



Today's highlights

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- Week at a glance: Upcoming results
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- Economic calendar – 24 January to 28 January

Talking point: Global growth picks up momentum

There are increasing signs that the global economic recovery is building momentum, and is very strong in many instances. We saw this last week with Chinese GDP numbers for the fourth quarter, which grew at an annualised 12.7%. But even in the developed world the signs are looking promising, with good business activity survey numbers out of Japan and Germany, and a promising set of jobless claims numbers out of the US last week.

The FOMC meets this week, and considering how Fed chairman Ben Bernanke has banged the jobs drum over the last year, a meaningful turnaround in employment would become a key discussion point at the meeting. No one is talking about a shift to monetary tightening any time soon, but should jobs growth tick up meaningfully in the coming months, one could see a steady exit from the asset purchase programme of the Fed.

The emerging world (not just in China) has been marked mostly by strong growth, and the likes of India and Brazil are now heading into monetary tightening phases. Meanwhile in SA, there is increasing consensus is that we have reached the bottom of the rate easing cycle, even though rate hikes could still be a year away.

Market highlights

US equities were mixed on Friday, with the S&P 500 lower as market traders weighed up the contrasting earnings pictures from General Electric and Bank of America.

The JSE ticked higher on Friday, as the market rebounded across the sectors after major selloffs on the previous days.

Bonds weakened on Friday as markets took the view that official interest rates had bottomed, while portfolio flows central bank reserve accumulation combined to weaken the rand.

Commodities were higher on Friday in response to a weaker US dollar and lessening concerns about Chinese monetary tightening.

Key indicators in a nutshell – Friday 21 January 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	32140.01	0.95%	0.25%	6.20%	0.07%	15.19%
S&P 500	1283.35	0.24%	1.95%	8.24%	2.04%	12.77%
Nikkei	10274.52	-1.56%	-0.70%	9.29%	0.45%	-4.31%
Rand/US \$	7.05	0.20%	-3.75%	-2.05%	-6.11%	6.91%
Rand/GB Pound	11.27	-0.36%	-7.37%	-3.55%	-8.58%	8.79%
US\$/Euro	1.36	-1.13%	-3.72%	2.32%	-1.73%	3.61%
Gold \$/oz.	1342.75	-0.26%	-3.06%	0.19%	-5.53%	20.72%

Company results and updates

City Lodge expects to see a 15% to 20% decline in normalised HEPS for the six months to December. Interims are due out on 16 February.

Famous Brands saw a 13.3% increase in sales over the December holiday period, or 7.8% on a like for like basis.

Verimark expects its HEPS for the year to February to improve by at least 20%. A fuller trading statement is expected before the results are released.

Harmony expects both its gold production and rand/kilogram costs for the December quarter to decline by between 3% and 5%. The quarterly numbers are due out on 7 February.

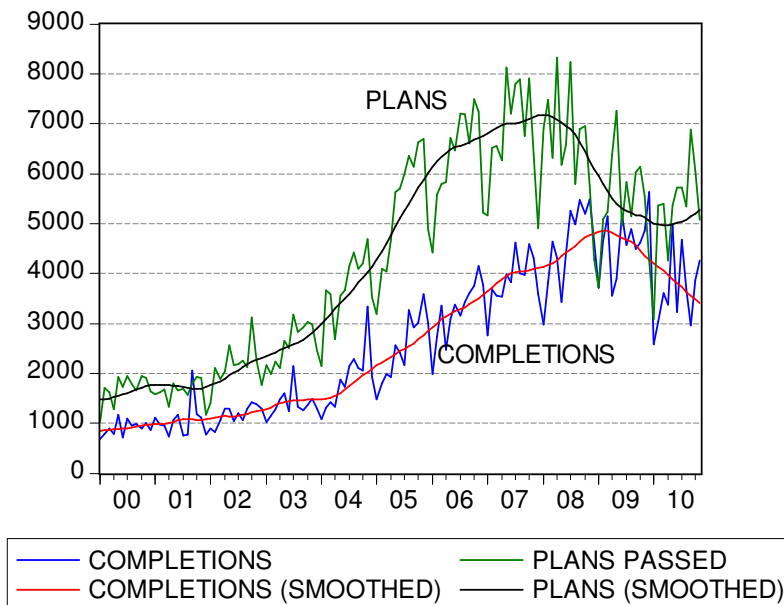
Daily ideas

The building cycle: When a plan comes together

Light at the end of the SA building tunnel?

