SOUTH AFRICA MORNING SHEET

PSCE and trade figures the focus in SA. This morning (08:00 SA time) sees the release of private sector credit data for May, where we agree with Bloomberg consensus and look for overall PSCE growth to jump back into mild positive y/y territory (cf. +0.6%) following seven consecutive months of decline. We expect the rise 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 and the current record low interest rate environment translate into further traction (albeit modest) in household credit extension. In our view, base effects are also likely to play a role in helping to pull PSCE back into moderate growth territory. Credit extended to corporates, however, is likely to have remained in the doldrums in May, as companies' willingness to take on new debt remains low. This, in our view, is due to the large amount of slack in the economy and our belief that corporate cash reserves are likely to be used ahead of new debt should the need for expansion arise.

The volatile trade balance figures are also released later this afternoon (14:00 SA time). 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.

The end of the ECB's 1y LTROs. While the results for the European bank stress tests are not scheduled to be released until late July, the end of the ECB's 1y LTROs this Thursday will provide the market with an early reading of how stressed European banks are in terms of their ability to raise short-term financing from the wholesale money markets. Large rollovers by banks from 1y borrowings into 3m and 6d borrowing would signal significant demand remains for short-term financing and that European banks remain stressed in terms of accessing wholesale money markets for short-term financing. This is at the top of the list of investor concerns at the moment. Our Barclays Capital fixed income analysts are expecting EUR250-300bn of the 1y LTROs to be rolled over by European banks into the remaining 3m LTROs (assuming little rollover into the short 6d operation), which would signal modest continuing demand for short-term financing. This would likely be a positive for risky currencies. Until late last week, a EUR250-300bn rollover was also likely the market's expectation, but recent press articles in the FT and The Telegraph, for example, suggest that some European banks are still struggling to gain access to short-term financing in wholesale money markets, and the consensus has likely shifted significantly higher.

Key international data and events. US markets will be focused on today's release of Chicago PMI and the ADP employment report for June. Our US economists look for an increase in PMI to 61.0 after printing 59.7 in May, while consensus looks for a gain of 60k in private payrolls during the month. European markets see the release of German unemployment figures, UK final GDP and the euro area "flash" HICP data. German unemployment is expected to have fallen by 40k in June, which should take the unemployment rate to 7.6%, while the UK final GDP figures are expected to remain unchanged at 0.3% q/q for Q1. Our European economists are below consensus in expecting euro area "flash" HICP to print 1.4% y/y in June.

	Close		Change
USD/ZAR	7.68	↑	1.4%
EUR/USD	1.22	↓	0.7%
EUR/ZAR	9.36	↑	0.7%
3m Jibar	6.63%	→	0 bp
R157	8.09%	↑	5 bp
R186	9.12%	↓	4 bp
All Share	26,699	↓	2.2%
Gold $/oz	1,241	↑	0.1%
Brent $/bbl	74.2	↓	3.5%

Source: Reuters, Bloomberg

Technical Analysis

USD/ZAR: Aggressive move	
Support	7.59 / 7.50 / 7.43
Resistance	7.78 / 7.84 / 7.89
Daily range	7.56 –7.66
Fixed income: R157 eyes 8.16%	
R157: Support	8.16 / 8.23 / 8.31
R157: Resistance	8.05 / 8.00 / 7.95
R157: Range	8.08 –8.15%
R186: Range	9.12 –9.18%

