SOUTH AFRICA MORNING SHEET

SA private sector credit, PMI, vehicle sales and trade the focus. Following last week's impressive expenditure-side GDP numbers, this week's release of private sector credit figures for May (Wednesday) are likely to continue to portray a slightly more sanguine outlook for the demand-side of the SA economy. We agree with current Bloomberg consensus forecasts and look for overall PSCE growth to jump back into mild positive y/y territory (cf. +0.6%) following seven consecutive months of negative headline prints. We expect the growth in overall PSCE growth to continue to be driven largely by a mild improvement in credit extended to households, as a generally more positive economic climate, the current record low interest rate environment and improved wealth effects translate into further traction (albeit mild) in household credit extension. Credit extended to corporates, however, likely remained in the doldrums in May, as companies' willingness to take on significant amounts of new credit remains low. This, in our view, is due to the large amount of slack that still exists in the economy and our belief that corporates continue to sit with large amounts of cash on their balance sheets, which they are likely to utilise first before taking on new debt.

The notoriously volatile trade balance figures are also released on Wednesday, where we expect the figures to reflect the impact of the Transnet strike in May, which saw a number of key road, railway and port linkages shut down for most of the month. This, in our view, should lead to a larger trade deficit in May following April's ZAR1.9bn deficit – a view shared by Bloomberg consensus, which looks for a deficit of ZAR2.5bn.

Other releases also worth noting this week include the June survey of purchasing managers (Thursday) and new vehicle sales figures (Friday). Although the headline PMI has moderated for three consecutive months, we continue to believe that SA's manufacturing sector recovery remains intact and look for the PMI to remain in mild expansionary territory in June after moderating to 51.1 in May. New vehicle sales for June are likely to continue to show robust growth after May's 35.2% y/y increase, albeit at a slower pace as base effects dissipate and Soccer World Cup effects provided by car rental purchases start to fade. Liquidations and insolvency figures for May are also scheduled for release on Monday.

Weaker-than-expected Q1 US GDP. The third estimate of Q1 GDP revealed a downward revision to 2.7%, from 3.0% in the second release, below our 3.0% forecast. The downside surprise, relative to our forecast, largely reflected a revision to consumer spending growth, to 3.0% from 3.5%, which in turn was driven by softer growth in service-sector consumption. Income and profit data struck a more positive tone, however. Nominal disposable income growth was revised up to 3.7% from 3.4%, and real disposable income to 2.1% from 1.9%. Given the downward revision to consumer spending growth, this resulted in a small uptick in the savings rate to 3.5% (previously 3.4%). Corporate profit growth was also revised higher, to 8.0% q/q (non-annualized) from 5.5%, and to 34.0% from 31.0% on a y/y basis. This should support consumer and business spending, consistent with our view that the recovery will continue to build momentum and that GDP growth will be stronger in Q2 than Q1.

	Close		Change
USD/ZAR	7.63	↑	0.2%
EUR/USD	1.24	↑	0.3%
EUR/ZAR	9.43	↑	0.5%
3m Jibar	6.64%	↑	0 bp
R157	8.06%	↑	8 bp
R186	9.11%	↓	8 bp
All Share	27,258	↓	0.6%
Gold $/oz	1,256	↑	1.0%
Brent $/bbl	77.2	↑	2.7%

Source: Reuters, Bloomberg

Technical Analysis	
USD/ZAR: Divergence	
Support	7.50 / 7.43 / 7.40
Resistance	7.71 / 7.78 / 7.84
Daily range	7.56 –7.64
Fixed income: R157 bearish pattern	
R157: Support	8.10 / 8.17 / 8.23
R157: Resistance	7.95 / 7.90 / 7.85
R157: Range	8.02 –8.086%
R186: Range	9.06 –9.13%