The rand value of new buildings completed in SA peaked in 2008 and building completions have declined sharply since. However there is a light at the end of the building tunnel in the form of a recovery in the value of building plans approved. They appear to have bottomed out in early 2010 and have recovered since. The latest observation is for plans passed in November 2010.

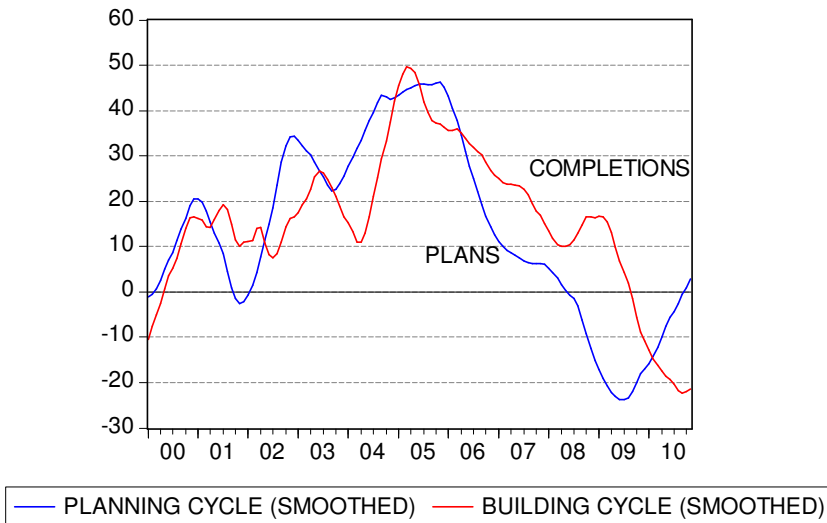
Plans passed and buildings completed in South Africa (Rbn/100)



Source: StatsSA and Investec Wealth and Investment

Plans are more than just ideas. Drawing up the plans for a new or renovated building requires an initial investment by the developer. About 10% of the cost of a completed building or alteration will be incurred at the formal planning stage and so would not be incurred or abandoned lightly. Not all plans lead to completed buildings but the planning cycle leads building activity in a consistent way.

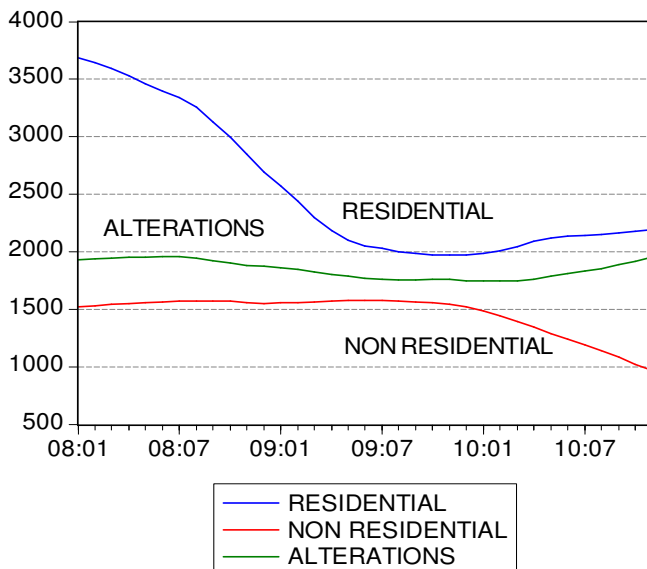
Planning and building cycles, annual growth (smoothed)