Source: Absa Capital

Soccer World Cup 2010 Action

Today's matches

Yesterday's results

Paraguay - 5 Japan - 3

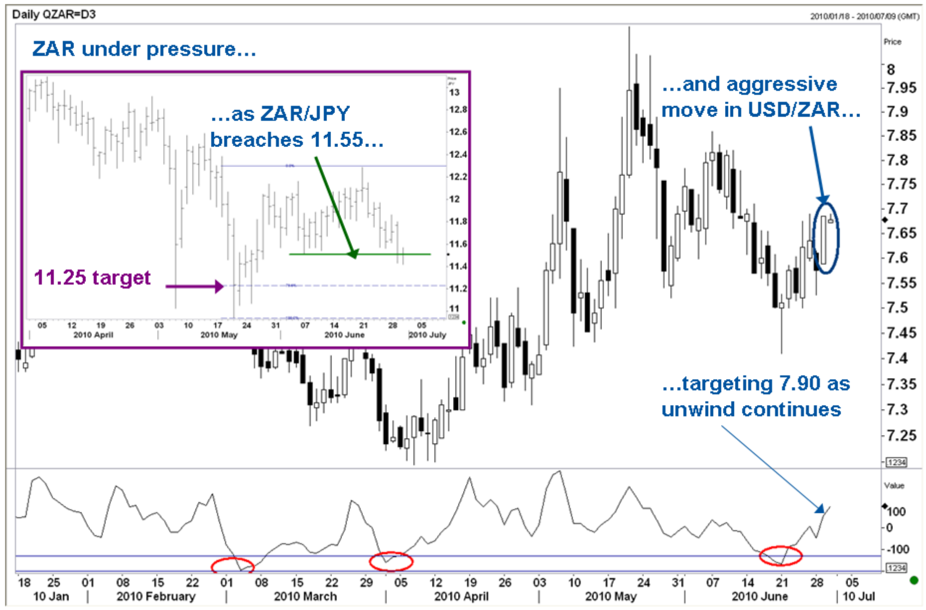
Spain - 1 Portugal - 0

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES STARTING AFTER PAGE 5

TECHNICAL STRATEGY

In line with expectations, ZAR/JPY breached 11.55 for the second consecutive day and we believe that the ZAR remains under pressure. We are sticking to our short-term objective of 11.25. Yesterday's aggressive sell-off in the ZAR against the USD keeps our sight on 7.90 in the short term. However, as highlighted on Monday, this target is likely to be reached only in the new month and not this month, as first forecasted. Despite the snapback in NZD/ZAR and AUD/ZAR earlier this week, we view the moves as corrective and continue to see a resumption of the uptrend into the new week. For NZD/ZAR, our target of 5.46 is likely to be reached over the next week or two and the same for AUD/ZAR, where our objective is 6.70.

ZAR/JPY breaches 11.55



Source: Thomson Reuters

SA Bonds – (R157 and R186)

Aggressive profit taking in the R157 is keeping our initial target of 8.16% in sight. However, we are allowing for a potential overshoot of the channel towards 8.31% before we look for topping signals. We note that the R157 is approaching oversold conditions. Indeed, while capped at 8.31% the market remains in a wide consolidation phase which has been unfolding since early-May, and we cannot rule out another leg of lower yields in the weeks ahead. A similar scenario, a return to two-way flow is expected to unfold in R186. As such, we are looking for topping signals in the 9.23%-9.31% zone for a possible return to 9.00%. This would maintain the seven-week consolidation pattern. For the R207, the range high and our near-term target is 9.05%.

