

## Today's highlights

- The rand: Remarkably unaffected by global risk aversion
- Data releases: Softly, softly
- Upcoming dividend dates and corporate actions
- Company calendar – 20 June to 24 June
- Economic calendar – 20 June to 24 June

### Talking point: Clearing the political hurdles

One of the problems of solving the problems of Greece and other peripheral economies in the Eurozone, is that any solution that the economists and central bankers might come up with, has to work through a number of political hurdles as well. Politicians negotiate not just with the interests of their countries in mind, but also with their own futures in mind at the ballot. This can lead to political brinkmanship by the stronger countries on the one side (as with Germany's demands that private bondholders share in the pain in any bailout plan), but also to governments in weak countries being thrown out by their electorate before they have a chance to implement the cuts in spending that are needed. This happened in Ireland last year and Portugal recently, and now appears likely to happen in Greece as well.

When backed into a corner by a crisis, even new governments have to agree in the end to whatever austerity measures are demanded by the EU and the IMF, however unpalatable they may seem. But in the meantime, governments risk being thrown out by angry electorates, which delays the implementation of plans and creates uncertainty and the threat of contagion.

To this end, the EU and the IMF have decided to play hardball in order to get changes implemented as soon as possible. They have offered to release EUR12bn in loans in mid-July as part of a broader, EUR100bn plan to bail its economy out, but only if the Greek government passes a set of reforms to reduce spending and to unlock funds through privatization of state owned assets by the end of this month. The hope is that this will "focus the minds" of the different parties in Greece and get them to pull together to make the necessary changes, avoiding harmful delays and further uncertainty.

Even with the agreement to conditions, Greece and other members of the Eurozone still face a long slog on the road to fiscal redemption. Whether this ends in some sort of restructuring or further dipping into their own pockets by European taxpayers, remains to be seen.

### Market highlights

US equities rose on Friday, as a fall in energy prices and a mixed set of economic data helped lift the overall market.

The JSE fell on Friday, as local markets played catch up on its global counterparts after markets were closed on Thursday.

The rand firmed on Friday despite ongoing worries about the Eurozone, while bonds tracked the currency firmer as well.

Commodities were mostly lower on Friday, with oil prices sliding on worries about the economic outlook and the ongoing Greek debt crisis.

### Key indicators in a nutshell – Friday 17 June 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	30669.26	-1.07%	-3.69%	-0.03%	-4.51%	10.79%
S&P 500	1271.5	0.30%	-5.16%	-2.07%	1.10%	14.08%
Nikkei	9351.4	-0.64%	-3.22%	1.57%	-8.58%	-7.11%
Rand/US \$	6.73	1.55%	2.51%	2.86%	-1.70%	12.47%
Rand/GB Pound	10.94	0.82%	1.74%	3.09%	-5.81%	2.05%
US\$/Euro	1.43	-0.79%	-0.39%	-0.65%	-6.47%	-13.96%
Gold \$/oz.	1539.2	0.66%	2.81%	7.98%	8.29%	25.04%

## Company results and updates

Metorex says it has received an unsolicited expression of interest from a third party to acquire its entire share capital. Metorex is currently subject to an offer from Brazilian diversified mining group Vale.

Simmer and Jack saw its gold production fall 15% in the March quarter, to 41 942oz.

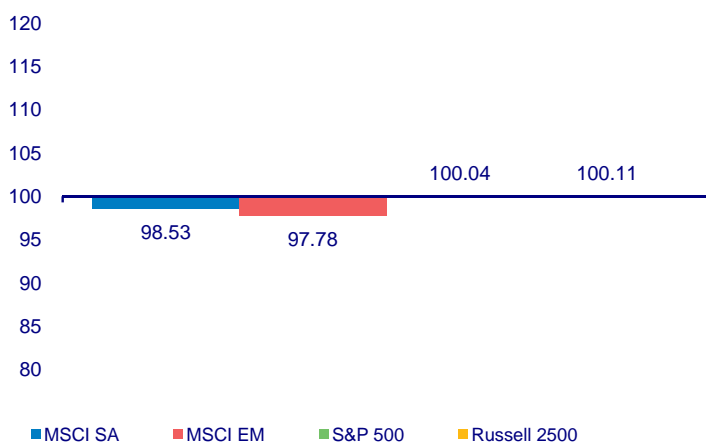
Moneyweb expects to report a headline loss per share for the year to March of between 2.57c and 3.14c. Results are due out at the end of the month.

## Daily ideas

### The rand: Remarkably unaffected by global risk aversion

The benchmark Emerging Equity Index lost a further 2.2% last week in response to the uncertainties associated with the ongoing Greek debt saga. The New York indexes held their ground as the news about the state of the US economy improved marginally.

