

South Africa Morning Sheet

South Africa Strategy

8 March 2010

	Close		Change
USD/ZAR	7.41	↓	0.9%
EUR/USD	1.36	↑	0.3%
EUR/ZAR	10.09	↓	0.5%
3m Jibar	7.15%	↓	0 bp
R157	8.17%	↑	1 bp
R186	9.00%	↑	6 bp
All Share	27,905	↑	0.5%
Gold \$/oz	1,135	↑	0.2%
Brent \$/bb	79.4	↑	1.3%

Source: Bloomberg

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Manufacturing and mining production and Q1 business confidence the focus. Another relatively light week on the SA data calendar, with mining and manufacturing production numbers (Thursday) and Q1 10 business confidence, as compiled by the Bureau for Economic Research, the main focus. We expect production in both mining and manufacturing to have begun the year on a positive note after posting significant gains in the final quarter of last year. The ongoing strength observed in key sub-components of PMI of late, together with our belief that companies have already begun their inventory re-stocking process and the fact that manufacturing production continues to come off a relatively low base, supports our forecast for production to have risen 8.0% y/y in January, following December's 3.2% y/y print. Our observation of a further improvement in global demand conditions, as well as these low base effects, also leads us to believe that mining production could jump into positive y/y territory in January after December's -2.5% y/y print and build on the positive momentum observed in production the prior month, where on a 3m/3m seasonally adjusted and annualised basis, production rose 2.5%.

We expect the BER's business confidence index released this week to reflect the general improvement observed in a host of economic indicators of late. However, we continue to believe that still-depressed demand dynamics in the domestic economy are likely to weigh on sentiment in sectors such as retail and private sector construction. The large gains made, particularly in the production-side of the economy, are however likely to see the index track higher in Q1 2010 after Q4's reading of 28.

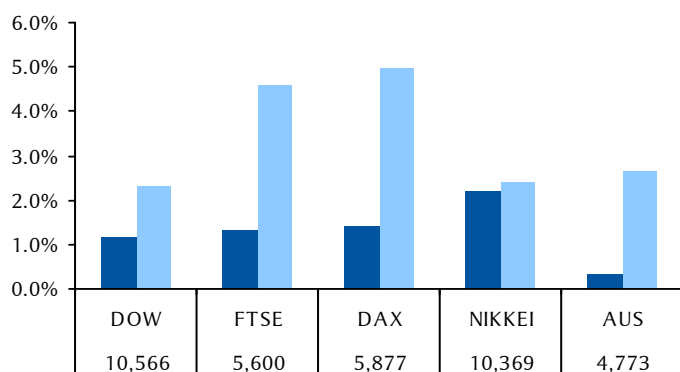
Little evidence of SARB forex intervention in February. Data out on Friday showed that South African net gold and foreign exchange reserves dipped USD350mn in February to USD38.3bn following January's USD38.6bn print. In much the same manner as last month, the fall in February reserves was attributed to the normal foreign exchange operations of the bank, where a stronger USD more than offset the small gain in the dollar-denominated gold price. An increase in foreign deposits received from government also contributed to the fall in net reserves during February. We continue to see very little evidence that the SARB was aggressively active in the market during the month with, in our view, the sterilisation costs associated with significant intervention remaining too high.

February US employment report. The February employment report was positive and suggestive of strong job growth over the next few months. The poor weather conditions contributed to a 36,000 drop in non-farm payrolls, less than either we (-75,000) or the consensus (-68,000) were expecting. In addition, there were net positive revisions to payrolls over the prior few months of 35,000. The household survey, which is not as sensitive to weather conditions, was decidedly upbeat. The unemployment rate held at 9.7% as a 308,000 gain in household employment was offset by a 342,000 increase in the labor force. On balance, we believe that Friday's employment report sets the stage for a decisive turn to job growth. In particular, payrolls are likely to climb in March as the weather effects reverse and Census hiring ramps up.

