

## Today's highlights

- The JSE: A rising tide lifted all boats in 2009; will it continue thus in 2010?
- Dividend yields: Financial companies
- Upcoming dividend dates and corporate actions
- Company calendar – 13 January to 20 January
- Economic calendar – 13 January to 20 January

### Talking point: Taming the beast in the Year of the Tiger

The decision by the Chinese central bank to tighten its reserve ratio requirement for banks by 0.5 percentage points certainly knocked global markets yesterday, but did so more as a signal of intent by Chinese authorities than as an act of tightening in itself. With foreign exchange reserves rising all the time, the actual effect on liquidity will be minimal or neutral. However it is clear China is worried about the potential for overheating and that the days of monetary ease and economic stimulus are numbered.

As we have noted before, China will need to be nimble and wise to successfully negotiate the twin needs of maintaining growth while cooling down any areas of the economy that look to be overheating. In the year of the Tiger, it will need to tame but not subdue the great cat. Promisingly, China will be able to benefit from growth in the rest of the world this year, as the promising rise in exports showed in December.

### Market highlights

Worse than expected results from Alcoa, as well as the decision by the Chinese central bank to signal tighter monetary policy broke the US market's six day winning streak, with the S&P 500 falling almost one percent.

The JSE closed lower, as monetary tightening signals in China weighed on most mining shares. Gold and resources stocks were down, along with banks and industrials, though platinum shares ended higher.

Bonds were flat to slightly firmer yesterday while the rand was weaker after the announcements out of China.

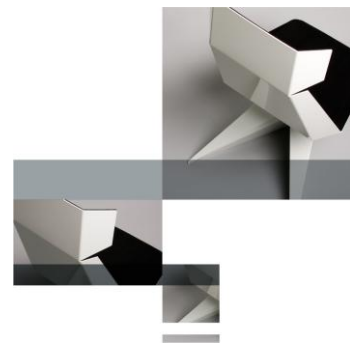
Chinese monetary tightening signals spooked all the major categories of commodities yesterday, while milder weather in the US also weighed on oil prices.

### Key indicators in a nutshell – Tuesday 12 January 2010

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	<b>28057.68</b>	-1.02%	3.50%	7.68%	1.41%	26.27%
S&P 500	<b>1136.22</b>	-0.94%	2.69%	4.05%	1.89%	27.61%
Nikkei	<b>10879.14</b>	0.75%	7.63%	8.14%	3.15%	23.11%
Rand/US \$	<b>7.36</b>	0.00%	1.81%	-1.78%	0.58%	32.12%
Rand/GB Pound	<b>11.85</b>	0.00%	2.79%	-2.40%	0.11%	25.17%
US\$/Euro	<b>1.45</b>	-0.01%	0.74%	2.94%	-1.27%	-7.26%
Gold \$/oz.	<b>1128.33</b>	-2.06%	1.21%	6.31%	2.87%	32.22%

### Company results and updates

Shoprite grew its turnover for the six months to December by 11.9% to R33.1bn, with an internal inflation rate of 3%. On a like-for-like basis, turnover grew by 6.4%. SA stores grew turnover by 14.6%, or 9.1% on a like-for-like basis, while non-SA stores grew turnover by 16.3% in constant currency terms, but saw turnover fall 4.3% in rand terms (down 9.3% on a like-for-like basis). The group reports its interims on 23 February.

