

## Today's highlights

- The Hard Number Index: Satisfactory but not improving
- Upcoming dividend dates and corporate actions
- Company calendar – 13 July to 20 July
- Economic calendar – 13 July to 20 July

### Talking point: Italy ain't Greece

“Una faccia, una razza” (one face, one race) is an old Italian saying that remarks on the many similarities between Greeks and Italians thanks to their long shared histories going back to ancient times. The saying takes on a slightly unsettling tone after the recent fright over the stability of the Italian economy, coming as it does amidst the still unresolved Greek crisis. Italy has a much larger economy than Greece, Portugal or Ireland, so the consequences of fallout would be so much greater. While nerves were settled late yesterday after the Italian government got away a bond auction without too much trouble, markets are understandably skittish.

But Italy is not Greece, and not just because it is larger and its economy is more diversified. The periphery economies all face the combination of high debt levels, large fiscal deficits and structural growth impediments. Greece and Portugal have all three to an acute degree, while Ireland at least has some growth prospects. Italy for its part has high levels of debt and a structural growth problem, but it does at least have a fairly balanced budget, which should give it some room to reposition itself and tackle its debt problems and become more growth orientated.

However there is no room for complacency, especially in such fraught times as these and with European capital markets as edgy as they are. Should Italy seize the opportunity to reduce spending and make its economy more competitive, it would be doing the whole of Europe a favour by strengthening one of the major parts of the Eurozone edifice and make it easier to absorb the shocks on its periphery. Otherwise those Greek-Italian comparisons might prove true.

### Market highlights

US equities ended lower yesterday as a worse than expected earnings number out of Alcoa combined with worries about Europe after the downgrading of Irish debt, pushed stocks lower.

The JSE reversed earlier losses yesterday thanks to a good Wall Street opening and a turnaround in European equity markets after a relatively successful treasury bond sale in Italy calmed nerves about the safety of the country's sovereign debt.

Bonds weakened yesterday on worries over Italy while the rand lost ground as traders sought out safe havens on worries about Italy and the Eurozone.

Commodity markets mostly closed higher on calming of nerves after the Italian treasury bond auction.

### Key indicators in a nutshell – Tuesday 12 July 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	<b>31926.55</b>	0.26%	2.45%	-1.32%	-0.60%	17.07%
S&P 500	<b>1313.64</b>	-0.44%	3.36%	-0.06%	4.45%	21.86%
Nikkei	<b>9925.92</b>	-1.43%	4.32%	2.95%	-2.96%	3.55%
Rand/US \$	<b>6.85</b>	-0.17%	-0.67%	-0.71%	-3.33%	10.79%
Rand/GB Pound	<b>10.91</b>	-0.54%	1.10%	1.25%	-5.54%	4.78%
US\$/Euro	<b>1.40</b>	0.49%	2.69%	3.38%	-4.19%	-9.54%
Gold \$/oz.	<b>1567.25</b>	0.85%	2.31%	7.52%	10.26%	29.29%

## Company results and updates

Hulamin expects to report HEPS of between 21c and 23c for the half year to June, up from a previous 11c. Interim results are due out on 25 July.

Holdsport, which lists on 18 July, has placed 30m shares at R31 a share, which was at the lower end of the bookbuild range quoted at pre-listing.

Randgold & Exploration expects to post a headline loss per share for the six months to June of between 2c and 18c, from previous HEPS of 1122c.

Brimstone expects to report a decline in HEPS for the six months to June of at least 20% from its previous HEPS of 149c. Brimstone reports on 23 August.

