

SOUTH AFRICA MORNING SHEET

SA liquidations rise in May, but household pressures continue to abate. The total number of company liquidations in South Africa rose strongly in May, increasing 35.7% y/y following April's modest 2.6% rise. In the first five months of 2010, the total company liquidations are 2.8% higher than in the corresponding period in 2009. Although the headline figure for May looks poor, we note that in recent months, company liquidations have been undergoing a general moderating trend, as reflected in the q/q seasonally adjusted rate of change, and continues to indicate to us that, along with the improving economic climate, pressures on companies are moderating.

Financial pressures on households' continue to fall nicely, however, no matter how the data is split. The total number of household insolvencies in April fell 34.5% y/y following the prior month's 25.3% contraction. Last week's release of expenditure-side data in the SARB's Quarterly Bulletin showed just how far the average consumer has come, with real incomes increasing 5.1% q/q, household debt service costs as a percentage of disposable income moderating further and household spending rising an impressive 5.7% q/q in Q1. Our expectation for SA monetary policy to follow much the same path as that of many developed nations, where interest rates are kept lower for longer, along with the slowly improving financial position of consumers, suggests that insolvencies should continue to fall in the coming months.

Healthy US personal income growth in May. The May personal income and outlays report revealed a 0.4% rise in personal income and a 0.2% increase in consumer spending, both in line with our forecast. The detail of the income report struck a strong tone; wages and salaries rose 0.5% (April's growth was also revised up to 0.5%, from 0.4%). This supports our view that a rebound in labour income growth will help boost consumer spending as income from government transfer payments fades. Taking account of tax payments and PCE price inflation, real disposable income was up 0.5%, following a 0.6% gain in April.

Key data and events. There are no significant data releases or events scheduled in South Africa today. In international markets, the US S&P/Case-Shiller home prices index and consumer confidence figures are released. Our US economists expect house prices to have fallen 0.1% m/m in April after a similar decline in March, while consumer confidence is forecast to edge lower to 62.5 from 63.3 the prior month. In Europe, the focus will also be on euro area consumer confidence where our economists look for no change in June from its preliminary reading of -17.

| | Close | Change |
|--------------|----------|--------|
| USD/ZAR | 7.57 ↓ | 0.7% |
| EUR/USD | 1.23 ↓ | 0.7% |
| EUR/ZAR | 9.30 ↓ | 1.4% |
| 3m Jibar | 6.63% ↓ | 0 bp |
| R157 | 8.04% ↓ | 3 bp |
| R186 | 9.08% ↓ | 3 bp |
| All Share | 27,290 ↑ | 0.1% |
| Gold \$/oz | 1,239 ↓ | 1.3% |
| Brent \$/bbl | 76.9 ↓ | 0.4% |

Source: Reuters, Bloomberg

Technical Analysis

USD/ZAR: Long lower shadow

| | |
|-------------|--------------------|
| Support | 7.50 / 7.43 / 7.40 |
| Resistance | 7.71 / 7.78 / 7.84 |
| Daily range | 7.56 - 7.66 |





Fixed income: R186 Inside Day pattern

| | |
|------------------|--------------------|
| R157: Support | 8.10 / 8.17 / 8.23 |
| R157: Resistance | 8.00 / 7.95 / 7.90 |
| R157: Range | 8.04 - 8.10% |
| R186: Range | 9.08 - 9.14% |


Source: Absa Capital

Soccer World Cup 2010 Action

Today's matches

| | | |
|---|-------------------|---|
|  | Paraguay vs Japan |  |
|  | Spain vs Portugal |  |

Yesterday's results

| | | | |
|---|-----------------|---|--------------|
|  | Netherlands - 2 |  | Slovakia - 1 |
|  | Brazil - 3 |  | Chile - 0 |

