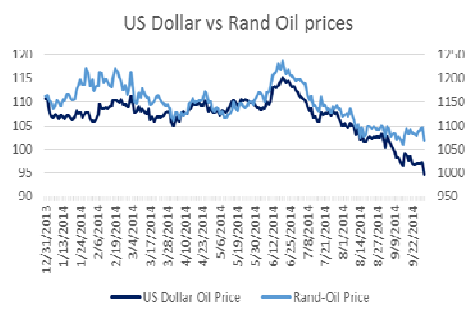


3 October 2014, Volume 41

**Return of the US\$ favour**

The US dollar has strengthened against major currencies, and in particular, emerging markets currencies. The Euro has lost 3.8% and the South Africa Rand closed 5.8% weaker in September at R11.29/\$.

Commodity prices have continued to decline. Gold lost 6.2% and platinum shed 8.7% in the month. Crude oil price has decreased 14.6% since the start of the year to US\$94.7 a barrel. This has helped ease inflationary pressures in SA. In Zambia inflation has slowed from 8.0% to 7.8%. Food stability is the main factor. Retail fuel prices have come down but currencies' weakness will negate any benefits from energy prices



**Investment markets – Correction coming?**

October is generally a shaky month for the equity markets, historically – that is. The “Black Monday”, 19<sup>th</sup> of October 1987 is when global equity markets lost much following a 22.60% crash of the Dow. September (-2.43%) was the second time the JSE was negative after January’s -3.34% this year. Resource stocks have taken a big knock over the last two months. African Rainbow (ARI) lost -21.12% in September alone, and is -24.34% down YTD. Our models (end of August valuations) show heavy weight stock MTN indicating a pull-back. Naspers (NPN) price momentum is facing some resistance. Will October live up to the fate of history? **There are signs of a correction (profit taking) but not a crash unless other non-fundamental events trigger such.**

The bond market is facing a test too – with the prospect of rising interest rates in 2015 keeping investors on the cautious side. The SA All Bond Index is up 5.66% YTD, and might end the year with negative risk premium and real returns. **We recommend duration neutral to lengthening on yields weakness (rising).**

**Economic Activities: Zimbabwe’s woes continue**

Struggling Zimbabwe has been told by the IMF that it’s not poor enough to qualify for debt relief under the heavily indebted poor countries (HIPC) initiative. Zimbabwe’s external debt is about US\$10 billion and owes the IMF \$142 million in arrears accrued since the year 2000 and hence cannot benefit from the IMF. In an unproductive country with a high government wage bill of \$248 million per month that is close to 80% of annual national budget, a new survival economic model is needed. The economy lost more than 600 jobs in the month of August alone according to the retrenchment board. The Minister of Finance introduced a raft of new tax measures in his mid-term policy statement to bankroll the cash-starved government. Imports of basic commodities such as cooking oil, washing powder, etc now face a 40% surtax from 10%. Other measures include an upward review of fuel tax, employee benefits, meat, and detergents and the introduced exercise duty on airtime. These are desperate measures. The days of printing Zimbabwean dollars are gone. Appointing lawyers with little financial background (even as a political heads) as finance minister should have gone with the unity government that started with it. The challenges for the current minister are colossal.

**Socio-political developments**

The ANC in SA must solve the Nkandla issue at once. The political infighting in Zambia and Zimbabwe must stop. Clarity on succession matters must be priority. Dr. Guy Scott, Zambia’s vice President has indicated that some people within his ruling party want his job for the last few years left (constitutionally he cannot rise to

| Economic Indicators |       |       |        |
|---------------------|-------|-------|--------|
|                     | USD   | Euro  | Move   |
| Rand                | 11.29 | 14.25 | -5.80% |
| Pula                | 9.25  | 11.70 | -0.11% |
| Kenya               | 89.35 | 112.7 | -1.02% |
| Kwacha              | 6.26  | 7.93  | -4.26% |
| Naira               | 163.8 | 207.0 | -0.96% |
|                     | Aug   | Sep   | Move   |
| Gold (\$)           | 1287  | 1208  | -6.15% |
| Oil (\$)            | 103.1 | 94.7  | -8.26% |

Move is % change monthly against USD

| Top 10 JSE Equity Buys 2014 |            |             |              |
|-----------------------------|------------|-------------|--------------|
|                             | Share Code | Entry Price | Target Price |
| 1                           | Mediclinic | 7600        | 13328        |
| 2                           | A. Rainbow | 18900       | 25936        |
| 3                           | Discovery  | 8450        | 11568        |
| 4                           | Crookes Br | 6600        | 8997         |
| 5                           | Old Mutual | 3279        | 4319         |
| 6                           | Anglo      | 22900       | 28440        |
| 7                           | Group Five | 4054        | 5010         |
| 8                           | AECI       | 12500       | 15130        |
| 9                           | Barclays   | 13225       | 15917        |
| 10                          | MTN        | 21702       | 25701        |

Prices in SA cents

| JM BUSHUA Funds Returns |         |
|-------------------------|---------|
| Fund Name               | 3 Years |
| CashPlus                | 6.02%   |
| BondPlus                | 8.45%   |
| Real Return             | 12.94%  |
| Absolute AllClass       | 16.01%  |
| Absolute Aggressive     | 14.81%  |
| Diversified Equity      | 24.74%  |
| Risk Averse Fund        | 11.21%  |
| Global Investor         | N/A     |
| Afro Fund               | 12.94%  |

Returns are annualised

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the presidency). In Lesotho, the problems of government administration are proving too difficult to handle for the Basothos. Africa is a puzzle. Okay, what's next in the world of African politics?

So SA politician, "Dr." Pallo Jordan could not get any university in the world to confirm he obtained a "PhD" degree. At least the University of Zimbabwe (*in Zimbabwe - so many puzzles happen there*) **could positively confirm that the First Lady, now Dr. Grace Mugabe got her PhD degree, conferred by the University Chancellor, her husband, President Mugabe.**

***Parting Words of Wisdom***

"The PhD system is the real root of the evil academic snobbery". **Freeman Dyson, US theoretical physicist.**