

## Today's highlights

- Credit and housing markets: Still no case for higher rates
- Upcoming dividend dates and corporate actions
- Company calendar – 1 June to 8 June
- Economic calendar – 1 June to 8 June

### Talking point: A thumbs up for competition

Markets received two pieces of good news yesterday, with first a solid set of GDP numbers for the first quarter, at 4.8% on an annualised, seasonally adjusted basis and then the announcement of the approval of the Wal-Mart/Massmart transaction.

GDP was ahead of I-Net economist forecasts of around 4.3% and owed much to a very strong number for manufacturing, which contributed 2.2 percentage points of the headline number. This happened against the backdrop of a firm rand over much of the quarter, as well as high fuel prices.

The approval for Wal-Mart to take 51% of Massmart, at R148 a share, was well received by the market with the rand responding well to the announcement. The devil is of course in the detail of the conditions applied by the Competition Tribunal, but considering that three of the four conditions applied were offered by the parties to the deal, suggests that they are reasonably happy with the outcome. The conditions can be summarised as follows: no merger related retrenchments may happen for two years; SACCAWU is to continue to be recognised for three years and a R100m fund is to be set up to assist the local supply chain. In addition, the Game employees retrenched in mid-2010 will be given preference in any re-employment drives.

On balance, this was a good result for all parties, notably the SA consumer, who can hopefully look forward to keener pricing from now on in the retail space, which after all is what competition is supposed to be all about.

### Market highlights

Weak US data was not enough to lower the mood entirely on Wall Street overnight, with weak economic data earlier in the day being offset by growing optimism that financial assistance to Greece will be increased.

The JSE ended higher on Friday despite some disappointing US data later in the day that took some of the shine off the news that the Wal-Mart/Massmart deal had been given competition authority approval.

Bonds were little changed despite better than expected GDP data for the first quarter while the rand firmed on news of the approval of the Wal-Mart/Massmart deal by the Competition Tribunal.

Commodities rose overnight, boosted by a falling US dollar and increased confidence about the outlook for Greece and the Eurozone.

### Key indicators in a nutshell – Tuesday 31 May 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	<b>32565.73</b>	0.54%	-0.82%	1.85%	1.39%	19.71%
S&P 500	<b>1345.2</b>	1.06%	-1.35%	2.81%	6.96%	23.48%
Nikkei	<b>9693.73</b>	1.99%	-1.58%	-7.61%	-5.23%	-0.71%
Rand/US \$	<b>6.80</b>	1.82%	-3.59%	1.20%	-2.67%	11.86%
Rand/GB Pound	<b>11.18</b>	1.99%	-1.96%	0.36%	-7.80%	-1.56%
US\$/Euro	<b>1.44</b>	-0.77%	2.63%	-3.90%	-7.23%	-14.94%
Gold \$/oz.	<b>1535.58</b>	-0.17%	-1.92%	6.90%	8.03%	26.49%

### Company results and updates

Invicta grew its diluted HEPS for the year to March by 10.3%, to 473c. A final dividend of 126cps was declared, bringing the total for the year to 183cps, an increase of 21.2%.

Blue Financial Services reported a diluted headline loss per share for the year to February of 27.77c, down from a previous 134.96c.

Chrometco reported a widening of its headline loss per share for the year to February to 4.25c, from 2.84c previously.

TCS widened its headline loss per share for the year to February to 2.48c, from 1.38c previously.

Quantum Property reported a diluted headline loss per share for the six months to February of 8.27c, from 17.57c previously.

African Dawn reported HEPS for the year to February of 1.03c, from a previous headline loss per share of 49.28c.

Zaptronix reported HEPS of 0.22c for the six months to February, from a previous 0.48c.

African Brick reported HEPS for the year to February of 1.67c, from a previous 3.82c.

Miranda reported a headline loss per share of 3.87c for the six months to February, up from a previous 2.99c.

Sentula expects to report HEPS for the year to March at least 16c, from a previous 0.6c. Sentula is due to report on 15 June.

PSV reported a headline loss per share for the year to February of 3.17c, from previous HEPS of 5.2c.

Telkom expects to report a decline in normalised HEPS of between 25% and 45% for the year to March. Telkom reports on 13 June.