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES STARTING AFTER PAGE 5

TECHNICAL STRATEGY

USD/ZAR: Bullish seasonal bias

USD/ZAR is consolidating above 7.50 within the larger uptrend. A look at seasonal norms in July shows a bullish bias, with a mean advance of 0.5% and the chances of an advance a respectable at 60%. The larger uptrend is supported at 7.18, and given the bullish divergence, we are keeping our sights on 7.90 in the short term. For ZAR/JPY, we are looking for a breach of the range low at 11.55, opening up the 11.30-11.25 zone in the short term. However, EUR/ZAR is expected to stick to its well-defined consolidation between 9.15 and 9.50 this week. The short-term move to 9.00 we were advocating has not materialised, and should the pair close above 9.50, then a bottom has been completed.

Within wide consolidation pattern



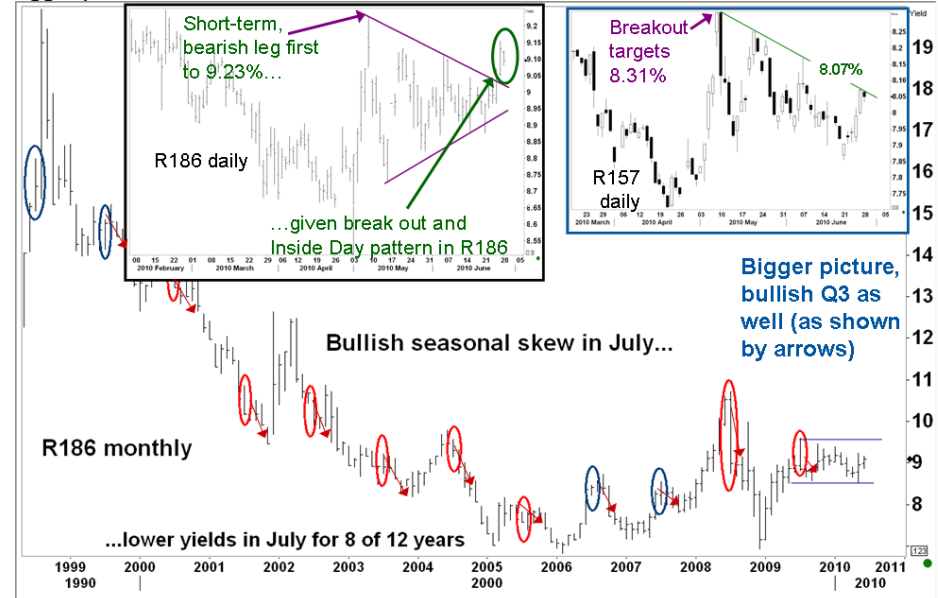
Source: Thomson Reuters

SA Bonds – (R157 and R186)

R186: Short-term bearish

Seasonal trends reveal that the R186 has a bullish skew in July. The R186 has posted lower yields in the month in 8 of the past 10 years. However, yesterday's Inside Day pattern signals that the bearish leg is not completed. Indeed, we are first allowing for a push to 9.23%, and potentially 9.31%, before the R186 starts its bullish leg. Given that the bond has been in a wide consolidation phase since mid-May, we are allowing for two-way flow between 9.00% and 9.31% for the month of July.

