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Economic Indicators

	USD	Euro	Move
Rand	8.26	10.2	-1.48%
Pula	7.55	9.28	0.42%
Kenya	82.7	102	-0.70%
Kwacha	4872	5992	-3.55%
Naira	160	196	0.51%

	June	Jul	Move
Gold (\$)	1597	1615	1.07%
Oil (\$)	97	106	9.51%

Move is % change monthly against USD

Top 10 JSE Equity Buys

	Share Code	Entry Price	Target Price
1	ABL	3878	4588
2	ADR	2745	3145
3	AFX	1860	2357
4	ASR	24400	35583
5	DSY	5020	5874
6	JDG	4825	6118
7	MTN	13740	17095
8	NTC	1425	1757
9	SAB	31000	35676
10	SBK	11034	13741

Prices in SA cents

JM BUSHHA Funds Returns

Fund Name	3 Years
CashPlus	7.27%
BondPlus	11.43%
Real Return	11.48%
Absolute AllClass	13.89%
Absolute Aggressive	13.92%
Diversified Equity	11.85%
Communities Fund	N/A
Global Investor	N/A
Afro Fund	11.48%

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Surprise rate cut

The South African Reserve Bank (SARB) surprised the market by cutting its lending rate – the repo rate to a record low 5.00%. Inflation came down to 5.50% in June. This is good news for consumers and borrowers, but will do nothing to stimulate effective growth. Growth comes from sustainable production and sales, which increase revenues and job creation opportunities.

Rate cuts and near zero rates (e.g., in Japan) will not push up economic growth, but sustainable production and profitability of our major productive sectors such as mining and agriculture do. SA mines are struggling with costs and maintaining production levels, and the low metal prices are putting further strain on the sector

Investment markets: New lows and highs

Bond yields dropped to their lowest levels after the SARB repo rate cut and declining inflation. SA bonds rose 3.9% for the month of July. Good news for bond portfolios but bad news for money market investment portfolios with one-year fixed deposits now quoted at 5.425% pa. **The bonds have little room for more upside returns. We recommend duration neutral position.**

The JSE reached a new record high – rising above the 35,000 index-points level for the first time in its history. Financial and industrial shares have been the main drivers of this performance. Equities returned about 3.19% for the month.

The Euro zone is not out of the woods yet with the retail PMI falling by about 3.90%. While manufacturing in Japan fell most in 15 months, manufacturing output in metal grew fastest in 9 months in China. This might be the reason why the market had a good rebound in July. The problem is that global performance now hinges on the performance on China, and nothing else. **Hence, recommend cautious buying of equities.**

Economic Activities

Zimbabwe mid-term review cuts National Budget from \$4 billion to \$3.6 billion citing poor revenue inflows from diamond mining and agricultural sectors. Weather experts convening at the annual Southern African Region Climate Outlook Forum this August are likely to confirm that the region will face yet another poor rainfall season and worsen the food crisis.

The Government of Zimbabwe gazetted a minimum of US\$0.77 per kg for cotton while neighbours Malawi is paying its' farmers US\$0.33 per kg, less than half the selling price in Zimbabwe. About 1.6 million Malawians face food shortages given the estimated 50,000 metric tonnes maize deficit. The World Bank unveiled a US\$110m aid package and Britain added US\$37m to the US\$47m already committed in aid schemes for Malawi. **For a long time, some parts of Africa have survived on aid always. Will they ever stand on their own?** They say - "don't give men the fish, but give him the fishing rod so as to fish for himself".

It is reported that Futuregrowth Asset Management, a South African company is buying farms in SA, Burkina Faso, Morocco and Senegal. Zeder Investments is doing the same in Zambia. There is problem with land ownership and indigenisation in SADC at least, with communities wanting back land taken from them during colonialism. Now privatising land again is going backwards. Struggling economies and societies may be taken advantage of. **We would suggest that Futuregrowth and others wanting to see poverty eradicated invest in farming production – i.e., in equipment and agricultural education and not buy the farms. Commercialising food production is dangerous.** Food prices are soaring and we do not want social instability.

Social and Political Developments: Madam Chair

Dr. Nkosazana Dlamini-Zuma eventually won the AU Chair position. And we celebrated here in SA. She invited former Presidents Kaunda, Chissano and others for advice (holiday), but former President Mbeki was away on continental work. And Ms. Joyce Banda was here too – twice now in SA since she took over as Malawi President on 7 April 2012. **Let's get the jobs done.**

Lesotho • Namibia • South Africa • Swaziland • Zambia • Zimbabwe

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