

Today's highlights

- Financial markets in April: From Pennsylvania Ave to Pretoria
- Upcoming dividend dates and corporate actions
- Company calendar – 3 May to 6 May
- Economic calendar – 3 May to 6 May

Talking point: After bin Laden

Despite all of the holidays over the last two weeks, there has been plenty of major news to keep television channels and media houses busy. We had a wedding, a terror attack in Morocco and, to top it all, the slaying of Al Qaeda leader Osama bin Laden in a compound in Pakistan.

Political experts are still assessing the likely impact of the bin Laden killing on global politics. While it is clearly a blow to Al Qaeda and its efforts, few are calling this a major sea change in the “War on Terror” declared almost 10 years ago in the wake of the 9/11 attacks by then US president George W Bush. One reason is that Al Qaeda still has many followers around the world, while the unrest in the Arab world makes it very difficult to forecast how things will pan out. Will the “Arab Spring” lead to peace and democracy or more years of turmoil and oppression? Remember that previous waves of popular revolutions have often led to long periods of war and oppression.

Hence the initial market euphoria at the news in the US yesterday soon gave way to more humdrum issues such as the economy and earnings outlooks. Markets are waiting to see how strong and effective any Al Qaeda backlash will be, as well as how events in Syria, Libya, Yemen and elsewhere will develop from here. If there is no backlash, or if it proves to be very small, this will be greeted as good news (and a sign that Al Qaeda is seriously on the wane) , not the least for the Obama administration, which badly needs some goodwill as it battles the Republicans over the best way to reduce the US's budget deficit.

Market highlights

US markets ended a little lower yesterday, as markets switched their focus on earnings and the economy after the initial euphoria following the killing of Al Qaeda leader Osama bin Laden.

The JSE ended higher on Friday on a thin day of trading, with many local traders away for the long weekend and markets closed in the UK and Japan. Most sectors closed higher, with only resources slightly lower on the day.

Bonds were little changed in thin holiday trade, but the rand made good headway in the wake of a weak US dollar following comments about the US economy by Fed chairman Ben Bernanke at a post FOMC meeting press conference on Thursday.

Commodities were mixed yesterday, with UK metals markets closed and traders trying to draw conclusions about the likely impact of the bin Laden slaying.

Key indicators in a nutshell – Monday 2 May 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	32836.23	0.00%	1.96%	3.13%	2.23%	14.35%
S&P 500	1361.22	-0.18%	2.67%	4.10%	8.24%	12.80%
Nikkei	10004.2	1.57%	2.55%	-2.63%	-2.20%	-8.43%
Rand/US \$	6.60	-0.74%	2.23%	7.46%	0.21%	11.39%
Rand/GB Pound	11.00	-0.38%	-1.48%	4.21%	-6.31%	2.71%
US\$/Euro	1.48	-0.09%	-4.47%	-6.71%	-9.69%	-10.50%
Gold \$/oz.	1545.28	-1.30%	7.88%	15.24%	8.72%	32.67%

Company results and updates

Mr Price expects its HEPS for the 53 weeks to 2 April to have increased by between 48% and 53%. On a 52 week comparison, HEPS are expected to grow by between 42% and 47%, or between 39% and 44% on a core HEPS basis. Mr Price reports on 26 May.

Trustco expects to report an increase in HEPS of between 55% and 70% for the year to March.

Sovereign Food grew its diluted HEPS for the year to February by 81.5%, to 57.9c.

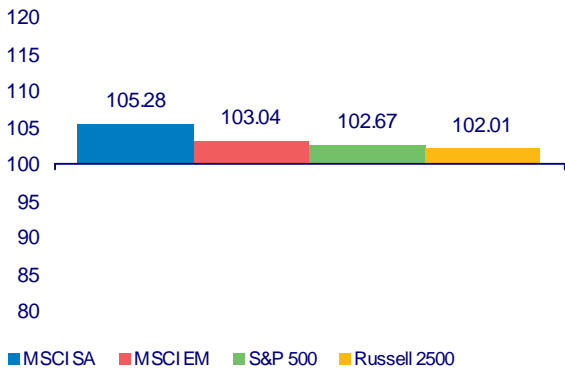
Daily ideas

Financial markets in April: From Pennsylvania Ave to Pretoria

Many South Africans who took an extended break from work celebrating Easter, Freedom Day and the Bolshevik Revolution (more or less in that order), were no doubt comforted by the largely false notion that somebody else was paying for their time off and foregone output (other than those paid by the hour, who know much better). The rest of the world carried on producing and earning more or less as usual for most of the time (notwithstanding the Bin Laden news).