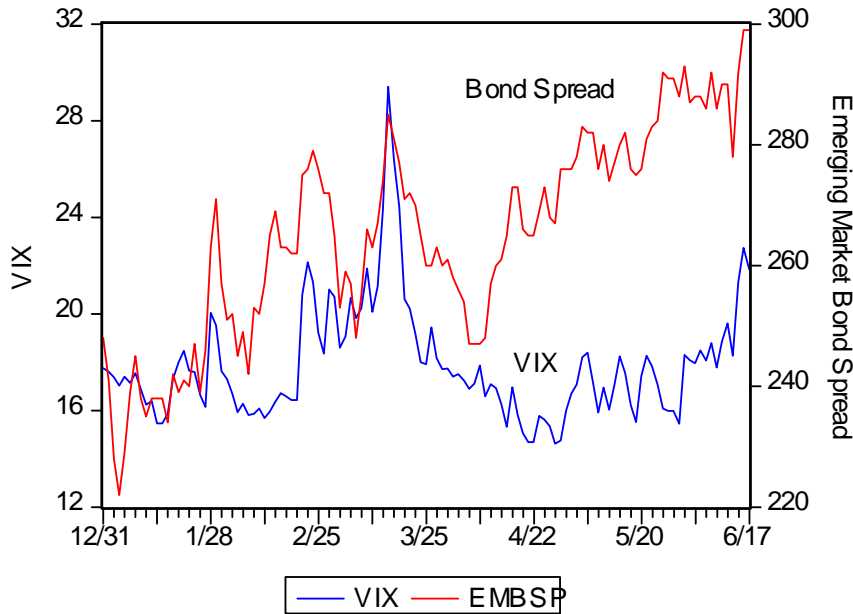
#### Total US dollar returns, week ending 17 June (12 June = 100)



Source: Bloomberg and Investec Securities

The SA component of this index, the MSCI SA, as may be noticed, did better than the average emerging market thanks to a rand that held up very well in the circumstances of the increased risks being priced into global markets. Both the volatility priced into options on the S&P 500, the VIX index and the emerging market bond spread reflected the lesser appetite for risk late last week.

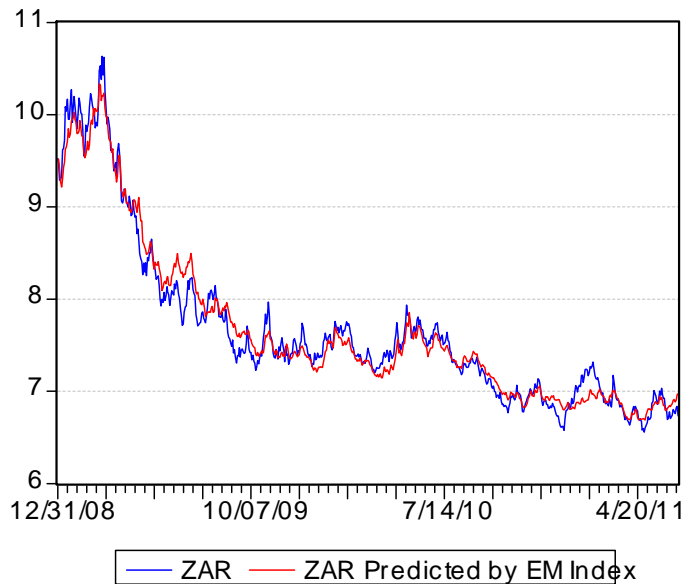
**Measures of global risk (Daily Data): The VIX (LHS) and the Emerging Market Bond Spread (RHS)**



Source: I-Net Bridge and Investec Wealth and Investment

The trade weighted value of the rand last week was only fractionally weaker by the weekend which in the circumstances of elevated global risk must be regarded as a surprisingly good outcome. The rand/US dollar exchange rate can be very well explained by the emerging market equity index and on this basis the rand can be regarded as very marginally overvalued, to the order of about 3.5%. In the figure below we show the results of this model that predicts the value of the rand/US dollar using the MSCI Index as its only explanation. The fit of this model using daily data since early 2009 has been exceptionally good, as may be seen.

**The rand/US dollar predicted by the EM Equity Index (Daily Data)**



Source: I-Net Bridge and Investec Wealth and Investment

It seems to us that the equity markets are well supported by undemanding valuations relative to earnings and dividends. The fixed interest markets continue to offer very little competition for savings and seem unlikely to do so within the next 12 months. It seems to us also that despite the crisis in Europe, the outlook for the global economy, US weakness taken into account, remains satisfactory enough to make further good growth in earnings from globally focused companies a very likely reality. Currently lower oil prices will help materially to this end.

