

1 September 2015, Volume 50

Economic Indicators

	USD	Euro	Move
Rand	13.36	14.97	5.36%
Pula	10.35	11.60	2.68%
Kenya	103.93	116.44	1.54%
Kwacha	8.64	9.69	12.5%
Naira	199.25	223.06	0.1%

	July	August	Move
Gold (\$)	1095	1133.81	3.54%
Oil (\$)	52.21	48.73	-6.67%

Move is % change monthly against USD

Top 10 JSE Equity Buys 2015

	Share Code	Entry Price	Target Price
1	MDC	10065	13481
2	SNT	21500	27837
3	DCT	350	447
4	OML	3470	4290
5	NED	24900	30319
6	AGL	21533	25961
7	SHF	5940	7126
8	ILV	2450	2893
9	LBH	12269	14419
10	LHC	2450	2893

Prices in SA cents

JM BUSHHA Funds Returns

Fund Name	3 Years
CashPlus	6.20%
BondPlus	5.78%
Real Return	9.36%
Absolute AllClass	13.50%
Absolute Aggressive	11.77%
Diversified Equity	18.97%
Communities Fund	N/A
Global Investor	N/A
Afro Fund	9.36%*

* Same as Real Return

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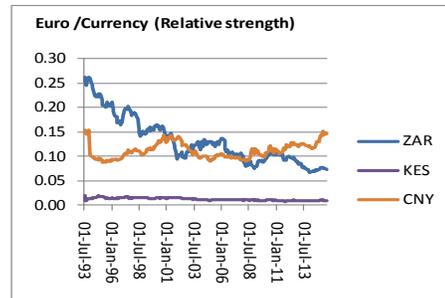
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Policy rates – rising cycle begins

The Fed has not sent a clear message yet that rates will be going up in the US – waiting for any further surprise from China after it devalued its currency twice in two days. Although the quantum was not huge, surprise policy decisions are not good for the world economy. The US will therefore not make a decision that will make its currency too strong, and reduce its export competitiveness. South Africa (SA) raised its monetary policy rate by 25 basis points. We believe it has taken a gradual, measured proactive approach to managing inflation, and stay ahead of the US rates hiking cycle. This will be good for money market portfolios but not for risky long-term bonds in the short term.

Currency risk: SA vulnerable

The South African currency lost massive ground against the US dollar during the last week of August 2015. The volatility poses huge risk to the battling economy. The chart shows the rand is the worst performing currency in comparison to the Chinese yuan and Kenyan shilling, relative to the Euro since 1993. It is surprising the bond market has held on well.



Economic Activities: Jobs

A gloomy global economic environment particularly in China could further sustain the subdued growth figures in SA, which saw a contraction of 1.3% QoQ. Low economic growth has dampened the hope for substantial job creation and raises concerns on the implications of these economic outcomes on social factors such as crime. The mining and steel sectors have seen the largest number of job losses in 2015 with the slump in commodity prices forcing companies to cut back on operating costs as profit margins shrink. In the gold sector, the economic conditions have failed to transfer to unions as negotiations remain underway with no mutually acceptable deal on the horizon. The steel industry though, was offered some respite as the DTI approved a 10% ad valorem duty on imported products that currently enter SA free of duty. Another positive note came in from multinational VW, announcing that they will spend R4.5 billion at their South African plant in an attempt to expand production with a further estimated R22-million for the development and training of employees.

The month ended on a bright note with the official unveiling of unit 6 of Medupi power station which is expected to boost power supply by 800MW. SA's manufacturing production index has been on the decline with the index recording - 2.0%, 0.4% and 0.9% MoM in Jun, Jul and Aug respectively. Medupi is expected to reduce power outages, bringing increased output capacity to local producers and hopefully boost employment and economic growth over the forthcoming years.

Social and Political Developments

The political economy is ready for an overhaul globally. Greece is finding it difficult to keep a government together through a full term; in Brazil, the political ground is shaky, with former President Lula da Silva coming out in defence of current administration. Our view is that the world will only be better if Africa can manage itself, for the betterment of its people and the world.

Parting Words of Wisdom

"Fighting corruption is not just good governance. It's self-defence. It's patriotism." – Joe Biden