

South Africa Morning Sheet

South Africa Strategy

10 March 2010

	Close		Change
USD/ZAR	7.39	↑	0.1%
EUR/USD	1.36	↓	0.2%
EUR/ZAR	10.04	↓	0.2%
3m Jibar	7.15%	↓	1 bp
R157	8.25%	↑	5 bp
R186	9.07%	↓	3 bp
All Share	27,898	↓	0.8%
Gold \$/oz	1,122	↓	0.2%
Brent \$/bb	79.2	↓	0.5%

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

www.barcap.com

Largest jump in business confidence in 16 years. South African business confidence as compiled by the Bureau for Economic Research surged 15 index points to 43 in Q1 2010 following Q3's reading of 28. The Q1 number marks the highest level of confidence since Q2 2008 and is the largest q/q increase in confidence witnessed in 16 years. Of the five sub-indices making up the headline index, all recorded q/q increases with, positively, three of the five indices now above the neutral level of 50. Not surprising given the significant positive momentum in new vehicle sales in recent months, confidence among new vehicle dealers jumped a significant 31 index points in Q1 to 60. This was followed by improvements among wholesaler (+23 index points to 50) and manufacturing confidence (+9 index points to 28) in Q1. While the significant improvement in wholesaler confidence came as something of a surprise to us, the BER noted that wholesaler confidence is often subject to large swings, with the bulk of the upswing in Q1 confidence as a result of "merchant expectations" of an improvement in the business climate rather than an improvement in current conditions. Retailer confidence notably jumped above the neutral level of 50 (51 in Q1) for the first time since Q1 last year. The BER attributed the improvement in retailer confidence to increases in the sales of "non-essential" items such as durable and semi-durable goods and perhaps provides some evidence that domestic demand dynamics are slowly improving. As we had anticipated given the still relatively depressed levels of private sector building activity, building confidence rose a modest 3 index points to 26 in Q1.

The robust uptick in business confidence for Q1 is indicative of improved domestic business conditions amid a multitude of generally better-than-expected economic data of late. While we continue to believe that the demand-side of the domestic economy remains weak, the uptick in retailer confidence in Q1, particularly when it comes to purchases of durable and semi-durable goods, is a positive sign and suggests that there is some evidence that consumer pressures are abating. This, coupled with our expectation for a strong recovery in the supply-side of the economy in 2010, should further help to provide support to business confidence in the coming quarters – a theme we envisage should continue to carry through into GDP growth numbers in 2010.

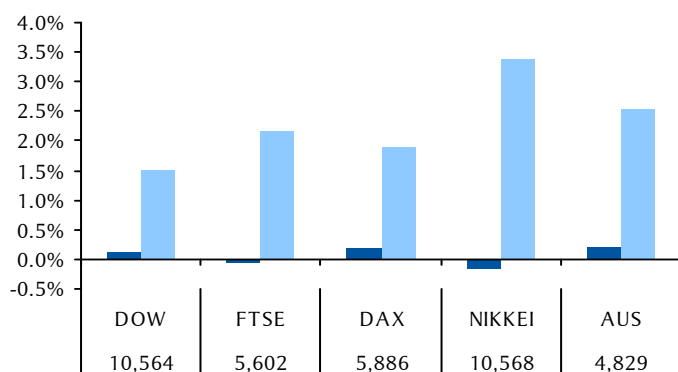
Strauss-Kahn warns over policies to weaken the ZAR. Speaking at a lecture in Johannesburg yesterday, managing director of the IMF, Dominique Strauss-Kahn warned that South African policy makers should be wary of adopting FX policies that aimed to curb the strength in the rand, adding that it would be a "very short-sighted" move. He stressed South Africa's need for foreign capital inflows to finance its current account deficit, where any move to actively weaken the currency could be detrimental to these flows. His comments follow numerous comments made by SARB officials and the Finance Minister in recent weeks who have tried to downplay any speculation that the SARB will actively intervene in foreign exchange markets to weaken the value of the currency. We agree with these views and, coupled with the recent comments made by SARB Governor Marcus and Finance Minister Gordhan and little evidence of active intervention by the SARB in the recent gold and foreign exchange reserve numbers, believe that any significant changes to FX policy in the medium term are highly unlikely. We maintain that the costs of sterilising the currency remain too high, particularly given the current constraints on the fiscus.