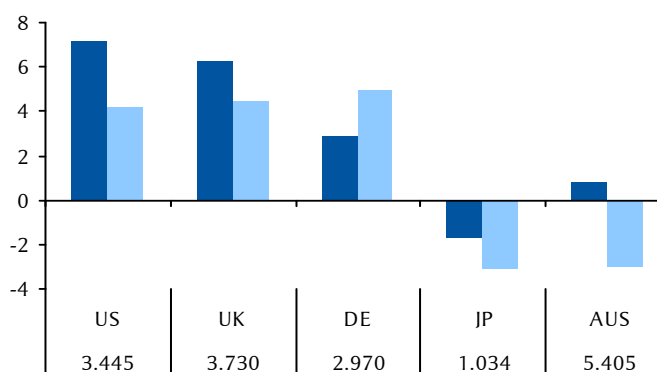
Global Overview

KEY: ■ Daily Change ■ 5 Day Change

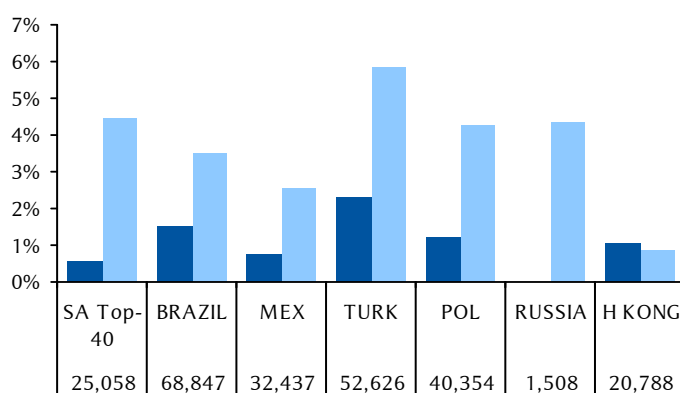
Developed Market Equities



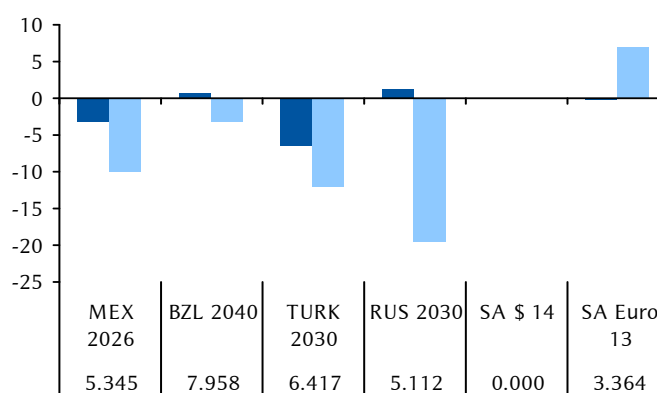
Developed Market 10yr Debt (bp)



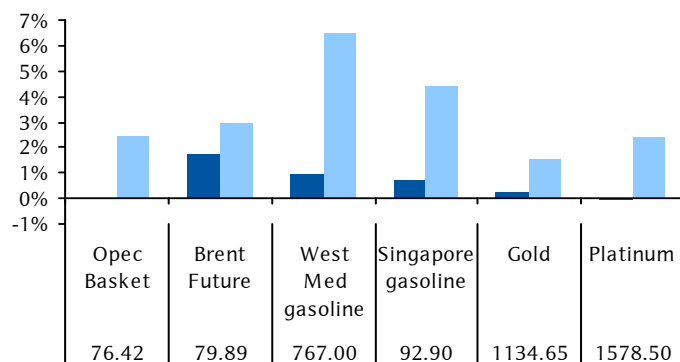
Emerging Market Equities



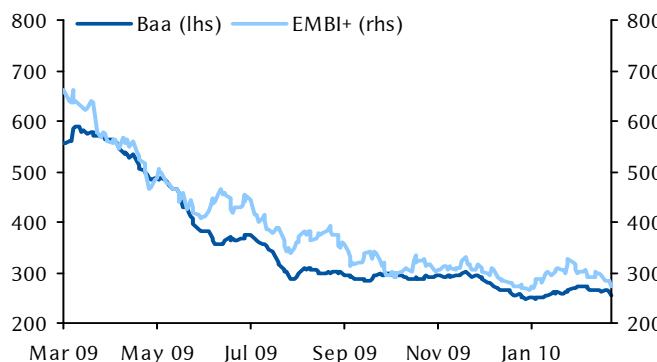
Emerging Market Debt (bp)



