

1 November 2012, Volume 20

### Economic Indicators

	USD	Euro	Move
Rand	8.6	11.2	4.87%
Pula	7.9	10.2	2.91%
Kenya	85.2	110	-0.12%
Kwacha	5276	6791	3.59%
Naira	155	202	-0.03%

	Sept	Oct	Move
Gold (\$)	1772	1720	-2.95%
Oil (\$)	113	108	-3.81%

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 BUSHHA Funds Returns

Fund Name	3 Years
CashPlus	6.99%
BondPlus	12.39%
Real Return	12.13%
Absolute AllClass	14.13%
Absolute Aggressive	13.69%
Diversified Equity	14.18% *
Communities Fund	N/A
Global Investor	N/A
Afro Fund	12.13%

\* 18 months returns

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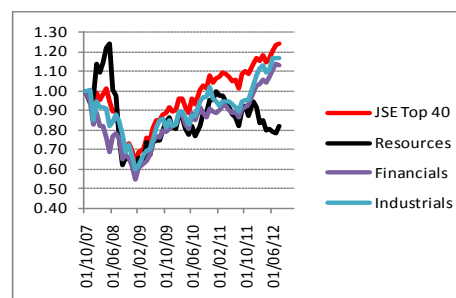
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### Widening Trade Deficit

South Africa's trade deficit climbed to R13.8 billion from R12.2 billion in August. This is no surprise given the labour problems in the mining sector, and just ended strikes in the transport sector. As noted in last edition, SA inflation will certainly remain at these elevated levels for the remainder of the year into 2013 as the effects of the rand weakening is realised and feeds into good and services pricing.

### Irrational Markets

The JSE has topped the highs reached in 2008, and recorded new ones so far. This is a surprise given the events in the mining sector- a significant contributor in the economic activities and health of the country. When Zimbabwe was in turmoil between 2000 and 2008, negative market moves were attributed to problems there. Investors are pushing the equity



market higher despite the domestic problems in SA. "Irrational" investor behaviour, they say. Nonetheless, the overall equity market has been pushed by industrial and financial shares with resources lagging behind (see chart).

Some big industrial and financial shares have reached record highs. **In our model most shares are on hold or sell.** Of the large market capitalisation stocks – only Sasol (SOL), Standard Bank (SBK), and AngloGold (ANG) are buys. The market could be due for correction and hence cautious buying is recommended.

### Economic Activities: Mining woes continue

Two of SADC region economic power houses, SA and Zimbabwe are expecting slowing economic growth figures. SA put its GDP growth at 2.5% from 3.1%. Zimbabwe's economy, mainly driven by mining and a small contribution from cash crop – tobacco, estimates growth at 4.7% which is hampered by lack of capital inflows and domestic savings. Zimbabwe is a consumption economy.

Despite the strikes in the mining sector in SA and the challenges of economic empowerment programs in SADC in general, it remains one of the best destinations for investors in Africa. The stumbling block to sustainable growth is policy uncertainty on business ownership, cost of doing business, property rights and lack of committed and progressive leadership both in politics and business.

### Social and Political Developments

The ANC will choose its presidential candidate in less than 60 days. On media paper it does not look good for Mr. Matthews Phosa, the treasurer-general while at least the position of the ANC President and Secretary General appear to be set. Do not be surprised if the top 5 positions will not change. We believe there are some internal trade-offs to ensure minimal changes. To show unity, an undivided ANC - comrades will be promised future positions and support in exchange for supporting the status quo. **You may forget the generational-mix talk; the no-changes result at COSATU is likely to repeat at the ANC conference.**

Two nations, Zimbabwe and Kenya with contrasting fortunes will hold elections next year. In Kenya, the people displaced in December 2007 are still in the refugee camps, yet the politicians of ODM in the coalition government have lived in luxury since then. In Zimbabwe, ZANU PF is eager (while the opposition is not) to have elections in March 2013. It would make sense to move them to June, the end date of the coalition government agreement. Those with insights and knowledge of how ZANU PF operates will press that it will get things its way.

### Parting Words of Wisdom

"If you have knowledge, let others light their candles with it" – Winston Churchill.

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

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