Source: StatsSA and Investec Wealth and Investment

If the past is anything to go by this recovery in planning activity is very likely to be followed by a pick up in building activity. A closer look at the plans passed reveals that the recovery in planning activity is concentrated on plans for residential buildings. The value of plans for new residential buildings has picked up while those for non-residential buildings remain in decline. Also rising are plans for alterations that may be for all kinds of buildings but are probably concentrated on improvements to residences. It should be noted that the value of residential plans and completions and alterations significantly exceeds that of non-residential activity.

Composition of plans passed (smoothed) (Rbn/100)



Source: StatsSA and Investec Wealth and Investment

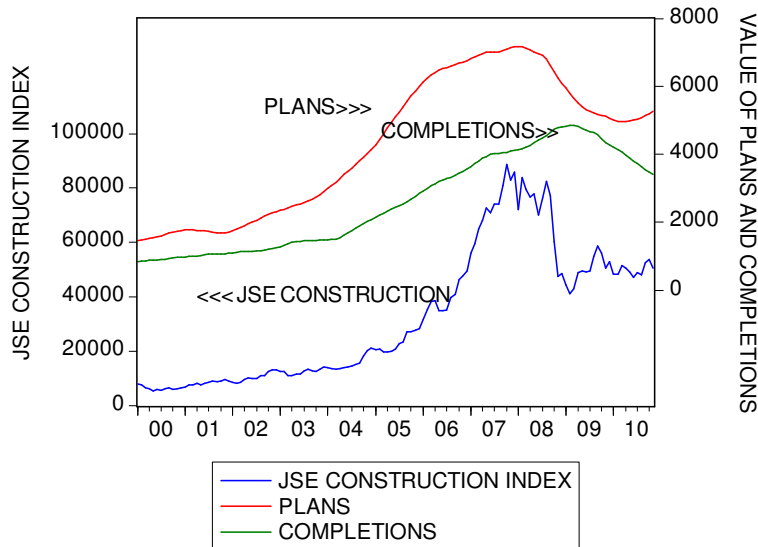
The planning news thus is probably better for the smaller contracting firms who dominate home building sector than the larger construction companies who are involved in the larger non-residential projects. Since most cement goes into new and improved homes it is probably also good news for cement producers and for the building supply merchants who cater to homeowners and home builders.

The JSE Construction Index appears to anticipate and respond more to total plans passed than to completions. This is because the plans passed are a leading indicator of the buildings to be completed and the profits to be earned from completed projects in the future. The market, as always, looks ahead.

The JSE Construction Index, which rose so sharply in the planning boom of 2006-2008 and then fell away equally sharply as planning activity fell away, has been on a sideways to upwards path over the past 12 months, in line with the recovery in plans passed.

The largest share of the JSE Construction Index (weighted by market value today) is held by PPC, with 39%, followed by Aveng (AEG) with 25% and Murray and Roberts (MUR) with 20%. We also show in the graph after this, the close relationship between the value of PPC and residential plans passed.