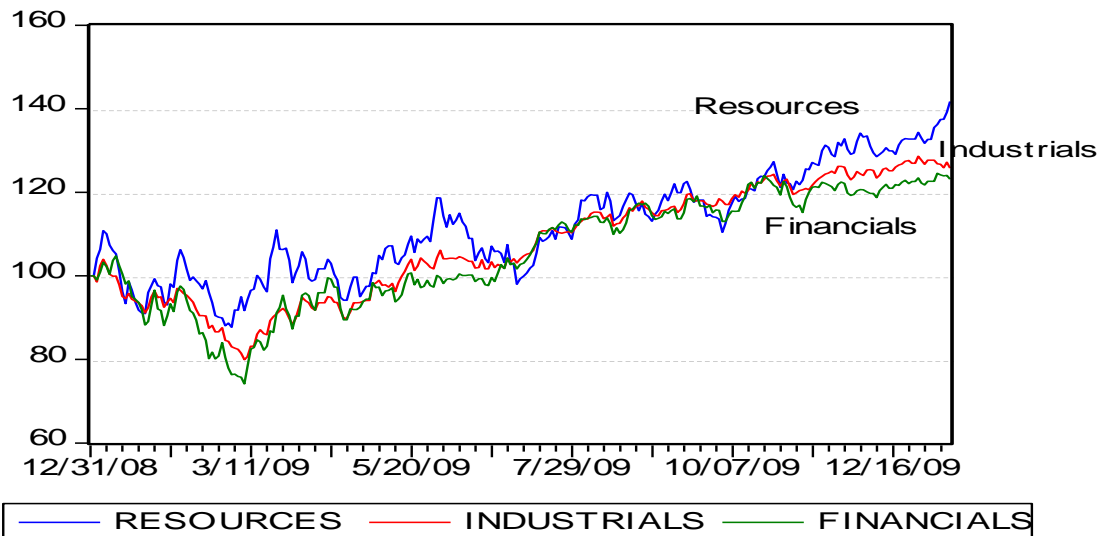


## Morning ideas

### The JSE: A rising tide lifted all boats in 2009; will it continue thus in 2010?

2009 was a very good year for the JSE and all its major sub sectors (Resources, Industrials and Financials) shared fairly evenly in the good times as we show below.

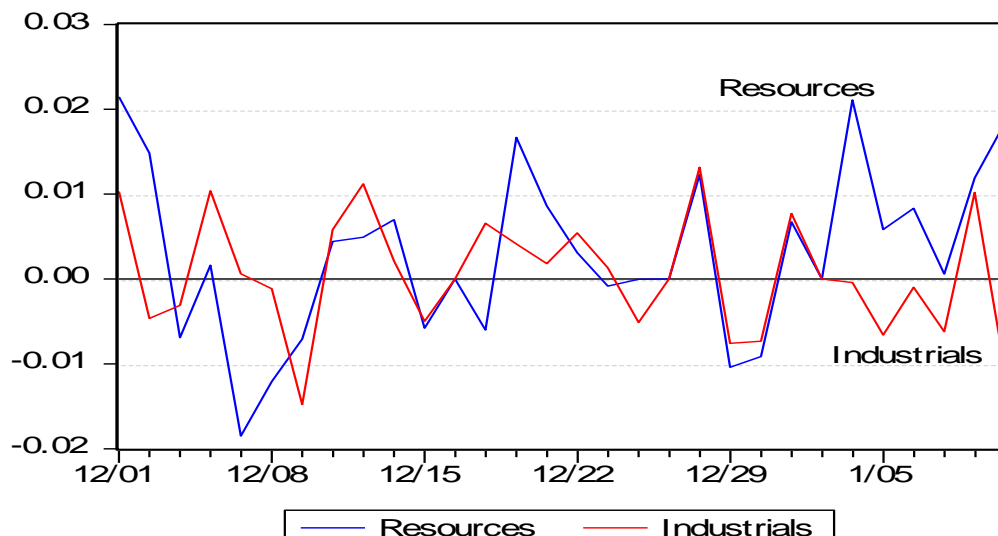
JSE Resources, Industrials and Financials in 2009 (Jan 2009 = 100)