Source: Absa Capital

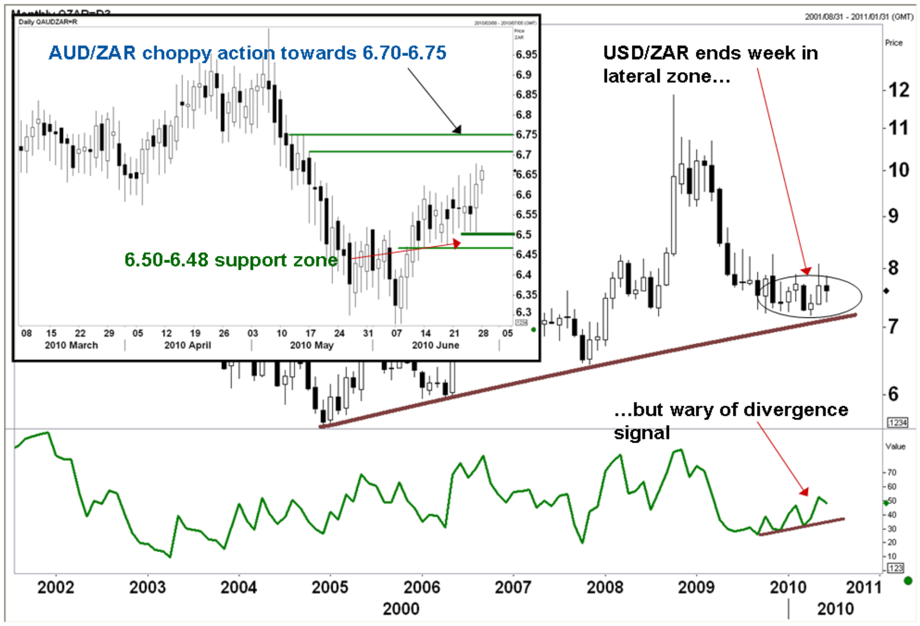
Soccer World Cup 2010 Action
Today's matches
Netherlands vs Slovenia
Brazil vs Chile
Weekend results
Portugal - 0 Brazil - 0
Korea DPR - 0 Cote d'Ivoire - 3
Chile - 1 Spain - 2
Switzerland - 0 Honduras - 0
Uruguay - 2 Korea Rep - 0
USA - 1 Ghana - 2
Germany - 4 England - 1
Argentina - 3 Mexico - 1

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES STARTING AFTER PAGE 5

TECHNICAL STRATEGY

AUD/ZAR is approaching our 6.70 target, which is likely to be reached. We are not looking for a more aggressive objective as the pair is approaching overbought conditions associated with previous tops. As such, we will be looking for topping signals in the 6.70-6.75 zone. Indeed, the action in AUD/ZAR resembles more of a choppy range ahead of 6.50-6.45 support and we would not be surprised to see a return to 6.50 before 6.75 is broken decisively. USD/ZAR is also in a lateral phase and the push to 7.90 we have been advocating has not materialised. However, while supported at 7.50, we favour further unwinding from oversold levels and believe that the risks remain to the topside. That said, our 7.90 objective is likely to be reached only in the new month and not this month, as first forecasted.

Divergence signal



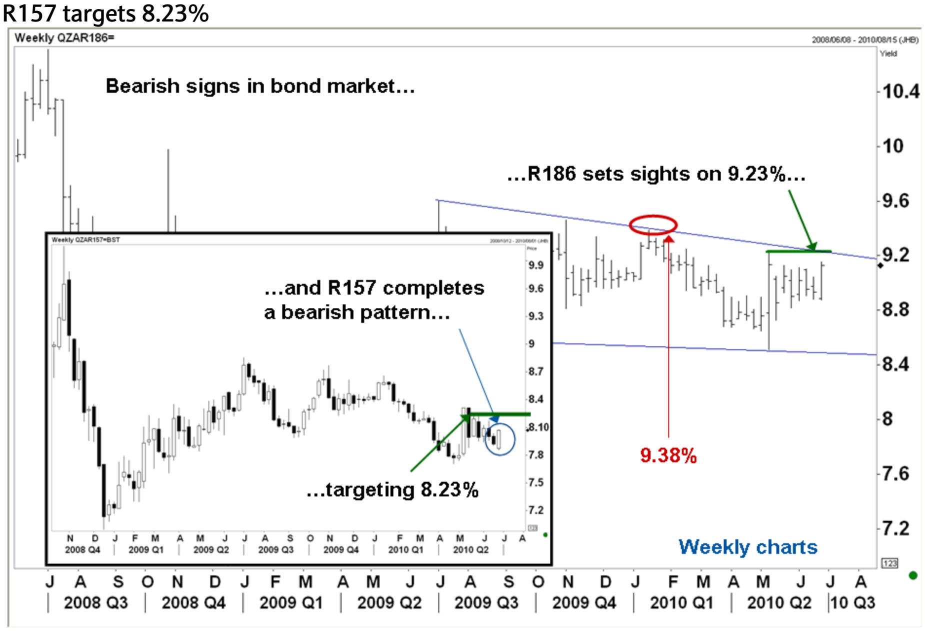
Source: Thomson Reuters

SA Bonds – (R157 and R186)

