

South Africa Morning Sheet

South Africa Strategy

3 March 2010

	Close		Change
USD/ZAR	7.60	↓	0.5%
EUR/USD	1.36	↑	0.4%
EUR/ZAR	10.35	↓	0.1%
3m Jibar	7.17%	↓	0 bp
R157	8.14%	↓	3 bp
R186	8.91%	↓	6 bp
All Share	27,372	↑	1.3%
Gold \$/oz	1,135	↑	1.4%
Brent \$/bb	77.4	↑	1.3%

Source: Bloomberg

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Highest growth rate in vehicle sales since July 2006. More positive news continued to flow out of the SA economy yesterday, with new vehicle sales statistics showing that aggregate sales rose 16.2% y/y following the prior month's 12% print. The February figure marks the highest growth rate in new sales since July 2006 and is the second consecutive month that sales have been back in positive growth territory. In the detailed numbers, the improvement in sales was broad-based across vehicle segments, with passenger (+1.9%), medium (+2.7%) and heavy sales (+8.6%) rising on a seasonally adjusted m/m basis. Light commercial sales were the only class to record a small m/m fall (-0.1%). Looking at the y/y numbers, it is not surprising to see significant improvements in the y/y growth rates of passenger, light commercial and heavy commercial sales. This, we maintain, can be largely attributed to base effects from last year's poor sales performance in each of these classes at the height of the economic crisis. As compared to February last year, new vehicle exports fell 5.1%.

Yesterday's numbers follow a slew of positive high frequency data releases of late as well as stronger-than-expected Q4 09 GDP growth numbers (+3.2% q/q saar), which show that the domestic economic recovery should prove to be healthier than originally envisaged. Despite our expectation for only a modest improvement in private consumption growth in 2010, the low base that sales continue to come off should continue to drive vehicle sales growth higher in 2010. This, together with large gains observed in recent PMI surveys and our belief that companies have already begun rebuilding inventories, bodes well for GDP growth in H1, where we look for GDP to post another above-3% q/q print in Q1 2010.

Patel to present Economic Development Ministry's plan to Parliament today. According to reports in Business Day this morning, Economic Development Minister Ebrahim Patel's role in government had been broadened slightly, suggesting that Patel will now also have "oversight" of important economic regulatory agencies such as the International Trade and Administration Commission, which sets import tariffs. Further clarity on the Ministry's role in economic planning and development should be given today, when Patel is scheduled to present his ministry's strategic plan to Parliament. While the details of the minister's role and strategic plan remain somewhat sketchy, we continue to believe that despite the possibility that Patel's ministry may have greater oversight of various governmental departments as indicated by this morning's report, we are unlikely to see any significant changes to economic policy in the medium term.

SA government bond auction. The weekly vanilla government bond auction was well supported by the market yesterday. Both the R204 (2018) and R208 (2021) had bid to cover ratios of around 4.5 times. The strength of the rand (especially in trade-weighted terms), the follow-through from last week's lower than expected CPI print and the positive news from NERSA have all helped to reduce near-term inflation expectations and support local bond yields. National Treasury successfully placed the US\$2bn foreign bond at a spread of 197bp over US Treasuries. Excess demand for RSA foreign bond issues has a tendency to make its way into the local market and the non-resident statistics confirm this.

Key data and events. This morning (11:30am SA time) sees the release of the SACCI business confidence index, where we expect the index to have tracked higher in February on the basis that a large number of high frequency indicators (which form the basis of the index) have seen significant improvements of late, signaling an improved business climate. In international markets, the US Fed's Beige Book is published today, while ADP private payrolls and ISM non-manufacturing indices are also released. In Europe; German retail sales, E16 and UK PMI, and E16 retail sales numbers are also scheduled for release.