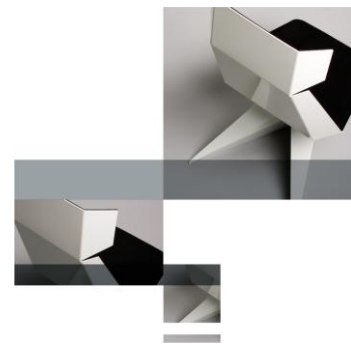
Source: I-Net Bridge and Investec Private Client Securities

Yet something fairly unusual happened on Monday 11 January. JSE Resources gained nearly 2% on the day while JSE Industrials lost nearly one per cent. (See below)

Daily % moves in JSE Resources and Industrials (December 1 2009 Jan 11 2010)

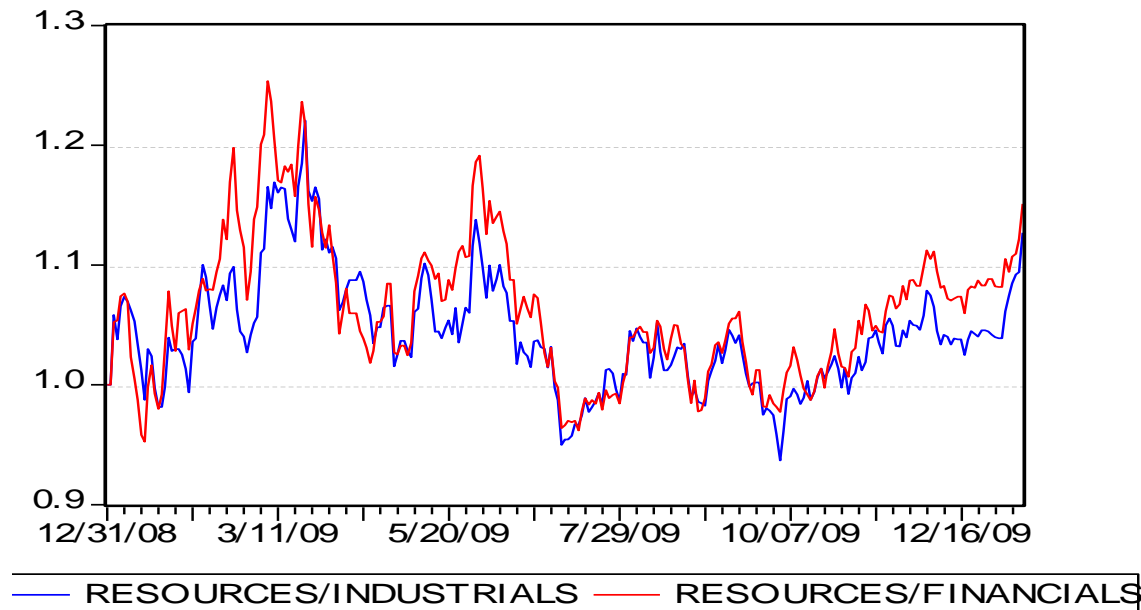


Source: I-Net Bridge and Investec Private Client Securities



As we show below the Resources Index outperformed Industrials and Financials by about 20% in the first quarter of 2009 and then gave it all up and more to industrials and financials as the market and all sectors moved ahead after March 2009. In the fourth quarter 2009 resources again did relatively better and the Resources Index ended the year about 10% up on the Financial and Industrial Indexes with further relative gains made this year.