Key data and events. There are no significant data releases or events scheduled in South Africa today. In international markets, the focus is likely to be on the US budget balance, while in Europe German final HICP and UK industrial production numbers are released. Our US economists look for the February budget deficit to widen to USD225bn from USD194bn in the corresponding period last year, driven largely through outlays, which remain elevated. UK IP numbers for January are likely to be affected by poor weather conditions during the month where, despite the sharp improvement in January's manufacturing PMI, output is likely to have risen a mere 0.1% m/m.

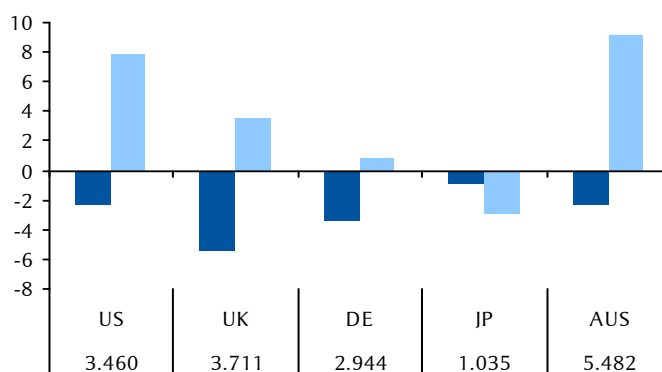
Global Overview

KEY: ■ Daily Change ■ 5 Day Change

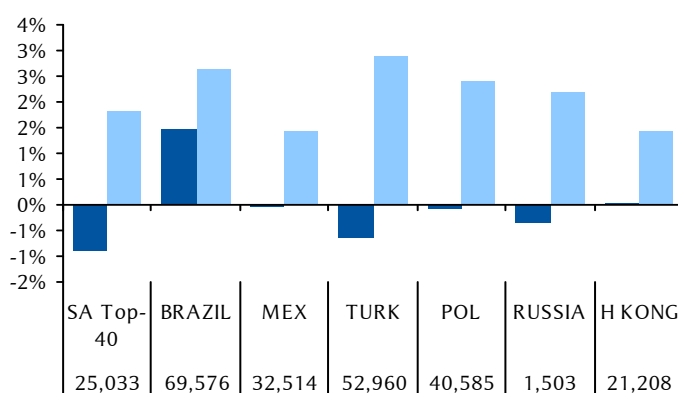
Developed Market Equities



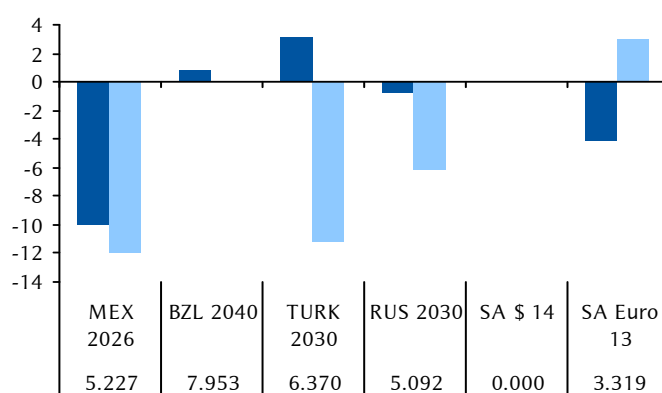
Developed Market 10yr Debt (bp)



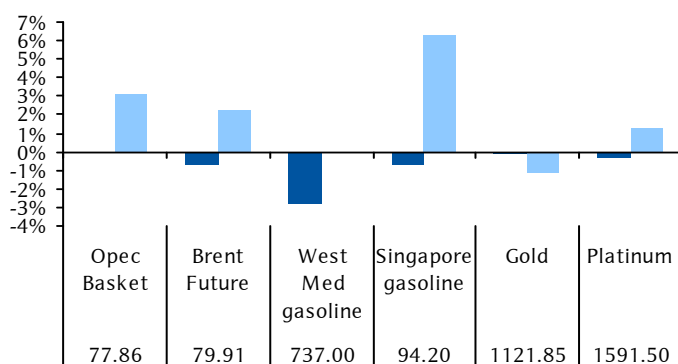
Emerging Market Equities



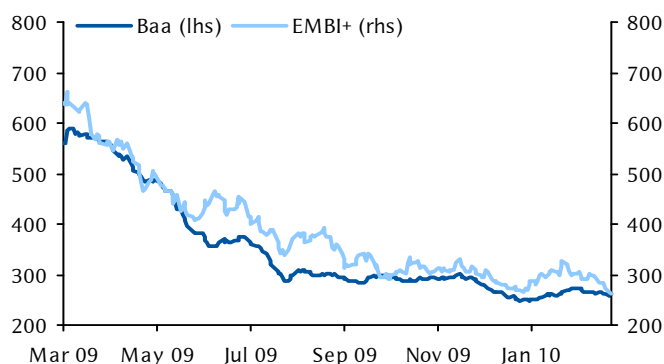
Emerging Market Debt (bp)