The future of the euro, or rather, the continued participation of Greece in the Eurozone remains uncertain. How far the German and French leaders are prepared to go to avoid what appears unthinkable to them, and that is a breakup of the euro, and how much help they will be getting from the Greeks to this ideological end, remains unresolved. The likelihood of Europe (that is, Northern European taxpayers) footing ever more of the bill for European unity seems to us somewhat more, rather than less, likely post this weekend's deliberations. The equity markets would surely like confirmation of their willingness to pay the price for the failure to date of Europe to co-ordinate fiscal and monetary policy. It is a failure that will have to be addressed with or without the active commitment of Greece. **Brian Kantor**

### **Data releases: Softly, softly**

Some key data releases take place this week, with quarterly labour statistics out tomorrow, followed by the release of the first Quarterly Bulletin of the year of the Reserve Bank, which will contain details on gross domestic expenditure and the current account deficit for the first quarter. Wednesday then sees the release of consumer inflation for May.

Current account data are difficult to predict, and this was clear with the numbers for the fourth quarter of last year, which showed a current account deficit of 0.6%, far smaller than that seen in the preceding quarters. Most economists are forecasting a return to the sorts of deficits recorded over most of last year, and an I-Net poll of economists has the deficit coming in at 3.1%, reflecting the pickup in imports seen in trade numbers through the quarter.

The Consumer Price Index (CPI) for May is expected to come in at 4.3%, based on the I-Net poll of economists, up only slightly on the 4.2% recorded in April. May is generally a low survey month for the CPI, while any upward pressure from fuel prices (the petrol price rose by 29c a litre in May) is likely to be dampened a little by high base effects due to a hike in petrol prices in May last year. Economists though are likely to focus attention on core inflation, which was a relatively muted 3.1% in April.

While there is always scope for surprises in the data, one would expect the releases this week to back up the story we have seen so far in global and local data reports over the last few months: that the economy has been going through a soft stage and that there is little justification for any adjustment to interest rates yet. The hope is for a pickup through the second half of the year as the world economy continues to recover. **Patrick Lawlor**

## Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount/result
Adcock Ingram	17 June	20 June	24 June	27 June	Capital Reduction	R0.81
African & Overseas Prefs	17 June	20 June	24 June	27 June	Cash Dividend	R0.06
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
Clover Prefs	17 June	20 June	24 June	27 June	Cash Dividend	R0.0586
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
Mr Price	17 June	20 June	24 June	27 June	Cash Dividend	R1.753
Rex Trueform Pref	17 June	20 June	24 June	27 June	Cash Dividend	R0.06
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
Libhold Prefs	24 June	27 June	1 July	4 July	Cash Dividend	R0.055
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 takeover	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 takeover	1 SHFN converts to 1 SFH at R0.05
Tiger Brands	24 June	27 June	1 July	4 July	Cash Dividend	R2.81
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
Crookes Brothers	1 July	4 July	7 July	11 July	Cash Dividend	R0.65
Curro NPLs	1 July	4 July	7 July	11 July	Rights takeover	1 COHN converts to 1 COH at R4
Datatec	1 July	4 July	7 July	11 July	Capital reduction	R0.88
Foschini	1 July	4 July	7 July	11 July	Cash Dividend	R2.12
Illovo	1 July	4 July	7 July	11 July	Capital reduction	R0.34
Invicta	1 July	4 July	7 July	11 July	Cash Dividend	R1.26
Nampak	1 July	4 July	7 July	11 July	Cash Dividend	R0.34

Rare NPLs	1 July	4 July	7 July	11 July	Rights take up	1 RARN converts to 1 RAR at R0.20 a share
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
Cadiz	8 July	11 July	15 July	18 July	Cash Dividend	R0.20
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
Mondi Ltd	8 July	11 July	15 July	18 July	Unbundling	1 Mpack (MPT) per MND
Tongaat	8 July	11 July	15 July	18 July	Cash Dividend	R1.40
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
Peregrine	15 July	18 July	22 July	25 July	Cash Dividend	R0.35
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
Foschini Prefs	16 September	19 September	23 September	26 September	Cash Dividend	R0.065