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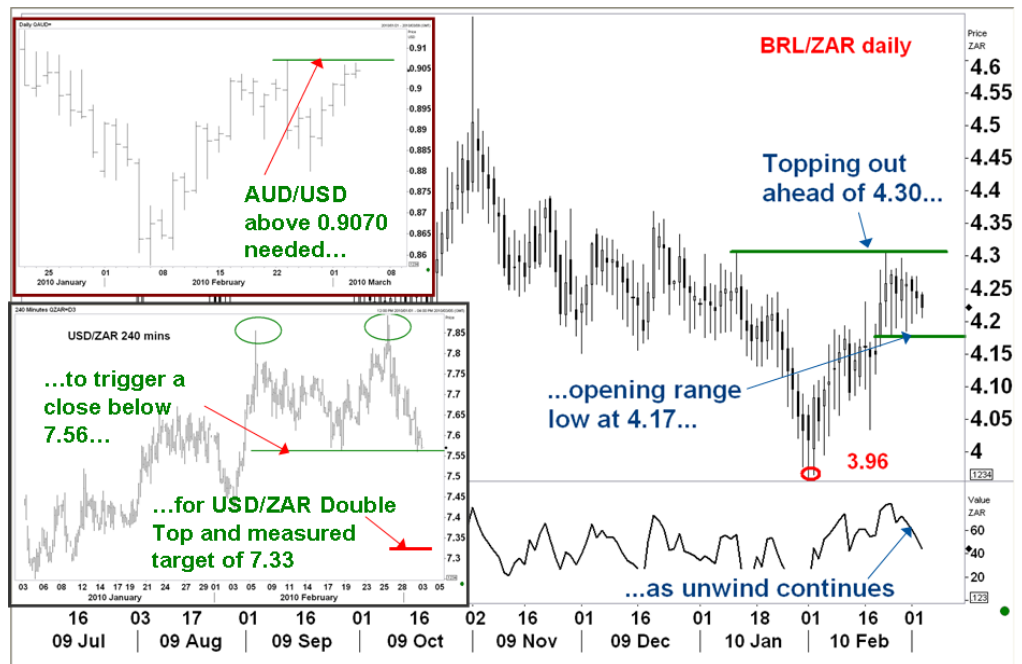
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Technical Strategy

Rand Technical Comment: - (USD/ZAR)

USD/ZAR: Potential Double Top

Our sights are on the 7.56 level as a close below here signals a Double Top pattern in USD/ZAR. This would open a measured target of 7.33 in the near term. We are watching the 0.9070 level in AUD/USD. A close above this range high is likely to provide the trigger for USD/ZAR downside in the near term. BRL/ZAR is edging lower and there is room for further unwinding, which we believe could lead to a test of the range low at 4.17. A decisive close below 4.17 would signal a bigger correction than we are currently allowing for.

