

Today's highlights

- SA markets: Did anyone offshore notice the SA elections?
- Famous Brands (FBR): Exceptional year for acquisitive and organic growth
- Week at a glance: Upcoming results
- Upcoming dividend dates and corporate actions
- Company calendar – 23 May to 27 May
- Economic calendar – 23 May to 27 May

Talking point: Preliminary PMI numbers slip, but second half of the year will tell

Preliminary numbers for purchasing managers index (PMI) surveys in key global markets show a clear slowing in the pace of growth in the current quarter. Preliminary Chinese PMI numbers showed the index slipped to 51.1 in May, its lowest reading since July last year. And in Europe, a preliminary composite PMI survey for manufacturing and services showed the index slip to 55.4 in May from 57.8 in April.

Both readings are above the key 50 “steady state” level that shows industry is in expansionary mode. But while the Chinese reading is rather close to the 50 level, it does at least show that the anti-inflationary measures adopted by Beijing over the course of the last few months is having some impact. The reading also shows the impact of higher commodity prices (especially energy prices) in the first few months of the year and the disruptive effect of the Japanese earthquake on key supply chains. The European reading will also reflect these last two factors, though there is clearly still concern about the stability of the Eurozone and the state of the periphery countries, which appears to be affecting overall confidence.

Markets had expected some sort of easing in activity this quarter, so readings such as these are not a complete surprise. The key will be the extent to which they push on in the second half of the year, as Japan rebuilds and China eases off on its tightening measures. The Eurozone remains a worry though.

Market highlights

US equities ended the week on a downward note as worries about the pace of growth and continued uncertainty about Eurozone sovereign debt.

Continued worries about the Eurozone and Greece in particular following the downgrading of the latter's credit rating by Fitch, hurt the JSE on Friday, with all the major indices recording declines.

Weakness in the euro spilled over into the rand currency market, as most currencies faded against the US dollar. Bonds were softer, following weakness in the rand.

Commodities ended the week mostly higher, but gains were muted on worries about sovereign credit risk in the Eurozone.

Key indicators in a nutshell – Friday 20 May 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	31794.13	-0.39%	-2.25%	-3.09%	-1.01%	17.00%
S&P 500	1333.27	-0.77%	0.22%	-0.73%	6.01%	19.57%
Nikkei	9607.08	-0.14%	0.00%	-11.52%	-6.08%	-5.69%
Rand/US \$	6.91	-0.75%	-1.76%	3.21%	-4.20%	12.16%
Rand/GB Pound	11.21	-0.91%	-0.90%	3.33%	-8.07%	-0.32%
US\$/Euro	1.42	1.09%	2.49%	-3.38%	-5.47%	-12.52%
Gold \$/oz.	1513.5	1.31%	0.76%	7.61%	6.48%	26.83%

Company results and updates

Super Group expects to report HEPS of between 10c and 11c for the year to June, up from the 5.8c reported last year. Super Group reports on 16 August.

Verimark reported a 154% increase in HEPS for the year to February, to 31.5c. A dividend of 15cps was declared, an increase of 150%.

Lewis reported a 21.6% increase in HEPS for the year to March, to 781.1c. A final dividend of 207cps was declared, bringing the total for the year to 363c, from 323cps in the previous year.

Pioneer Food reported adjusted HEPS for the six months to March of 236.8c, down from the previous 280.1c. A dividend per ordinary share of 40c was declared, and a dividend per A ordinary share of 12c was also declared.

African Bank grew its HEPS by 20% to 136.3c. An unchanged interim dividend of 85cps was declared.

Austro saw its HEPS for the six months to February slip to 1.1c, from a previous 2.9c. An interim distribution of 2cps was declared.

Buildmax expects to report a 20% to 30% trimming of its headline loss per share for the year to February. Results are due out at the end of this month.

Tradehold recorded a headline loss per share of 9.7c for the year to February, from previous HEPS of 3.8c.

StratCorp expects to report a headline loss per share of between 0.85c and 1.01c for the year to February, an improvement on the 5.03c reported in 2010. The company reports at the end of this month.