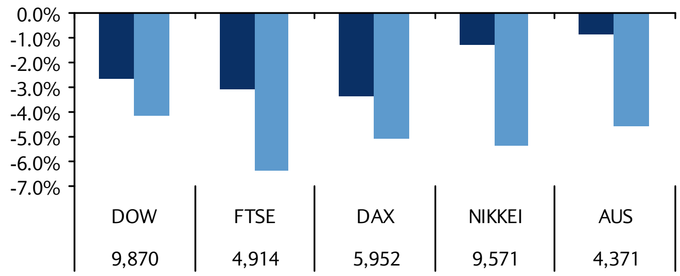
Watch channel high for overshoot

Source: Thomson Reuters

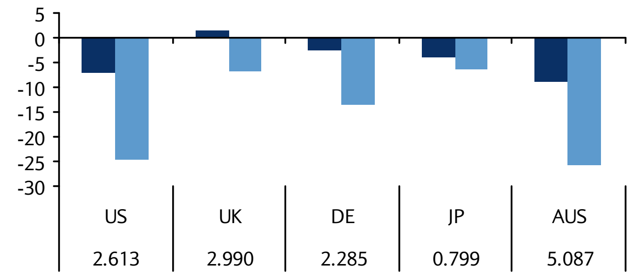
GLOBAL OVERVIEW

KEY: Daily Change 5 Day Change

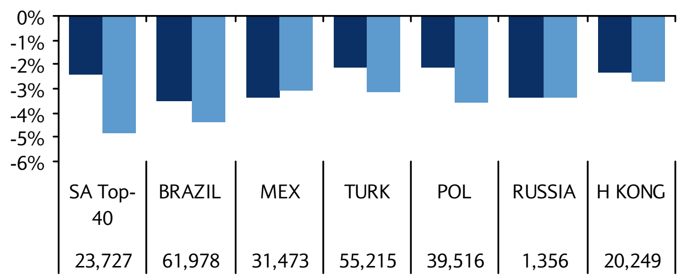
Developed Market Equities



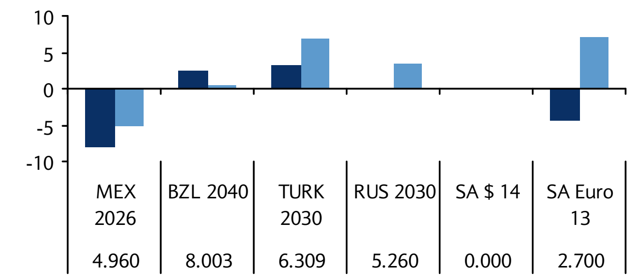
Developed Market 10yr Debt (bp)



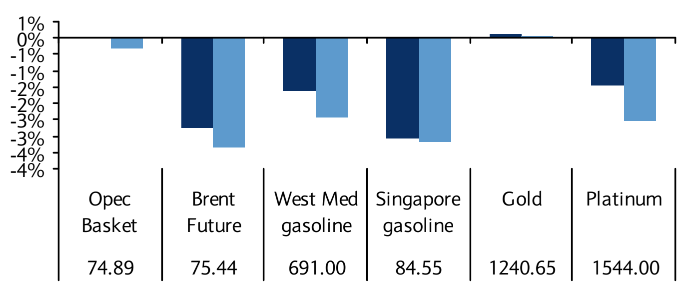
Emerging Market Equities



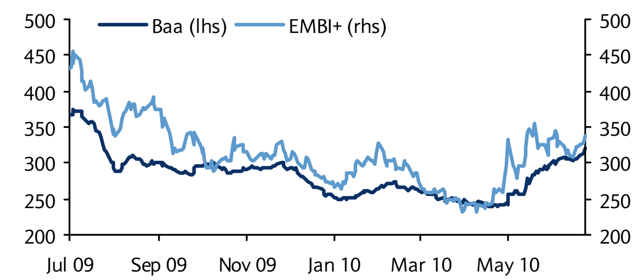
Emerging Market Debt (bp)



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: European Business Summit 2010 in Brussels (to 1/7)**				
US	**12:00 PM**	**2:00 PM**	**US: Chicago Fed President Evans (FOMC non-vot**	**0**			
E16	**14:30**	**4:30 PM**	**E16: ECB President Trichet and Banca d'Italia Governor Draghi, speak**				
US	**17:30**	**7:30 PM**	**US: Atlanta Fed President Lockhart (FOMC non-voter) speaks**				
Data releases							
SA	6:00 AM	8:00 AM	SA: M3 money supply (%, y/y)	May	1.7	-	1.5
SA	6:00 AM	8:00 AM	SA: Private sector credit (%, y/y)	May	-0.9	-	0.6
UK	8:30 AM	10:30 AM	UK: GDP - final, % q/q (y/y)	Q1	0.3 (-0.2) P	0.3 (-0.2)	0.3 (-0.2)
E16	9:00 AM	11:00 AM	E16: "flash" HICP, % m/m (y/y)	Jun	1.6	1.4	1.5
SA	12:00 PM	2:00 PM	SA: Trade balance (ZARbn)	May	-1.9	0.0	-2.5
US	12:15 PM	2:15 PM	US: ADP private payrolls, chg, thous	Jun	55	-	53.0
US	1:45 PM	3:45 PM	US: Chicago PMI	Jun	59.7	61.0	60.0