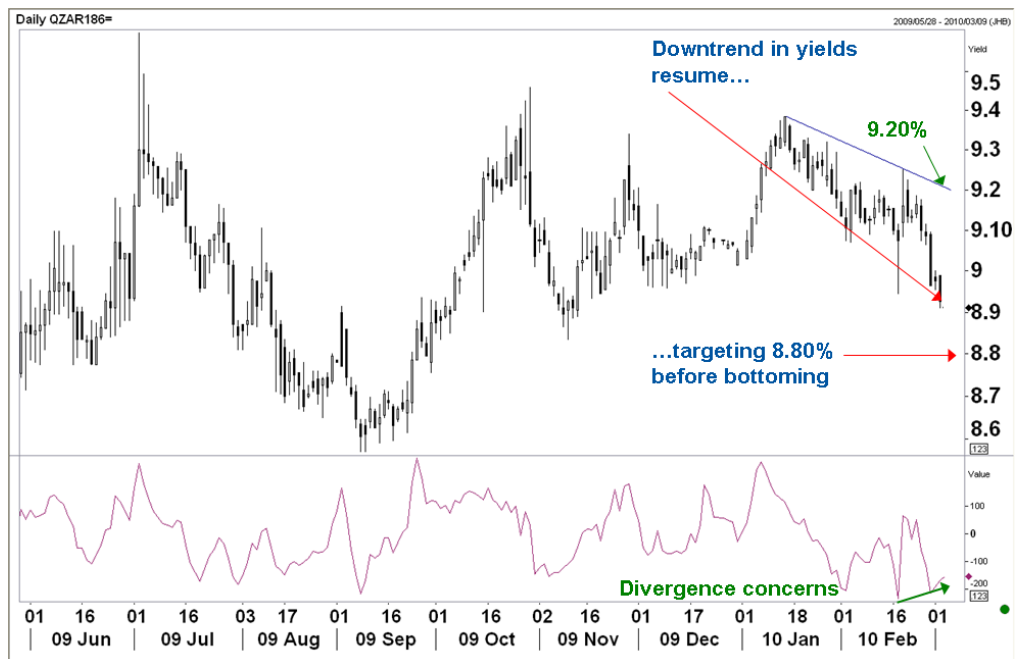


Source: Reuters
 Support: 7.50 / 7.48 / 7.42
 Resistance: 7.66 / 7.72 / 7.80
 Today's range: 7.52-7.60

FI Technical Comment (R186 and R157)

Bonds: Recovery leg ahead of a bottom

Although yesterday's recovery in the bond market was in line with expectations, we are wary of the interest shown in risky assets, which could derail the bullish moves in the R157 and R186. We note the divergence in the R186, which could be an early signal that the extension to 8.80%, we were looking for this week, might not materialise. Should the R186 close above 9.00% today, and similarly the R157 above 8.20%, then we have to allow for further sideways action, before an attempt is made by the R186 to reach 8.80% and the R157 to 8.00%. A bottom and more aggressive upward leg in yields is only signaled on a close above 9.20% by the R186 and 8.35% by the R157.

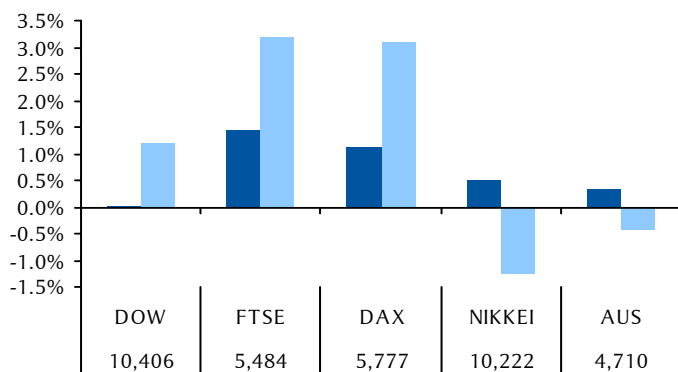


Source: Reuters
 R157: Support: 8.22 / 8.26 / 8.33
 R157: Resistance: 8.10 / 8.02 / 8.00
 R157: Today's range: 8.12-8.17
 R186: Today's range: 8.98-9.04