Daily ideas

SA markets: Did anyone offshore notice the SA elections?

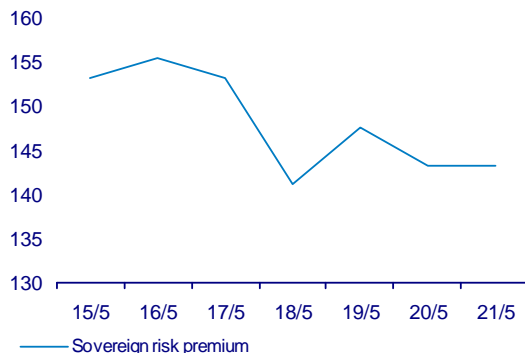
To the extent that anyone offshore actually noticed SA political developments last week the reaction must be regarded as benign. The extra yield provided by SA government US dollar denominated (Yankee) bonds over the yield on similarly dated US Treasuries declined last week, leaving the SA Sovereign risk premium close to its historic lows and its lows of the past 12 months.

The SA Sovereign Risk Premium, May 2010 to May 2011



Source: Bloomberg, Investec Securities

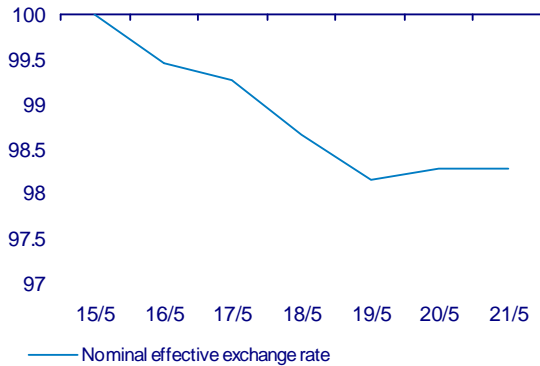
The SA Sovereign Risk Premium, May 15 to May 20 2011



Source: Bloomberg, Investec Securities

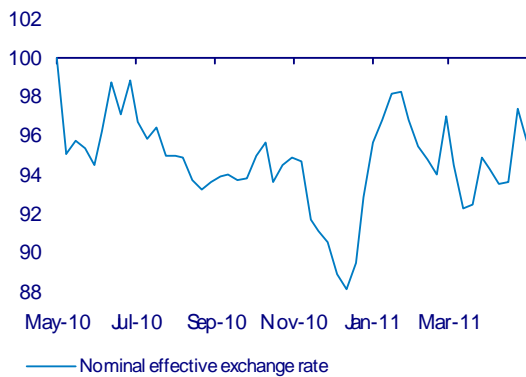
The rand had a good week, gaining about 2% on a trade weighted basis, which has left rand still well ahead of its year ago value. These credit ratings and exchange rate trends will be very helpful in restraining SA inflation and welcome to the Reserve Bank struggling to avoid having to raise interest rates.

The trade weighted ZAR, 15 May to 20 May 2011 (15 May 2010 = 100)



Source: Bloomberg, Investec Securities

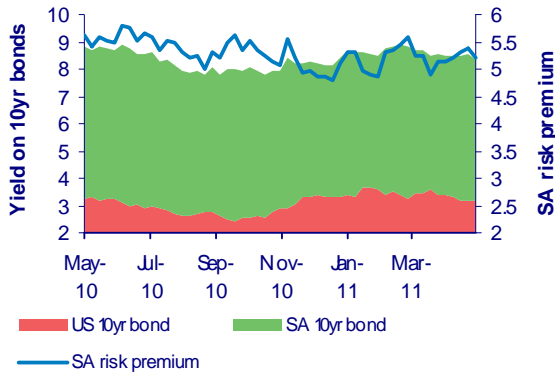
The trade weighted rand, May 2010 to May 2011 (May 2010=100)