Source: JSE

## Company calendar – 20 June to 24 June

**Tuesday 21 June** Remgro finals

**Thursday 23 June** Avusa finals

Source: I-Net, Company updates

## Economic calendar – 20 June to 24 June

Date	International	South Africa
<b>Monday 20 June</b>	<b>Japan</b> – May Trade balance <b>Germany</b> – May PPI [08h00] <b>EMU</b> – April Balance of payments [10h00]	
<b>Tuesday 21 June</b>	<b>UK</b> – May Public sector finances [10h30] <b>US</b> – May Existing home sales [16h00] <b>US</b> – FOMC meeting starts	Q1 Quarterly Labour report [09h00] Q1 Reserve Bank Quarterly Bulletin [10h00] Q1 Current account [10h00]
<b>Wednesday 22 June</b>	<b>EMU</b> – April Industrial new orders [11h00] <b>EMU</b> – June Consumer confidence prelim [16h00] <b>US</b> – FOMC meeting ends and statement [20h15]	May CPI [10h00]
<b>Thursday 23 June</b>	<b>Germany</b> – June PMI flash [09h30] <b>EMU</b> – June PMI flash [10h00] <b>US</b> – Initial jobless claims for previous week [14h30]	
<b>Friday 24 June</b>	<b>Germany</b> – June Ifo business survey [10h00] <b>US</b> – May Durable goods [14h30] <b>US</b> – Q1 Real GDP final [14h30]	

Sources: Bloomberg, StatsSA, SA Reserve Bank

## Key market indicators – Friday 17 June 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	30669.26	-1.07%	-3.69%	-0.03%	-4.51%	10.79%
JSE Fini 15	7905.08	-0.51%	-2.26%	1.74%	-3.26%	4.73%
JSE Indi 25	26548.20	-1.35%	-3.76%	5.24%	-0.91%	19.91%
JSE Mining	33676.90	-1.52%	-5.94%	-6.64%	-9.46%	3.35%
JSE Resi 20	51452.93	-1.46%	-5.45%	-6.79%	-8.61%	5.01%
S&P 500	1271.50	0.30%	-5.16%	-2.07%	1.10%	14.08%
DJI	12004.36	0.36%	-4.43%	-0.27%	3.69%	15.32%
NASDAQ	2616.48	-0.28%	-7.05%	-2.81%	-1.37%	13.47%
Nikkei	9351.40	-0.64%	-3.22%	1.57%	-8.58%	-7.11%
Hang Seng	21695.26	-1.17%	-5.72%	-4.36%	-5.82%	8.14%
FTSE 100	5714.94	0.28%	-3.52%	-1.23%	-4.29%	9.11%
CAC 40	3823.74	0.83%	-3.88%	-2.07%	0.50%	4.02%
DAX	7164.05	0.76%	-1.91%	5.10%	3.61%	15.72%
ASX-ORD	4551.10	0.10%	-4.49%	-3.87%	-6.10%	-0.46%
JSE All Share (in US\$)	4554.93	0.21%	-0.59%	3.76%	-6.14%	24.66%
MS EM Index	1103.74	-0.33%	-3.39%	-0.58%	-4.14%	17.00%
MS World Index	1280.58	0.55%	-4.58%	-2.05%	0.04%	15.25%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.73	1.55%	2.51%	2.86%	-1.70%	12.47%
Rand/GB Pound	10.94	0.82%	1.74%	3.09%	-5.81%	2.05%
Rand/Euro	9.67	0.28%	1.58%	1.72%	-8.58%	-3.47%
Rand/Aus \$	7.20	0.20%	1.77%	-3.30%	-6.13%	-9.03%
Yen/ US \$	80.03	0.69%	2.04%	1.47%	1.35%	14.21%
Swiss Franc/US \$	0.85	-0.04%	3.79%	6.63%	10.10%	33.22%
US \$/Euro	1.43	-0.79%	-0.39%	-0.65%	-6.47%	-13.96%
US \$/GB Pound	1.62	-0.20%	-0.19%	0.72%	-3.59%	-9.01%
US \$/Aus \$	1.06	-0.56%	0.09%	-5.27%	-3.66%	-18.68%
Nominal Effective Exchange Rate (2000 = 100)	75.83	0.34%	-1.66%	-1.70%	7.16%	-0.92%



	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
<b>Commodities</b>						
Gold \$/oz.	1539.2	0.66%	2.81%	7.98%	8.29%	25.04%
Platinum/oz.	1756.5	-0.14%	-0.71%	2.00%	-0.76%	12.24%
Brent Crude \$/bbl	113.47	-0.85%	0.32%	-1.02%	19.76%	47.54%

Fixed income	Closing yield %
SA R157	7.55
US 2 YEAR	0.38
US 10 YEAR	2.94
UK 2 YEAR	0.58
UK 10 YEAR	3.20
EURO 2 YEAR	1.51
EURO 10 YEAR	2.95

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