Bigger picture reveals bullish seasonal norms for Q3

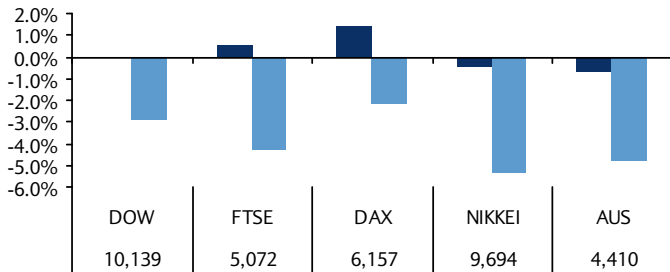


Source: Thomson Reuters

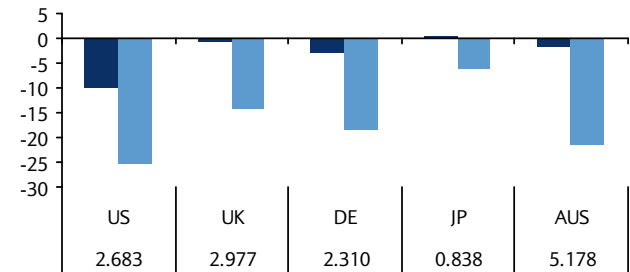
GLOBAL OVERVIEW

KEY: ■ Daily Change ■ 5 Day Change

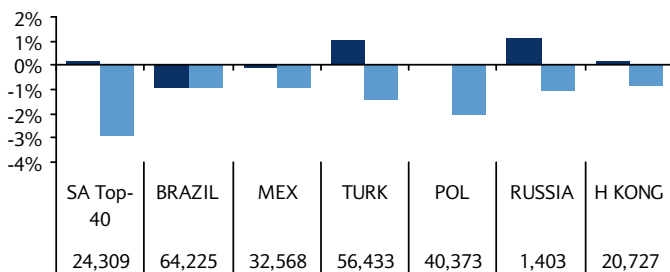
Developed Market Equities



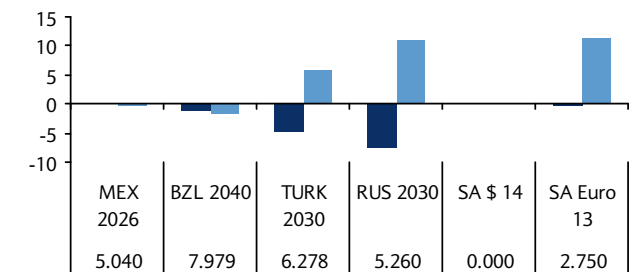
Developed Market 10yr Debt (bp)



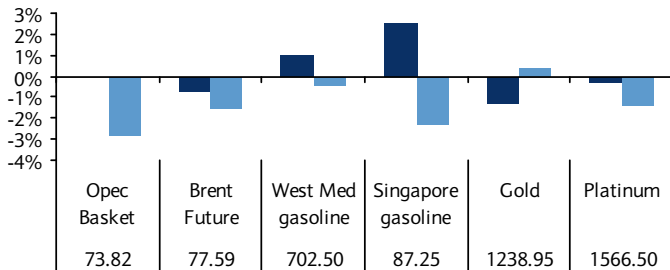
Emerging Market Equities



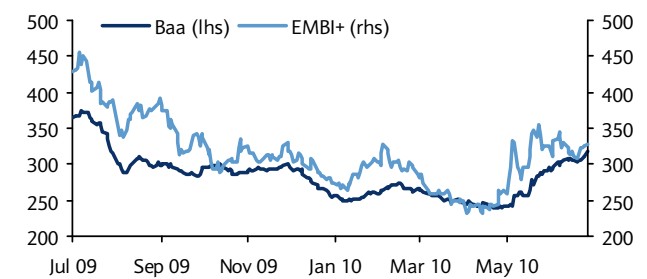
Emerging Market Debt (bp)



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 | 4:00 PM | 6:00 PM | Global: IMF Chief Strauss-Kahn speaks | | | | |

| Data releases | | | | | | | |
|----------------------|---------|----------|--------------------------------------|--------|------------|------------|-----------|
| Country | GMT | SA time | Data | Period | Latest | Forecast | Consensus |
| UK | 08:30 | 08:30 | UK: BoE mortgage approvals, k | May | 49.9 | 52.0 | 51.5 |
| UK | 08:30 | 08:30 | UK: BoE net mortgage lending, £ bn | May | 0.5 | 1.0 | 0.8 |
| E16 | 9:00 AM | 11:00 AM | E16: Consumer confidence, index | Jun | -17 P | -17.0 | -17 |
| E16 | 9:00 AM | 11:00 AM | E16: Industrial confidence, index | Jun | -6 | -7 | -7 |
| US | 1:00 PM | 3:00 PM | US: S&P/Case-ShillerHPI, % m/m (y/y) | Apr | -0.1 (2.4) | -0.1 (3.6) | (3.4) |
| US | 2:00 PM | 4:00 PM | US: Consumer confidence index | Jun | 63.3 | 62.5 | 62.5 |