Source: Bloomberg, Investec Securities

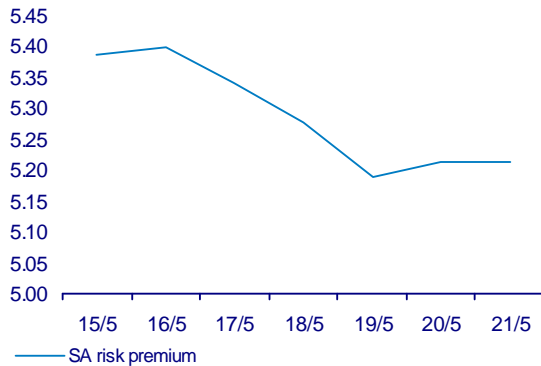
The news on the exchange rate was well received in the bond market. The difference between the yield in rands on long dated RSA bonds and the long dated US Treasury Bonds (which may be regarded as the SA risk premium) also narrowed last week by about 20bps to about 5.20%. This yield gap has remained within the five to six per cent range over the past 12 months. It may be regarded as representing the rate at which the rand is expected to depreciate against the US dollar over the long run.

The RSA Risk Premium, May 2010 to May 2011



Source: Bloomberg, Investec Securities

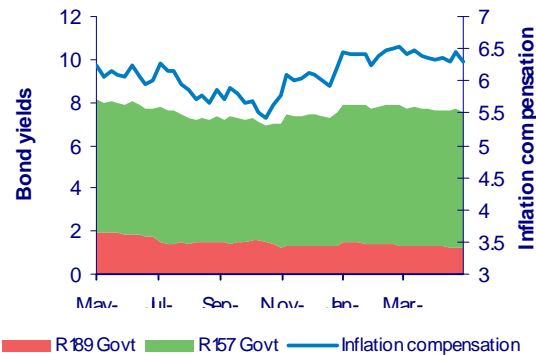
The SA risk Premium, 15 May to 20 May 2011



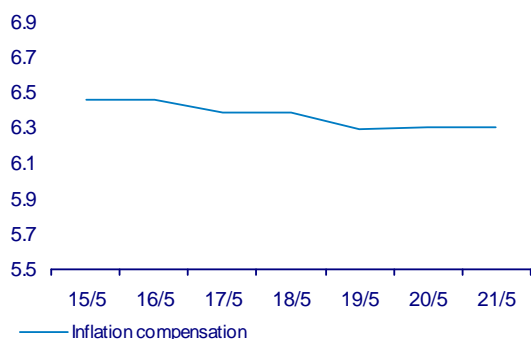
Source: Bloomberg, Investec Securities

If the rand loses an average 5.2% a year over the next 10 years, investors in RSA and US Treasury Bonds will have broken even. If the purchasing power of the US dollar and the rand is thought to determine exchange rates in the long run, then this yield gap will also represent the difference between expected inflation in the two currency areas. The bond market offers explicit compensation for bearing inflation risk. Long dated RSA bond holders are receiving an extra 6.3% for holding vanilla bonds rather than their inflation linked alternative. This yield gap has remained persistently at this high level over the years though it declined by 15bp last week.

RSA Bond Yields and Inflation compensation, May 2010 to May 2011



Source: Bloomberg, Investec Securities

RSA Bond Yields and Inflation compensation, 15 May to 20 May 2011

Source: Bloomberg, Investec Securities

In the US the inflation compensation is currently 2.35%, indicating that inflation in SA is expected to average about 4% higher in SA than the US over the longer term.

The significant electoral swing recorded at the nationwide municipal elections to the DA was enough to encourage the opposition but was not enough to cause anything like panic in the ranks of the ANC. The true democratic credentials of the ANC will perhaps only be fully tested when it is in danger of losing power. This still seems a long way off and maybe for the market place and its state of mind this is just as well. **Brian Kantor**

Famous Brands (FBR): Exceptional year for acquisitive and organic growth

Famous Brands (R43.81; market cap: R4.19bn; forward PE: 16.1x) Famous Brands reported exceptional results for FY2011. Revenue increased by 11% to R1.8bn. Operating profit increased by 16% to R358 million from R305m. Operating margin grew to 19.1% from 18.3% in the prior year, based primarily on best operating practices achieved in the manufacturing and logistics divisions. Cash generated by operations was up 13% to R397m and HEPS increased by 17% to 242cps from 206cps. The total dividend for the year increased by 36% to 155cps. This last year was an exceptional one for Famous Brands in terms of organic and acquisitive growth. It benefited from strong sales during the World Cup of 2010 and the traditional peak trading period in December was also extremely robust.

