

Today's highlights

- Equity market earnings: A volatile month ends well (especially for offshore investors)
- Upcoming dividend dates and corporate actions
- Economic calendar – 4 April to 8 April

Talking point: “Turmoil? What turmoil?” say equity markets

What a quarter it has been! Uprisings north of the Sahara, earthquakes and tsunamis in Japan plus ongoing Eurozone turmoil (and the threat of higher rates in many countries) have all combined to provide an extra cocktail of volatility for financial markets.

Yet despite all of this, equity markets have come through the March quarter relatively unscathed: the Alsi 40 of the JSE has come through just about square (1.1% up in rand terms, compared with 7.1% for the MSCI world index and 4.3% for emerging markets), while the rand recovered some of the ground it lost in January and February. Overall the rand was lower against the US dollar, which meant that in US dollar terms, the Alsi 40 fell 1%. The MSCI world however rose 4.9% in US dollar terms and emerging markets rose 2.1%. (See our note on equity market earnings elsewhere in Daily View)

Looking at the different sectors, not surprisingly the oil and gas sector posted the best gains for the quarter (13.1% in rand terms) thanks to generally rising commodity prices and the extra boost that was provided by Middle East and North African turmoil to oil prices. Other sectors to do well were telecoms (3.6%), technology (2.3%) and basic materials (2.2%). Industrials lost 8.6% and healthcare lost 5.5%.

Among specific industries, it was no surprise that construction fared worst, losing some 24.8% over the quarter, as the problems at Murray & Roberts played out. Paper and pulp (15.5%) and automobiles (13.7%) were among the biggest winners over the quarter.

All in all, things were far less troublesome for financial markets than the tectonic shifts that took place might otherwise have suggested. Still, the recovery is not robust enough to suggest complacency (high oil prices and Japanese disruptions are sure to weigh on growth). In particular, central bankers need to tread carefully before tackling inflation concerns. Central banks in the UK and Eurozone, especially, need to take heed.

Market highlights

Wall Street rose on Friday as a good set of nonfarm payrolls data lifted sentiment. March payrolls rose 216 000, above consensus forecasts of 190 000, while the unemployment rate fell to 8.8%.

The JSE fed off positive US news on Friday, with all of the major sectors posting gains.

The rand made solid gains on Friday, pulling the bond market along with it, as good jobs numbers in the US lowered risk aversion levels.

While gold and copper prices slipped on Friday, oil was higher as good US nonfarm payrolls data boosted the outlook for growth.

Key indicators in a nutshell – Friday 1 April 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	32385.32	0.56%	1.29%	0.24%	0.83%	12.65%
S&P 500	1332.41	0.50%	1.83%	4.76%	5.95%	13.94%
Nikkei	9708.39	-0.48%	-7.47%	-5.09%	-5.09%	-12.46%
Rand/US \$	6.69	0.91%	2.85%	-1.10%	-1.08%	8.95%
Rand/GB Pound	10.78	0.55%	4.08%	-5.01%	-4.38%	2.50%
US\$/Euro	1.42	-0.53%	-2.60%	-6.18%	-5.97%	-5.11%
Gold \$/oz.	1428.2	-0.29%	-0.57%	0.99%	0.48%	28.25%

Company results and updates

Stefanutti Stocks expects HEPS for the year to February to decline by between 10% and 20%.

Coal of Africa says it has been granted an integrated water use licence for its Vele Colliery.

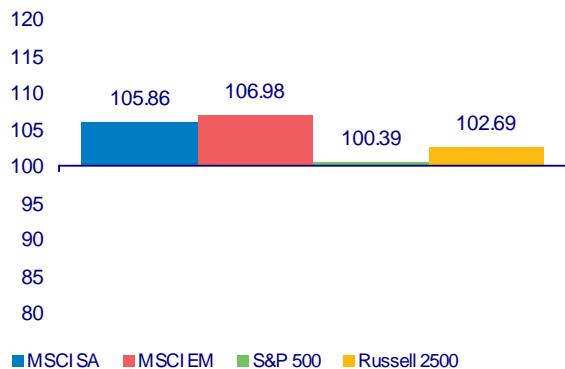
Metorex reported that its total group copper mineral resources increased by 44.9% to 4.74m tonnes. Cobalt mineral resources increased by 219%. These increases were the result of a general upgrading of resources from inferred to indicated and measured.