FOREIGN EXCHANGE

Forex Spots

| Unit | \$ | Change | R | Change |
|------|----------|--------|--------|--------|
| USD | 1.000 | - | 7.573 | 0.69% |
| GBP | 1.511 | 0.28% | 11.438 | 0.39% |
| EUR | 1.228 | -0.74% | 9.297 | 1.44% |
| JPY | 89.370 | -0.16% | 11.802 | 0.86% |
| CHF | 1.087 | 0.56% | 6.968 | 0.14% |
| AUD | 0.872 | -0.22% | 6.604 | 0.91% |
| CAD | 1.036 | -0.03% | 7.311 | 0.74% |
| HKD | 7.782 | -0.05% | 0.973 | 0.75% |
| THB | 32.330 | 0.19% | | |
| IDR | 9029.000 | 0.34% | | |
| MXN | 12.733 | -0.66% | | |
| BRL | 1.780 | -0.01% | | |
| TRY | 1.574 | -0.04% | | |
| PLN | 3.386 | -1.68% | | |
| CZK | 20.973 | -0.76% | | |

Source: Bloomberg, all rates are mid rates

Rand Forwards

| Term | Last | Forward Points | | Outright Forward rate | Forward cover cost (ann.) |
|----------|-------|----------------|--------|-----------------------|---------------------------|
| | | Previous | Change | | |
| 1 month | 0.040 | 0.040 | 0.000 | 7.612 | 6.3% |
| 3 months | 0.118 | 0.118 | -0.001 | 7.690 | 6.2% |
| 6 months | 0.229 | 0.229 | 0.000 | 7.802 | 6.0% |
| 9 months | 0.337 | 0.337 | 0.000 | 7.910 | 6.0% |
| 1 year | 0.447 | 0.450 | -0.002 | 8.020 | 5.9% |

Source: Bloomberg

Rand Options

| Term | Last | Option Implied Volatility | | Price as a % of \$ nominal | Change |
|----------|-------|---------------------------|--------|----------------------------|--------|
| | | Previous | Change | | |
| 1 month | 16.6% | 17.0% | -0.4% | 1.9% | 0.0% |
| 3 months | 16.8% | 17.3% | -0.5% | 3.4% | -0.1% |
| 6 months | 17.2% | 17.4% | -0.2% | 4.8% | -0.1% |
| 9 months | 17.2% | 17.5% | -0.3% | 5.9% | -0.1% |
| 1 year | 17.2% | 17.4% | -0.2% | 6.8% | -0.1% |

Source: Reuters

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

| Date | Value | % YTD | Date | Value |
|-----------|-------|--------|------------------|-------|
| 29 Jun 10 | 75.56 | 9.44% | 1 month ago | |
| 28 Jun 10 | 75.56 | 9.44% | 31 May 10 | 75.47 |
| 25 Jun 10 | 74.94 | 8.55% | 12 months ago | |
| 24 Jun 10 | 75.58 | 9.47% | 29 Jun 09 | 69.04 |
| 23 Jun 10 | 75.58 | 9.47% | End of last year | |
| 22 Jun 10 | 76.19 | 10.36% | 30 Dec 09 | 72.62 |
| 21 Jun 10 | 76.68 | 11.07% | | |

Source: SA Reserve Bank

SA Fuel prices

| Rands per Litre | Gauteng 95 | Diesel |
|-------------------------------------|------------|--------|
| | Octane | 0.005% |
| This month | 8.45 | 7.66 |
| Last Month | 8.72 | 7.81 |
| Change | -0.27 | -0.15 |
| *Average Unit over/(under) recovery | 18.61 | 15.00 |