WG Wearne reported a headline loss per share for the year to February of 21.09c, from a previous 15.52c.

Crookes Brothers reported HEPS for the year to March of 202.6c, up from 89.8c. A final dividend of 65cps was declared, bringing the total distribution for the year to 160cps, up from a previous 70cps.

Brikor reported a headline loss per share for the year to February of 6.5c, up from 5.4c previously.

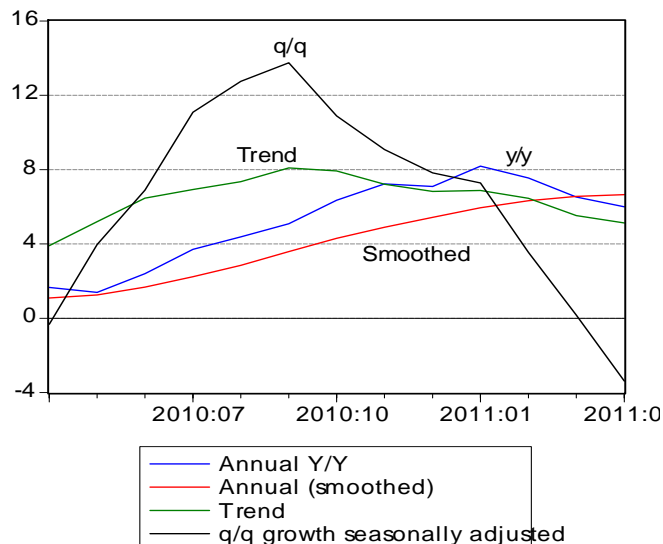
RGT Smart grew its HEPS for the year to February by 19.2%, to 0.83c.

## Daily ideas

### Credit and housing markets: Still no case for higher rates

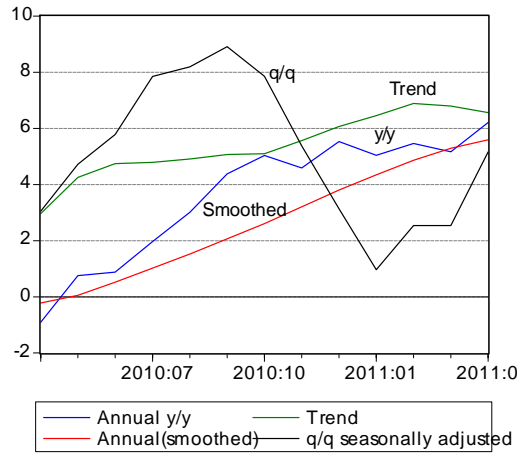
The credit and money supply numbers for April 2011 indicate that the pace of money supply and credit growth, especially growth in mortgages, pedestrian before, is slowing down gradually, rather than accelerating. The growth trends in M3, the broadest definition of the money supply including almost all deposits issued by the banks, is most clearly pointing lower.

#### Money supply growth



Source: SA Reserve Bank, Investec Wealth and Investment

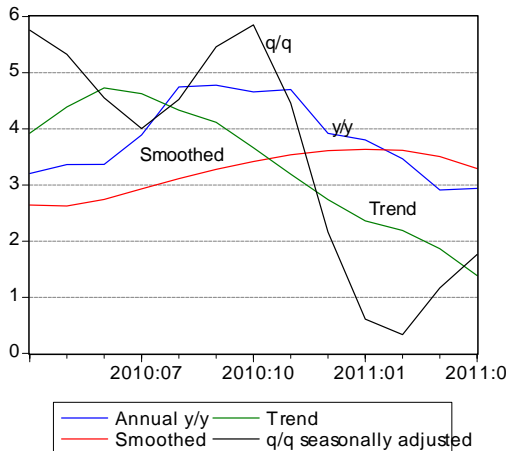
## Growth in Bank Credit supplied to Private Sector