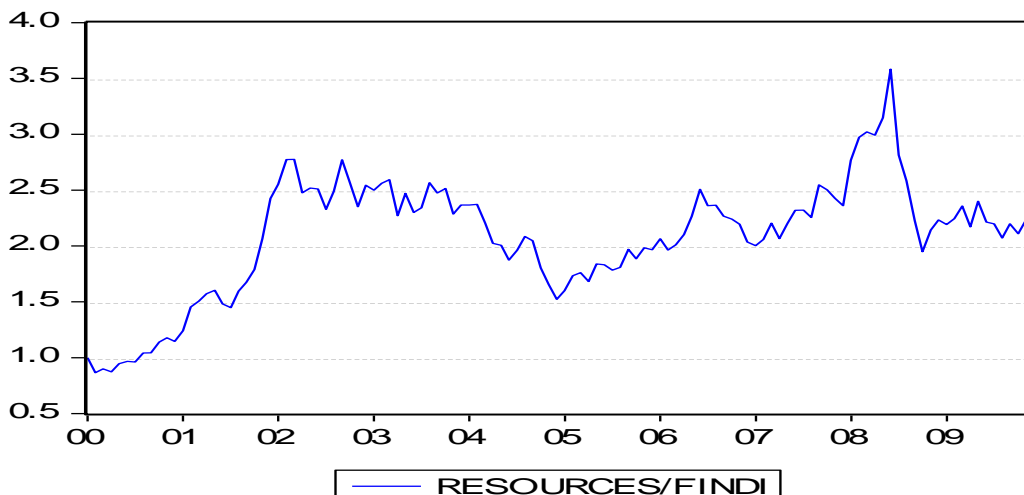
### JSE Resources/ JSE Industrials and Financials in 2009 (Jan 2009=1)



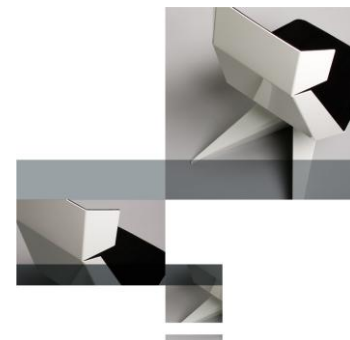
Source: I-Net Bridge and Investec Private Client Securities

Such equivalent returns from the major sectors are by no means always the case. There have been times when the Resources have spectacularly outperformed and then underperformed the other sectors. Two such episodes of spectacular outperformance (followed by underperformance) have occurred since 2000. As we show below, Resources did very much better, about three times as well as the Financial and Industrial Index of the JSE (FINDI) in 2001-2003 and outperformed to an even greater degree in 2007-2008. (See below)

### JSE Resources/Financial and Industrials (FINDI) Jan 2000 = 1



Source: I-Net Bridge and Investec Private Client Securities



Anticipating accurately such major relative movements is the stuff that makes fund managers wealthy legends in their own life times. The key to such out- or underperformance, as many readers will be aware, is the behaviour of the rand. But they should also be aware (and this year has again demonstrated as much) that it is not the direction of the rand that matters for performance and relative performance on the JSE. What matters are the causes of rand strength or weakness rather than its actual direction.

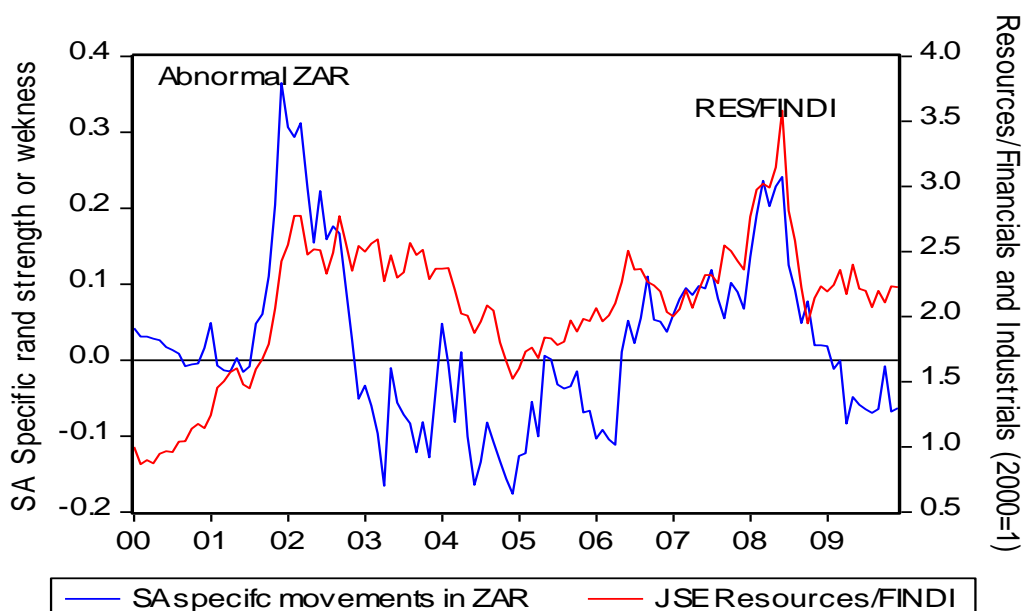
When the rand strengthens, as it has been doing lately in response to higher commodity prices and stronger emerging equity markets, this higher tide will lift all the sectors of the JSE as well as the rand. No sector of the JSE, with the possible exception of the Gold Mining Sector, was hurt by the stronger rand. Flows into emerging equity markets and into commodity stocks in 2009 lifted the value of the JSE almost across the board and also lifted the rand. The rand and the JSE under normal conditions as in 2009 take their cue from global equity and commodity markets.