Over and above routine replacement activities, expansion included new capacity for acquisitions, relocation of the meat processing and bakery plants to the Western Cape logistics centre, fleet expansion and bolstering the group's IT support service.

Operational reviews:**Franchising Division – Local**

This division returned pleasing revenue growth of 18% and reported an increase in operating profit of 15%. The division's operating profit margin though was 61% compared with 62.5% in the prior year. A total of 111 new restaurants were opened during the year, bringing the network to a total of 1861 restaurants. In addition, 81 existing restaurants were re-vamped.

Franchising Division – International

Trading conditions were amongst the most difficult experienced in the past decade. Revenue in sterling declined 21% and in rand terms was 31% down. However the implementation of a right sizing measure ensured the operating profit improved to record levels from 10.1% to 11.3%.

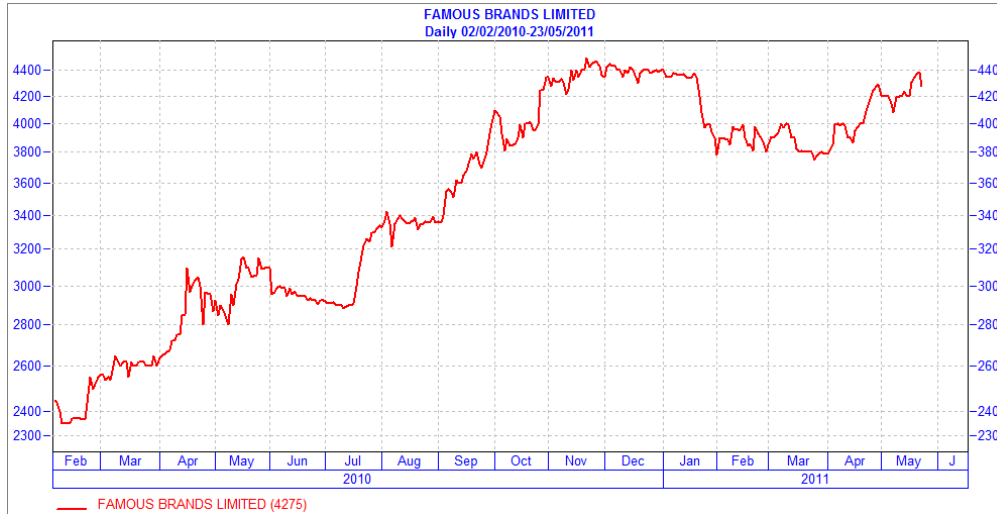
Supply Chain: Group Manufacturing and Logistics Division

Combined revenue for these divisions increased by 15% with the operating profit up 24%. The margin improved to 8.4% from 7.8%.

Furthermore, the group employed an aggressively acquisitive strategy facilitated by its strong cash reserves. This comprised the acquisitions of KEG and McGinty's for R27m and O'Hagans for R13m, in addition to a controlling 51% in Giramundo's for R1.2m and Vovo Telo artisan bakery and Café for R3.8m.

Prospects

Famous Brands expects challenging conditions in the year ahead. Consumer spend will remain under pressure due to factors including electricity tariff hikes and increased fuel costs. The group believes that it will be difficult to achieve the same levels of growth as was the case this last year. From a valuation perspective It now trades on an historic PE of 18.1x which is fairly full. If we assume growth of 12% on the back of these reported earnings it will place it on a forward multiple of 16.1x. **Craig Longmore**