R157: Bearish pattern completed

In line with expectations, the R157 posted a weekly Engulfing pattern setting up further bearish potential in the week ahead. Our initial target remains at 8.16%, with the potential to stretch to the pivot from last month at 8.31%. In the case of the R186, the aggressive profit taking last week keeps us focussed on the range high target at 9.23%. We cannot rule out an extension above this level towards 9.38% (YTD high) before a top in yields is signalled.

R157 targets 8.23%

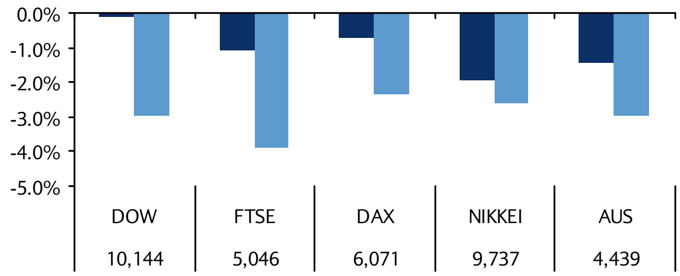


Source: Thomson Reuters

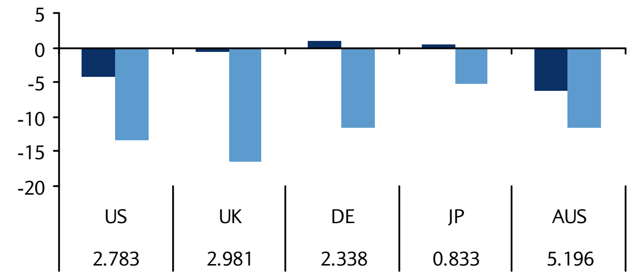
GLOBAL OVERVIEW

KEY: Daily Change 5 Day Change

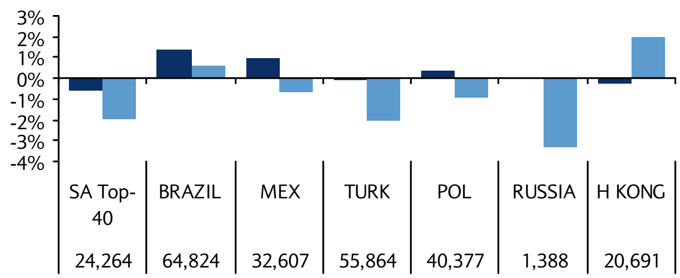
Developed Market Equities



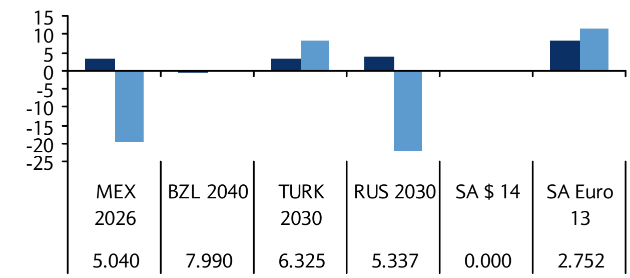
Developed Market 10yr Debt (bp)



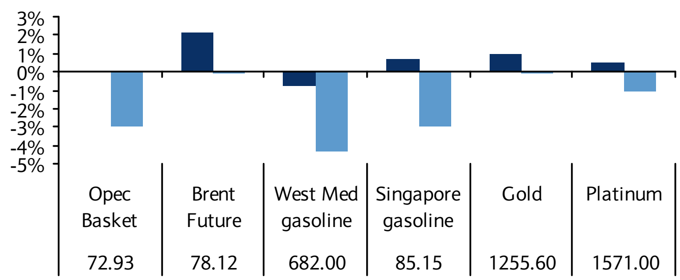
Emerging Market Equities



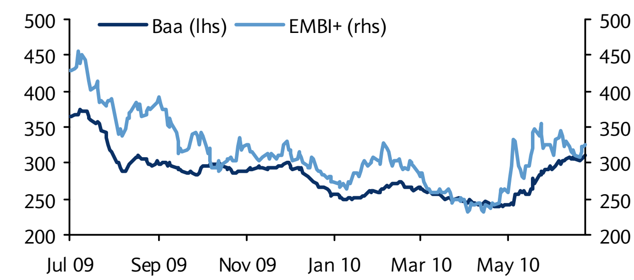
Emerging Market Debt (bp)