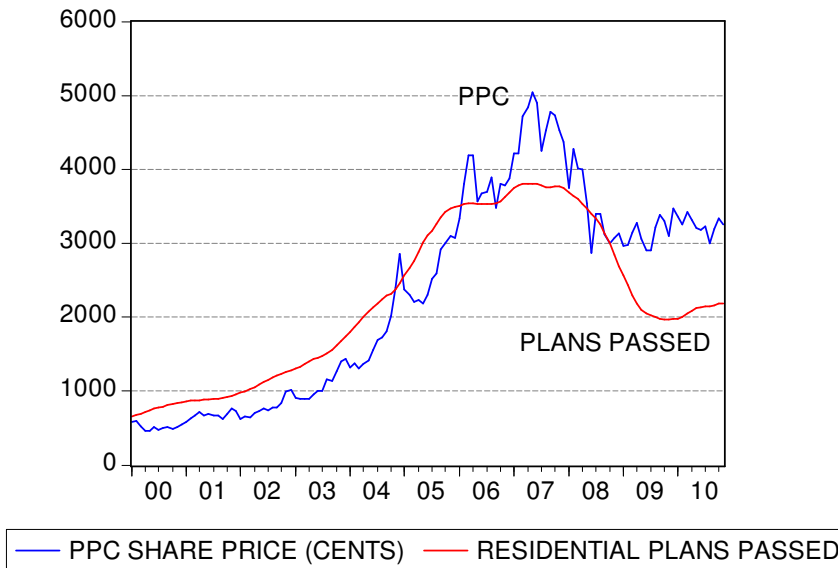
The JSE Construction Index, Plans and Completions



Source: I-Net Bridge, StatsSA and Investec Wealth and Investment

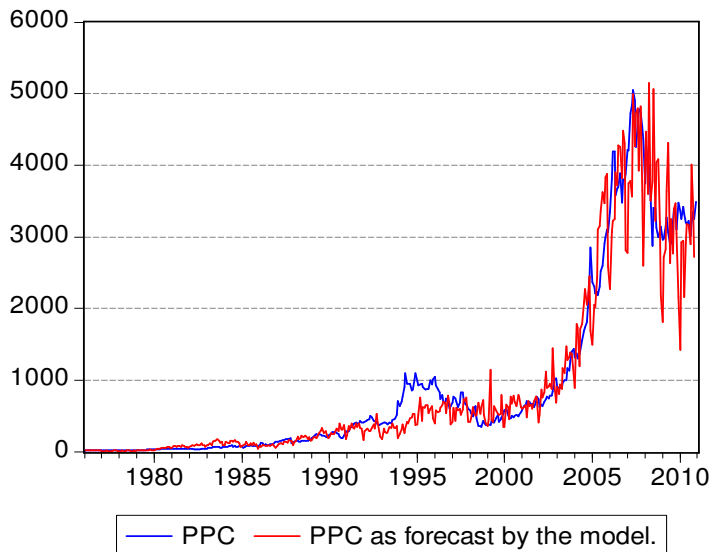
The relationship between plans passed and the PPC share price has been a very close one. The results of a simple regression equation that uses plans passed (in logs) to explain the PPC share price going as far back as 1976 is also instructive. The predicted value of PPC (by plans passed) ran ahead of plans passed for a while. However with the pickup in plans, PPC is now again very close to its market value (using this model). Clearly the path forward for building plans passed will be decisive for the market value of PPC and the JSE Construction Index.

The actual and predicted (by plans passed) of PPC



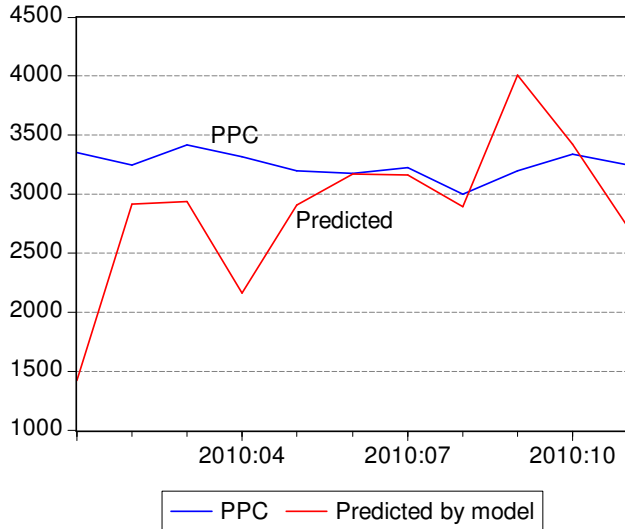
Source: I-Net Bridge, StatsSA and Investec Wealth and Investment