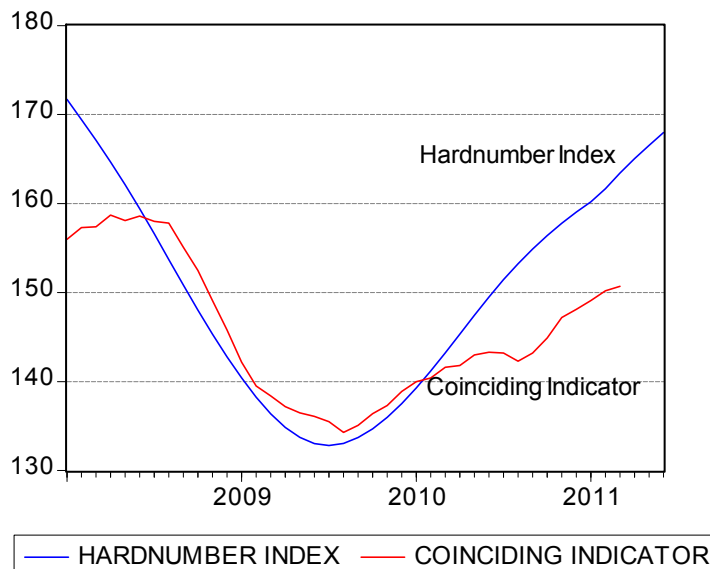
## Daily ideas

### The Hard Number Index: Satisfactory but not improving

Economic activity in SA expanded in June, but according to our Hard Number Index of Economic Activity (HNI) the pace of growth may well have slowed marginally rather than picked up momentum.

Our HNI attaches equal weights to two very up to date hard numbers, namely new vehicle sales for June, as released by NAAMSA, and the size of the note issue as at the end of June. The HNI may be compared to the Coinciding Indicator of the SA Business Cycle calculated by the SA Reserve Bank. This indicator, with a very similar lower turning point for the current cycle, is however only updated to March 2011, leaving it well behind current economic events.

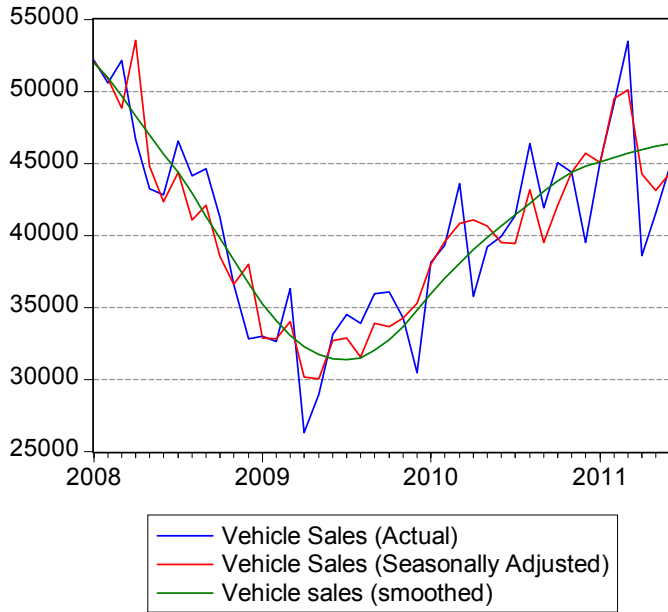
### The Hard Number Index and the Business Cycle Indicator



Source: Naamsa, SA Reserve Bank and Investec Wealth and Investment

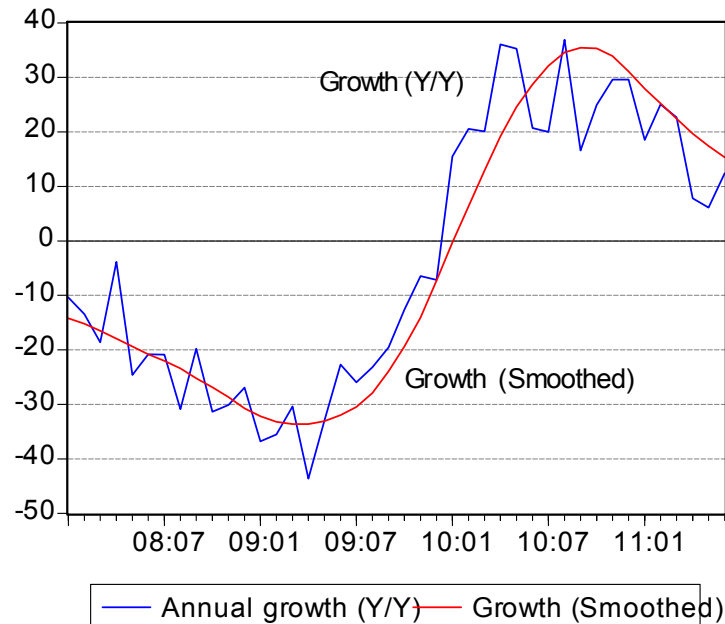
Vehicle sales began a very strong recovery in late 2009. Sales of all new vehicles were particularly strong in March 2011. Actual sales that month were 53 478 units, which, since March is usually a very good month for vehicle sales, translated into a seasonally adjusted 50 101 units. Since March 2011 vehicle sales have fallen back significantly from these levels, though sales in June were modestly up on those of May. On a seasonally adjusted basis sales had fallen from the over 50 000 units sold in March to 43 108 units sold in May and recovered to 44 359 units sold in June 2011. The vehicle sales growth cycle appears to have declined significantly with the current annual growth trend around the 10% annual rate, perhaps to recede further.