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							
Global	-	-	**Global: BIS Annual general meeting in Basel (final day)**				
Data releases							
Germany	-	-	Germany: Preliminary CPI, % m/m (y/y)	Jun	0.1 (1.2)	0.1 (0.9) R	0.1 (1.0)
Germany	-	-	Germany: Preliminary HICP, % m/m (y/y)	Jun	0.1 (1.2)	0.1 (0.9) R	0.2 (1.0)
E16	8:00 AM	10:00 AM	E16: M3, % y/y (3mma)	May	-0.1 (-0.2)	0.3 (0.0)	0.1
E16	8:00 AM	10:00 AM	E16: Private sector loans, % y/y	May	0.1	0.1	0.2
SA	12:30 PM	2:30 PM	SA: Liquidations and insolvencies	May	-	-	-
US	12:30 PM	2:30 PM	US: Personal income, % m/m	May	0.4	0.4	0.5
US	12:30 PM	2:30 PM	US: Personal spending, % m/m	May	0.0	0.2	0.1

FOREIGN EXCHANGE

Forex Spots

Unit	$	Change	R	Change
USD	1.000	-	7.625	-0.18%
GBP	1.506	0.86%	11.484	-1.00%
EUR	1.237	0.29%	9.431	-0.47%
JPY	89.230	0.43%	11.702	-0.59%
CHF	1.093	0.93%	6.977	-1.11%
AUD	0.874	0.85%	6.665	-1.02%
CAD	1.036	0.72%	7.365	-0.92%
HKD	7.778	0.00%	0.980	-0.18%
THB	32.390	0.06%		
IDR	9060.000	0.01%		
MXN	12.649	0.67%		
BRL	1.780	0.19%		
TRY	1.574	0.41%		
PLN	3.329	0.28%		
CZK	20.815	0.52%		

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	0.039	0.004	0.035	7.664	6.2%
3 months	0.117	0.012	0.106	7.742	6.1%
6 months	0.228	0.023	0.206	7.853	6.0%
9 months	0.337	0.034	0.303	7.962	5.9%
1 year	0.449	0.045	0.404	8.074	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	17.0%	16.7%	0.3%	1.9%	0.0%
3 months	17.3%	17.2%	0.0%	3.5%	0.0%
6 months	17.4%	17.3%	0.1%	4.9%	0.0%
9 months	17.5%	17.3%	0.2%	6.0%	0.1%
1 year	17.4%	17.7%	-0.3%	6.9%	-0.1%

Source: Reuters

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

Date	Value	% YTD	Date	Value
28 Jun 10	74.94	8.55%	**1 month ago**	
25 Jun 10	74.94	8.55%	28 May 10	76.16
24 Jun 10	75.58	9.47%	**12 months ago**	
23 Jun 10	75.58	9.47%	29 Jun 09	69.04
22 Jun 10	76.19	10.36%	**End of last year**	
21 Jun 10	76.68	11.07%	30 Dec 09	72.62
18 Jun 10	75.75	9.72%		

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	18.97	15.54

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 25 Jun 10	Previous 24 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 25 Jun 10	Previous 24 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	6.64	6.63	0.5
6-month Jibar	6.79	6.79	0.0
1-year Jibar	7.26	7.25	0.5

Negotiable Certificates of Deposit (NCDs)

	Last 25 Jun 10	Previous 24 Jun 10	Change (bps)
3-month NCD	6.50	6.75	-25.0
6-month NCD	6.93	7.23	-29.7
9-month NCD	7.08	7.02	5.8
12-month NCD	7.33	7.34	-1.6

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

	Last 25 Jun 10	Previous 24 Jun 10	Change (bps)
USD Overnight	0.30	0.30	0.0
USD 1-month	0.35	0.35	0.0
USD 3-months	0.53	0.54	-0.3
USD 6-months	0.75	0.75	0.1
USD 9-months	0.96	0.96	0.3
USD 1-year	1.18	1.18	0.4
Fed Funds target Rate	0.25	0.25	0.0

