

Today's highlights

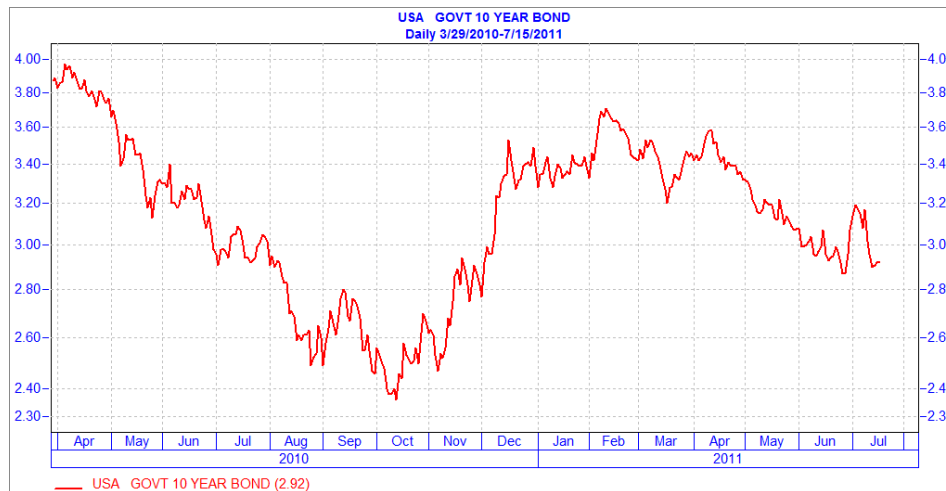
- The JSE, rand and emerging markets: Following the same path
- Dividends and dividend yields: Property
- Upcoming dividend dates and corporate actions
- Company calendar – 15 July to 22 July
- Economic calendar – 15 July to 22 July

Talking point: Bernanke cools the speculation

As Fed chairman testified for a second day before legislators in the US, he emphasized that his comments from the previous day about conducting further asset purchases should the need arise, should not be construed as an indication that a further round of quantitative easing was imminent (or QE3, as it has been dubbed). Bernanke is reluctant to enter into massive repurchases, particularly since one of his main motivations for the previous two rounds of QE was to prevent deflation taking hold (deflation can be very damaging for a highly indebted economy since it pushes up the effective cost of debt).

Yet all inflation indicators have been pointing upwards, removing the key worry about deflation. Furthermore, Bernanke would like to see the US get its long term finances in order, by balancing its books and reducing state spending over time. This goal however is being held up by squabbling between Republicans and Democrats over how reduce deficits (through cuts or through tax increases) and the vote to allow the Federal debt ceiling of \$14 trillion has become a bargaining chip in this process. This has prompted the rating agencies to threaten the US with a ratings downgrade should matters not be resolved.

Bond yields remain remarkably low for a sovereign supposedly on the verge of a ratings downgrade, which implies that markets believe the politicians will see reason when faced with the stark reality of the consequences of their brinkmanship.



Source: I-Net Bridge

Market highlights

US equities fell yesterday as Fed chairman Ben Bernanke acted to tone down speculation that a further round of quantitative easing was imminent. Markets overlooked good earnings numbers out of JPMorgan and Google as the overall economy and worries about the debt ceiling impasse dominated sentiment.

The JSE was a little weaker yesterday, as local markets weighed up good US earnings numbers against its fiscal impasse and the possibility of a US credit downgrade.

Bonds were firmer yesterday but the rand weakened against the US dollar despite continued gains in the gold price.

Comments by Bernanke on quantitative easing pushed down prices of copper and oil, but gold continued to set new records as its safe haven qualities shone through on heightened economic worries.

Key indicators in a nutshell – Thursday 14 July 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	32203.94	-0.33%	3.12%	-0.07%	0.26%	17.12%
S&P 500	1308.87	-0.67%	1.63%	-0.82%	4.07%	19.49%
Nikkei	9936.12	-0.27%	4.07%	3.59%	-2.86%	4.18%
Rand/US \$	6.83	-0.31%	-1.09%	-0.56%	-3.13%	9.84%
Rand/GB Pound	11.01	-0.44%	0.28%	0.51%	-6.43%	3.54%
US\$/Euro	1.42	0.52%	2.06%	1.94%	-5.44%	-10.14%
Gold \$/oz.	1587.43	0.31%	4.17%	6.79%	11.68%	31.02%

Company results and updates

BHP Billiton is to acquire US shale gas business Petrohawk for US\$12.1bn, or US\$38.75 a share. This will give BHP Billiton access to shale gas assets in Texas and Louisiana.

Micromega expects to report an increase in HEPS for the six months to June of between 78% and 80% from the 7.66c reported in the similar period last year.

Vox Telecom has received notice of a firm intention to acquire the group at 45c a share from a consortium comprising Lereko Metier Capital Growth Fund and Investec Bank. Investors will have the option of accepting the offer or taking up shares in a new entity. An independent board has been appointed by Vox to assess the terms of the proposed offer and has come out in support of it.