Sometimes however the rand responds significantly to uniquely SA influences. Rand weakness in 2001-2002 was a purely South African phenomenon. As was rand weakness in 2007-2008. The rand weakened in those years independently of trends in commodity and emerging markets that were in fact favourable in both periods. A combination of rand weakness for SA specific reasons coupled with underlying strength in commodity or emerging markets is the best possible time to hold resources in particular and rand hedges in general.

In the figure below we align the relative performance of Resources over Financials and Industrials with the performance of the rand that cannot be explained by economic fundamentals. These are consumer price trends in SA and the USA, global commodity price trends, proxied by the US dollar/Australian dollar exchange rate and emerging equity markets. In other words what we have graphed in the figure below is that part of the behaviour of the rand that cannot be explained by our "normal" model of the rand. To be more technically precise it is the residual of our regression model estimates of the value of the rand.

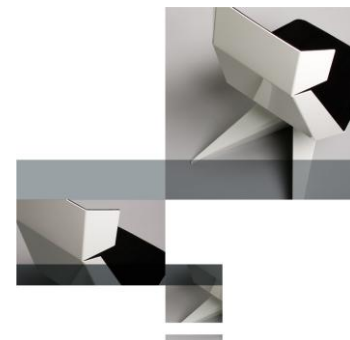
When the rand was much weaker than would have been expected, given the state of commodity and emerging markets as it was so markedly in 2002-03 and in 2007-8, we can attribute this weakness to SA specific risks that have entered the market. Not coincidentally, such rand weakness for SA specific reasons makes for ideal circumstances to overweight Resources stocks and rand hedges in portfolios, as is demonstrated below.

#### SA specific movements in the ZAR and JSE Resources/FINDI



Source: I-Net Bridge and Investec Private Client Securities

Our sense is that the rand will continue to behave normally in 2010 in response to global forces. We are not anticipating political shocks in SA of the kind that will throw the rand off its normal path. We are also anticipating generally favourable conditions in emerging and commodity markets in 2010 and so a firm if not stronger rand. Thus we are inclined to continue to favour equities without any strong preferences for Resources over Financials or Industrials.



We remain very mindful of the extra insurance against SA specific risks supplied by Resources counters and rand hedges listed on the JSE. They are likely to do as well as the purer SA plays in normal times and much better when times are normal abroad but disturbed in SA. The best time to be overweight SA plays will be when global economic conditions are favourable and the rand is strong and when the SA economy performs much better than expected. We will be watching closely for a revival of domestic spending in SA. **Brian Kantor**

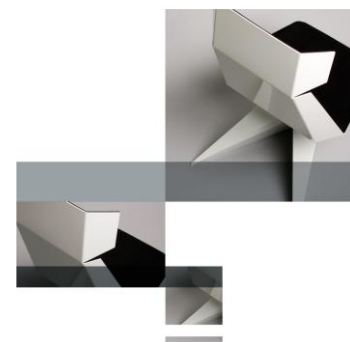
### Dividend yields: Financial counters

Today we look at the forward dividend yields of financial stocks, including banks, insurers and specialised firms (such as private equity firms and fund managers). The forward yields are based on I-Net consensus forecasts of the different stocks.