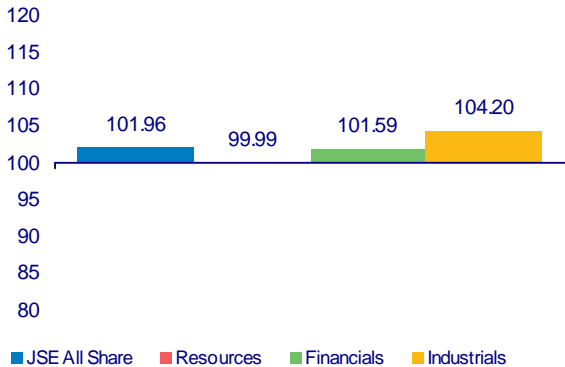
On returning to work today however, South Africans (those who follow such things) will discover that April was a very good month for offshore investors in SA stocks. Had they invested in the SA component of the emerging market index their return in US dollars in April would have been as much as 5.3%, well ahead of the monthly return for the EM Index, the S&P 500 and the US small caps. In the still mighty rand the returns would have been less impressive with JSE industrials leading the way.

Share Market Returns USD (April 1 2011=100)



Source: Bloomberg, Investec Securities

JSE: Rand returns (1 April 2011 = 100)



Source: Bloomberg, Investec Securities

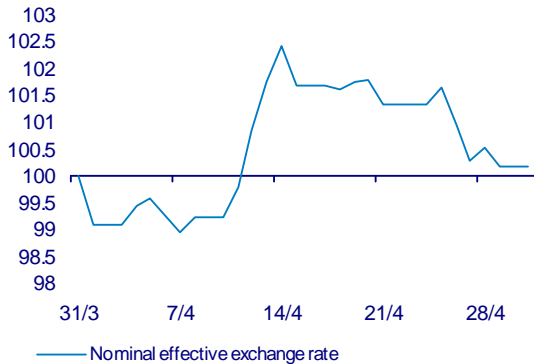
In the US it is proving an exceptionally good quarterly earnings reporting season, still to be concluded. The S&P 500 has ended higher four out of the last five months, has been well supported by better earnings and has not (yet) benefitted from a re-rating.

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It was not so much rand strength that accounted for these differences in returns, but the weak dollar. The US Fed at its April Open Market Committee meeting in April and at its very first press conference held thereafter, made it clear that it still regarded unemployment and slow growth, rather than inflation, as its major challenge. With the European Central Bank indicating the reverse sense of priorities, the US dollar weakened in line with an expected widening of the Euro-US dollar yield gap.

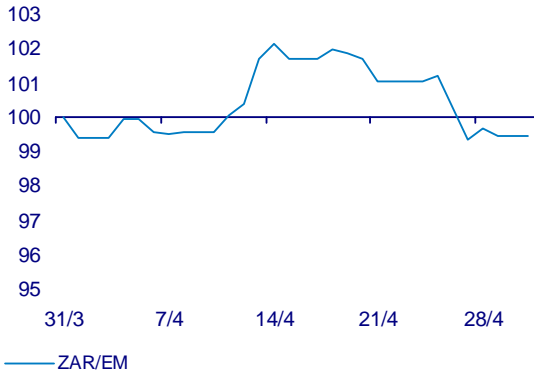
The rand accordingly gained against the US dollar in April and, after some mid month weakness, held its own by month end against the basket of other currencies with which SA trades, weighted by their share of exports from and imports into SA. Against a basket of other Emerging Market (EM) currencies the rand made a modest gain in April 2011, even as it weakened marginally against the Aussie dollar.

Trade weighted Rand (1 April 2011 = 100) [Lower values indicate strength]



Source: Bloomberg, Investec Securities

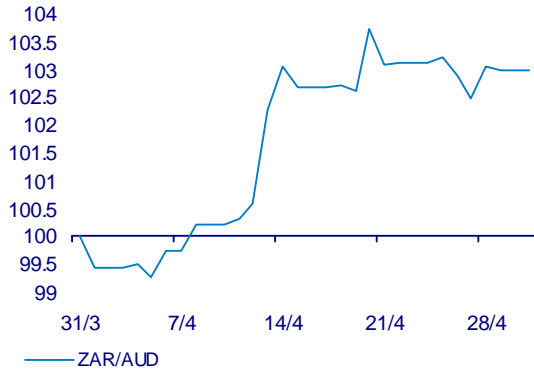
Rand vs EM Basket (1 April 2011 = 100) [Lower values indicate strength]



Source: Bloomberg, Investec Securities

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Rand VS AUD (1 April 2011 = 100) [Lower values indicate strength]