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							
Global	-	-	Global: BIS bi-monthly meeting (final day)				
UK	1:00 PM	3:00 PM	UK: BoE MPC member Kate Barker speaks				
Data releases							
Germany	11:00 AM	1:00 PM	Germany: Industrial production (%)	Jan	-2.6	1.7	1.2

Source: Bloomberg, Reuters

Foreign Exchange

Forex Spots

Unit	\$	Change	R	Change
USD	1.000	-	7.407	0.92%
GBP	1.514	0.70%	11.210	0.23%
EUR	1.363	0.33%	10.092	0.52%
JPY	90.280	-1.40%	12.181	2.25%
CHF	1.074	0.29%	6.899	0.58%
AUD	0.908	0.84%	6.724	0.07%
CAD	1.029	0.28%	7.198	0.66%
HKD	7.763	0.01%	0.954	0.91%
THB	32.680	-0.12%		
IDR	9235.000	0.43%		
MXN	12.631	0.64%		
BRL	1.778	0.57%		
TRY	1.540	0.77%		
PLN	2.845	0.86%		
CZK	18.825	0.88%		

Source: Bloomberg, all rates are mid rates

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

Date	Value	% YTD	Date	Value
08 Mar 10	73.51	31.06%	1 month ago	
05 Mar 10	73.51	31.06%	8 Feb 10	70.81
04 Mar 10	72.80	29.79%	12 months ago	
03 Mar 10	72.29	28.88%	9 Mar 09	56.09
02 Mar 10	71.93	28.24%	End of last year	
01 Mar 10	71.36	27.22%	30 Dec 09	72.62
26 Feb 10	70.50	25.69%		

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
	5 Mar 10	4 Mar 10	(bps)
SAFEX Overnight Rate	6.78	6.78	0.0
1-month Jibar	6.94	6.95	-1.0
3-month jibar	7.15	7.15	-0.5
6-month Jibar	7.58	7.60	-2.5
1-year Jibar	8.04	8.05	-1.0

Negotiable Certificates of Deposit (NCDs)

	Last	Previous	Change
	5 Mar 10	4 Mar 10	(bps)
3-month NCD	7.17	7.20	-2.8
6-month NCD	7.70	7.69	0.8
9-month NCD	7.57	7.64	-6.6
12-month NCD	7.88	7.75	13.0

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

	Last	Previous	Change
	5 Mar 10	4 Mar 10	(bps)
USD Overnight	0.18	0.18	0.6
USD 1-month	0.23	0.23	0.1
USD 3-months	0.25	0.25	0.1
USD 6-months	0.39	0.38	0.7
USD 9-months	0.61	0.60	0.9
USD 1-year	0.85	0.83	1.7
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	0.044	0.044	0.000	7.451	7.0%
3 months	0.129	0.130	-0.001	7.536	6.9%
6 months	0.259	0.261	-0.003	7.666	6.9%
9 months	0.394	0.389	0.005	7.802	7.1%
1 year	0.516	0.519	-0.003	7.923	7.0%

Source: Bloomberg

Rand Options

Term	Option Implied Volatility			Price as a % of \$ nominal	Change
	Last	Previous	Change		
1 month	14.6%	15.0%	-0.4%	1.7%	0.0%
3 months	16.0%	16.2%	-0.1%	3.2%	0.0%
6 months	17.3%	17.5%	-0.2%	4.9%	-0.1%
9 months	17.5%	17.9%	-0.4%	6.0%	-0.1%
1 year	17.9%	18.2%	-0.3%	7.1%	-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	-26.28	-28.28