Daily ideas

Equity market earnings: A volatile month ends well (especially for offshore investors)

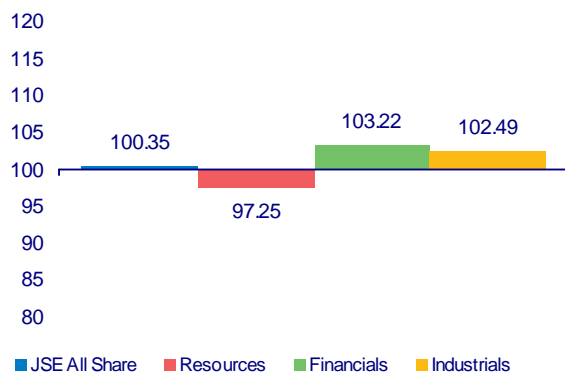
March 2011, by month end, proved a very satisfactory month for foreign investors in the JSE as we show below. The SA component of the benchmark MSCI Emerging Market Index (that excludes the dual listed companies on the JSE), performed very well and in line with the emerging markets benchmark, as we show below.

Returns in US dollars (1 March 2011 = 100)



Source: Bloomberg, Investec Securities

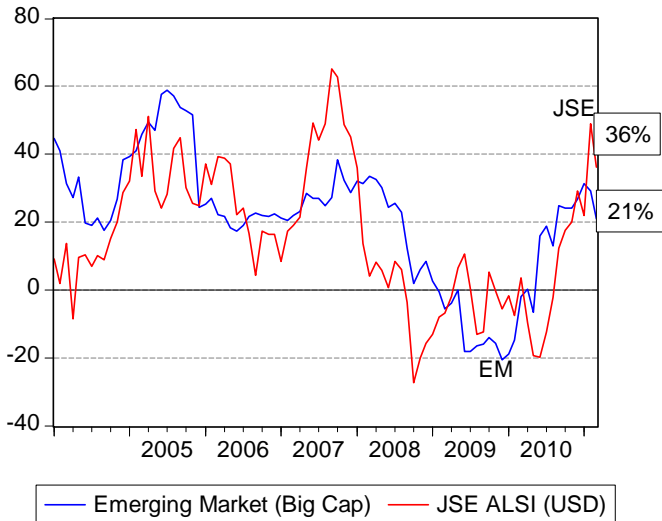
Returns in rands (1 March 2011 = 100)



Source: Bloomberg, Investec Securities

The total return performance of the JSE and of the MSCI SA in March 2011 was assisted by the strength in the rand against the US dollar and also by the relative strength in JSE reported earnings, especially when converted into US dollars. We show below how JSE reported earnings in US dollars are now growing significantly faster than those reported by the EM stocks included in our Investec Big Cap emerging market index.

Annual growth in earnings. JSE vs Emerging Market Big Caps



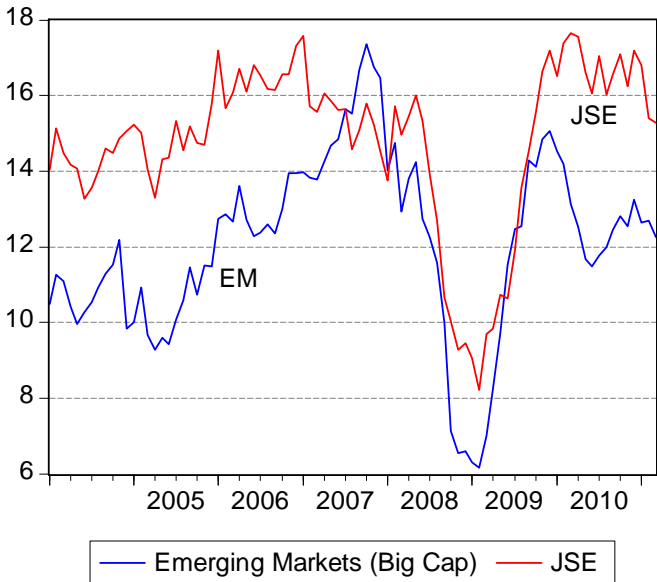
Source: Bloomberg, Investec Securities and Investec Wealth and Investment

Such faster growth is implicit in the currently superior rating enjoyed by the JSE. As we show below the JSE is trading at 15.3 times trailing earnings and our EM Index at a less demanding 12.3 times.