Zurich Insurance expects to report a 170% to 190% increase in HEPS for the six months to June. Results are due out on 25 July.

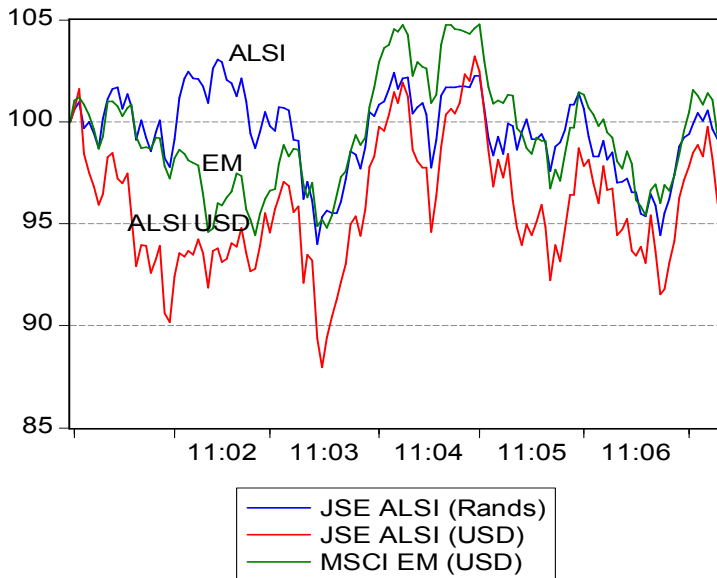
AngloGold Ashanti has sold part of its Savuka mine to DRDGold's Blyvooruitzicht operation for R35m, which is effectively a lifeline to Blyvoor after DRDGold suspended assistance to it.

Daily ideas

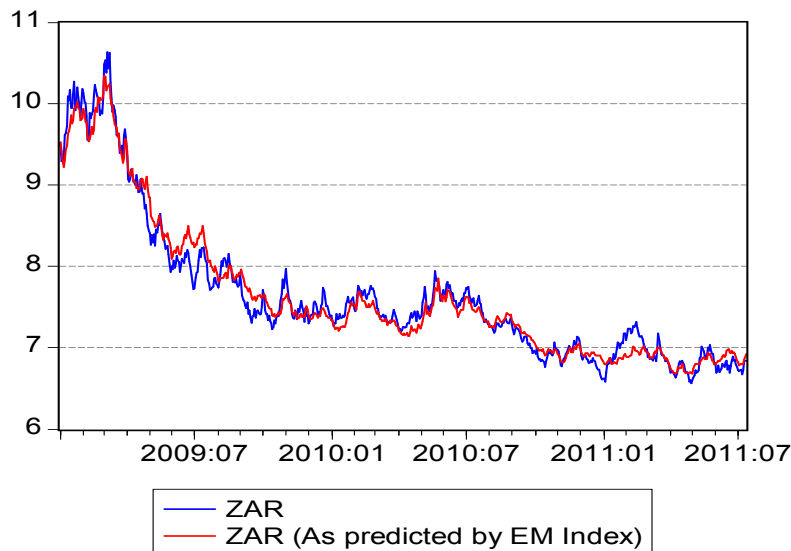
The JSE, rand and emerging markets: Following the same path

The JSE and emerging equity markets (as measured by the MSCI EM Index) have moved sideways this year. However, in something that is consistent with the now very well established pattern, the two markets indices have moved closely together day to day and month to month. Furthermore the rand, confirming another well established relationship, has continued to move closely in line with the emerging market Index.

Our model of the rand/US dollar (which includes only the MSCI EM Index as its explanation) indicates that fair value for the rand/US dollar on 12 July (given the level of the EM Index) was R6.90 compared to a closing value that day of R6.85. The fit of this model run with daily data since 1 January 2009 is extraordinarily good.

The JSE vs the MSCI EM in 2011 (1 January = 100), daily data

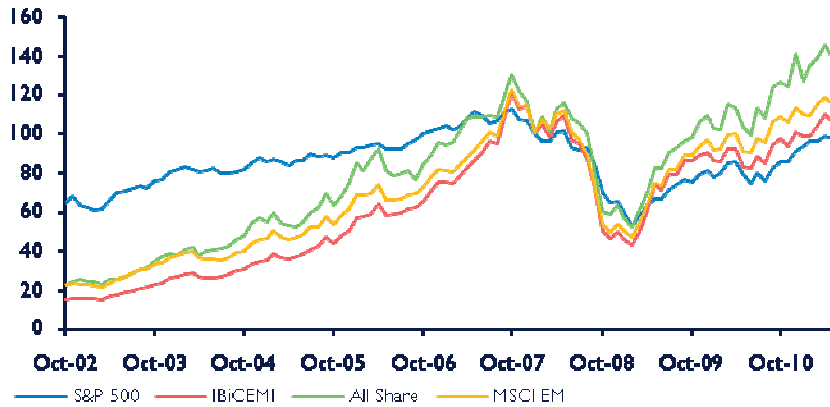
Source: I-Net Bridge and Investec Wealth and Investment