*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

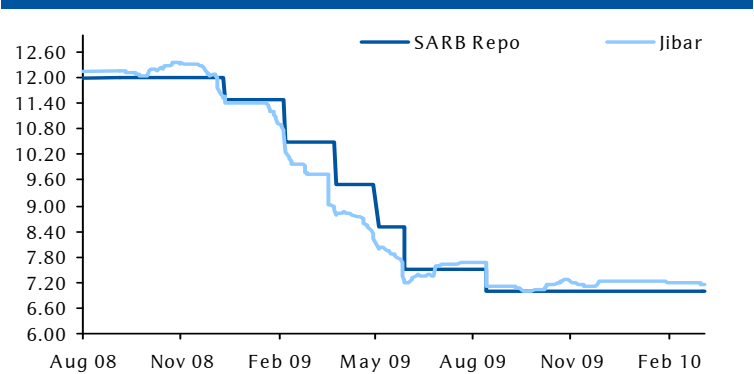
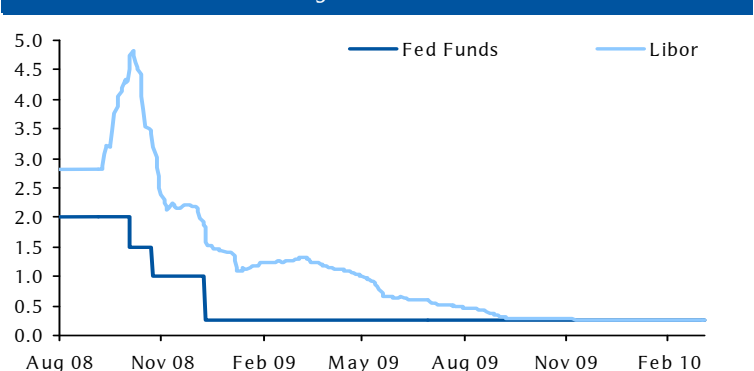


Chart: Fed Funds Target rate and 3-month USD Libor



Interest Rates

All Bond Index

Bond Code	Bond Details Issuer / coupon rate / maturity	Albi weightings	Last BESA m-t-5-Mar-10	Change (bps)
IN03	IFC 14.00% Jun 2011	0.54%	9.800	1.0
R155	RSA 13.00% Aug 2011	2.73%	7.345	0.0
R206	RSA 7.50% Jan 2014	5.56%	8.215	1.5
R201	RSA 8.75% Dec 2014	8.44%	8.185	1.5
R157	RSA 13.50% Sep 2015	13.07%	8.165	1.0
WS04	TCTA 12.50% May 2016	1.82%	8.835	1.0
R203	RSA 8.25% Sep 2017	8.55%	8.705	0.5
TN17	Transnet 9.25% Nov 2017	1.51%	9.925	0.5
ES18	Eskom 9.25% Apr 2018	1.26%	9.925	0.5
R204	RSA 8.00% Dec 2018	7.97%	8.740	1.5
R207	RSA 7.25% Jan 2020	9.65%	8.910	0.0
DV22	DBSA 9.45% Feb 2020	0.99%	10.260	0.0
E170	Eskom 13.50% Aug 2020	2.63%	9.290	0.5
R208	RSA 6.75% Mar 2021	6.96%	8.940	1.0
COJ05	City of Johannesburg 12.21% Jun 2023	0.49%	11.240	1.0
ES26	Eskom 7.85% Apr 2026	2.64%	9.600	6.0
R186	RSA 10.50% Dec 2026	15.28%	9.000	6.0
TN27	Transnet 8.90% Nov 2027	1.09%	10.420	3.0
ES33	Eskom 7.50% Sep 2033	2.84%	9.640	6.5
R209	RSA 6.25% Mar 2036	5.97%	8.945	6.0

