

2 May 2012, Volume 15

Economic Indicators

	USD	Euro	Move
Rand	7.8	10.2	1.30%
Pula	7.3	9.7	1.38%
Kenya	83.0	110	1.47%
Kwacha	5219	6837	0.08%
Naira	156	205	-1.26%

	Mar	April	Move
Gold (\$)	1660	1656	-0.02%
Oil (\$)	123	119	-3.25%

Move is % change monthly against USD

Top 10 JSE Equity Buys

	Share Code	Entry Price	Target Price
1	ABL	3940	5386
2	ADR	2745	3161
3	ASA	15497	17628
4	CLH	7914	9348
5	DTC	4400	5382
6	NED	16948	20401
7	OML	1920	2367
8	SAB	31000	38612
9	SBK	11034	13741
10	SOL	36915	58128

Prices in SA cents

JM BUSHUA Funds Returns

Fund Name	3 Years
CashPlus	7.66%
BondPlus	10.06%
Real Return	11.32%
Absolute AllClass	14.51%
Absolute Aggressive	14.67%
Diversified Equity	N/A
Communities Fund	N/A
Global Investor	N/A
Afro Fund	11.32%

Research Team

Chief Investment Officer
Joseph M Busha

Economic Research
Limakatso Lehobo

Investment Research
Joseph M Busha
Patrick Serere

Contact Details

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

SADC Inflation Mix

Malawi inflation rose to 11.40%, Zambia to 6.5% and SA's slowed closer to 6%. Zimbabwe's inflation is around 4.0%. Malawi and Zambia's overall inflation was pushed by non-food inflation caused by weakening currencies. Public servants in Zambia got a 15% salary increase while health workers got between 18% and 75%. This will surely push inflation towards Zambia's inflation target of 7% by year end. The disparity in regional inflation target numbers shows how far SADC is towards economic integration. It's all driven by domestic political and economic policies.

Investment Markets: Foreign buying still drives SA markets

South African bond yields dropped most in April so far this year – not because of positive fundamental changes, but due to SA Government bonds being included in the Citi Bank World Government Bond Index. So tracker funds would have rushed to buy SA bonds and hence the unexpected strength of yields. This is the "follow the herd" mentality sometimes investors have. **Nonetheless we believe the risk is still on the upside despite inflation slowing.** Take the increase in petrol prices (now retailing above R12.00 per litre) and transport costs, which will feed into the broader economic costs, then the strength of the bond yields look vulnerable. **We would be cautious and remain duration-neutral to short on bond portfolios.**

Economic Activities: E-tolling takes its toll

The E-tolling dispute on some Gauteng's roads was heard in court on 28 of April 2012. The judgement in summary was – "not too fast please" to authorities. The SA National Roads Agency (Sanral) and effectively RSA government was told to halt the implementation of E-tolls which was due to begin on 30 April because the road users or tax payers are unhappy with the process followed and the additional costs motorists would incur. Business, civil society groups, trade unions and other groups were united in opposition to E-tolls. Trade unions want this scrapped totally. In our April Newsletter, we said government will not back down as it will feel embarrassed and to have lost control. And it has every reason. International investors, and other interested business groups will require government to clarify "who is in power". Yes, government will eventually find a way of recouping the money – but the lesson is: **"Consult, be transparent and inclusive** in matters of national and public economic interest; and do not resort to aggressive legislation to force change.

Two platinum mines – Mimososa and Zimplats came to the rescue of Zimbabwe Electricity Supply Authority (ZESA) by pledging \$40 million of the \$76 million Zimbabwe owes to Mozambique's Hydro Cabora Bassa. The country has had erratic electricity supply for the past 10 years. A new energy production program is required sooner than later for any economic recovery to be sustainable.

The Bank of Zambia off-loaded \$125 million on the foreign exchange market to strengthen the Kwacha. Foreign debt levels have fallen to their lowest since 2005, reflecting uncertainty over policy direction of the new Zambia government. Bank of Zambia raised foreign banks' minimum capital requirement from about \$2.31 million to \$100 million – a massive jump.

Malawi is not different. Foreign currency problems emanating from weak balance of payments position triggered by a fall in tobacco earnings and donor aid has pushed the new government of President Joyce Banda to consider devaluing the Malawian kwacha by 40%. This is also to meet IMF aid conditions. Like in Zambia, the central bank Governor was fired.

Social and Political Developments

Mali' coup problems remain despite ECOWAS threatening to intervene. The killing in Syria carries on, and the world continues to watch. Back in SA, Mr. Malema was expelled from the ANC, and the Youth League still to take united position. We wait.

Parting Words of Wisdom

"The best interest or return is achieved when we care most about the interests of those we serve because they will return to us" – **Joseph Makamba Busha.**