%	8.170	0.0
WS04	TCTA 12.50% May 2016	1.82%	8.840	1.5
R203	RSA 8.25% Sep 2017	8.55%	8.730	0.0
TN17	Transnet 9.25% Nov 2017	1.51%	9.950	0.0
ES18	Eskom 9.25% Apr 2018	1.26%	9.950	0.0
R204	RSA 8.00% Dec 2018	7.97%	8.770	0.0
R207	RSA 7.25% Jan 2020	9.65%	8.930	-1.5
DV22	DBSA 9.45% Feb 2020	0.99%	10.280	-1.5
E170	Eskom 13.50% Aug 2020	2.63%	9.340	0.0
R208	RSA 6.75% Mar 2021	6.96%	8.980	-1.0
COJ05	City of Johannesburg 12.21% Jun 2023	0.49%	11.280	-1.0
ES26	Eskom 7.85% Apr 2026	2.64%	9.565	-1.5
R186	RSA 10.50% Dec 2026	15.28%	8.965	-1.5
TN27	Transnet 8.90% Nov 2027	1.09%	10.415	-6.5
ES33	Eskom 7.50% Sep 2033	2.84%	9.620	-2.5
R209	RSA 6.25% Mar 2036	5.97%	8.930	-2.5

Albi yield Weighted average MTM yield	100.00%	8.783	-0.8
Albi Total Return Index	-	306.12	0.13%
Govi Total Return Index	-	307.58	0.13%

Source: BESA, Bloomberg

## Government Primary Dealer Bonds

Bond Code	Open	High	Low	Last	This Morning
R206	8.197	8.220	8.195	8.220	8.215
R201	8.180	8.190	8.180	8.190	8.185
R157	8.150	8.220	8.120	8.162	8.165
R203	8.715	8.730	8.700	8.700	8.720
R204	8.755	8.785	8.755	8.770	8.765
R207	8.920	8.960	8.890	8.925	8.915
R186	8.945	9.060	8.929	8.963	8.957

Source: BESA

## Government Inflation Linked Bonds

Bond Code	Open	High	Low	Last	Last BESA m-t-m
R189	2.130	2.130	2.130	2.130	2.130
R197	3.275	3.277	3.250	3.275	3.260
R210	3.400	3.400	3.350	3.350	3.350
R202	3.380	3.380	3.330	3.330	3.350

BarCap/ Absa SA Govt. Inflation Linked bond index 9.95

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-Mar-10	week-to-date	month-to-date	year-to-date
R196	0.00	0	0	0
R153	0.00	0	0	0
R206	67.49	67	67	16,387
R201	24.79	25	25	6,444
R157	13,185.71	13,186	13,186	232,383
R203	308.48	308	308	18,576
R204	145.19	145	145	20,247
R207	281.15	281	281	32,481
R208	520.84	521	521	35,018
R186	1,112.66	1,113	1,113	69,934
R209	270.45	270	270	16,404

Bond Code	Total client trades on BESA (ZAR mn)	
	Local Clients	Foreign Clients
R196	0.00	0
R153	0.00	0
R206	0.00	34
R201	9.55	8
R157	-193.08	-687
R203	-55.30	103
R204	-5.74	22
R207	28.40	52
R208	-89.92	41
R186	-244.06	97
R209	89.90	5

Bond Exchange Total Volumes			
Nominal amount traded (ZAR bn) latest & previous			
Daily	1-Mar	51	31
Week to date	5-Mar	51	229
Month to date	Mar-10	51	1,067
Year to date	2010	2,034	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn) latest & Previous			
Daily	1-Mar	-453.0	59
Week to date	5-Mar	-453.0	2,149
Month to date	Mar-10	-453.0	6,119
Year to date	2010	5,626.3	