Albi yield Weighted average MTM yield	100.00%	8.779	2.3
Albi Total Return Index	-	306.40	-0.15%
Govi Total Return Index	-	307.89	-0.14%

Source: BESA, Bloomberg

Government Primary Dealer Bonds

Bond Code	Open	High	Low	Last	This Morning
R206	8.227	8.230	8.225	8.230	8.213
R201	8.190	8.195	8.190	8.195	8.183
R157	8.149	8.185	8.140	8.154	8.167
R203	8.700	8.721	8.700	8.720	8.702
R204	8.760	8.760	8.735	8.760	8.737
R207	8.890	8.920	8.890	8.910	8.908
R186	8.950	9.011	8.910	8.975	9.010

Source: BESA

Government Inflation Linked Bonds

Bond Code	Open	High	Low	Last	Last BESA m-t-m
R189	2.100	2.115	2.100	2.110	2.110
R197	3.280	3.325	3.280	3.300	3.250
R210	3.350	3.350	3.279	3.280	3.280
R202	3.340	3.350	3.299	3.310	3.310

BarCap/ Absa SA Govt. Inflation Linked bond index 9.93 0.05%

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

Bond Trading Data

Bond Code	5-Mar-10	week-to-date	month-to-date	year-to-date
R154	12.20	32	32	1,451
R155	0.44	125	125	4,335
R206	60.53	250	250	16,678
R201	46.54	352	352	7,038
R157	2,379.20	30,082	30,082	248,936
R203	514.17	2,119	2,119	20,607
R204	217.84	2,386	2,386	21,843
R207	165.25	3,139	3,139	32,494
R208	381.64	6,217	6,217	41,140
R186	581.17	4,581	4,581	51,307
R209	58.16	2,261	2,261	19,491

Bond Code	Total client trades on BESA (ZAR mn)	
	Local Clients	Foreign Clients
R154	0.00	12
R155	0.34	0
R206	-19.47	0
R201	-15.52	0
R157	148.64	-227
R203	-41.53	6
R204	-79.35	0
R207	-1.66	97
R208	-87.66	40
R186	-46.00	117
R209	7.44	0

Bond Exchange Total Volumes			
Nominal amount traded (ZAR bn) latest & previous			
Daily	5-Mar	25	23
Week to date	12-Mar	0	260
Month to date	Mar-10	260	1,067
Year to date	2010	2,244	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn) latest & Previous			
Daily	5-Mar	165.7	737
Week to date	12-Mar	0.0	4,627
Month to date	Mar-10	4,626.8	6,119
Year to date	2010	10,706.1	

Source: BESA

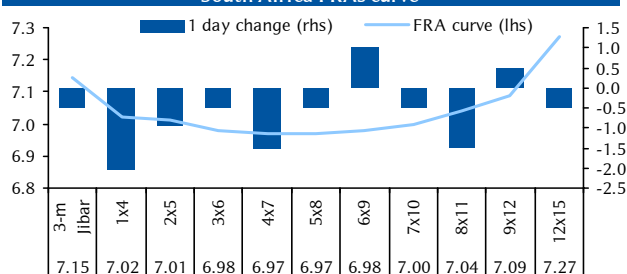
Bond Exchange Cash Flows

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

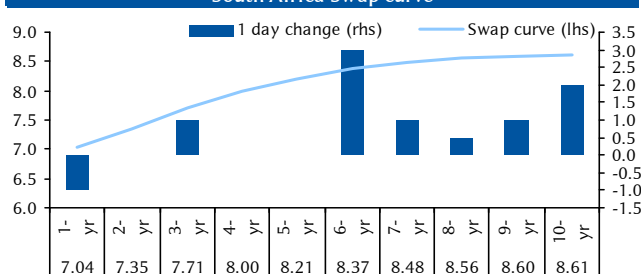
Fras and Swaps

South Africa FRAs curve



Source: BESA

South Africa Swap curve



Source: BESA

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