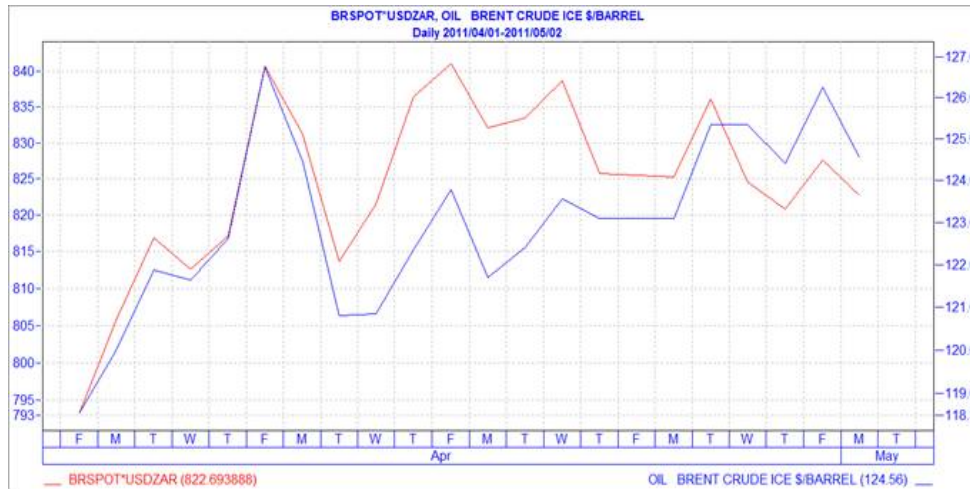
Source: Bloomberg, Investec Securities

The fundamentals of the rand as a commodity currency that takes its cue from the Aussie dollar, was reaffirmed in April – though with the Aussie dollar trading at close to 109 US cents, a small degree of rand weakness vs the Aussie dollar was perhaps understandable.

Commodity prices were lifted by the weaker US dollar with gold leading the way and the US dollar oil price ending the month a little below its peak levels of earlier in the month. Any weakness in the oil price would be very welcome to central bankers everywhere, especially Mr Bernanke, who is on record as suggesting the spike in commodity and food prices will reverse this year.

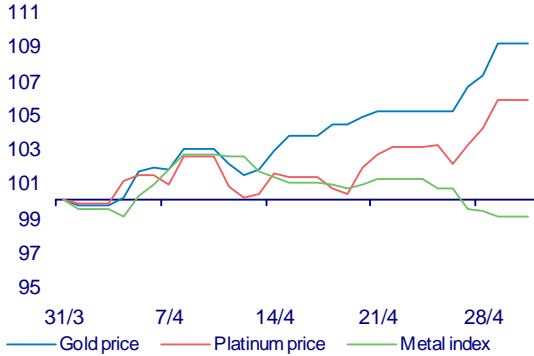
The benefits of rand strength that mostly accompanies higher commodity prices will surely be appreciated in Church Street, Pretoria, as helping to contain SA inflation. We can hope that in Church Street, as on Pennsylvania Ave Washington, the fragility of the domestic economic revival, remains of greater concern than an inflation rate, over which the SA Reserve Bank can have no influence, other than not to stand in the way of currency strength.

The rand oil price, after its spike to R840 per barrel early in the month (caused by higher oil prices in US dollars and a temporarily weaker rand is now close to R820), has come off since then, a trend we can hope will lead to lower prices at the pump.