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							
E16	6:00 PM	8:00 PM	E16: ECB President Trichet speaks				
Data releases							
Germany	7:00 AM	9:00 AM	Germany: Trade balance, € bn (sa)	Jan	16.7	16.8	16.1
Germany	7:00 AM	9:00 AM	Germany: Final HICP, % m/m (y/y)	Feb	0.2 (0.3) P	0.3 (0.4)	0.2 (0.3)
UK	9:30 AM	11:30 AM	UK: Industrial production, % m/m (y/y)	Jan	0.5 (-3.6)	0.2 (-0.8)	0.2 (-0.5)
UK	9:30 AM	11:30 AM	UK: Manufacturing output, % m/m (y/y)	Jan	0.9 (-1.9)	0.1 (1.3)	0.2 (1.4)
US	3:00 PM	5:00 PM	US: Wholesale inventories, %m/m (y/y)	Jan	-0.8	-0.2	0.2
US	7:00 PM	9:00 PM	US: Treasury budget, \$bn	Feb	-193.9 ('09)	-225.0	-201.7

Source: Bloomberg, Reuters

Foreign Exchange

Forex Spots

Unit	\$	Change	R	Change
USD	1.000	-	7.389	-0.05%
GBP	1.500	-0.46%	11.079	0.42%
EUR	1.360	-0.23%	10.045	0.23%
JPY	89.970	0.38%	12.180	-0.40%
CHF	1.075	-0.19%	6.873	0.13%
AUD	0.914	0.54%	6.754	-0.58%
CAD	1.026	0.11%	7.201	-0.16%
HKD	7.759	-0.01%	0.952	-0.04%
THB	32.750	-0.06%		
IDR	9198.000	-0.20%		
MXN	12.621	0.48%		
BRL	1.776	0.72%		
TRY	1.533	-0.07%		
PLN	2.843	-0.23%		
CZK	18.829	-0.20%		

Source: Bloomberg, all rates are mid rates

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

Date	Value	% YTD	Date	Value
10 Mar 10	74.03	32.08%	1 month ago	
09 Mar 10	74.03	32.08%	10 Feb 10	70.80
08 Mar 10	73.95	31.94%	12 months ago	
05 Mar 10	73.51	31.15%	10 Mar 09	56.05
04 Mar 10	72.80	29.88%	End of last year	
03 Mar 10	72.29	28.97%	30 Dec 09	72.62
02 Mar 10	71.93	28.33%		

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
	9 Mar 10	8 Mar 10	(bps)
SAFEX Overnight Rate	6.78	6.78	0.0
1-month Jibar	6.95	6.93	2.0
3-month Jibar	7.15	7.16	-1.5
6-month Jibar	7.56	7.56	-0.5
1-year Jibar	8.04	8.04	

Negotiable Certificates of Deposit (NCDs)

	Last	Previous	Change
	9 Mar 10	8 Mar 10	(bps)
3-month NCD	7.49	7.18	31.0
6-month NCD	7.67	7.62	4.9
9-month NCD	7.57	7.54	2.7
12-month NCD	7.89	7.92	-3.8

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

	Last	Previous	Change
	9 Mar 10	8 Mar 10	(bps)
USD Overnight	0.19	0.19	0.0
USD 1-month	0.23	0.23	0.0
USD 3-months	0.26	0.25	0.1
USD 6-months	0.39	0.40	-0.1
USD 9-months	0.61	0.62	-0.6
USD 1-year	0.86	0.87	-0.9
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	0.045	0.046	-0.001	7.434	7.2%
3 months	0.129	0.128	0.001	7.518	6.9%
6 months	0.261	0.256	0.005	7.650	7.0%
9 months	0.387	0.383	0.004	7.776	6.9%
1 year	0.513	0.508	0.005	7.902	6.9%