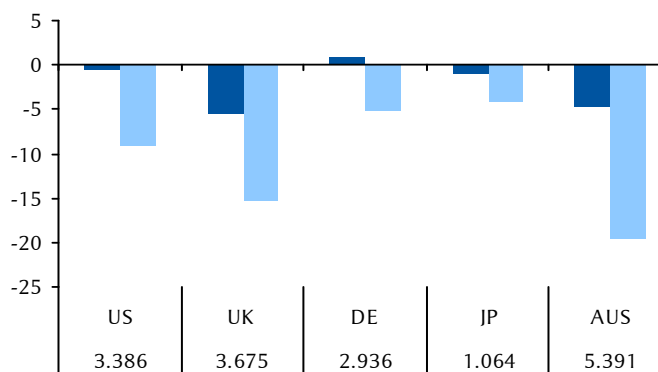
Global Overview

KEY: ■ Daily Change ■ 5 Day Change

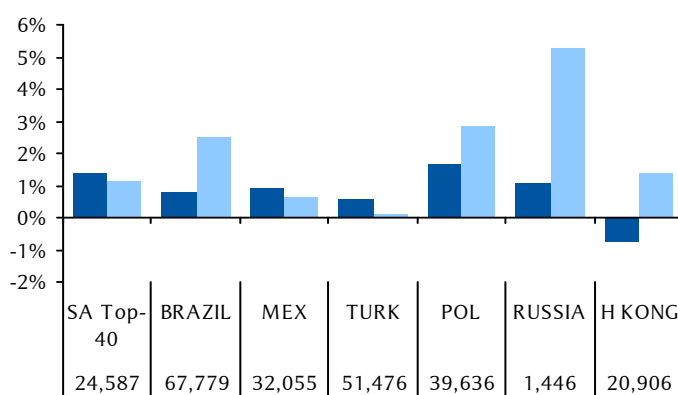
Developed Market Equities



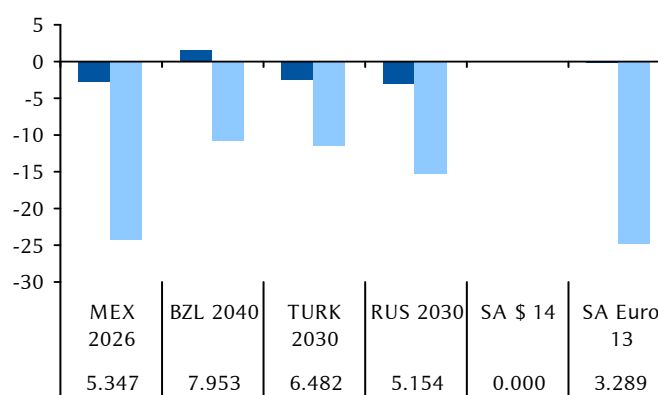
Developed Market 10yr Debt (bp)



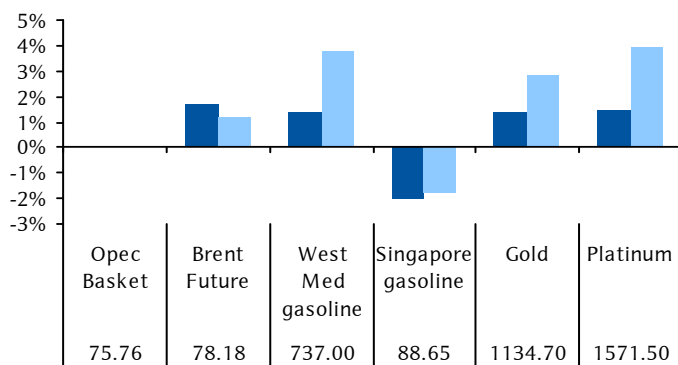
Emerging Market Equities



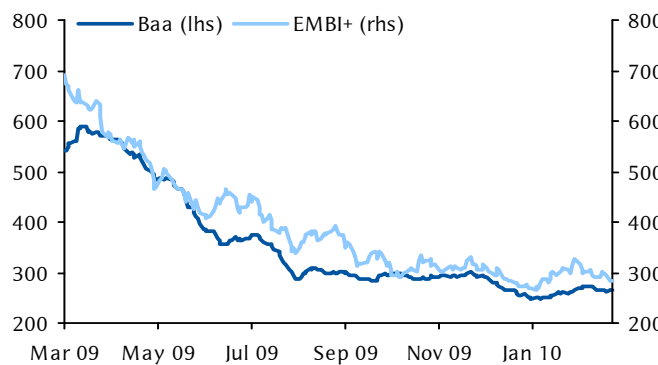
Emerging Market Debt (bp)



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
Events							
US	2:15 PM	4:15 PM	US: Boston Fed President Rosengren (FOMC voter) speaks				
US	6:00 PM	8:00 PM	US: Atlanta Fed President Lockhart (FOMC non-voter) speaks				
US	19:00	9:00 PM	US: Fed Beige Book report released				
Data releases							
Germany	07:00	07:00	Germany: Retail sales, ex-cars/petrol, %	Jan	0.9	-0.6	-0.5
E16	08:58	08:58	E16 : Final Services PMI, index	Feb	52.0 P	52.0	52.0
E16	08:58	08:58	E16 : Final Composite PMI, index	Feb	53.7 P	53.7	53.7
UK	9:28 AM	11:28 AM	UK: PMI services, index	Feb	54.5	56.0	54.9
SA	9:30 AM	11:30 AM	SA: SACCI business confidence index	Feb	81.2	-	-
E16	10:00 AM	12:00 PM	E16 : Retail sales, % m/m (y/y)	Jan	0.0 (-1.4)	-0.3 (-2.1)	-0.4 (-1.5)