The S&P 500 by contrast is now trading at 17 times reported earnings. The annual growth in these S&P earnings is now 50% but this is growth off a highly depressed level of 2009 and 2010 – when S&P earnings collapsed from a peak level of over US\$80 in late 2007 to less than US\$10 per share by mid 2009, as a result of the global financial crisis.

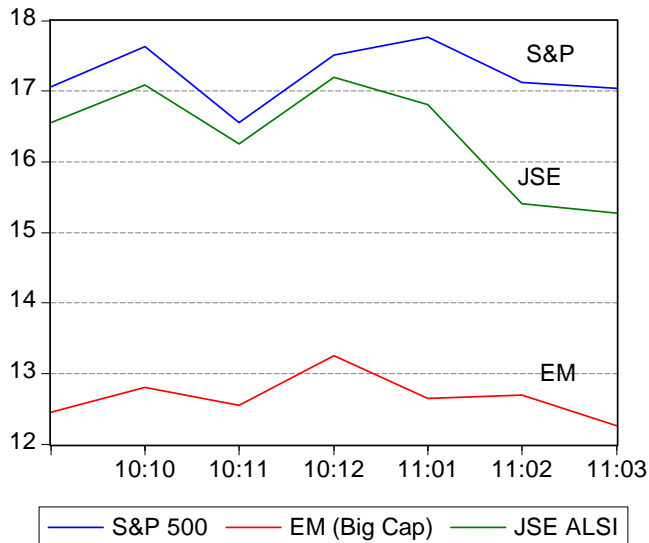
Thus it will take until the end of the year to make proper sense of the underlying growth in reported S&P earnings; these are currently US\$77 per share and are expected to approach US\$100 within 12 months. The issue of how best to normalise S&P earnings will remain a very difficult one for many years, given the collapse of 2009.

Price to earnings multiples, JSE vs EM Big Caps



Source: Bloomberg, Investec Securities and Investec Wealth and Investment

Price to earnings multiples. JSE vs S&P



Source: Bloomberg, Investec Securities and Investec Wealth and Investment

Investec Securities calculates normalised earnings for the JSE. Its calculation (as shown below) suggests that the price to normalised JSE earnings ratio is below the trailing multiple. This indicates that if earnings continue to normalise, the price earnings multiple for the JSE may recede further. The bottom up forecasts of JSE earnings one year ahead indicate expected growth in JSE earnings in rands of close to 30% to be reported over the next 12 months.

Actual and normalised PE ratios for the JSE



Source: Bloomberg, Investec Securities

The earnings outlook for the JSE appears to us as strongly supportive of current valuations. Our view remains however that the most obvious value in equity markets is suggested by the S&P rather than emerging markets, of which the JSE is an integral part. Should S&P earnings proceed as expected and approximate US\$100 in 12 months, the multiple adjusted for expected rather than trailing earnings falls to about 13 times. This is well below long term averages for the S&P.

However any strength in the S&P that becomes realised as investors grow more confident about the earnings outlook is unlikely to mean weakness in emerging markets, but only perhaps a relative underperformance. Should the growth in S&P earnings materialise as expected, this will indicate that the US economy is in good enough health to withstand higher interest rates.

The usual tug of war between better earnings and higher interest rates can be expected to resume within the next 12 months. However it is only expected to restrain in part any rerating of the S&P and the advance of the S&P itself. We regard good 12 month S&P returns of the order of 10-12% as a distinct possibility. **Brian Kantor**

Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount/ result
Bowler Metcalf	1 April	4 April	8 April	11 April	Cash Dividend	R0.156
Efficient	1 April	4 April	8 April	11 April	Cash Dividend	R0.0285
Exxaro	1 April	4 April	8 April	11 April	Cash Dividend	R3
Fountainhead NPLs	1 April	4 April	8 April	11 April	Rights take up	1 FPTN converts into 1 FPT on take up at R6 per unit
Glenrand MIB	1 April	4 April	8 April	11 April	Scheme of arrangement	R2
Metrofile	1 April	4 April	8 April	11 April	Cash Dividend	R0.02
Miranda	1 April	4 April	8 April	11 April	Rights issue	40.241 MMHN per 100 MMH
Mvela Prefs	1 April	4 April	8 April	11 April	Cash Dividend	R0.3003288
Nedbank	1 April	4 April	8 April	11 April	Cash Dividend	R2.68
Putprop	1 April	4 April	8 April	11 April	Cash Dividend	R0.15
Standard Bank	1 April	4 April	8 April	11 April	Cash Dividend	R2.45
Sasol	1 April	4 April	8 April	11 April	Cash Dividend	R3.10
Universal	1 April	4 April	8 April	11 April	Capital reduction	R0.035
AECI	8 April	11 April	15 April	18 April	Cash Dividend	R1.35
Capital & Counties	8 April	11 April	15 April	19 April	Cash Dividend	GBP0.01
Ceramic	8 April	11 April	15 April	18 April	Cash Dividend	R1.40
Group Five	8 April	11 April	15 April	18 April	Capital Reduction	R0.52
Howden	8 April	11 April	15 April	18 April	Cash Dividend	R0.15
Iliad	8 April	11 April	15 April	18 April	Cash Dividend	R0.20
Metair	8 April	11 April	15 April	18 April	Cash Dividend	R0.65
Mondi	8 April	11 April	15 April	12 May	Cash Dividend and reinvestment plan	R1.61324545
Old Mutual	8 April	11 April	15 April	31 May	Cash or scrip dividend	GBP0.029 or shares
Steinhoff Prefs	8 April	11 April	15 April	18 April	Cash Dividend	R3.62
Tradehold	8 April	11 April	15 April	18 April	Rights issue	298.94835 TDHN per 100 TDH
Wilson Bayly Holmes	8 April	11 April	15 April	18 April	Cash Dividend	R1.10
Afrox	14 April	15 April	21 April	26 April	Cash Dividend	R0.08
Brait	14 April	15 April	21 April	26 April	Rights issue	3 rights per 1 BAT
Sanlam	19 April	20 April	29 April	5 May	Cash Dividend	R1.15
Miranda NPLs	28 April	29 April	6 May	9 May	Rights take up	1 MMHN converts to 1 MMH at R0.73
Mvela Resources	28 April	29 April	6 May	9 May	Unbundling and scheme of arrangement	83.5230 NHM and 9.5980 NHM per 100 MVL
Tradehold NPLs	28 April	29 April	6 May	9 May	Rights take up	1 TDHN converts to 1 TDH at R6.26
Brimstone	6 May	9 May	13 May	16 May	Cash Dividend	R0.15
Country Bird	6 May	9 May	13 May	16 May	Capital reduction	R0.111
Cipla Medpro	6 May	9 May	13 May	16 May	Cash Dividend	R0.06

Mvela Resources	6 May	9 May	13 May	16 May	Scheme of arrangement	9.5980 NHM per 100 MVL
Afgri	13 May	16 May	20 May	23 May	Cash Dividend	R0.2415
CIL	13 May	16 May	20 May	23 May	Consolidation	1 new CIL per 10 old CIL
Simmer and Jack	13 May	16 May	20 May	23 May	Unbundling	47.72727 VIL in addition to every 100 SIM
White Water Resources	13 May	16 May	20 May	23 May	Name change	Goliath Gold (GGM)
UCS	13 May	16 May	20 May	23 May	Unbundling	34 BCX per 100 UCS
Brait NPLs	20 May		27 May	30 May	Rights take up	1 right converts to 1 BAT at R16.50
JSE	20 May	23 May	27 May	30 May	Cash Dividend	R2.10
Spanjaard	20 May	23 May	27 May	30 May	Cash Dividend	R0.16
Capital Shopping	27 May	31 May	3 June	21 June	Cash Dividend	R1.15355
ELB	27 May	31 May	3 June	6 June	Cash Dividend	R0.15
ELB Prefs	27 May	31 May	3 June	6 June	Cash Dividend	R0.06
SBR002	3 June	6 June	10 June	15 June	Interest	R1.45
Freeworld	9 June	10 June	17 June	21 June	Minority offer	R12 per share tendered
JOZI03	9 June	10 June	17 June	21 June	Interest	R14.90