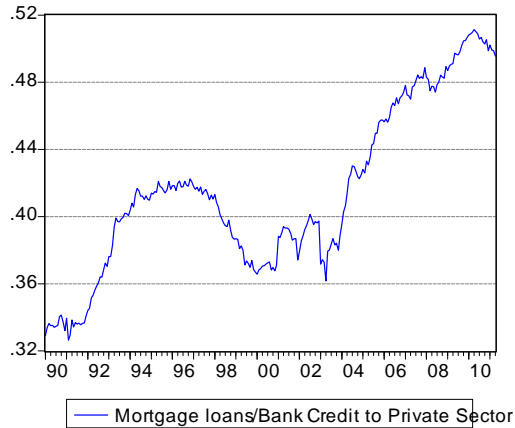
Source: SA Reserve Bank, Investec Wealth and Investment

It is demands for bank credit that lead the money supply process in SA. As the banks lend more, the Reserve Bank accommodates the banks with additional cash- that is cash reserves – at the prevailing repo rate. More credit demanded leading to more money supplied is the modus operandi of the SA Reserve Bank. The demands for credit lead the supply of cash and more broadly defined money. A large proportion of SA bank lending is on mortgage and mortgage demands remain especially tepid as we also show below.

## Growth in mortgage lending



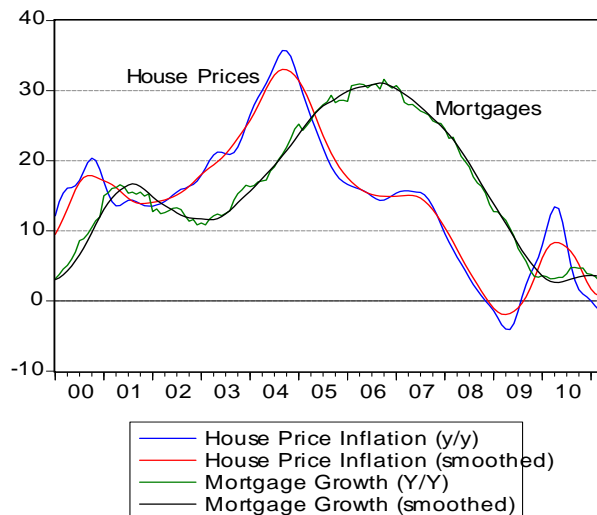
Source: SA Reserve Bank, Investec Wealth and Investment

**Mortgage lending / All bank lending to private sector**

Source: SA Reserve Bank, Investec Wealth and Investment

Growth in mortgage lending follows house price inflation, as we show below, where it may be seen that the price of the average home is now unchanged compared with a year ago. A housing boom leads to a credit boom and rapid growth in the money supply as it did between 2003 and 2008 – and when the housing boom slows down, so does money supply growth as it has recently. Interest rate settings have proved incapable of effectively moderating the credit and money supply cycles in SA.

Until the housing market picks up the growth in bank lending will remain subdued. The recovery in the housing market has lagged behind the recovery in the economy. It will take further growth in formal sector employment to revive the housing market.

**House Price Inflation and the growth in mortgage lending**

Source: SA Reserve Bank, Investec Wealth and Investment

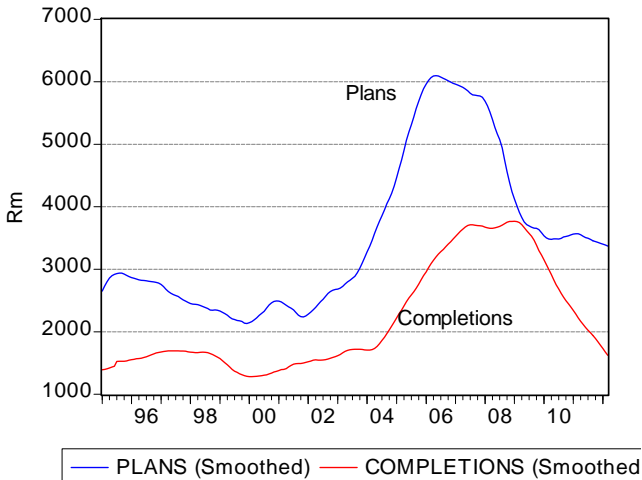
Lower interest rates on mortgage loans, applied much earlier in the slow down, might have helped moderate the contraction in the credit and money cycles, but these now appear most unlikely given the recent uptick in inflation. The credit and money supply numbers should however help dissuade the Reserve Bank from raising interest rates.