Source: Bloomberg, Reuters

Foreign Exchange

Forex Spots

Unit	\$	Change	R	Change
USD	1.000	-	7.601	0.54%
GBP	1.497	-0.13%	11.379	0.67%
EUR	1.362	0.41%	10.349	0.13%
JPY	88.850	0.32%	11.689	0.26%
CHF	1.075	0.42%	7.072	0.12%
AUD	0.904	0.29%	6.868	0.25%
CAD	1.036	0.56%	7.340	-0.02%
HKD	7.762	0.03%	0.979	0.51%
THB	32.720	0.37%		
IDR	9293.000	-0.32%		
MXN	12.733	0.00%		
BRL	1.793	0.28%		
TRY	1.534	0.17%		
PLN	2.876	0.63%		
CZK	18.922	0.77%		

Source: Bloomberg, all rates are mid rates

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

Date	Value	% YTD	Date	Value
03 Mar 10	71.93	27.00%	1 month ago	
02 Mar 10	71.93	27.00%	3 Feb 10	72.66
01 Mar 10	71.36	25.99%	12 months ago	
26 Feb 10	70.50	24.47%	3 Mar 09	56.64
25 Feb 10	70.52	24.51%	End of last year	
24 Feb 10	70.66	24.75%	30 Dec 09	72.62
23 Feb 10	71.19	25.69%		

Source: SA Reserve Bank

Rand Forwards

Term	Forward Points			Outright Forward rate	Forward cover cost (ann.)
	Last	Previous	Change		
1 month	0.048	0.051	-0.002	7.650	7.5%
3 months	0.133	0.135	-0.002	7.735	7.0%
6 months	0.272	0.271	0.001	7.873	7.1%
9 months	0.403	0.409	-0.006	8.004	7.0%
1 year	0.531	0.535	-0.004	8.133	7.0%

Source: Bloomberg

Rand Options

Term	Option Implied Volatility			Price as a % of \$ nominal	Change
	Last	Previous	Change		
1 month	15.6%	16.5%	-0.9%	1.8%	-0.1%
3 months	16.5%	16.6%	-0.1%	3.3%	0.0%
6 months	17.8%	17.9%	-0.1%	5.0%	0.0%
9 months	18.1%	18.2%	-0.2%	6.2%	-0.1%
1 year	18.3%	18.6%	-0.3%	7.2%	-0.1%

Source: Reuters

SA Fuel prices

Rands per Litre	Gauteng 95 Octane	Diesel
This month	8.10	7.03
Last Month	8.04	6.99
Change	0.06	0.04
*Average Unit over/ (under) recovery	-27.90	-28.02

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

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
	2 Mar 10	1 Mar 10	(bps)
SAFEX Overnight Rate	6.78	6.78	0.0
1-month Jibar	6.94	6.94	0.0
3-month jibar	7.17	7.18	-0.5
6-month Jibar	7.60	7.60	0.0
1-year Jibar	8.05	8.06	-0.5

Negotiable Certificates of Deposit (NCDs)

	Last	Previous	Change
	2 Mar 10	1 Mar 10	(bps)
3-month NCD	7.25	7.26	-1.0
6-month NCD	7.41	7.42	-0.5
9-month NCD	7.60	7.68	-8.0
12-month NCD	7.74	7.77	-2.6