Note: *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 28 Jun 10 | Previous 25 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 28 Jun 10 | Previous 25 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 | 6.63 | 6.64 | -0.5 |
| 6-month Jibar | 6.79 | 6.79 | 0.0 |
| 1-year Jibar | 7.26 | 7.26 | |

Negotiable Certificates of Deposit (NCDs)

| | Last 28 Jun 10 | Previous 25 Jun 10 | Change (bps) |
|--------------|----------------|--------------------|--------------|
| 3-month NCD | 6.75 | 6.50 | 25.0 |
| 6-month NCD | 7.13 | 6.93 | 20.3 |
| 9-month NCD | 7.21 | 7.08 | 13.1 |
| 12-month NCD | 7.25 | 7.33 | -7.5 |

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

| | Last 28 Jun 10 | Previous 25 Jun 10 | Change (bps) |
|-----------------------|----------------|--------------------|--------------|
| USD Overnight | 0.29 | 0.30 | -0.3 |
| USD 1-month | 0.35 | 0.35 | 0.0 |
| USD 3-months | 0.53 | 0.53 | -0.1 |
| USD 6-months | 0.75 | 0.75 | -0.6 |
| USD 9-months | 0.95 | 0.96 | -0.8 |
| USD 1-year | 1.18 | 1.18 | -0.7 |
| Fed Funds target Rate | 0.25 | 0.25 | 0.0 |

Source: Reuters

Chart: SARB Repo rate and 3-month Jibar

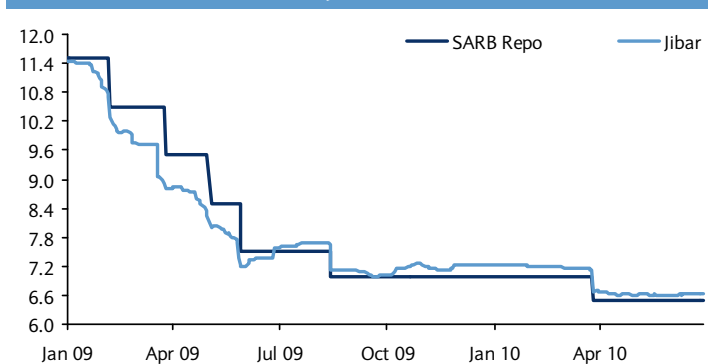
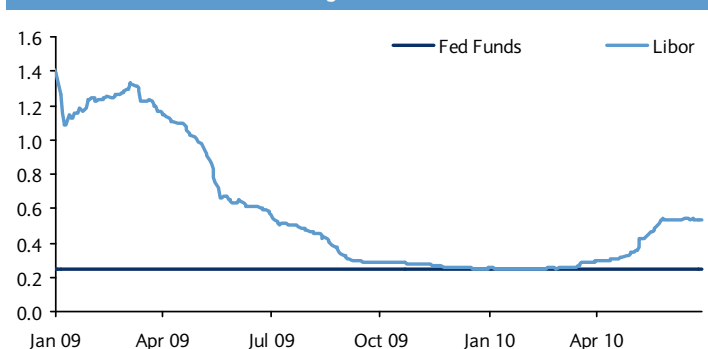