The PPC share price and residential plans passed 1976-2010



Source: I-Net Bridge, StatsSA and Investec Wealth and Investment

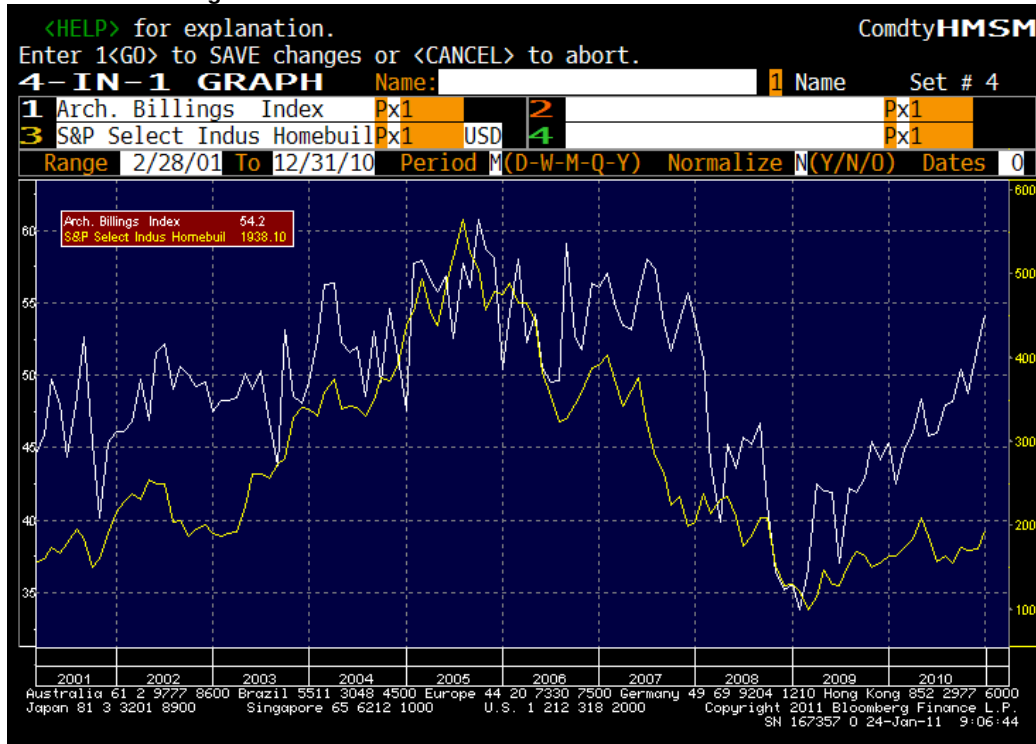
The PPC share price and residential plans passed, January – November 2010



Source: I-Net Bridge, StatsSA and Investec Wealth and Investment

What is required therefore is some leading indicator of the plans to be passed by the municipal planning departments. Plans to be passed and the future value of the construction companies on the JSE will be determined by the volume of activity now under way in the architectural practices of SA that draw up the plans and submit them for hoped for approval. Such an Index of Architects' Activity is available for the US and in fact this Index does suggest better times for US architects and so in due course home builders in the US.

US Architects Billings and S&P Homebuilders Index



Source: Bloomberg

Perhaps the SA architectural profession can be similarly accommodating to the investor on the JSE by creating its own Index of plans. In the absence of such information those with architect friends should be playing close attention to their behaviour. Their

complaints (or lack of them) about working on weekends or the difficulty of hiring skilled colleagues should be regarded as bullish signals for construction companies and those who service them. **Brian Kantor**

Week at a glance: Upcoming results

Earnings season kicks off rather quietly this week, with Country Bird Capital Property Fund and Hudaco all bringing out numbers. We list below the last earnings numbers plus I-Net consensus forecasts for the coming year.