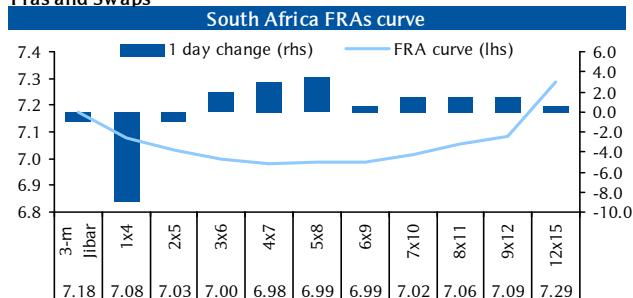
Source: BESA

## Bond Exchange Cash Flows

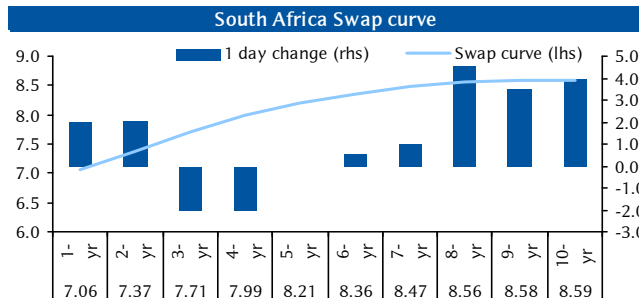
Monthly Coupons and Maturities for the next twelve months (ZAR mn)		
Month	Coupons	Redemptions
February	5,403.40	6,412
March	14,383.06	4,483
April	1,967.08	4,935
May	2,392.68	6,066
June	9,923.95	5,547
July	5,069.47	11,819
August	5,217.22	21,098
September	14,223.05	5,544
October	1,806.01	3,807
November	2,235.40	7,260
December	9,814.50	1,882
January	4,479.25	421

Source: BESA

## Fras and Swaps



Source: BESA



Source: BESA

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# Emerging EMEA Research Analysts

## ABSA CAPITAL

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**Jeff Gable**  
Head of Research  
ABSA Capital  
+27 (0) 11 895 5368  
jeff.gable@absacapital.com

**Ian Marsberg**  
Macro Strategist  
+27 11 895 5374  
ian.marsberg@absacapital.com

**Jeffrey Schultz**  
Macro Strategist  
+27 11 895 5349  
jeffrey.schultz@absacapital.com

**Ridle Markus**  
Africa Strategist  
+27 11 895 5374  
ridle.markus@absacapital.com

**Dumisani Ngwenya**  
Africa Strategist  
+27 11 895 5346  
dumisani.ngwenya@absacapital.com

**Judy Padayachee**  
Technical Strategist  
+27 11 895 5350  
judy.padayachee@absacapital.com

**Bulent Badsha**  
Fixed Income Strategist  
+27 11 895 5323  
bulent.badsha@absacapital.com

**Divya Vasant**  
Credit Analyst  
+ 27 11 895 5345  
divya.vasant@absacapital.com

## BARCLAYS CAPITAL

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**Piero Ghezzi**  
Head of Economics and Emerging  
Markets Research  
+44 (0)20 313 42190  
piero.ghezzi@barcap.com

**Matthew Vogel**  
Head of Emerging EMEA Research  
+44 (0)20 7773 2833  
matthew.vogel@barcap.com

**Koon Chow**  
Senior FX Strategist  
+44 (0)20 777 37572  
koon.chow@barcap.com

**George Christou**  
EM Strategist  
+44 (0)20 7773 1472  
george.christou@barcap.com

**Daniel Hewitt**  
Senior Emerging EMEA Economist  
+44 (0)20 3134 3522  
daniel.hewitt@barcap.com

**Christian Keller**  
Chief Economist – Emerging Europe  
+44 (0)20 7773 2031  
christian.keller@barcap.com

**Andreas Kolbe**  
Credit Strategist  
+44 (0)20 313 43134  
andreas.kolbe@barcap.com

**Alia Moubayed**  
Senior Economist – Middle East &  
North Africa  
+44 (0)20 313 41120  
alia.moubayed@barcap.com

**Arko Sen**  
Rates Strategist  
+44 (0)20 3134 2839  
arko.sen@barcap.com

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