Source: I-Net Bridge

Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount/ result
Altech	20 May	23 May	27 May	30 May	Cash Dividend	R3.56
Fountainhead	20 May	23 May	27 May	30 May	Interest	R0.2771
JSE	20 May	23 May	27 May	30 May	Cash Dividend	R2.10
KayDav	20 May	23 May	27 May	30 May	Capital reduction	R0.055
PBT	20 May	23 May	27 May	30 May	Cash Dividend	R0.03
Redefine	20 May	23 May	27 May	30 May	Interest	R0.16
Redefine International	20 May	23 May	27 May	30 May	Interest	R0.221594
Spanjaard	20 May	23 May	27 May	30 May	Cash Dividend	R0.16
Afrimat	27 May	31 May	3 June	6 June	Cash Dividend	R0.11
Barloworld Prefs	27 May	31 May	3 June	6 June	Cash Dividend	R0.06
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
Life Healthcare	27 May	31 May	3 June	6 June	Cash Dividend	R0.11
Life Healthcare	27 May	31 May	3 June	6 June	Capital reduction	R0.20
Mvela Resources	27 May	31 May	3 June	6 June	Scheme of arrangement	9.5980 NHM per 100 MVL
Oasis Crescent	27 May	31 May	3 June	6 June	Scrip dividend	R0.397668 a share or 2.89 OAS per 100 linked units
Oasis Crescent	27 May	31 May	3 June	6 June	Scrip dividend	R0.046531 a share or 0.34 OAS per 100 linked units
Oasis Crescent	27 May	31 May	3 June	6 June	Scrip dividend	R0.017441 a share or 0.12 OAS per 100 linked units
Barloworld	3 June	6 June	10 June	13 June	Cash Dividend	R0.50
CMH	3 June	6 June	10 June	13 June	Cash Dividend	R0.30
Coronation	3 June	6 June	10 June	13 June	Cash Dividend	R0.80
Pick n Pay	3 June	6 June	10 June	13 June	Cash Dividend	R1.055
Pikwik	3 June	6 June	10 June	13 June	Cash Dividend	R0.5134
PPC	3 June	6 June	10 June	13 June	Cash Dividend	R0.35
Raubex	3 June	6 June	10 June	13 June	Cash Dividend	R0.68
Spar	3 June	6 June	10 June	13 June	Cash Dividend	R1.42
SBR002	3 June	6 June	10 June	15 June	Interest	R1.45
Astral	9 June	10 June	17 June	20 June	Cash Dividend	R3.05
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
Mazor	9 June	10 June	17 June	20 June	Cash Dividend	R0.028
Brait NPLs	17 June	20 June	24 June	4 July	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

JD Group	17 June	20 June	24 June	27 June	Cash Dividend	R1.00
Astrapak	24 June	27 June	1 July	4 July	Cash Dividend	R0.264
Altron	24 June	27 June	1 July	4 July	Cash Dividend	R1.08
Altron Prefs	24 June	27 June	1 July	4 July	Cash Dividend	R1.08
Clicks	24 June	27 June	1 July	4 July	Cash Dividend	R0.37
Oceana	24 June	27 June	1 July	4 July	Cash Dividend	R0.37
Value Group	24 June	27 June	1 July	4 July	Cash Dividend	R0.12
Vodacom	24 June	27 June	1 July	4 July	Cash Dividend	R2.80
Datec	1 July	4 July	7 July	11 July	Capital reduction	R0.88
Netcare	15 July	18 July	22 July	25 July	Cash Dividend	R0.22
SBR003	22 July	24 July	29 July	5 August	Interest	R1.49

Source: JSE

Company calendar – 23 May to 27 May

Monday 23 May	Vukile finals
Tuesday 24 May	Stefanutti Stocks finals Rainbow Chicken finals Santova Logistics finals Taste finals Adcock Ingram interims
Wednesday 25 May	Adcorp finals Nampak interims
Thursday 26 May	Mr Price finals Foschini finals Esorfranki finals