Next week will be quiet again on the results front, before kicking off with a vengeance on the week of 7 February. Then it is pretty flat out until late March. **Patrick Lawlor**

	Compa ny		Year end	Prev FY EPS	Next FY EPS (I-Net)	2yr (I-Net)	Next DPS (I-Net)	Rec (I- Net)	Price	FPE
26/01	Country Bird	F	June	23.25	46.8	68.2	15.5	Buy	355	7.6
26/01	Capital	I	December	79.7	60	65	60	Hold	810	7.4*
28/01	Hudaco	F	November	785	848	944	355.5	Buy	8460	10

F = final, I = interim, Q = quarterly; EPS = earnings per share; DPS = dividend per share; FY = full year;

FPE = forward PE

All prices, earnings and dividends in cents per share

*Yield in percent

Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount/ result
Clicks	21 January	24 January	28 January	31 January	Capital reduction	R0.757
Capitec NPLs	21 January	24 January	28 January	31 January	Rights take up	1 CPIN converts to 1 CPI on take up at R125
Digicore	21 January	24 January	28 January	31 January	Rights issue	13.8237 DGNN per 100 DGC
Freeworld	21 January	24 January	28 January	31 January	Cash Dividend	R0.07
Mvela Resources	21 January	24 January	28 January	31 January	Unbundling	0.10197 GFI per 1 MVL
Nampak 6% cum pref	21 January	24 January	28 January	31 January	Cash Dividend	R0.06
Nampak 6.5% cum pref	21 January	24 January	28 January	31 January	Cash Dividend	R0.065
Reunert 5.5% cum pref	21 January	24 January	28 January	31 January	Cash Dividend	R0.055
Mobile	28 January	31 January	4 February	7 February	Unbundling	8.117 TRE in addition to every 100 MOB
SBR003	28 January	31 January	4 February	7 February	Interest	R1.60
Tradehold	28 January	31 January	4 February	7 February	Consolidation	1 new TDH per 10 old TDH
UCS	4 February	7 February	11 February	14 February	Cash Dividend	R0.05
Digicore NPLs	11 February	14 February	18 February	21 February	Rights take up	1 DGNN converts to 1 DGC at R3 a share
Massmart	11 February	14 February	18 February	21 February	Scheme of Arrangement	Proposed acquisition of 51% of MSM by WalMart
Trematon	11 February	14 February	18 February	21 February	Cash Dividend	R0.015
Winhold	11 February	14 February	18 February	21 February	Cash Dividend	R0.10
RMB Holdings	25 February	28 February	4 March	7 March	Unbundling	1 Rand Merchant Insurance Holdings per RMH
Paracon	4 March	7 March	11 March	14 March	Cash Dividend	R0.10
Simeka Business Group	4 March	7 March	11 March	14 March	Name change	Morvest Business Group (MOR)
SBR002	4 March	7 March	11 March	15 March	Interest	R1.41
JOZI03	11 March	14 March		22 March	Interest	R14.83
Foschini Prefs	17 March	18 March	25 March	28 March	Cash Dividend	R0.065

Source: JSE

Company calendar – 24 January to 28 January

Tuesday 25 January	Aquarius Platinum quarterlies African Bank AGM
Wednesday 26 January	Country Bird interims Capital Shopping Centres EGM Barloworld AGM
Thursday 27 January	Adcock Ingram AGM Life Healthcare AGM Lonmin AGM and quarterly production
Friday 28 January	Zurich Insurance finals

Source: I-Net, Company updates

Economic calendar – 24 January to 28 January

Date	International	South Africa
Monday 24 January	Germany – January PMI flash [10h30] EMU – January PMI flash [11h00] EMU – November Industrial orders [12h00]	
Tuesday 25 January	Japan – BoJ MPC meeting and rate decision UK – December Public sector finance [11h30] UK – Q4 GDP prelim [11h30] US – November S&P/Case-Shiller HPI [15h00] US – January Consumer confidence [16h00] US – FOMC meeting starts	
Wednesday 26 January	US – December New home sales [16h00] US – FOMC meeting closes	
Thursday 27 January	Japan – December Trade balance Germany – January CPI prelim [09h00] EMU – January Business and consumer confidence [12h00] US – Initial jobless claims for previous week [14h30] US – December Durable goods sales [14h30] US – December Pending home sales [16h00]	December PPI [10h30]
Friday 28 January	Japan – December CPI Japan – December Unemployment Japan – December Retail sales EMU – December M3 [16h00] US – Q4 Real GDP advance [14h30] US – January Consumer sentiment [15h55]	