Though the table covers a variety of business types and fundamentals (can one directly compare the likes of African Bank (Abil) or Capitec with Peregrine?), in general it appears as if financial counters are good dividend payers. Abil has a high yield out to 2012, while Metropolitan pays out well to 2011. Also on the high end are the likes of Brait and Coronation. For F2010, all of the big four banks (Absa, Firstrand, Nedbank and Standard Bank) have yields of 4%. (Bear in mind that the absence of a dividend for F2012 on this list is mostly due to there not being an analyst forecast for that period, rather than an expectation of zero dividends in that year.) **Patrick Lawlor**

		Current	2010		2011		2012	
Name	FYE	Price	DPS	DPS	DPS	DPS	DPS	DPS
ABIL	30/09/2009	2855	207.5	7%	256.1	9%	303	11%
ABSA	31/12/2008	12800	560	4%	714	6%		0%
BRAIT	31/03/2009	2150	179.6	8%	171.3	8%	191	9%
CORONAT	30/09/2009	915	65	7%	68.4	7%	77	8%
CAPITEC	28/02/2009	7465	186	2%	248	3%	303	4%
DISCOVERY	30/06/2009	3140	77	2%	100	3%	113	4%
FIRSTRAND	30/06/2009	1865	66	4%	85	5%	103	6%
INVESTEC LTD	31/03/2009	5500	186.4	3%	241.8	4%	340.3	6%
INVESTEC PLC	31/03/2009	5364	185.2	3%	233.6	4%	319.7	6%
JSE	31/12/2008	5980	227.6	4%	272.2	5%		0%
LIB HOLD	31/12/2008	6550	475	7%	507	8%		0%
MET LTD	31/12/2008	1310	115	9%	127	10%		0%
NEDBANK	31/12/2008	12285	544	4%	705	6%		0%
OLD MUTUAL PLC	31/12/2008	1337	60.6	5%	70	5%		0%
PEREGRINE	31/03/2009	1080	28.9	3%	44	4%	58.6	5%
RMB HOLDINGS	30/06/2009	2916	116	4%	146.1	5%	190.4	7%
STANBANK	31/12/2008	10320	389.2	4%	529.8	5%		0%
SANLAM	31/12/2008	2293	108	5%	116	5%		0%
SANTAM	31/12/2008	10510	495	5%	501.6	5%		0%

Source: I-Net



## Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount
Clicks	15 January	18 January	22 January	25 January	Capital Reduction	R0.595
Freeworld	15 January	18 January	22 January	25 January	Cash Dividend	R0.07
Lewis	15 January	18 January	22 January	25 January	Cash Dividend	R1.44
Merchandise Industrial Properties	15 January	18 January	22 January	25 January	Cash Dividend	R0.09
Netcare	15 January	18 January	22 January	25 January	Capital Reduction	R0.22
Reunert	15 January	18 January	22 January	25 January	Cash Dividend	R1.88
Merchandise Industrial Properties	22 January	25 January	29 January	5 February	Exchange Offer	33 MTE per 100 MIP
Nampak Cum pref 6%	22 January	25 January	29 January	1 February	Cash Dividend	R0.06
Nampak Cum pref 6.5%	22 January	25 January	29 January	1 February	Cash Dividend	R0.065
Pioneer Foods	22 January	25 January	29 January	1 February	Cash Dividend	R0.89
SBR003	22 January	25 January	29 January	5 February	Interest	R1.90
Wearne NPL	22 January	25 January	29 January	1 February	Rights take up	R0.40 a share
UCS	29 January	1 February	5 February	8 February	Cash Dividend	R0.05
Kiwara plc	29 January	1 February	5 February	8 February	Scheme of arrangement	tba
Dimension Data	12 February	15 February	19 February	19 March	Cash Dividend	US\$0.019
Winhold	12 February	15 February	19 February	22 February	Cash Dividend	R0.10
Paracon	5 March	8 March	12 March	15 March	Cash Dividend	R0.10
JOZI02	12 March	15 March	19 March	23 March	Interest	R18.85
JOZI03	12 March	15 March	19 March	23 March	Interest	R19.23
Foschini prefs	18 March	19 March	26 March	29 March	Cash Dividend	R0.065