There is clearly no money or credit supply growth reason for raising interest rates, nor any excess demands for houses or anything else that would need to be restrained by higher interest rates. Indeed the opposite, lower rates, would still appear appropriate, given the state of the economy and in particular the state of the housing market and the construction industry that is an important employer of labour.

We show below the recent collapse in the cycle of buildings completed. We show how building plans passed have led the building industry lower. The indication is that the planning cycle has at best bottomed out, offering only the hope that construction activity will soon also bottom out and recover.

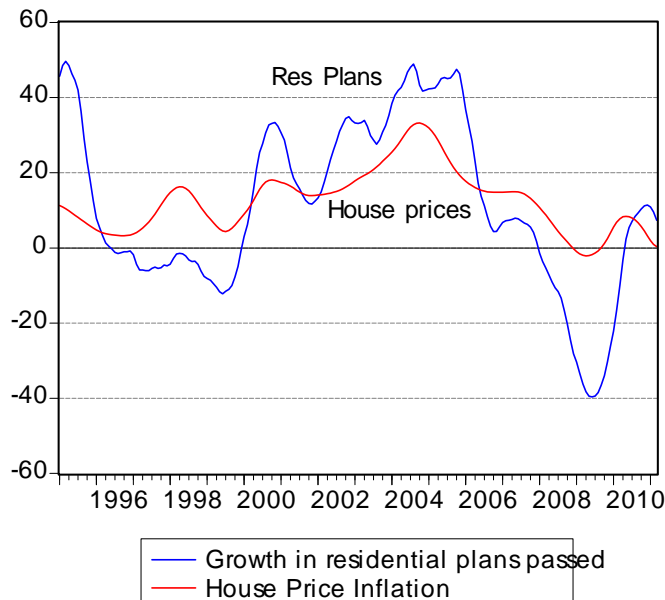
It is of interest to note that house prices lead not only mortgage demands but also building plans passed. It takes higher house prices to encourage construction activity.

### The Building and Planning Cycles



Source: SA Reserve Bank, Investec Wealth and Investment

### Growth in residential building plans and house prices



Source: SA Reserve Bank, Investec Wealth and Investment

The weak state of the credit and housing markets, that are inextricably bound together, makes the case for lower rather than higher interest rates. The Reserve Bank appears understandably reluctant to raise interest rates in the circumstances. The currently higher inflation rate is of the supply side, cost push administered price variety over which monetary policy has no influence and if it persists will weaken demand further.

Furthermore, as we have mentioned before, we have found no evidence of second round effects of inflation, that is, more inflation that leads to more inflation expected that leads in turn to more actual inflation. Fighting these feared second round effects have become an argument for higher interest rates, regardless of their negative effect on economic activity. Such arguments should be ignored and the SA public and market place made to understand why. **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
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	Special cash dividend	R0.31
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
AECI Pref	3 June	6 June	10 June	13 June	Cash Dividend	R0.3120728
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
Ceramic	3 June	6 June	10 June	13 June	Special Cash Dividend	R15.00
Gold Reef	3 June	6 June	10 June	13 June	Cash Dividend	R0.50
MAS plc	3 June	6 June	10 June	13 June	Scrip Dividend	EUR0.021 or at ratio tbc
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
Pinnacle Point	3 June	6 June	10 June	13 June	Rights issue	18.5419 PNGN per 100 PNG
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
SA French	3 June	6 June	10 June	15 June	Rights issue	240 SFHN per 100 SFH
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
African Bank	9 June	10 June	17 June	20 June	Cash Dividend	R0.85
African Bank Prefs	9 June	10 June	17 June	20 June	Cash Dividend	R3.10
Astral	9 June	10 June	17 June	20 June	Cash Dividend	R3.05
Cargo	9 June	10 June	17 June	20 June	Cash Dividend	R0.05
Freeworld	9 June	10 June	17 June	tbc	Minority offer	R12 per share tendered
Investec Ltd Prefs	9 June	10 June	17 June	30 June	Cash Dividend	R3.4161