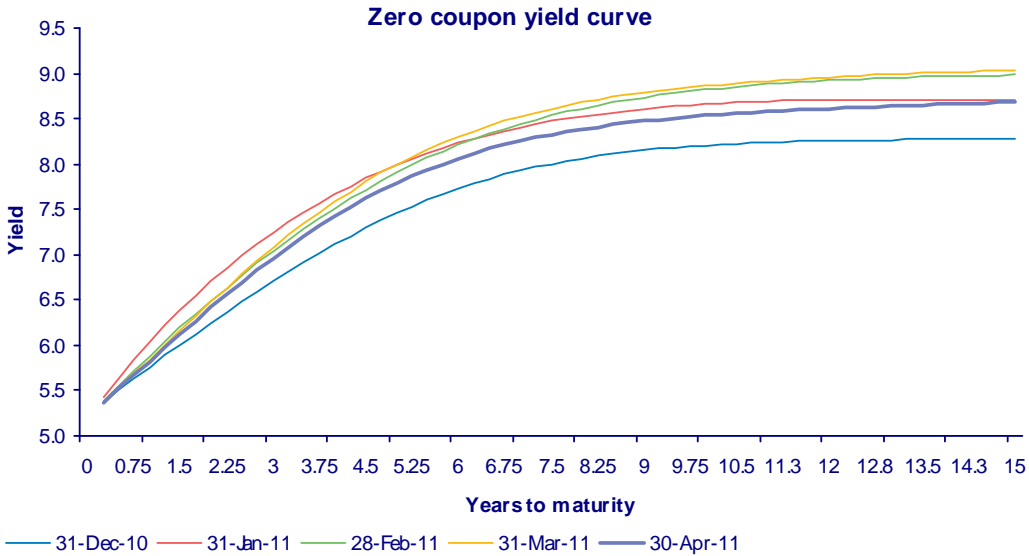
Source: I-Net Bridge

Metal prices, 1 April 2011=100



Source: Bloomberg, Investec Securities

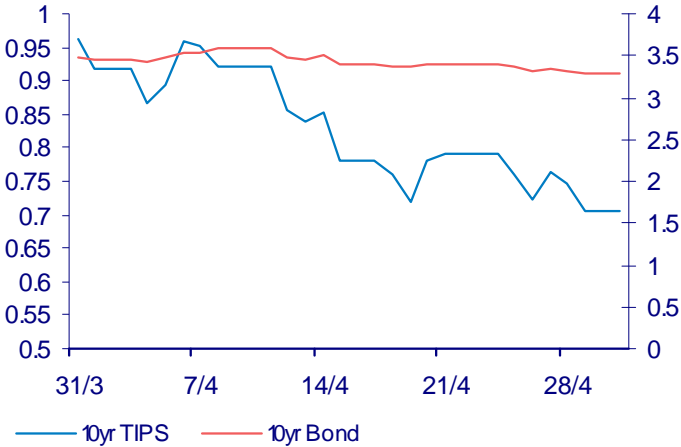
The stable rand, it would appear, has had a modest influence on interest rate expectations. Longer term interest rates that had moved higher in March 2011, moved lower last month, as we show below. The SA money market is still factoring in an increase in short rates within six months. Our view is that this would not be called for and will be resisted by the Reserve Bank, leaving short term rates on hold in 2011.



Source: Bloomberg, Investec Securities

Perhaps the most notable move in financial markets in April 2011 was the decline in real interest rates in the US. While vanilla bond yields declined modestly, the real yield on the 10 year Inflation protected bonds (TIPS) declined by about 20bps. Inflation protected 10 year yields fell from a minimal 0.96% at the start of month to barely over 0.70% by month end.

US Ten Year Treasury Bond Yields April 2011; (Real LHS, Nominal RHS)



Source: Bloomberg, Investec Securities

Clearly the real cost of capital remains exceptionally low in the US and globally, the lack of demand for capital and abundant supplies of global savings being the primary explanation for this. Nevertheless, investors are seemingly willing to pay up for insurance against higher inflation that remains decisively a long term rather than an immediate threat. The case for the US maintaining its highly accommodative stance seems unanswerable for now. If this means a weaker US dollar so be it; the Fed will not be deflected from its task of assisting economic recovery rather than resisting inflation. **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
Beige NPLs	6 May	9 May	13 May	16 May	Rights take up	1 BEGN converts to 1 BEGP2 at R1 a share
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	12 May	13 May	20 May	23 May	Cash Dividend	R0.2415
Brait	12 May	13 May	20 May	23 May	Rights issue	3 rights per 1 BAT
CIL	12 May	13 May	20 May	23 May	Consolidation	1 new CIL per 10 old CIL
Simmer and Jack	12 May	13 May	20 May	23 May	Unbundling	47.72727 VIL in addition to every 100 SIM
White Water Resources	12 May	13 May	20 May	23 May	Name change	Goliath Gold (GGM)
UCS	12 May	13 May	20 May	23 May	Unbundling	34.087 BCX and 8.428 Business Connection Group A shares per 100 UCS
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
Basil Read	27 May	31 May	3 June	6 June	Cash Dividend	R0.30
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
Brait NPLs	3 June	6 June	10 June	15 June	Rights take up	1 right converts to 1 BAT at R16.50
SBR002	3 June	6 June	10 June	15 June	Interest	R1.45
Freeworld	9 June	10 June	17 June	tbc	Minority offer	R12 per share tendered
JOZI03	9 June	10 June	17 June	21 June	Interest	R14.90
Brait NPLs	17 June	20 June	24 June	27 June	Rights take up	1 right converts to 1 BAT at R16.50
Capitec	17 June	20 June	24 June	27 June	Cash Dividend	R2.05

Source: JSE

Company calendar – 3 May to 6 May

Tuesday 3 May MillerCoors March quarterly trading statement
Randgold Resources AGM