Source: JSE

Economic calendar – 4 April to 8 April

Date	International	South Africa
Monday 4 April	EMU – February PPI [12h00]	March New vehicle sales [11h00]
Tuesday 5 April	Japan – March PMI services and composite Germany – March PMI services and composite [10h55] EMU – March PMI services and composite [11h00] UK – March PMI services [11h30] EMU – February Retail sales [12h00] US – March ISM nonmanufacturing [16h00] US – FOMC minutes	
Wednesday 6 April	UK – February Industrial production [11h30] EMU – Q4 GDP final [12h00]	
Thursday 7 April	Japan – BoJ MPC meeting Germany – February Industrial production [13h00] EMU – ECB meeting and rate decision [13h45] UK – BoE MPC meeting and rate decision [14h00] US – Initial jobless claims for previous week [14h30] US – February Consumer credit [21h00]	March Gold and forex reserves [08h00] February Manufacturing output [12h00]
Friday 8 April	Japan – February Current account Germany – February Foreign trade [09h00] UK – March PPI [11h30] US – February Wholesale trade [16h00]	

Sources: Bloomberg, StatsSA, SA Reserve Bank, National Treasury, NAAMSA

Key market indicators – Friday 1 April 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32385.32	0.56%	1.29%	0.24%	0.83%	12.65%
JSE Fini 15	8287.82	0.94%	4.10%	0.53%	1.42%	2.82%
JSE Indi 25	26956.17	0.71%	2.98%	0.37%	0.61%	20.72%
JSE Mining	37535.60	0.47%	-1.75%	-0.16%	0.91%	8.78%
JSE Resi 20	57362.89	0.21%	-1.52%	0.98%	1.88%	10.62%
S&P 500	1332.41	0.50%	1.83%	4.76%	5.95%	13.94%
DJI	12376.72	0.46%	2.57%	6.05%	6.90%	14.00%
NASDAQ	2789.60	0.31%	1.51%	3.64%	5.15%	16.33%
Nikkei	9708.39	-0.48%	-7.47%	-5.09%	-5.09%	-12.46%
Hang Seng	23801.90	1.17%	3.27%	1.56%	3.33%	12.07%
FTSE 100	6009.92	1.71%	1.61%	0.65%	0.65%	5.82%
CAC 40	4054.76	1.64%	0.51%	3.95%	6.57%	2.03%
DAX	7179.81	1.97%	-0.02%	2.72%	3.84%	16.68%
ASX-ORD	4954.60	0.53%	1.15%	2.17%	2.22%	1.26%
JSE All Share (in US\$)	4839.99	1.48%	4.18%	-0.86%	-0.26%	22.73%
MS EM Index	1185.12	1.22%	6.45%	1.86%	2.93%	17.30%
MS World Index	1341.45	0.49%	0.26%	4.15%	4.79%	11.74%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.69	0.91%	2.85%	-1.10%	-1.08%	8.95%
Rand/GB Pound	10.78	0.55%	4.08%	-5.01%	-4.38%	2.50%
Rand/Euro	9.52	0.56%	0.18%	-7.22%	-7.14%	3.27%
Rand/Aus \$	6.95	0.58%	0.63%	-3.16%	-2.75%	-4.07%
Yen/ US \$	84.05	-0.82%	-2.64%	-2.84%	-3.50%	11.34%
Swiss Franc/US \$	0.92	-0.45%	-0.02%	1.15%	1.17%	14.06%
US \$/Euro	1.42	-0.53%	-2.60%	-6.18%	-5.97%	-5.11%
US \$/GB Pound	1.61	-0.48%	1.37%	-3.87%	-3.10%	-5.75%
US \$/Aus \$	1.04	-0.46%	-2.12%	-1.61%	-1.47%	-11.81%
Nominal Effective Exchange Rate (2000 = 100)	77.54	-0.48%	-2.15%	4.94%	4.80%	-2.79%

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Commodities						
Gold \$/oz.	1428.2	-0.29%	-0.57%	0.99%	0.48%	28.25%
Platinum/oz.	1765.5	-0.06%	-4.54%	0.09%	-0.25%	7.39%
Brent Crude \$/bbl	118.56	1.01%	1.27%	24.20%	25.13%	46.01%

Fixed income	Closing yield %
SA R157	7.76
US 2 YEAR	0.80
US 10 YEAR	3.45
UK 2 YEAR	0.81
UK 10 YEAR	3.73
EURO 2 YEAR	1.78
EURO 10 YEAR	3.35

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