Source: JSE

## Company calendar – 13 January to 20 January 2010

**Thursday**  
**14 January**

Rockwell Diamonds quarterlies  
Datatec interim management statement

**Friday**  
**15 January**

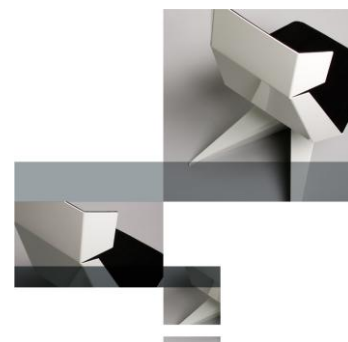
Miranda AGM

**Tuesday**  
**19 January**

SABMiller third quarter trading update

**Wednesday**  
**20 January**

BHP Billiton December quarterly production report



## Economic calendar – 13 January to 20 January 2010

Date	International	South Africa
<b>Wednesday</b> 13 January	<b>UK</b> – November Industrial production [11h30] <b>EMU</b> – November Industrial production [12h00] <b>US</b> – Beige Book [21h00]	
<b>Thursday</b> 14 January	<b>Japan</b> – November Machinery orders <b>Germany</b> – December CPI final [09h00] <b>EMU</b> – ECB meeting and rate decision [14h45] <b>US</b> – December Retail sales [15h30] <b>US</b> – Initial jobless claims for previous week [15h30] <b>US</b> – November Business inventories [17h00]	November Mining production [11h30]
<b>Friday</b> 15 January	<b>EMU</b> – November Foreign trade [12h00] <b>US</b> – December CPI [17h30] <b>US</b> – January Empire State survey [17h30] <b>US</b> – December Industrial production [16h15] <b>US</b> – January Consumer sentiment [16h55]	
<b>Monday</b> 18 January	<b>US</b> – <b>Closed for public holiday</b> <b>Japan</b> – November Industrial production (final)	
<b>Tuesday</b> 19 January	<b>Japan</b> – December Consumer sentiment <b>UK</b> – December CPI [11h30] <b>Germany</b> – January ZEW business survey [12h00] <b>US</b> – November Long term TIC flows [16h00]	
<b>Wednesday</b> 20 January	<b>Japan</b> – November Tertiary sector activity index <b>Germany</b> – December PPI [09h00] <b>EMU</b> – Q3 Balance of payments [11h00] <b>UK</b> – Latest MPC minutes [11h30] <b>US</b> – December PPI [15h30] <b>US</b> – December Housing starts [15h30]	