FOREIGN EXCHANGE

Forex Spots

Unit	$	Change	R	Change
USD	1.000	-	7.679	-1.38%
GBP	1.507	-0.25%	11.569	-1.13%
EUR	1.219	-0.72%	9.359	-0.66%
JPY	88.600	0.87%	11.540	-2.22%
CHF	1.082	0.43%	7.096	-1.82%
AUD	0.849	-2.69%	6.517	1.34%
CAD	1.056	-1.91%	7.273	0.52%
HKD	7.785	-0.04%	0.987	-1.36%
THB	32.400	-0.22%		
IDR	9064.000	-0.39%		
MXN	12.884	-1.17%		
BRL	1.813	-1.83%		
TRY	1.592	-1.11%		
PLN	3.409	-0.66%		
CZK	21.150	-0.84%		

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	0.043	0.040	0.003	7.722	6.8%
3 months	0.119	0.118	0.001	7.798	6.1%
6 months	0.235	0.229	0.006	7.914	6.1%
9 months	0.342	0.337	0.005	8.021	6.0%
1 year	0.457	0.447	0.010	8.136	6.0%

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	17.3%	16.6%	0.7%	2.0%	0.1%
3 months	17.5%	16.8%	0.8%	3.5%	0.1%
6 months	17.7%	17.2%	0.5%	5.0%	0.1%
9 months	17.6%	17.2%	0.5%	6.0%	0.2%
1 year	17.7%	17.2%	0.5%	7.0%	0.2%

Source: Reuters

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

Date	Value	% YTD	Date	Value
30 Jun 10	74.92	7.14%	**1 month ago**	
29 Jun 10	74.92	7.14%	31 May 10	75.47
28 Jun 10	75.56	8.05%	**12 months ago**	
25 Jun 10	74.94	7.16%	30 Jun 09	69.93
24 Jun 10	75.58	8.08%	**End of last year**	
23 Jun 10	75.58	8.08%	30 Dec 09	72.62
22 Jun 10	76.19	8.95%		

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	18.61	15.00

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 29 Jun 10	Previous 28 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 29 Jun 10	Previous 28 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	6.63	0.0
6-month Jibar	6.79	6.79	0.0
1-year Jibar	7.26	7.26	

Negotiable Certificates of Deposit (NCDs)

	Last 29 Jun 10	Previous 28 Jun 10	Change (bps)
3-month NCD	6.70	6.75	-5.0
6-month NCD	7.17	7.13	3.9
9-month NCD	7.03	7.21	-17.6
12-month NCD	7.27	7.25	2.4

Sources: Reuters, Bloomberg

International Money market rates: US dollar libor

	Last 29 Jun 10	Previous 28 Jun 10	Change (bps)
USD Overnight	0.29	0.29	0.1
USD 1-month	0.35	0.35	-0.2
USD 3-months	0.53	0.53	0.0
USD 6-months	0.75	0.75	0.4
USD 9-months	0.95	0.95	0.0
USD 1-year	1.17	1.18	-0.1
Fed Funds target Rate	0.25	0.25	0.0