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

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

Source: Reuters

Chart: SARB Repo rate and 3-month Jibar

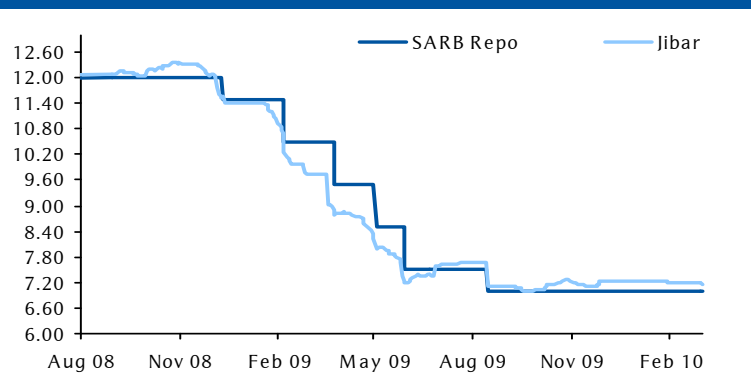
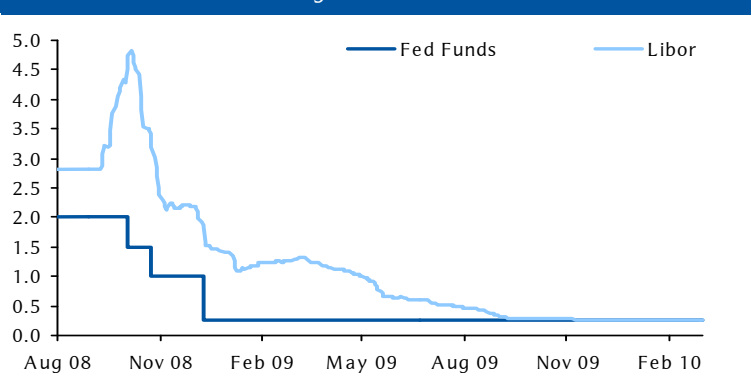


Chart: Fed Funds Target rate and 3-month USD Libor



Interest Rates

All Bond Index

Bond Code	Bond Details Issuer / coupon rate / maturity	Albi weightings	Last BESA m-t-2-Mar-10	Change (bps)
IN03	IFC 14.00% Jun 2011	0.54%	9.765	-0.5
R155	RSA 13.00% Aug 2011	2.73%	7.320	0.0
R206	RSA 7.50% Jan 2014	5.56%	8.190	-3.0
R201	RSA 8.75% Dec 2014	8.44%	8.160	-3.0
R157	RSA 13.50% Sep 2015	13.07%	8.140	-3.0
WS04	TCTA 12.50% May 2016	1.82%	8.810	-3.0
R203	RSA 8.25% Sep 2017	8.55%	8.690	-4.0
TN17	Transnet 9.25% Nov 2017	1.51%	9.910	-4.0
ES18	Eskom 9.25% Apr 2018	1.26%	9.910	-4.0
R204	RSA 8.00% Dec 2018	7.97%	8.715	-5.5
R207	RSA 7.25% Jan 2020	9.65%	8.885	-4.5
DV22	DBSA 9.45% Feb 2020	0.99%	10.235	-4.5
E170	Eskom 13.50% Aug 2020	2.63%	9.275	-6.5
R208	RSA 6.75% Mar 2021	6.96%	8.920	-6.0
COJ05	City of Johannesburg 12.21% Jun 2023	0.49%	11.220	-6.0
ES26	Eskom 7.85% Apr 2026	2.64%	9.505	-6.0
R186	RSA 10.50% Dec 2026	15.28%	8.905	-6.0
TN27	Transnet 8.90% Nov 2027	1.09%	10.355	-6.0
ES33	Eskom 7.50% Sep 2033	2.84%	9.525	-9.5
R209	RSA 6.25% Mar 2036	5.97%	8.835	-9.5

Albi yield Weighted average MTM yield	100.00%	8.735	-4.8
Albi Total Return Index	-	307.17	0.34%
Govi Total Return Index	-	308.62	0.34%