Wednesday 4 May Altron finals

Thursday 5 May Randgold Resources quarterlies
Harmony quarterlies
Net1 UEPS quarterlies

Friday 6 May Metmar finals

Source: I-Net, Company updates

Economic calendar – 3 May to 6 May

Date	International	South Africa
Tuesday 3 May	UK – April PMI manufacturing [10h30] EMU – March PPI [11h00]	Q1 Labour Force survey [11h30] April Kagiso PMI
Wednesday 4 May	Germany – April PMI services & composite [09h55] EMU – April PMI services & composite [10h00] UK – April PMI construction [10h30] UK – March M4 and M4 lending US – April ADP employment [14h15] US – April ISM nonmanufacturing [16h00]	April New vehicle sales [11h00]
Thursday 5 May	UK – April PMI services [10h30] UK – BoE MPC rate announcement [13h00] EMU – ECB meeting and rate announcement [13h45] US – Initial jobless claims for previous week [14h30] US – Q1 Productivity and costs [14h30]	March Electricity consumption [13h00] 2010 Household survey [14h30]
Friday 6 May	Japan – April PMI services & composite Germany – March Industrial production [12h00] US – April Employment report [14h30]	

Sources: Bloomberg, StatsSA, NAAMSA

Key market indicators – Monday 2 May 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32836.23	0.00%	1.96%	3.13%	2.23%	14.35%
JSE Fini 15	8341.78	0.00%	1.59%	2.23%	2.09%	4.67%
JSE Indi 25	27891.32	0.00%	4.20%	7.38%	4.10%	24.09%
JSE Mining	37554.20	0.00%	0.52%	-0.74%	0.96%	9.60%
JSE Resi 20	57233.30	0.00%	-0.01%	-0.02%	1.65%	11.18%
S&P 500	1361.22	-0.18%	2.67%	4.10%	8.24%	12.80%
DJI	12807.36	-0.02%	3.96%	6.37%	10.62%	14.69%
NASDAQ	2864.08	-0.33%	2.98%	4.10%	7.96%	14.02%
Nikkei	10004.20	1.57%	2.55%	-2.63%	-2.20%	-8.43%
Hang Seng	23720.81	0.00%	0.82%	-0.79%	2.98%	14.16%
FTSE 100	6069.90	0.00%	2.73%	1.88%	1.66%	8.05%
CAC 40	4108.77	0.05%	3.00%	0.89%	7.99%	6.98%
DAX	7527.64	0.18%	6.91%	4.78%	8.87%	22.50%
ASX-ORD	4896.20	-0.06%	-0.66%	0.91%	1.02%	1.66%
JSE All Share (in US\$)	5008.58	0.00%	5.01%	11.65%	3.21%	28.32%
MS EM Index	1206.49	0.20%	3.04%	6.70%	4.79%	18.97%
MS World Index	1391.86	0.23%	4.27%	4.63%	8.73%	15.20%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.60	-0.74%	2.23%	7.46%	0.21%	11.39%
Rand/GB Pound	11.00	-0.38%	-1.48%	4.21%	-6.31%	2.71%
Rand/Euro	9.78	-0.69%	-2.10%	0.56%	-9.60%	-0.15%
Rand/Aus \$	7.23	-0.15%	-3.40%	-0.57%	-6.60%	-5.27%
Yen/ US \$	81.18	0.01%	2.69%	0.26%	-0.09%	15.80%
Swiss Franc/US \$	0.86	0.03%	6.33%	8.15%	8.06%	25.08%
US \$/Euro	1.48	-0.09%	-4.47%	-6.71%	-9.69%	-10.50%
US \$/GB Pound	1.67	0.30%	-3.75%	-3.14%	-6.28%	-7.82%
US \$/Aus \$	1.09	-0.13%	-5.62%	-7.63%	-6.58%	-15.00%
Nominal Effective Exchange Rate (2000 = 100)	76.90	0.00%	0.35%	-3.28%	5.67%	-3.54%

3 May 2011

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	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Commodities						
Gold \$/oz.	1545.28	-1.30%	7.88%	15.24%	8.72%	32.67%
Platinum/oz.	1860.5	-0.77%	5.32%	1.81%	5.11%	9.31%
Brent Crude \$/bbl	124.56	-1.33%	6.12%	23.53%	31.46%	45.01%

Fixed income	Closing yield %
SA R157	7.64
US 2 YEAR	0.63
US 10 YEAR	3.31
UK 2 YEAR	0.66
UK 10 YEAR	3.47
EURO 2 YEAR	1.83
EURO 10 YEAR	3.27

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