Source: Bloomberg

Rand Options

Term	Option Implied Volatility			Price as a % of \$ nominal	Change
	Last	Previous	Change		
1 month	14.5%	14.5%	0.0%	1.7%	0.0%
3 months	16.1%	15.9%	0.2%	3.2%	0.0%
6 months	17.2%	17.3%	-0.1%	4.9%	0.0%
9 months	17.6%	17.6%	0.0%	6.1%	0.0%
1 year	18.0%	17.9%	0.1%	7.1%	0.0%

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

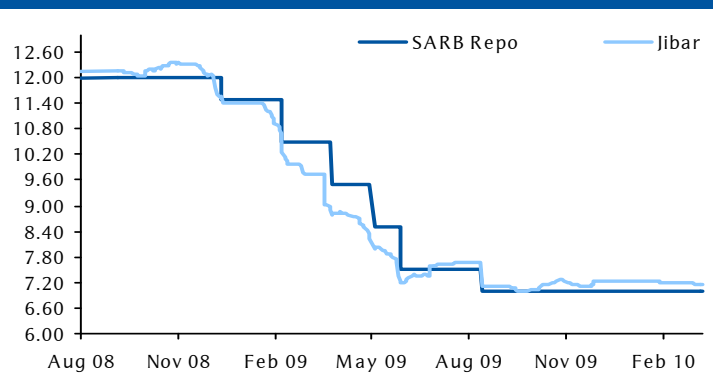
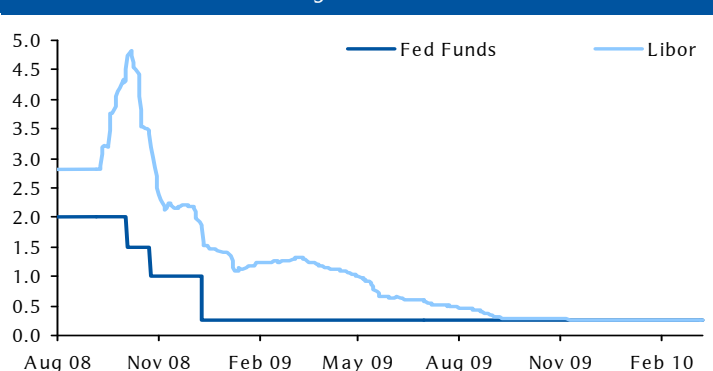


Chart: Fed Funds Target rate and 3-month USD Libor



Interest Rates

All Bond Index

Bond Code	Bond Details Issuer / coupon rate / maturity	Albi weightings	Last BESA m-t-9-Mar-10	Change (bps)
IN03	IFC 14.00% Jun 2011	0.54%	9.890	5.0
R155	RSA 13.00% Aug 2011	2.73%	7.440	5.0
R206	RSA 7.50% Jan 2014	5.56%	8.300	5.0
R201	RSA 8.75% Dec 2014	8.44%	8.270	5.0
R157	RSA 13.50% Sep 2015	13.07%	8.250	5.0
WS04	TCTA 12.50% May 2016	1.82%	8.920	5.0
R203	RSA 8.25% Sep 2017	8.55%	8.765	2.5
TN17	Transnet 9.25% Nov 2017	1.51%	9.985	2.5
ES18	Eskom 9.25% Apr 2018	1.26%	9.985	2.5
R204	RSA 8.00% Dec 2018	7.97%	8.820	4.5
R207	RSA 7.25% Jan 2020	9.65%	8.990	4.5
DV22	DBSA 9.45% Feb 2020	0.99%	10.340	4.5
E170	Eskom 13.50% Aug 2020	2.63%	9.350	2.5
R208	RSA 6.75% Mar 2021	6.96%	9.030	5.5
COJ05	City of Johannesburg 12.21% Jun 2023	0.49%	11.330	5.5
ES26	Eskom 7.85% Apr 2026	2.64%	9.670	3.0
R186	RSA 10.50% Dec 2026	15.28%	9.070	3.0
TN27	Transnet 8.90% Nov 2027	1.09%	10.490	3.0
ES33	Eskom 7.50% Sep 2033	2.84%	9.700	2.5
R209	RSA 6.25% Mar 2036	5.97%	9.010	2.5

Albi yield Weighted average MTM yield	100.00%	8.855	4.0
Albi Total Return Index	-	305.33	-0.20%
Govt Total Return Index	-	306.79	-0.21%