Source: BESA, Bloomberg

Government Primary Dealer Bonds

Bond Code	Trading stats for 2-Mar-10				This Morning
	Open	High	Low	Last	
R206	8.220	8.220	8.185	8.185	8.170
R201	8.190	8.190	8.148	8.160	8.140
R157	8.170	8.180	8.129	8.161	8.122
R203	8.710	8.730	8.660	8.730	8.670
R204	8.770	8.772	8.710	8.715	8.695
R207	8.950	9.002	8.865	9.002	8.868
R186	8.963	8.982	8.890	8.925	8.885

Source: BESA

Government Inflation Linked Bonds

Bond Code	Trading stats for 2-Mar-10				Last BESA m-t-m
	Open	High	Low	Last	
R189	2.150	2.150	2.150	2.150	2.130
R197	3.270	3.296	3.250	3.275	3.295
R210	No	Spot	Trade		3.350
R202	3.330	3.330	3.330	3.330	3.350

BarCap/Absa SA Govt. Inflation Linked bond index **9.91 -0.40%**

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)			
	2-Mar-10	week-to-date	month-to-date	year-to-date
R196	0.00	0	0	0
R153	0.00	0	0	0
R206	54.83	122	122	16,442
R201	161.92	187	187	6,605
R157	5,023.69	18,209	18,209	237,406
R203	801.04	1,110	1,110	19,377
R204	1,831.71	1,977	1,977	22,079
R207	497.57	779	779	32,979
R208	4,268.58	4,789	4,789	39,287
R186	1,487.04	2,600	2,600	71,421
R209	749.44	1,020	1,020	17,153

Bond Code	Total client trades on BESA (ZAR mn)	
	Local Clients	Foreign Clients
R196	0.00	0
R153	0.00	0
R206	11.42	0
R201	-10.39	16
R157	-9.20	327
R203	-279.17	-7
R204	-21.16	258
R207	68.93	-5
R208	342.52	380
R186	-65.79	62
R209	112.39	-23

Bond Exchange Total Volumes			
Nominal amount traded (ZAR bn) latest & previous			
Daily	2-Mar	120	51
Week to date	5-Mar	171	229
Month to date	Mar-10	171	1,067
Year to date	2010	2,154	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn) latest & Previous			
Daily	2-Mar	1,155.2	-453
Week to date	5-Mar	702.3	2,149
Month to date	Mar-10	702.3	6,119
Year to date	2010	6,781.5	

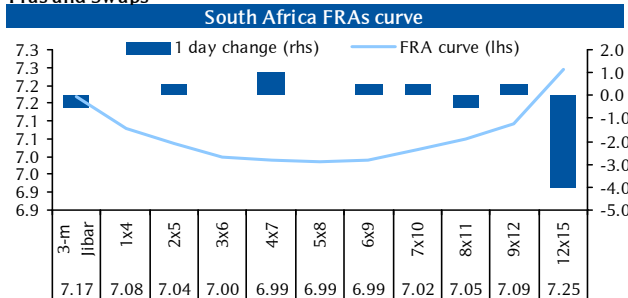
Source: BESA

Bond Exchange Cash Flows

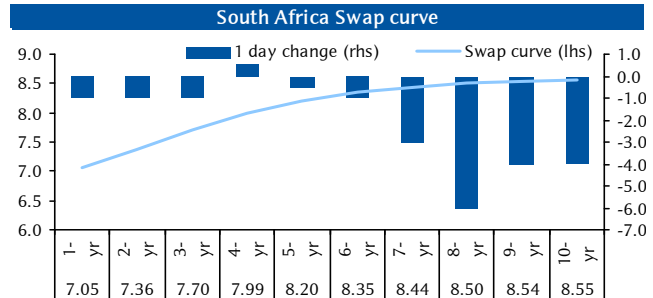
Monthly Coupons and Maturities for the next twelve months (ZAR mn)		
Month	Coupons	Redemptions
February	5,403.40	6,412
March	14,383.06	4,483
April	1,967.08	4,935
May	2,392.68	6,066
June	9,923.95	5,547
July	5,069.47	11,819
August	5,217.22	21,098
September	14,223.05	5,544
October	1,806.01	3,807
November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