**New vehicle units, actual and seasonally adjusted (Monthly sales, January 2008 – June 2011)**



Source: Naamsa and Investec Wealth and Investment

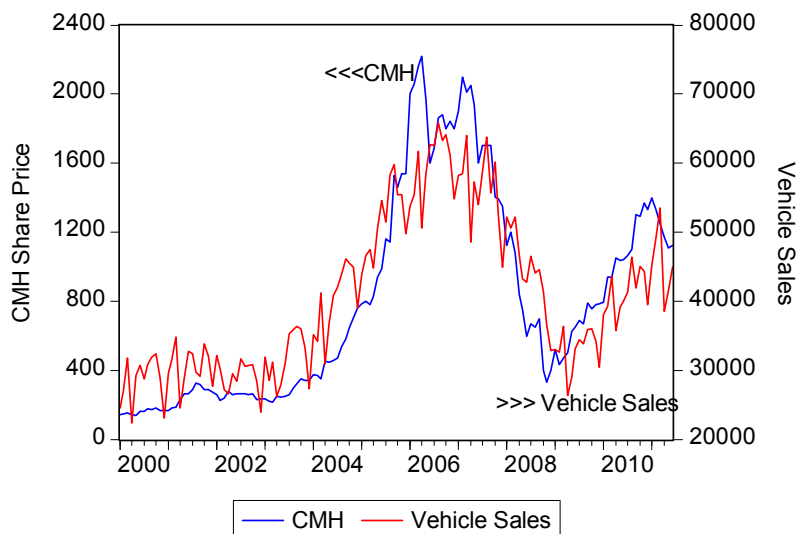
**The New vehicle sales growth cycle**



Source: Naamsa, SA Reserve Bank and Investec Wealth and Investment

We have mentioned before that the Combined Motor Holdings (CMH) share price has consistently provided a very good, even leading, indicator of the state of the new vehicle market. This relationship appears to be holding up with the CMH share price having peaked late last year, consistent with the peak in the new vehicle cycle.

### The CMH share prices and new vehicle sales

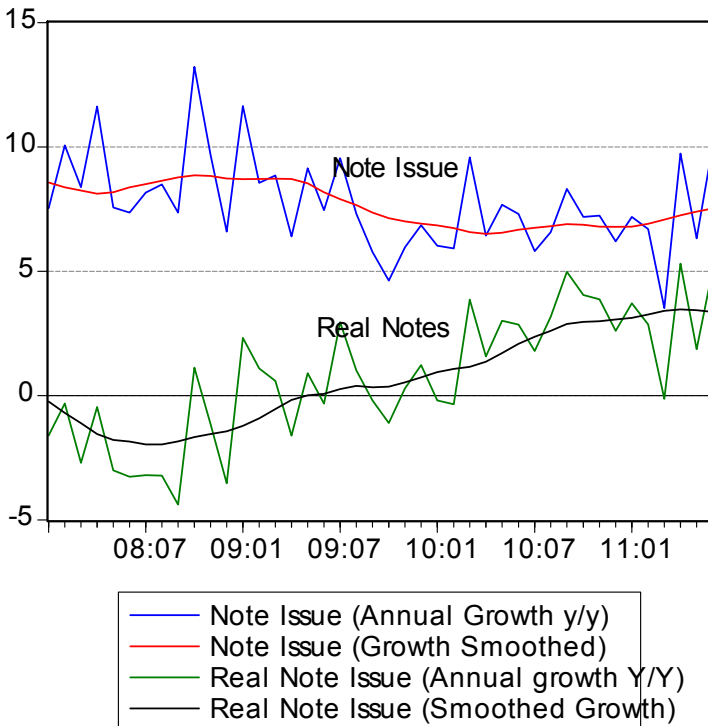


Source: Naamsa, I-Net- Bridge and Investec Wealth and Investment

While the news about vehicle sales may be regarded as somewhat less encouraging about the current state of the SA economy, the demand for and supply of notes in June is somewhat more encouraging. The Reserve Bank, when it issues notes, satisfies the extra demands of the public for notes, presumably to spend, and from the banks for cash reserves, presumably so that they are able to lend more. Banks in SA do not hold excess cash reserves of any magnitude and so the supply of notes, adjusted for cash reserve requirements, is equivalent to the money base of the system, adjusted for cash reserve requirements, or what is also described as high powered money. This makes the note issue a reliable coinciding indicator of economic activity, with the great advantage of being a highly up to date indicator.