Source: Reuters

Chart: SARB Repo rate and 3-month Jibar

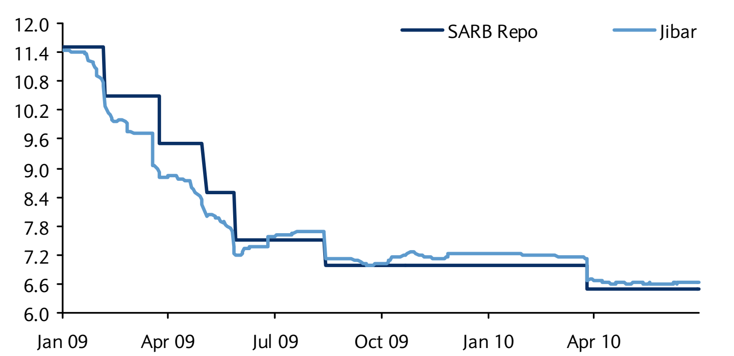
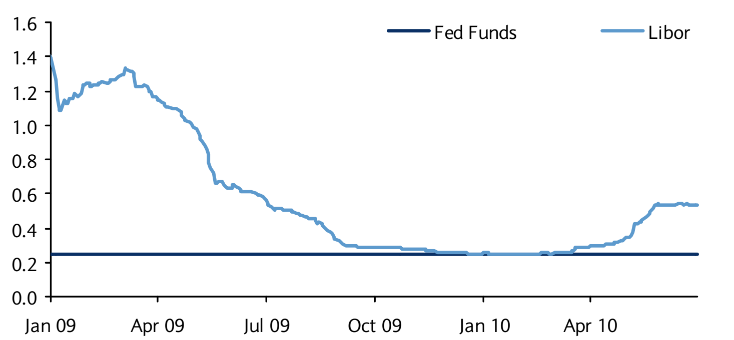


Chart: Fed Funds Target rate and 3-month USD Libor



INTEREST RATES

All Bond Index

Bond Code	Bond Details Issuer/coupon rate/maturity	Albi weighings	Last BESA m-t-m 29-Jun-10	Change (bp)
R155	RSA 13.00% Aug 2011	2.49%	7.030	3.0
R206	RSA 7.50% Jan 2014	5.93%	7.860	2.5
R201	RSA 8.75% Dec 2014	7.72%	7.950	4.0
R157	RSA 13.50% Sep 2015	12.18%	8.090	5.5
WS04	TCTA 12.50% May 2016	1.77%	8.700	6.9
R203	RSA 8.25% Sep 2017	8.69%	8.740	2.5
TN17	Transnet 9.25% Nov 2017	1.38%	9.970	2.0
ES18	Eskom 9.25% Apr 2018	1.46%	9.365	1.5
R204	RSA 8.00% Dec 2018	8.90%	8.840	3.9
R207	RSA 7.25% Jan 2020	10.65%	8.920	4.9
DV22	DBSA 9.45% Feb 2020	1.43%	10.020	-7.0
HWAY20	SANRAL 9.75% Jul 2020	0.74%	9.420	3.0
R208	RSA 6.75% Mar 2021	7.41%	8.960	5.0
ES23	Eskom 10.00% Jan 2023	0.89%	9.575	4.5
ES26	Eskom 7.85% Apr 2026	2.70%	9.670	0.5
R186	RSA 10.50% Dec 2026	14.75%	9.115	3.5
TN27	Transnet 8.90% Nov 2027	1.19%	10.315	1.5
ES33	Eskom 7.50% Sep 2033	2.68%	9.665	1.0
R209	RSA 6.25% Mar 2036	6.24%	9.055	2.0
DV23	DBSA 10.00% Feb 2023	0.78%	10.215	-8.5
Albi yield	Weighted average MTM yield	100.00%	8.761	3.4
Albi Total Return Index		-	314.50	-0.18%
Govi Total Return Index		-	315.81	-0.19%

Source: BESA, Bloomberg

Government Primary Dealer Bonds

Bond Code	Trading stats for 29-Jun-10 Open	High	Low	Last
R206	7.880	7.880	7.830	7.880
R201	7.967	7.967	7.919	7.955
R157	8.047	8.097	8.020	8.080
R203	8.740	8.750	8.700	8.730
R204	8.805	8.840	8.805	8.817
R207	8.870	8.920	8.870	8.880
R186	9.100	9.115	8.980	9.105