Chart: Fed Funds Target rate and 3-month USD Libor



INTEREST RATES

All Bond Index

| Bond Code | Bond Details | Albi weightings | Last BESA m-t-m 28-Jun-10 | Change (bp) |
|-------------------------|----------------------------|-----------------|---------------------------|-------------|
| R155 | RSA 13.00% Aug 2011 | 2.49% | 7.000 | 1.0 |
| R206 | RSA 7.50% Jan 2014 | 5.93% | 7.835 | -4.5 |
| R201 | RSA 8.75% Dec 2014 | 7.72% | 7.910 | -4.5 |
| R157 | RSA 13.50% Sep 2015 | 12.18% | 8.035 | -2.5 |
| WS04 | TCTA 12.50% May 2016 | 1.77% | 8.631 | -1.9 |
| R203 | RSA 8.25% Sep 2017 | 8.69% | 8.715 | -1.5 |
| TN17 | Transnet 9.25% Nov 2017 | 1.38% | 9.950 | 0.0 |
| ES18 | Eskom 9.25% Apr 2018 | 1.46% | 9.350 | 0.5 |
| R204 | RSA 8.00% Dec 2018 | 8.90% | 8.801 | -1.9 |
| R207 | RSA 7.25% Jan 2020 | 10.65% | 8.871 | -1.9 |
| DV22 | DBSA 9.45% Feb 2020 | 1.43% | 10.090 | 0.0 |
| HWAY20 | SANRAL 9.75% Jul 2020 | 0.74% | 9.390 | 0.0 |
| R208 | RSA 6.75% Mar 2021 | 7.41% | 8.910 | -2.5 |
| ES23 | Eskom 10.00% Jan 2023 | 0.89% | 9.530 | -1.5 |
| ES26 | Eskom 7.85% Apr 2026 | 2.70% | 9.665 | 0.5 |
| R186 | RSA 10.50% Dec 2026 | 14.75% | 9.080 | -2.5 |
| TN27 | Transnet 8.90% Nov 2027 | 1.19% | 10.300 | -0.5 |
| ES33 | Eskom 7.50% Sep 2033 | 2.68% | 9.655 | -1.5 |
| R209 | RSA 6.25% Mar 2036 | 6.24% | 9.035 | -2.5 |
| DV23 | DBSA 10.00% Feb 2023 | 0.78% | 10.300 | -0.5 |
| Albi yield | Weighted average MTM yield | 100.00% | 8.727 | -2.2 |
| Albi Total Return Index | | - | 315.06 | 0.20% |
| Govi Total Return Index | | - | 316.42 | 0.20% |

Source: BESA, Bloomberg

Bond Trading Data

| Bond Code | Total Non Repo Trades for the main government funding stocks (ZAR mn) | | | |
|-----------|---|--------------|---------------|--------------|
| | 28-Jun-10 | week-to-date | month-to-date | year-to-date |
| R154 | 0.00 | 0 | 1,709 | 5,271 |
| R155 | 196.98 | 197 | 3,650 | 11,233 |
| R206 | 842.23 | 842 | 21,876 | 92,109 |
| R201 | 117.22 | 117 | 20,685 | 59,506 |
| R157 | 3,303.45 | 3,303 | 118,508 | 821,853 |
| R203 | 1,718.79 | 1,719 | 15,916 | 81,609 |
| R204 | 341.80 | 342 | 16,161 | 82,085 |
| R207 | 255.70 | 256 | 9,336 | 131,788 |
| R208 | 508.17 | 508 | 23,835 | 136,991 |
| R186 | 519.86 | 520 | 39,707 | 240,387 |
| R209 | 579.56 | 580 | 4,512 | 62,628 |

| Bond Code | Total client trades on BESA (ZAR mn) | | Bond Exchange Total Volumes | | | |
|-----------|--------------------------------------|-----------------|--|--------|----------|--------|
| | Local Clients | Foreign Clients | Nominal amount traded (ZAR bn) | | | |
| R154 | 0.00 | 0 | Daily | 28-Jun | 44 | 58 |
| R155 | 0.23 | -187 | Week to date | 2-Jul | 44 | 359 |
| R206 | 31.71 | -72 | Month to date | Jun-10 | 1,294 | 1,400 |
| R201 | -5.02 | 7 | Year to date | 2010 | 7,158 | 13,422 |
| R157 | 130.62 | -201 | Net Foreign purchases / sales of SA bonds (ZAR mn) | | | |
| R203 | -66.79 | 199 | Daily | 28-Jun | -168.9 | -2,982 |
| R204 | 19.55 | -1 | Week to date | 2-Jul | -168.9 | -975 |
| R207 | 18.29 | 90 | Month to date | Jun-10 | 8,894.9 | -2,691 |
| R208 | -157.50 | -3 | Year to date | 2010 | 38,530.6 | |
| R186 | 69.05 | 21 | | | | |
| R209 | 97.82 | 53 | | | | |