Source: Reuters

Chart: SARB Repo rate and 3-month Jibar

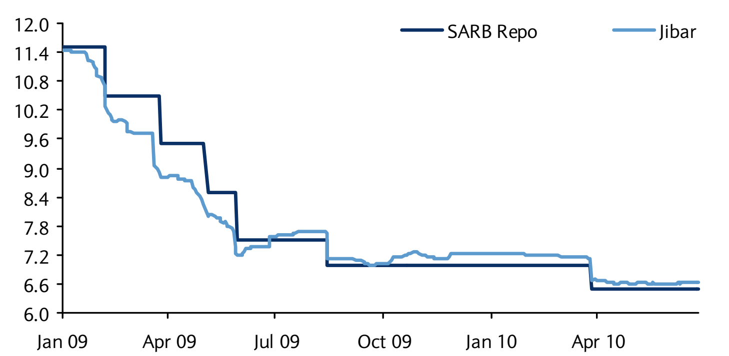
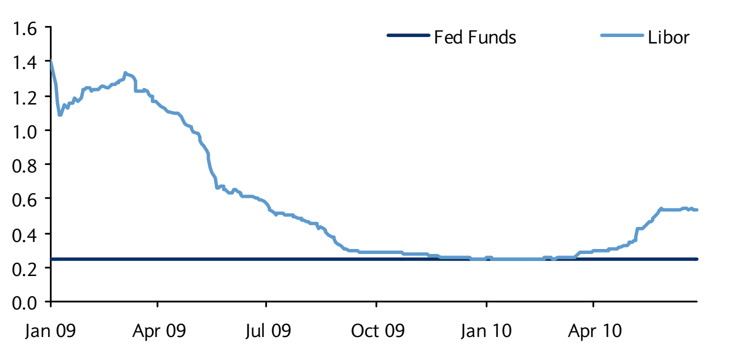


Chart: Fed Funds Target rate and 3-month USD Libor



INTEREST RATES

All Bond Index

Bond Code	Bond Details Issuer/coupon rate/maturity	Albi weighings	Last BESA m-t-m 25-Jun-10	Change (bp)
R155	RSA 13.00% Aug 2011	2.49%	6.990	7.0
R206	RSA 7.50% Jan 2014	5.93%	7.880	7.0
R201	RSA 8.75% Dec 2014	7.72%	7.955	6.5
R157	RSA 13.50% Sep 2015	12.18%	8.060	8.0
WS04	TCTA 12.50% May 2016	1.77%	8.650	8.0
R203	RSA 8.25% Sep 2017	8.69%	8.730	8.0
TN17	Transnet 9.25% Nov 2017	1.38%	9.950	8.0
ES18	Eskom 9.25% Apr 2018	1.46%	9.345	8.0
R204	RSA 8.00% Dec 2018	8.90%	8.820	8.0
R207	RSA 7.25% Jan 2020	10.65%	8.890	8.0
DV22	DBSA 9.45% Feb 2020	1.43%	10.090	8.0
HWAY20	SANRAL 9.75% Jul 2020	0.74%	9.390	8.0
R208	RSA 6.75% Mar 2021	7.41%	8.935	8.0
ES23	Eskom 10.00% Jan 2023	0.89%	9.545	8.5
ES26	Eskom 7.85% Apr 2026	2.70%	9.660	8.0
R186	RSA 10.50% Dec 2026	14.75%	9.105	8.0
TN27	Transnet 8.90% Nov 2027	1.19%	10.305	8.0
ES33	Eskom 7.50% Sep 2033	2.68%	9.670	8.0
R209	RSA 6.25% Mar 2036	6.24%	9.060	8.0
DV23	DBSA 10.00% Feb 2023	0.78%	10.305	8.0
Albi yield	**Weighted average MTM yield**	**100.00%**	**8.748**	**7.8**
Albi Total Return Index		**-**	**314.43**	**-0.44%**
Govi Total Return Index		**-**	**315.77**	**-0.43%**

Source: BESA, Bloomberg

Government Primary Dealer Bonds

Bond Code	Trading stats for 25-Jun-10 Open	High	Low	Last
R206	7.815	7.895	7.815	7.880
R201	7.930	7.967	7.930	7.955
R157	7.980	8.072	7.915	7.915
R203	8.705	8.742	8.660	8.730
R204	8.760	8.835	8.760	8.820
R207	8.900	8.900	8.890	8.890
R186	8.980	9.117	8.980	9.100