Source: BESA

Government Inflation Linked Bonds

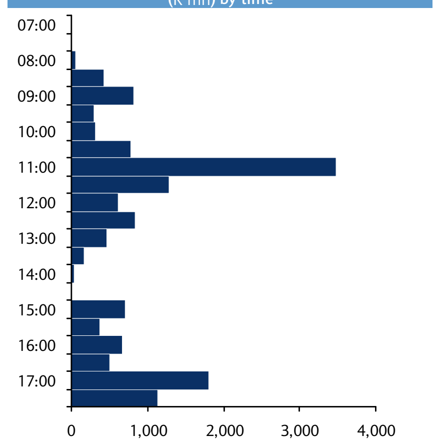
Bond Code	Trading stats for 29-Jun-10 Open	High	Low	Last	Last BESA m-t-m
R189	No	Spot	Trade		1.820
R197	No	Spot	Trade		2.980
R210	3.050	3.050	3.050	3.050	3.050
R202	No	Spot	Trade		3.000
BarCap/Absa SA Govt. Inflation Linked bond index				9.97	0.20%

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) 29-Jun-10	week-to-date	month-to-date	year-to-date
R154	0.01	0	1,709	5,271
R155	18.06	215	3,668	11,251
R206	466.54	1,309	22,343	92,576
R201	230.57	348	20,916	59,737
R157	3,897.36	7,201	122,406	825,750
R203	2,689.19	4,408	18,605	84,299
R204	434.94	777	16,596	82,520
R207	650.78	906	9,987	132,439
R208	2,776.12	3,284	26,611	139,767
R186	1,226.77	1,747	40,934	241,614
R209	1,015.10	1,595	5,527	63,643

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	-0.01	0
R155	-0.01	-18
R206	-89.57	-7
R201	149.86	7
R157	68.10	-520
R203	103.25	755
R204	107.75	4
R207	15.23	-28
R208	179.30	-72
R186	117.99	-15
R209	-192.10	190

Bond Exchange Total Volumes Nominal amount traded (ZAR bn)			
Daily	29-Jun	140	44
Week to date	2-Jul	184	359
Month to date	Jun-10	1,434	1,400
Year to date	2010	7,298	13,422

Net Foreign purchases / sales of SA bonds (ZAR mn)		latest	Previous
Daily	29-Jun	115.9	-169
Week to date	2-Jul	-53.0	-975
Month to date	Jun-10	9,010.8	-2,691
Year to date	2010	38,646.5	

Source: BESA

Bond Exchange Cash Flows

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

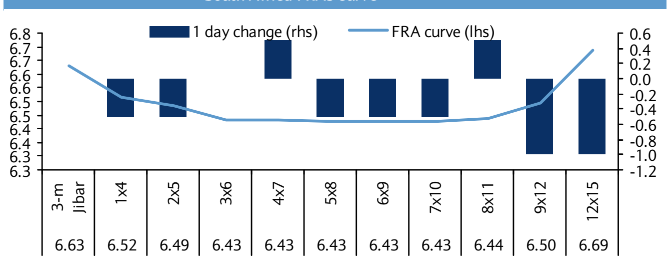
Source: BESA

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

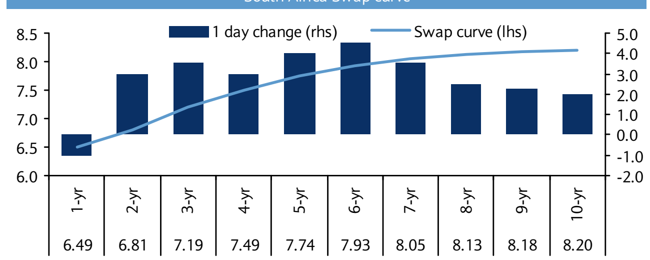
Fras and Swaps

South Africa FRAs curve



Source: BESA

South Africa Swap curve



Source: BESA

Analyst Certification(s)

We, Jeff Gable, Ian Marsberg, Jeffrey Schultz and Judy Padayachee, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.