Investec plc Prefs	9 June	10 June	17 June	30 June	Cash Dividend	R0.84
Investec Bank Prefs	9 June	10 June	17 June	30 June	Cash Dividend	R3.1884
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
Reunert	9 June	10 June	17 June	20 June	Cash Dividend	R0.77
Vukile	9 June	10 June	17 June	20 June	Cash Dividend	R0.0014
Vukile	9 June	10 June	17 June	20 June	Interest	R0.6698
Verimark	9 June	10 June	17 June	20 June	Cash Dividend	R0.15
Adcock Ingram	17 June	20 June	24 June	27 June	Capital Reduction	R0.81
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
Dorbyl 5.5% Cum Pref	17 June	20 June	24 June	27 June	Cash Dividend	R0.055
Dorbyl 5% Cum Pref	17 June	20 June	24 June	27 June	Cash Dividend	R0.05
HCI	17 June	20 June	24 June	27 June	Cash Dividend	R0.60
JD Group	17 June	20 June	24 June	27 June	Cash Dividend	R1.00
Medi-Clinic	17 June	20 June	24 June	27 June	Cash Dividend	R0.50
Metmar	17 June	20 June	24 June	27 June	Cash Dividend	R0.11
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
Famous Brands	24 June	27 June	1 July	4 July	Cash Dividend	R0.85
Oceana	24 June	27 June	1 July	4 July	Cash Dividend	R0.37
Pioneer	24 June	27 June	1 July	4 July	Cash Dividend	R0.40
Pinnacle Point NPLs	24 June	27 June	1 July	4 July	Rights takeup	1 PNGN converts to 1 PNG at R0.01
Sallies CD	24 June	27 June	1 July		Interest	R0.0248221
Stefanutti Stocks	24 June	27 June	1 July	4 July	Cash Dividend	R0.25
Steinhoff NPLs	24 June	27 June	1 July	4 July	Rights takeup	1 SHFN converts to 1 SFH at R0.05
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
Datatec	1 July	4 July	7 July	11 July	Capital reduction	R0.88
Nampak	1 July	4 July	7 July	11 July	Cash Dividend	R0.34
Taste	1 July	4 July	7 July	11 July	Cash Dividend	R0.03
Adcorp	8 July	11 July	15 July	18 July	Cash Dividend	R1.21
Austro	8 July	11 July	15 July	18 July	Capital Reduction	R0.02
Gold Reef	8 July	11 July	15 July	18 July	Name change	Tsogo Sun Holdings
ISA	8 July	11 July	15 July	18 July	Cash Dividend	R0.062
ISA	8 July	11 July	15 July	18 July	Capital Reduction	R0.01
Lewis	15 July	18 July	22 July	25 July	Cash Dividend	R2.07

Netcare	15 July	18 July	22 July	25 July	Cash Dividend	R0.22
Investec Ltd	22 July	24 July	29 July	8 August	Cash Dividend	R1.02
Investec plc	22 July	24 July	29 July	8 August	Cash Dividend	R1.02
SBR003	22 July	24 July	29 July	5 August	Interest	R1.49
SABMiller	29 July	1 August	5 August	12 August	Cash Dividend	USD0.615
Richemont	9 September	12 September	16 September	23 September	Cash Dividend	CHF0.02925 less Swiss withholding tax

Source: JSE

### Company calendar – 1 June to 8 June

**Wednesday 1 June**

Mercantile AGM

**Thursday 2 June**

Peregrine finals (approx date)  
Trans Hex finals

**Friday 3 June**

Brait finals

Source: I-Net, Company updates



## Economic calendar – 1 June to 8 June

<b>Date</b>	<b>International</b>	<b>South Africa</b>
<b>Wednesday 1 June</b>	<b>China</b> – May PMI <b>Germany</b> – May PMI manufacturing final [09h55] <b>EMU</b> – May PMI manufacturing final [10h00] <b>UK</b> – May PMI manufacturing [10h30] <b>UK</b> – April M4 and M4 lending final [10h30] <b>US</b> – May ADP employment report [14h15] <b>US</b> – May ISM manufacturing [16h00]	May Kagiso PMI [10h00]
<b>Thursday 2 June</b>	<b>US</b> – Initial jobless claims for previous week [14h30] <b>US</b> – April Factory orders [16h00]	May New vehicle sales [11h00]
<b>Friday 3 June</b>	<b>Japan</b> – May PMI services and composite <b>Germany</b> – May PMI services and composite final [09h55] <b>Germany</b> – May PMI services and composite final [10h00] <b>UK</b> – May PMI services [10h30] <b>US</b> – May Nonfarm payrolls [14h30] <b>US</b> – May ISM nonmanufacturing [16h00]	
<b>Monday 6 June</b>	<b>EMU</b> – April PPI [11h00]	
<b>Tuesday 7 June</b>	<b>EMU</b> – April Retail sales [11h00] <b>US</b> – April Consumer credit [15h00]	May Gross reserves [08h00]
<b>Wednesday 8 June</b>	<b>Japan</b> – April Current account <b>Germany</b> – April Foreign trade [08h00] <b>Germany</b> – April Industrial production [12h00] <b>EMU</b> – Q1 GDP [11h00] <b>US</b> – Beige Book [20h00]	