The growth in supply of notes to the economy slowed down consistently between early 2009 and early 2011. This growth cycle appears to have picked up momentum recently. The slower growth in the supply of notes, until recently, was however offset by lower inflation, providing scope for acceleration in the growth in the real supply of notes. This growth was necessary to sustain the economic recovery under way. Now a mixture of slightly higher inflation and slightly faster growth in the note issue has helped stabilise the real money base cycle at about a four per cent rate.

## The narrow money supply cycles



Source, SA Reserve Bank and Investec Wealth and Investment

If the economy is to sustain a growth rate that is still below its potential or sustainable rate, a further increase in the rate of growth in the demands for cash, well ahead of inflation is called for. No help in this regard can be expected from lower interest rates. SA does not (alas) engage in money supply targeting or quantitative easing. However it may be hoped that any increase in short term interest rates will be postponed until the demands for and supply of bank credit and the demands for the banks and the public for more cash indicate a clear case for tightening. The case for tightening based on the most recent money supply and credit numbers remains, a very weak one. Faster growth in the supply of narrow money, broad money and bank credit deserves encouragement. **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
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
Avusa	22 July	24 July	29 July	1 August	Cash Dividend	R0.85
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
Mix Telematics	22 July	24 July	29 July	1 August	Cash Dividend	R0.06
Nampak 6.5% Cum Pref	22 July	24 July	29 July	1 August	Cash Dividend	R0.065
Nampak 6% Cum Pref	22 July	24 July	29 July	1 August	Cash Dividend	R0.06
RGT Smart	22 July	24 July	29 July	1 August	Cash Dividend	R0.06
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
Hudaco	12 August	15 August	19 August	22 August	Cash Dividend	R1.30
SBR002	2 September	5 September	9 September		Interest	R1.45
Argent	2 September	5 September	9 September	12 September	Cash Dividend	R0.03
Richemont	9 September	12 September	16 September	23 September	Cash Dividend	CHF0.02925 less Swiss withholding tax
Naspers	16 September	19 September	23 September	26 September	Cash Dividend	R2.70
Foschini Prefs	16 September	19 September	23 September	26 September	Cash Dividend	R0.065

Source: JSE

## Company calendar – 13 July to 20 July

<b>Friday 15 July</b>	Highveld Steel quarterly operational update
<b>Monday 18 July</b>	Holdsport lists on JSE
<b>Tuesday 19 July</b>	Illovo AGM
<b>Wednesday 20 July</b>	BHP Billiton quarterly update Ellies finals

Source: I-Net, Company updates

## Economic calendar – 13 July to 20 July

Date	International	South Africa
<b>Wednesday 13 July</b>	<b>Japan</b> – May Industrial production final <b>EMU</b> – May Industrial production [11h00]	
<b>Thursday 14 July</b>	<b>US</b> – Initial jobless claims for previous week [14h30] <b>US</b> – June PPI [14h30] <b>US</b> – June Retail sales [14h30]	
<b>Friday 15 July</b>	<b>EMU</b> – May Foreign trade [11h00] <b>US</b> – June CPI [14h30] <b>US</b> – July Empire State survey [14h30] <b>US</b> – June Industrial production [15h15] <b>US</b> – July Consumer sentiment [15h55]	
<b>Monday 18 July</b>	<b>US</b> – May Long term TIC flows [15h00] <b>US</b> – July NAHB survey [16h00]	
<b>Tuesday 19 July</b>	<b>Germany</b> – July ZEW business survey [11h00] <b>US</b> – June Housing starts [14h30]	
<b>Wednesday 20 July</b>	<b>Germany</b> – June PPI [08h00] <b>EMU</b> – July Consumer confidence prelim [16h00] <b>US</b> – June Existing home sales [16h00]	June CPI [10h00]