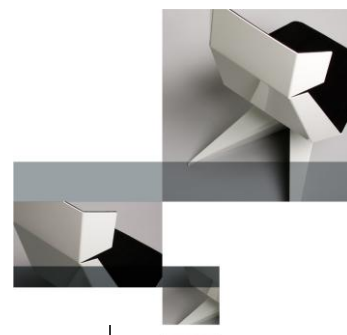
Sources: Bloomberg, StatsSA

## Key market indicators – Tuesday 12 January 2010

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	28057.68	-1.02%	3.50%	7.68%	1.41%	26.27%
JSE Fini 15	7419.82	0.10%	1.70%	1.14%	0.51%	18.91%
JSE Indi 25	21178.81	-0.53%	-0.33%	3.84%	-2.03%	25.28%
JSE Mining	35661.78	-1.85%	7.40%	16.21%	4.89%	36.82%
JSE Resi 20	53567.14	-1.87%	7.21%	15.07%	4.86%	31.13%
S&P 500	1136.22	-0.94%	2.69%	4.05%	1.89%	27.61%
DJI	10627.26	-0.34%	1.49%	6.10%	1.91%	23.58%
NASDAQ	2282.31	-1.30%	4.20%	5.07%	0.58%	45.22%
Nikkei	10879.14	0.75%	7.63%	8.14%	3.15%	23.11%
Hang Seng	22326.64	-0.38%	1.94%	2.01%	2.01%	55.29%
FTSE 100	5498.71	-0.71%	4.51%	4.62%	1.59%	23.61%
CAC 40	4000.05	-1.06%	5.16%	3.02%	1.62%	21.23%

13 January 2010

## daily view



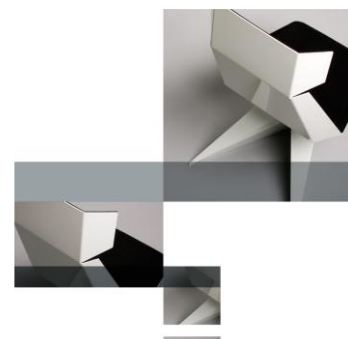
DAX	<b>5943.00</b>	-1.61%	3.24%	1.52%	-0.24%	24.23%
ASX-ORD	<b>4931.60</b>	-1.00%	6.02%	2.02%	1.00%	34.00%
MS EM INDEX	<b>3813.64</b>	-1.02%	5.37%	5.76%	2.00%	66.82%
JSE All Share (in US\$)	<b>1021.18</b>	-0.67%	4.97%	5.05%	3.20%	78.76%
MS World Index	<b>1199.34</b>	-0.65%	3.79%	3.16%	2.64%	29.99%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	<b>7.36</b>	0.00%	1.81%	-1.78%	0.58%	32.12%
Rand/GB Pound	<b>11.85</b>	0.00%	2.79%	-2.40%	0.11%	25.17%
Rand/Euro	<b>10.68</b>	0.00%	2.80%	1.01%	-1.72%	23.54%
Rand/Aus \$	<b>6.85</b>	0.00%	0.73%	-3.27%	-3.88%	-0.09%
Yen/ US \$	<b>92.10</b>	-0.01%	-4.14%	-3.02%	0.99%	-1.82%
Swiss Franc/US \$	<b>1.02</b>	0.01%	1.77%	-0.25%	1.73%	9.59%
US \$/Euro	<b>1.45</b>	-0.01%	0.74%	2.94%	-1.27%	-7.26%
US \$/GB Pound	<b>1.61</b>	0.00%	1.07%	-0.66%	0.42%	-5.87%
US \$/Aus \$	<b>0.93</b>	0.00%	-1.37%	-1.81%	-3.41%	-23.76%
Nominal Effective Exchange Rate (2000 = 100)	<b>71.93</b>	0.76%	-2.71%	0.33%	0.83%	-20.44%



13 January 2010

# daily view



Commodities	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Gold \$/oz.	1128.33	-2.06%	1.21%	6.31%	2.87%	32.22%
Platinum/oz.	1571	-1.44%	10.32%	15.47%	6.91%	58.61%
Brent Crude \$/bbl	79.44	-1.28%	11.70%	9.36%	2.90%	78.20%

Fixed income	Closing yield %
SA R157	8.59
US 2 YEAR	0.92
US 10 YEAR	3.74
UK 2 YEAR	0.50
UK 10 YEAR	3.93
EURO 2 YEAR	1.22
EURO 10 YEAR	3.35

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