

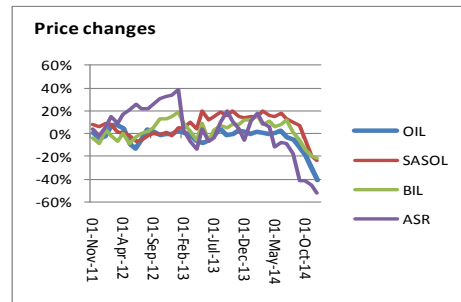
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**Inflation – mixed fortunes in SADC**

Zambia bucked regional trend with its inflation rising to 7.9% (target 6.5%) while Lesotho's declined to 3.6%, Namibia 4.6% and SA to 5.3%. Zimbabwe inflation (y-o-y) continued to decline further, registering -0.8%. The indication is that as the R/\$ exchange rate weakens; the overall aggregate demand will continue to weaken too with inflation for 2015 expected to reach -5.0%. This is due to the credit/liquidity problem Zimbabwe faces - to which it has no solutions.

**Oil price – leaving no prisoners**

By end of December oil price had declined by more than 40%. And some resource stocks with exposure or link to the fortunes of oil prices took significant share price knocks. Sasol and BHP Billiton shares returned -31.8% and -28.1% respectively for the last 6 months of 2014. In general resource stocks took a battering with Assore posting -58.0%.



**Economic Activities: Mismanagement and corruption- the roots of our pain**

While other countries are enjoying the decline in petrol prices (tracking the oil price), Zimbabweans are still paying as much as before (*and not smiling!*). Exercise duty on petrol increased from \$0.35 to \$0.45 (28.6%) and diesel from \$0.30 to \$0.40 (33.3%). Retail petrol price in Zimbabwe is about \$1.44/litre. At R11.50/\$ exchange rate, this means in Zimbabwe petrol costs R16.56/litre vs. R10.31 in SA.

The Zimbabwean economy remains in the doldrums as company shutdowns continue. After the collapse of indigenous banks in 2003, more closures have come to pass. Since 2009, Interfin, Royal Bank, Genesis and Allied Bank have closed and Tetrad Investment Bank is under judicial management. Zimbabwe's version of the Troubled Asset Relief Program ("TARP"), through the Zimbabwean Asset Management Company, has to-date taken over \$65 million worth of non-performing loans to clean up the banking system.

Poor governance, mismanagement and corruption are key obstacles to economic development, reducing inequality and poverty. It is reported that SA has lost about R700 billion due to corruption over the past 20 years, and Lesotho lost \$16.8 billion in illicit financial inflows between 1990 and 2008. The Corruption Perception Index indicates that Lesotho and Swaziland averaged 37.7 and 33.9 index points from 2005 to 2008 respectively while Namibia averaged 46.5; South Africa (46.0); Zambia (29.6) and Zimbabwe (22.9) during 2001-14. The lower the index points, the more corrupt the country is. 100 index points means little or no corruption.

The newly elected Zambian President, Mr. Edgar Lungu wants to continue with policies crafted under the late President Sata, of which he was part. Mineral royalty tax replaces corporate profit-based tax. Pit mining royalty increased from 6% to 20%.

**Social and Political Developments**

Zambia has shown the way in terms of holding relatively peaceful elections. Congratulations to President Lungu. Lesotho will hold elections on 28<sup>th</sup> February. Given the shooting at the Prime Minister's residence, it's time for SADC to show that we will not allow 'trigger-happy' individuals to do as they please and cause instability in this region.

**Parting Words of Wisdom**

*"The price of excellence is discipline, the cost of mediocrity is disappointment"* – William Arthur Ward.

Economic Indicators			
	USD	Euro	Move
Rand	11.6	14.0	1.56%
Pula	9.5	11.8	1.69%
Kenya	90.5	109.5	1.16%
Kwacha	6.5	7.3	1.72%
Naira	189	219	3.06%

	Dec	Jan	Move
Gold (\$)	1199	1260	5.09%
Oil (\$)	57.3	49.5	-13.7%

*Move is % change monthly against USD*

**Top 10 JSE Equity Buys 2015**

	Share Code	Entry Price	Target Price
1	MDC	10065	13481
2	SNT	21500	27837
3	DCT	350	447
4	OML	3470	4290
5	NED	24900	30319
6	AGL	21533	25961
7	SHF	5940	7126
8	ILV	2450	2893
9	LBH	12269	14419
10	LHC	2450	2893

*Prices in SA cents*

**JM BUSHHA Funds Returns**

Fund Name	3 Years
CashPlus	6.06%
BondPlus	10.40%
Real Return	11.96%
Absolute AllClass	15.79%
Absolute Aggressive	13.97%
Diversified Equity	21.50%
Communities Fund	N/A
Global Investor	N/A
Afro Fund	11.96%*

\* Same as Real Return

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