Sources: Bloomberg, StatsSA

## Key market indicators – Tuesday 12 July 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	31926.55	0.26%	2.45%	-1.32%	-0.60%	17.07%
JSE Fini 15	8131.66	0.14%	1.91%	-0.77%	-0.49%	5.29%
JSE Indi 25	28065.56	0.56%	3.03%	4.98%	4.75%	27.29%
JSE Mining	34948.09	-0.06%	2.22%	-7.83%	-6.04%	12.49%
JSE Resi 20	53390.11	0.06%	2.47%	-7.62%	-5.17%	13.93%
S&P 500	1313.64	-0.44%	3.36%	-0.06%	4.45%	21.86%
DJI	12446.88	-0.47%	4.14%	1.43%	7.51%	22.05%
NASDAQ	2781.91	-0.74%	5.23%	0.74%	4.86%	26.65%
Nikkei	9925.92	-1.43%	4.32%	2.95%	-2.96%	3.55%
Hang Seng	21663.16	-3.06%	-3.38%	-10.24%	-5.96%	6.30%
FTSE 100	5868.96	-1.02%	1.79%	-2.35%	-1.71%	14.34%
CAC 40	3774.27	-0.84%	-0.81%	-5.79%	-0.80%	6.18%
DAX	7174.14	-0.78%	1.47%	-0.05%	3.76%	18.28%
ASX-ORD	4563.50	-1.79%	-1.54%	-8.72%	-5.85%	3.38%
JSE All Share (in US\$)	4663.19	0.08%	1.76%	-2.02%	-3.90%	29.70%
MS EM Index	1121.27	-1.89%	-0.67%	-5.40%	-2.62%	17.80%
MS World Index	1307.28	-0.57%	1.46%	-2.35%	2.13%	19.77%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.85	-0.17%	-0.67%	-0.71%	-3.33%	10.79%
Rand/GB Pound	10.91	-0.54%	1.10%	1.25%	-5.54%	4.78%
Rand/Euro	9.58	0.11%	1.80%	2.43%	-7.74%	0.02%
Rand/Aus \$	7.26	0.01%	-3.44%	-1.76%	-6.97%	-8.32%
Yen/ US \$	79.32	1.22%	1.25%	5.62%	2.26%	11.66%
Swiss Franc/US \$	0.83	0.52%	1.38%	7.78%	12.39%	27.17%
US \$/Euro	1.40	0.49%	2.69%	3.38%	-4.19%	-9.54%
US \$/GB Pound	1.59	-0.07%	1.97%	2.22%	-1.91%	-5.35%
US \$/Aus \$	1.06	0.48%	-0.52%	-0.85%	-3.39%	-17.11%
Nominal Effective Exchange Rate (2000 = 100)	75.93	1.55%	0.32%	1.32%	7.02%	-2.12%



13 July 2011

# dailyview

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
<b>Commodities</b>						
Gold \$/oz.	1567.25	0.85%	2.31%	7.52%	10.26%	29.29%
Platinum/oz.	1734	0.35%	-5.17%	-2.31%	-2.03%	13.22%
Brent Crude \$/bbl	116.97	0.34%	-1.04%	-3.21%	23.45%	55.98%

Fixed income	Closing yield %
SA R157	7.53
US 2 YEAR	0.38
US 10 YEAR	2.90
UK 2 YEAR	0.52
UK 10 YEAR	3.09
EURO 2 YEAR	1.31
EURO 10 YEAR	2.72

## Feedback

We welcome your feedback. Please email [iso@investec.co.za](mailto:iso@investec.co.za) or call 0861 003 020.

## Unsubscribe

Should you no longer wish to receive this newsletter in future, please reply to this e-mail with the word "unsubscribe" in the subject box.

**Disclaimer** Although information has been obtained from sources believed to be reliable, Investec Securities Limited or its affiliates and/or subsidiaries (collectively "ISL") does not warrant its completeness or accuracy. Opinions and estimates represent ISL's view at the time of going to print and are subject to change without notice. Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell. The price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change. The information contained herein is for information purposes only and readers should not rely on such information as advice in relation to a specific issue without taking financial, banking, investment or other professional advice. ISL and/or its employees may hold a position in any securities or financial instruments mentioned herein. The information contained in this document does not constitute an offer or solicitation of investment, financial or banking services by ISL. ISL accepts no liability for any loss or damage of whatsoever nature including, but not limited to, loss of profits, goodwill or any type of financial or other pecuniary or direct or special indirect or consequential loss howsoever arising whether in negligence or for breach of contract or other duty as a result of use of the or reliance on the information contained in this document, whether authorised or not. This document may not be reproduced in whole or in part or copies circulated without the prior written consent of ISL. Investec Securities Limited. 1972/008905/06. Member of the JSE Limited South Africa. An authorised financial services provider. A registered credit provider registration number NCRCP262.