

4 October 2012, Volume 19

### Economic Indicators

	USD	Euro	Move
Rand	8.3	10.7	-0.98%
Pula	7.6	9.7	-1.07%
Kenya	84.6	108	1.75%
Kwacha	5053	6897	2.53%
Naira	157	201	0.94%

	Aug	Sept	Move
Gold (\$)	1691	1772	4.79%
Oil (\$)	115	113	1.91%

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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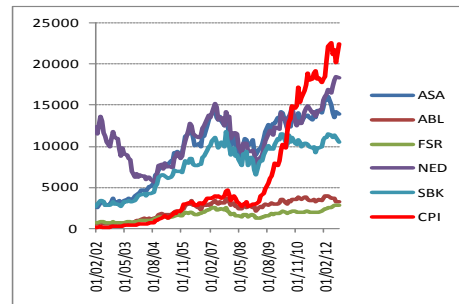
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### Fuelling the petrol

Petrol prices keep on rising in SA despite crude oil prices and Rand/US\$ exchange rate remaining stable over the past two months. Cumulatively, petrol prices have gone up by more than R1.20 per litre over the same period. Wages are going up in double digits now. Inflation will adjust upwards from the current 5.00% for the remainder of 2012. This will be good for inflation-linked assets in terms of return to investors, but there is little choice. Consider inflation in your portfolio construction.

### Capitec: A "Loved" Loan Shark

It is reported that in 2007, Capitec Bank ("Capitec") issued 10 million shares to Coral Lagon, a company 20% owned by the ruling ANC's Batho Batho Trust. (It's not only Mr. Julius Malema who understands the structure and use of trusts, even political parties do). In 2007, the National Credit Act was introduced to prevent irresponsible unsecured lending.



But Capitec is giving unsecured lending of up to R200,000 with interest rates up to 40% pa – the "sharks" rates. Now and again, Government will say it's worried about household debts and the poor. In silence the motto of the rich and some politicians is "feed from the poor's meagre earnings and only worry when they realise how empty are their food basket and savings accounts".

Capitec's share price has been climbing higher, without taking a "breather". Since 2007, the share price has risen more than 6 times – 522.22% (37.94% pa) return. At the current share price of 22400c, Capitec is trading at 24.01% premium to its (fair) target price of 18063 cents, Nedbank (NED) is at 14.80% premium- current price is 18299c, target exit price is 15940c. Absa, African Bank and Standard Bank are at hold from our JM BUSHHA DEVA Model. **Capitec is a SELL.**

### Economic Activities: Zambia and Zimbabwe focus

In South Africa, strikes in the mining and transport sectors have dominated domestic activities – no full capacity production in the mines and no delivery of major goods during the past week. The rating on Government bonds and power utility Eskom were downgraded one notch down by rating agency Moody's.

Zambia successfully issued its 10-year \$750 million Eurobond at a yield of 5.625% and coupon of 5.375%. The yield on a 10-year American bond is 1.628%, coupon 1.625%. So the Zambian country yield risk premium is 4.025%. The job now is on funds use allocation, and repayment plans. **If not used productively, it's just debt and currency risk for next generations to worry about.**

Zimbabwe is still looking for money, and SA is just not ready to pour money into that troubled economy. Pick n Pay enters the Zimbabwean grocery retail market following an investment of \$13 million, taking its stake in TM Supermarkets to 49%. **Why are local investors not buying shares in these companies?**

### Social and Political Developments

Well, sometimes it rains, sometimes it pours. Now expelled ANC Youth leader **Mr. Julius Malema faces** money-laundering charges; SA President **Mr. Zuma faces** leadership challenges in December at ANC elective conference, and Zimbabwe's opposition leader **Mr. Tsvangirai is (facing a new wife) enjoying** his honeymoon before **facing** elections challenges in Zimbabwe next year. **It's a revolutionary circus period in SADC,** and unfortunately it affects its citizens negatively.

### Parting Words of Wisdom

"A revolution is not an apple that falls when it is ripe. You have to make it fall" – Che Guevara.

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

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