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Tough economic times ahead

The cost of living in the SADC region continues to climb higher, and so are unemployment and the cost of goods production. Countries like Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe (SADC consumer countries) are living on South African (SA) imports mainly and some from Brazil and China because their production is not competitive. For example, milk produced locally in Zimbabwe cost US\$0.62, which is 1.55 times more than SA imported milk. The weakening of the Rand against major currencies and rising costs of doing business in SA will affect these countries negatively further. Sooner rather than later, the consumer countries should find and define their competitive advantage.

Investment markets- volatility returns

Volatility returned to rock global equity and fixed-income markets. In SA, returns on overall bonds and equity markets are -1.34% and 1.83% year-to-date (YTD) respectively. In 2010, 2011 and 2012 equities rallied during the last six months of each calendar year. Will it happen this time around, in 2013?

Our research at the beginning of the year painted a subdued investment picture for 2013. Only 12 of the 100 shares we research on were outright buys. We forecasted falling mining shares, and the reality has been devastating for many investors with Anglo American, Anglo Platinum, AngloGold Ashanti and Impala Platinum **-26.09%**, **-33.91%**, **-46.64%**, and **-44.54%** down respectively YTD.

Economic Activities

The mining sector continues to struggle on wage agreements with labour. Labour union, National Union of Mineworkers (NUM) is asking for 60% while the Association of Mineworkers and Construction (Amcu) is asking for a 100% increase. The levels and size of variance do not bode well for speedy negotiations. Power play aside, we believe they must speak with one voice and unity. Too much uncertainty in a high-labour intense sector is not good for employment and the economy. Mining remains a significant contributor to GDP.

Social and Political Developments: The African Dream?

In SA, one of the many new political parties, Agang SA, was launched by Dr. Ramphela – a struggle hero and recognised business person, but she will struggle in the politics of today. She has 3 options – *i.e.*, she

- Goes back to Citizens Movement;
- Joins the Democratic Alliance (DA) led by Ms. Helen Zille; or
- Abandons Agang SA and remains a critic or social commentator politically.

Our advice is that she considers the last option –*i.e.*, she focuses on business and social work. She does not have a differentiating agenda to change the SA political status quo. Many struggle heroes (in COPE, UDM, ID, etc) have failed and even considered forming coalitions with one another or the DA. So who will change SA's political landscape? It's the Economic Freedom Fighters ("**EFF**") and labour unions.

Now here enters Mr. Julius Malema (former ANC NEC member, and its youth league President) and businessman/socialite Mr. Kenny Kunene of EFF into the political spot light. South Africa is a land of variance and opportunities. Generally the lack of sincere leadership worldwide today is captured so well by former NUM secretary general, former SA President (7 months), former ANC Deputy President and current SA Deputy President Mr. Kgalema Motlanthe when he said "**You can't lead effectively because for every word that you utter there are 101 questions or there is doubt**" after President Zuma's above R200 million home upgrade report was classified "top secret" and not for the public eye. This is a message for Mr. Obama (may well be called "Mr. Hope" or "Mr. Promise"), and all those seeking to lead and occupy public office to take note of.

Parting Words of Wisdom

"To be able to lead effectively, there shouldn't be doubt about your sincerity and integrity". Kgalema Motlanthe

Economic Indicators			
	USD	Euro	Move
Rand	9.87	12.85	-2.08%
Pula	8.53	11.43	-0.04%
Kenya	82.3	114.1	1.19%
Kwacha	5176	6783	0.00%
Naira	1628	212	3.85%

	May	Jun	Move
Gold (\$)	1397	1240	-11.2%
Oil (\$)	101	102	0.10%

Move is % change monthly against USD

Top 10 JSE Equity Buys 2013			
	Share Code	Entry Price	Target Price
1	DTC	4905	6760
2	DSY	6219	8450
3	JDG	4500	5941
4	OML	2449	3147
5	NPN	54320	69268
6	GRT	2450	3074
7	AEG	3066	3835
8	MTN	17760	21689
9	MMI	2217	2637
10	NED	18800	22304

Prices in SA cents

JM BUSHUA Funds Returns	
Fund Name	3 Years
CashPlus	6.48%
BondPlus	11.35%
Real Return	13.27%
Absolute AllClass	15.74%
Absolute Aggressive	13.85%
Diversified Equity ⁽¹⁾	17.82%
Risk Averse Fund	13.15%
Global Investor	N/A
Afro Fund	12.16%

Returns are annualised
(1) 27 months returns

Research Team
Chief Investment Officer
Joseph M Busha

Economic Research
Limakatso Lehobo

Investment Research
Joseph Busha
Patrick Serere
Mpho Nemavunde

Contact Details
Tel: +0027 11 325-2027/8
Fax: +0027 11 325-2047
invest@jmbusha.com
www.jmbusha.com

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

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