Source: I-Net, Company updates

Economic calendar – 23 May to 27 May

Date	International	South Africa
Monday 23 May	Germany – May PMI flash [09h30] EMU – May PMI flash [10h00]	
Tuesday 24 May	Germany – Q1 GDP final [08h00] Germany – May Ifo Business survey [10h30] EMU – March Industrial new orders [11h00] US – April New home sales [16h00]	
Wednesday 25 May	Japan – April Trade balance UK – Q1 GDP prelim [10h30] US – April Durable goods [14h30]	
Thursday 26 May	US – Q1 Real GDP second estimate [14h30] US – Initial jobless claims for previous week [14h30]	April PPI [11h30]
Friday 27 May	Japan – April CPI Germany – May CPI [08h00] EMU – April M3 [10h00] EMU – May Consumer confidence [11h00] US – April Personal income [14h30] US – May Consumer sentiment final [15h55] US – April Pending home sales [16h00]	

Sources: Bloomberg, StatsSA

Key market indicators – Friday 20 May 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	31794.13	-0.39%	-2.25%	-3.09%	-1.01%	17.00%
JSE Fini 15	8107.74	-0.39%	-0.37%	-1.32%	-0.78%	5.11%
JSE Indi 25	27657.78	-0.03%	1.60%	2.60%	3.23%	26.16%
JSE Mining	35503.98	-0.70%	-6.84%	-9.30%	-4.55%	14.74%
JSE Resi 20	54024.53	-0.70%	-6.71%	-9.14%	-4.04%	15.75%
S&P 500	1333.27	-0.77%	0.22%	-0.73%	6.01%	19.57%
DJI	12512.04	-0.74%	0.47%	0.97%	8.07%	19.80%
NASDAQ	2803.32	-0.71%	0.03%	-1.08%	5.67%	21.97%
Nikkei	9607.08	-0.14%	0.00%	-11.52%	-6.08%	-5.69%
Hang Seng	23199.39	0.16%	-2.92%	-1.22%	0.71%	18.49%
FTSE 100	5948.49	-0.13%	-1.22%	-1.10%	-0.38%	15.32%
CAC 40	3990.85	-0.92%	-0.34%	-2.60%	4.89%	13.65%
DAX	7266.82	-1.24%	0.24%	-0.75%	5.10%	21.34%
ASX-ORD	4807.70	-0.42%	-2.68%	-3.67%	-0.81%	8.91%
JSE All Share (in US\$)	4601.64	-1.14%	-3.97%	0.02%	-5.17%	31.23%
MS EM Index	1140.55	0.01%	-4.56%	1.79%	-0.94%	25.26%
MS World Index	1336.65	-0.68%	-1.01%	-1.58%	4.42%	21.99%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.91	-0.75%	-1.76%	3.21%	-4.20%	12.16%
Rand/GB Pound	11.21	-0.91%	-0.90%	3.33%	-8.07%	-0.32%
Rand/Euro	9.78	0.24%	0.61%	-0.10%	-9.60%	-1.79%
Rand/Aus \$	7.36	-0.74%	-1.62%	-2.15%	-8.22%	-10.79%
Yen/ US \$	81.69	0.04%	0.92%	1.69%	-0.71%	12.07%
Swiss Franc/US \$	0.88	0.46%	1.30%	7.83%	6.52%	31.40%
US \$/Euro	1.42	1.09%	2.49%	-3.38%	-5.47%	-12.52%
US \$/GB Pound	1.62	-0.01%	1.00%	-0.01%	-3.81%	-11.21%
US \$/Aus \$	1.06	0.21%	0.32%	-5.27%	-3.93%	-20.42%
Nominal Effective Exchange Rate (2000 = 100)	75.37	-0.31%	1.13%	-1.14%	7.81%	-0.09%

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Commodities						
Gold \$/oz.	1513.5	1.31%	0.76%	7.61%	6.48%	26.83%
Platinum/oz.	1772	0.40%	-1.75%	-4.35%	0.11%	10.47%
Brent Crude \$/bbl	112.5	0.21%	-8.96%	7.74%	18.73%	55.49%

Fixed income	Closing yield %
SA R157	7.55
US 2 YEAR	0.52
US 10 YEAR	3.15
UK 2 YEAR	0.67
UK 10 YEAR	3.35
EURO 2 YEAR	1.86
EURO 10 YEAR	3.15

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