Source: BESA, Bloomberg

Government Primary Dealer Bonds

Bond Code	Open	High	Low	Last	This Morning
R206	8.311	8.311	8.310	8.311	-
R201	8.205	8.255	8.205	8.253	-
R157	8.210	8.267	8.170	8.240	-
R203	8.765	8.787	8.710	8.770	-
R204	8.800	8.830	8.795	8.830	-
R207	8.985	9.000	8.978	8.990	-
R186	9.030	9.095	8.990	9.060	-

Source: BESA

Government Inflation Linked Bonds

Bond Code	Open	High	Low	Last	Last BESA m-t-m
R189	No	Spot	Trade		2.090
R197	3.220	3.230	3.220	3.230	3.240
R210	3.350	3.350	3.350	3.350	3.280
R202	3.290	3.350	3.290	3.300	3.300

BarCap/ Absa SA Govt. Inflation Linked bond index **9.99** **0.25%**
Source: BESA, latest yields-to-maturity from Reuters

Bond Trading Data

Bond Code	9-Mar-10	week-to-date	month-to-date	year-to-date
R154	20.07	27	59	1,478
R155	164.42	179	305	4,514
R206	28.92	36	286	16,714
R201	104.00	104	457	7,142
R157	4,502.29	9,373	39,456	258,309
R203	1,946.87	2,602	4,716	23,204
R204	402.00	748	3,134	22,591
R207	4,105.40	4,907	8,046	37,400
R208	345.40	783	7,000	41,923
R186	1,841.78	5,342	9,915	56,641
R209	265.27	651	2,911	20,141

Bond Code	Total client trades on BESA (ZAR mn)
	Local Clients
	Foreign Clients
R154	-20.07
R155	-0.07
R206	-13.00
R201	2.00
R157	184.00
R203	92.00
R204	-126.00
R207	-68.10
R208	1.00
R186	-44.06
R209	-61.52

Bond Exchange Total Volumes			
Nominal amount traded (ZAR bn) latest & previous			
Daily	9-Mar	134	39
Week to date	12-Mar	173	260
Month to date	Mar-10	433	1,067
Year to date	2010	2,417	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn) latest & Previous			
Daily	9-Mar	340.7	467
Week to date	12-Mar	807.7	4,627
Month to date	Mar-10	5,434.6	6,119
Year to date	2010	11,513.8	

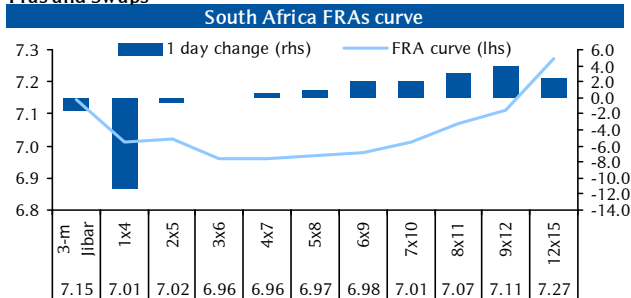
Source: BESA

Bond Exchange Cash Flows

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

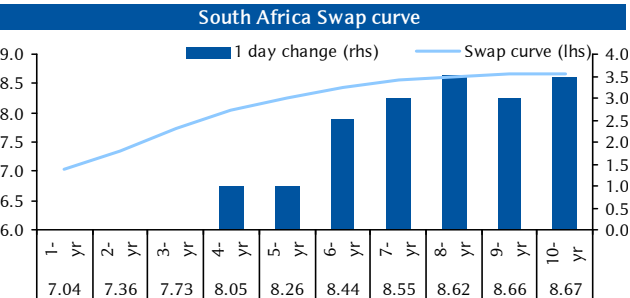
Fras and Swaps



Source: BESA

Bond Code	Date	Issuer	Amount
E170	1 Feb 10	Eskom Holdings Limited	821
R154	28 Feb 10	Republic Of South Africa	819
R155	28 Feb 10	Republic Of South Africa	819
DV22	7 Feb 10	Development Bank Of	315
DV23	27 Feb 10	Development Bank Of	186

Bond Code	Date	Issuer	Amount
THE5A2	21 Feb 10	Thekwini Fund 5 Limited	787
GFIC11	9 Feb 10	Gold Fields Limited	598
ACCP12	3 Feb 10	Airports Company South	506
ACCP15	15 Feb 10	Airports Company South	500



Source: BESA

Emerging EMEA Research Analysts

ABSA CAPITAL

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

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

Analyst Certification(s)

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