Sources: Bloomberg, StatsSA, SA Reserve Bank, NAAMSA

## Key market indicators – Tuesday 31 May 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32565.73	0.54%	-0.82%	1.85%	1.39%	19.71%
JSE Fini 15	8336.84	0.91%	-0.06%	4.72%	2.02%	9.96%
JSE Indi 25	28175.27	1.17%	1.02%	7.64%	5.16%	30.15%
JSE Mining	36579.94	-0.17%	-2.59%	-4.25%	-1.65%	15.01%
JSE Resi 20	55599.64	-0.21%	-2.85%	-4.55%	-1.25%	16.51%
S&P 500	1345.20	1.06%	-1.35%	2.81%	6.96%	23.48%
DJI	12569.79	1.03%	-1.88%	4.17%	8.57%	24.00%
NASDAQ	2835.30	1.37%	-1.33%	3.17%	6.88%	25.62%
Nikkei	9693.73	1.99%	-1.58%	-7.61%	-5.23%	-0.71%
Hang Seng	23684.13	2.16%	-0.15%	2.76%	2.82%	19.82%
FTSE 100	5989.99	0.86%	-1.32%	1.27%	0.32%	15.45%
CAC 40	4006.94	1.63%	-2.43%	-0.68%	5.31%	13.99%
DAX	7293.69	1.86%	-2.94%	1.57%	5.49%	22.66%
ASX-ORD	4788.90	0.90%	-2.25%	-2.23%	-1.20%	6.92%
JSE All Share (in US\$)	4789.01	2.37%	-4.38%	3.08%	-1.31%	33.91%
MS EM Index	1167.97	1.73%	-2.99%	4.91%	1.44%	27.36%
MS World Index	1354.61	1.22%	-2.45%	1.25%	5.82%	25.39%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.80	1.82%	-3.59%	1.20%	-2.67%	11.86%
Rand/GB Pound	11.18	1.99%	-1.96%	0.36%	-7.80%	-1.56%
Rand/Euro	9.81	0.97%	-1.00%	-2.77%	-9.88%	-4.65%
Rand/Aus \$	7.27	1.90%	-0.58%	-3.78%	-7.00%	-11.13%
Yen/ US \$	81.45	-0.70%	-0.32%	0.47%	-0.42%	11.77%
Swiss Franc/US \$	0.85	-0.26%	1.42%	8.27%	9.56%	35.91%
US \$/Euro	1.44	-0.77%	2.63%	-3.90%	-7.23%	-14.94%
US \$/GB Pound	1.65	0.13%	1.48%	-0.81%	-5.18%	-12.23%
US \$/Aus \$	1.07	0.17%	2.37%	-4.87%	-4.24%	-20.52%
Nominal Effective Exchange Rate (2000 = 100)	74.85	0.11%	2.74%	1.36%	8.56%	1.75%

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
<b>Commodities</b>						
Gold \$/oz.	1535.58	-0.17%	-1.92%	6.90%	8.03%	26.49%
Platinum/oz.	1833.5	1.66%	-2.21%	-0.87%	3.59%	18.98%
Brent Crude \$/bbl	116.42	1.26%	-7.78%	-0.56%	22.87%	58.68%

Fixed income	Closing yield %
SA R157	7.53
US 2 YEAR	0.49
US 10 YEAR	3.08
UK 2 YEAR	0.63
UK 10 YEAR	3.31
EURO 2 YEAR	1.64
EURO 10 YEAR	3.04

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