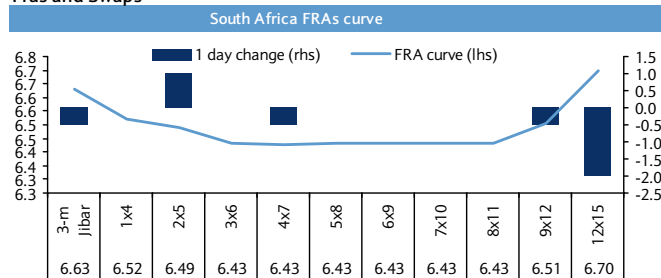
Source: BESA

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

Fras and Swaps



Source: BESA

Government Primary Dealer Bonds

| Bond Code | Trading stats for 28-Jun-10 | | | |
|-----------|-----------------------------|-------|-------|-------|
| | Open | High | Low | Last |
| R206 | 7.870 | 7.880 | 7.835 | 7.835 |
| R201 | 7.930 | 7.955 | 7.900 | 7.910 |
| R157 | 8.040 | 8.060 | 7.910 | 8.045 |
| R203 | 8.690 | 8.730 | 8.570 | 8.715 |
| R204 | 8.800 | 8.810 | 8.660 | 8.800 |
| R207 | 8.880 | 8.880 | 8.730 | 8.870 |
| R186 | 9.095 | 9.115 | 8.960 | 9.080 |

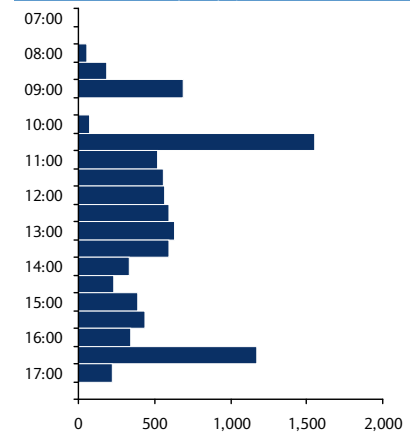
Source: BESA

Government Inflation Linked Bonds

| Bond Code | Trading stats for 28-Jun-10 | | | | Last m-t-m |
|---|-----------------------------|-------|-------|-------|------------|
| | Open | High | Low | Last | |
| R189 | 1.850 | 1.850 | 1.850 | 1.850 | 1.850 |
| R197 | 2.930 | 3.010 | 2.930 | 2.980 | 2.980 |
| R210 | 3.050 | 3.050 | 3.050 | 3.050 | 3.050 |
| R202 | No | Spot | Trade | | 2.990 |
| BarCap/Abisa SA Govt. Inflation Linked bond index | | | | 9.95 | |

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

BESA day's non-repo trade volumes (R mn) by time



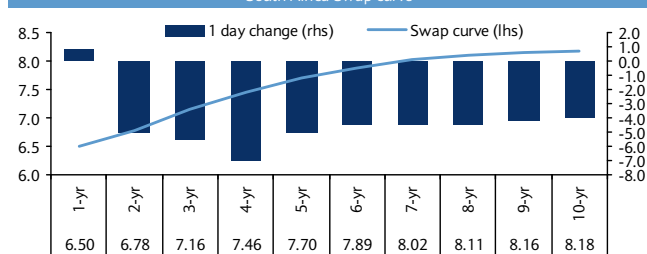
Five Largest Coupon Payments for June 2010 (ZAR mn)

| Bond Code | 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 |

Five Largest Maturities for June 2010 (ZAR mn)

| Bond Code | 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 |

South Africa Swap curve



Source: BESA

Analyst Certification(s)

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