Sources: Bloomberg, StatsSA, SA Reserve Bank

Key market indicators – Friday 21 January 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32140.01	0.95%	0.25%	6.20%	0.07%	15.19%
JSE Fini 15	8211.35	0.75%	1.52%	2.27%	0.49%	8.28%
JSE Indi 25	26363.52	1.04%	-1.78%	4.51%	-1.60%	23.70%
JSE Mining	37693.98	1.07%	0.79%	9.25%	1.34%	8.34%
JSE Resi 20	57352.12	1.09%	1.90%	10.08%	1.87%	10.09%
S&P 500	1283.35	0.24%	1.95%	8.24%	2.04%	12.77%
DJI	11871.84	0.41%	2.70%	6.34%	2.54%	11.97%
NASDAQ	2689.54	-0.55%	0.68%	7.98%	1.38%	17.38%
Nikkei	10274.52	-1.56%	-0.70%	9.29%	0.45%	-4.31%
Hang Seng	23876.86	-0.53%	3.61%	1.05%	3.65%	12.17%
FTSE 100	5896.25	0.48%	-1.46%	2.51%	-1.25%	8.77%
CAC 40	4017.45	1.33%	2.49%	3.81%	5.59%	2.25%
DAX	7062.42	0.54%	-0.08%	6.37%	2.14%	20.69%
ASX-ORD	4860.90	-0.64%	-0.18%	1.68%	0.29%	-0.70%
JSE All Share (in US\$)	4559.32	1.15%	-3.51%	4.03%	-6.05%	23.15%
MS EM Index	1136.65	-0.57%	0.90%	1.91%	-1.28%	13.95%
MS World Index	1302.54	0.58%	2.26%	5.92%	1.76%	9.97%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	7.05	0.20%	-3.75%	-2.05%	-6.11%	6.91%
Rand/GB Pound	11.27	-0.36%	-7.37%	-3.55%	-8.58%	8.79%
Rand/Euro	9.60	-0.86%	-7.39%	0.47%	-7.92%	10.64%
Rand/Aus \$	6.85	1.66%	-1.07%	-0.05%	-1.36%	0.16%
Yen/ US \$	82.93	-0.01%	0.76%	-2.54%	-2.19%	9.96%
Swiss Franc/US \$	0.96	0.91%	-0.71%	1.44%	-2.48%	8.90%
US \$/Euro	1.36	-1.13%	-3.72%	2.32%	-1.73%	3.61%
US \$/GB Pound	1.60	-0.61%	-3.74%	-1.86%	-2.46%	1.86%
US \$/Aus \$	0.99	-0.34%	1.02%	0.09%	3.42%	-7.86%
Nominal Effective Exchange Rate (2000 = 100)	75.87	0.70%	5.48%	1.04%	7.10%	-5.68%

dailyview

Commodities	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Gold \$/oz.	1342.75	-0.26%	-3.06%	0.19%	-5.53%	20.72%
Platinum/oz.	1826.5	0.83%	5.91%	7.44%	3.19%	12.37%
Brent Crude \$/bbl	96.86	0.73%	3.86%	17.95%	2.23%	28.36%

Fixed income	Closing yield %
SA R157	7.87
US 2 YEAR	0.62
US 10 YEAR	3.41
UK 2 YEAR	0.62
UK 10 YEAR	3.69
EURO 2 YEAR	1.29
EURO 10 YEAR	3.18

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