

3 October, Volume 31

Economic Indicators

	USD	Euro	Move
Rand	10.0	13.53	-1.96%
Pula	8.43	11.52	-1.52%
Kenya	85.4	115.4	-2.40%
Kwacha	5.26	7.01	-0.01%
Naira	159	215	0.01%

	Aug	Sept	Move
Gold (\$)	1291	1324	2.92%
Oil (\$)	114	108	-5.26%

Move is % change monthly against USD

Top 10 JSE Equity Buys 2013

	Share Code	Entry Price	Target Price
1	Datatec	4905	6760
2	Discovery	6219	8450
3	JD Group	4500	5941
4	Old Mutual	2449	3147
5	Naspers	54320	69268
6	Growthpoint	2450	3074
7	Aveng	3066	3835
8	MTN Group	17760	21689
9	Momentum	2217	2637
10	Nedbank	18800	22304

Prices in SA cents

JM BUSHHA Funds Returns

Fund Name	3 Years
CashPlus	6.30%
BondPlus	8.91%
Real Return	12.28%
Absolute AllClass	14.22%
Absolute Aggressive	12.98%
Diversified Equity ⁽¹⁾	21.20%
Risk Averse Fund	11.11%
Global Investor	N/A
Afro Fund	12.28%

Returns are annualised

(1) 30 months returns

Research Team

Chief Investment Officer

Joseph Busha, BSc, MSc, MPhil

Economic Research

Limakatso Lehobo, BCom, MCom

Investment Research

Joseph Busha, BSc, MSc, MPhil

Patrick Serere, BCom

Mpho Nemavunde BSc, BSc. Hons

Contact Details

Tel: +0027 11 325-2027/8

Fax: +0027 11 325-2047

invest@jmbusha.com

www.jmbusha.com

Petrol relief

South African retail fuel prices are set to drop. This is mainly due to falling oil prices and a stronger Rand/US\$ dollar exchange rate. How long will we benefit from this given the Rand volatility? That we do not know, so let's enjoy the ride before the E-tolling program is switched on to add to the transport costs for Gauteng road users.

Investment markets – Zambia, flirting with IFC and debt

Many a time, Africa has shown that it does not want to, and does not learn from history. Positions are taken and celebrated, but very little is understood about the future implications of those positions.

One year after Zambia issued a US\$750 million 10-year 5.37% coupon bond for infrastructure projects, nothing has been done with the proceeds except payment of \$41.4 million interest. The bond was issued at 5.625% yield and now trading at 7.20%. Although current yield is good for investors, it is bad for the government as the near 200 basis points yield increase now indicates higher sovereign (credit) risk. It means Zambia has to repay more in the future to the secondary market investors.

The International Finance Corporation (IFC), a member of the World Bank Group has issued a 4-year Kwacha bond amounting to K150 million (about US\$28.4 million) at 15.00% yield. IFC once funded troubled micro-lender Blue Financial Services – which offers loans at punitive interest rate levels that trap (with government assistance) many Africans into debt. We can advise Zambia and many other African governments on the cost of borrowing (funds) and how to price financial structures to avoid unintended financial woes in the future.

Economic Activities: - Zimbabwe imports maize

Hunger may strike again in Zimbabwe. Facing staple food shortages, Zimbabwe is importing 137,000 tonnes of maize from neighbouring Zambia. Maize shortage between October and January is not new and has been a problem in Zimbabwe for more than a decade. This is due to droughts, changing weather patterns and focus on tobacco production by small scale farmers and the rural population. Government must encourage staple food production, and incentivise by giving good prices.

Food and general industrial production situation has been made worse by electricity supply shortages. Zimbabwe Electricity Supply Authority (ZESA) is under pressure to cancel about US\$500 million owed to it by consumers. This could be part fulfilment of elections promises and the implementation of “**Zimbabwe Government Political Economic Management 101**” solutions that has never worked, but only crippled the industries since 2000. Where will ZESA find funds to increase electricity supply and distribution efficiency?

SA's trade deficit widened to R19.05 billion in August from R14.21 billion in July. This is due to overall drop in production in mining and automotive sectors. Policy uncertainty and lower GDP growth forecast are pointing towards a troubled economy in the years ahead unless there is urgency in effective and progressive policy implementation.

Social and Political Developments: Born in Africa, Made in America

The movie, Long Walk to Freedom on the life of Mr. Nelson Mandela will soon be on screens around the world. What will be interesting to see is whether the actors and actresses will be able to pronounce isiXhosa and isiZulu in a way that makes the movie feel real. We believe this is a project where SA talent could have had the opportunity to shine. Should they have refused to play supporting roles? *Dunno!*

Parting Words of Wisdom

“Insomniacs either give up or don't. I refuse to admit defeat...and will not try to read or watch a movie. Productivity is not a crutch of the weak”. **Sloane Crosley, US Writer (1978).**

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

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