Source: BESA

Government Inflation Linked Bonds

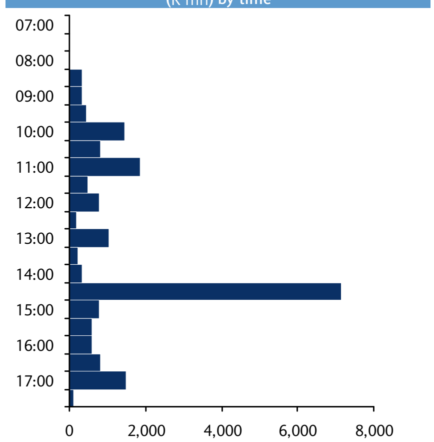
Bond Code	Trading stats for 25-Jun-10 Open	High	Low	Last	Last BESA m-t-m
R189	1.850	1.850	1.820	1.850	1.820
R197	2.980	2.980	2.980	2.980	2.980
R210	3.050	3.050	3.050	3.050	3.050
R202	2.990	2.990	2.990	2.990	2.990
BarCap/Absa SA Govt. Inflation Linked bond index				**9.95**	**0.81%**

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) 25-Jun-10	week-to-date	month-to-date	year-to-date
R154	1,628.66	1,629	1,709	5,271
R155	2,521.53	2,903	3,453	11,036
R206	1,113.95	3,850	21,034	91,267
R201	1,143.74	3,498	20,568	59,389
R157	6,573.35	31,678	115,205	818,550
R203	236.94	3,702	14,197	79,891
R204	934.28	4,052	15,819	81,743
R207	103.00	1,002	9,080	131,532
R208	1,943.50	11,665	23,327	136,483
R186	2,168.19	7,691	39,187	239,867
R209	420.68	1,599	3,932	62,048

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	814.33	-814
R155	1,260.41	-1,261
R206	204.03	-113
R201	-47.00	-113
R157	130.20	-374
R203	102.20	37
R204	-250.00	-80
R207	-5.00	52
R208	-538.50	186
R186	114.91	-199
R209	125.18	37

Bond Exchange Total Volumes	Nominal amount traded (ZAR bn)		
Daily	25-Jun	58	42
Week to date	2-Jul	0	359
Month to date	Jun-10	1,251	1,400
Year to date	2010	7,114	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn)		latest	& Previous
Daily	25-Jun	-2,982.4	-73
Week to date	2-Jul	0.0	-975
Month to date	Jun-10	9,063.8	-2,691
Year to date	2010	38,699.5	

Source: BESA

Bond Exchange Cash Flows

Month	Monthly Coupons and Maturities for the next twelve months (ZAR mn) 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

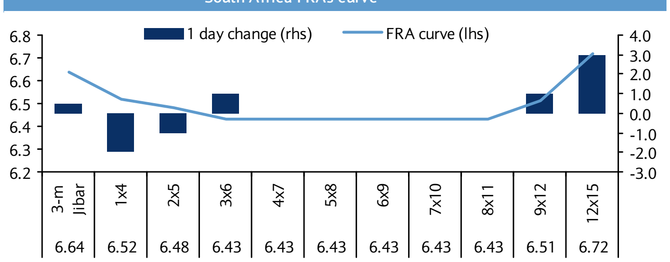
Source: BESA

Bond Code	Five Largest Coupon Payments for June 2010 (ZAR mn) 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

Bond Code	Five Largest Maturities for June 2010 (ZAR mn) 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

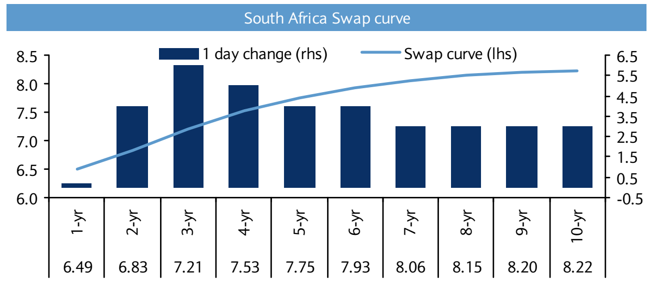
Fras and Swaps

South Africa FRAs curve



Source: BESA

South Africa Swap curve



Source: BESA

Analyst Certification(s)

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