The rand/US dollar explained by the MSCI EM Index (daily data)

Source: I-Net Bridge and Investec Wealth and Investment

The strength of the association between the value of the MSCI EM and the JSE is explained only in small part by the fact that JSE listed shares constitute 8% of the EM Index itself and therefore attract the interest of emerging market (EM) fund managers. The relationship is more fundamentally explained by the fact that the stream of JSE All Share Index earnings per share, in US dollars, approximates very closely those of the earnings per share generated by the EM universe itself. Thus the values attached to these expected streams of earnings, by global portfolio managers, are highly comparable.

Investec Securities has created its own large market cap EM Index of about 190 individual EM companies and aggregated their earnings per share to derive both an Index called the IBICEMI and its associated Index earnings per share. As may be seen below, the IBICEMI tracks the benchmark MSCI EM Index very closely and may be considered fully representative of benchmark earnings per share.

Equity Indexes (2008=100), month end data

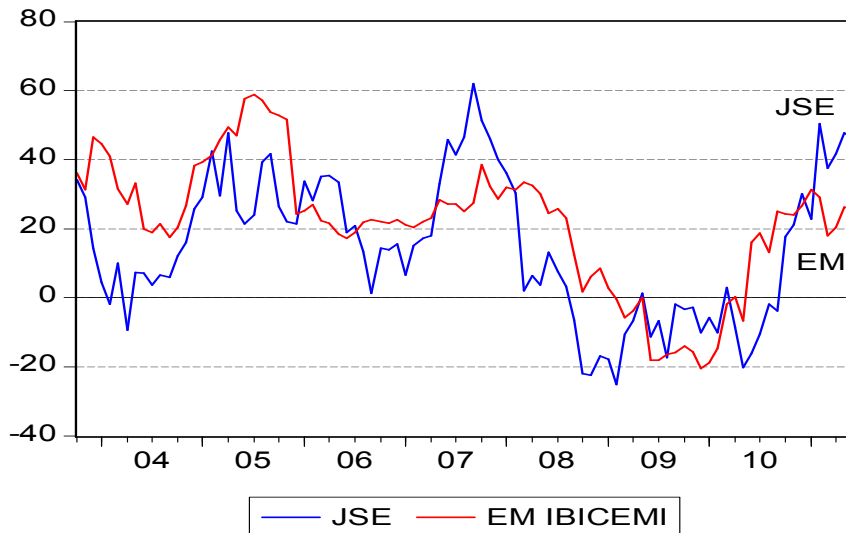
Source: Investec Securities

It may also be seen how closely JSE earnings per share and EM earnings per share have been related over the years. Both earnings series demonstrated extraordinarily rapid growth in earnings measured in US dollar through the boom years of 2002-2007 before the onset of the global financial crisis in 2008. Moreover EM and JSE earnings survived the crisis in much better shape than the S&P 500 and earnings per share now exceed their pre-crisis peak levels in US dollars. The JSE Index in US dollars is now above its pre crisis peak values while the MSCI EM has still to reach pre crisis levels. This re-rating of the JSE relative to the EM (values rising ahead of earnings) may be seen below with the JSE trading at a 14.85 times reported earnings and the IBICEMI EM Index trading at a lower 11.21 times trailing earnings.

JSE VS the EM (IBICEMI) Price/Earnings ratio

Source: Investec Securities

This rerating of the JSE may be explained by the respective earnings cycles. JSE earnings per share, while following a similar path, have grown significantly faster over the past 12 months than EM earnings represented by their large caps. JSE earnings per share measured in US dollars grew by about 46% in the 12 months to June 2011 while EM earnings growth was a less robust 26% over the same period. Clearly the relatively greater dependence of the JSE on Resource companies and their earnings has served the JSE very well as metal and commodity prices moved ahead of their year ago levels.



Source: Investec Securities and Investec Wealth and Investment

It can be confidently predicted that the values attached to Emerging Markets and the JSE will continue to be strongly influenced by earnings reported and expected. It can also be predicted, though perhaps somewhat less confidently, that the foreign exchange value of the rand will continue to be determined in large measure by the state of emerging equity markets. The JSE, the EM equity Indexes and the rand can be confidently predicted to remain highly responsive to the outlook for the global economy, to which emerging market economies contribute most of the growth. **Brian Kantor**

Dividends and dividend yields: Property

The property counters are the subject of our overview of dividends and dividend yields today. Bearing in mind that property companies tend to distribute their full earnings to shareholders, yields will tend to be higher than the norm for other JSE sectors (though of course investors need to take into account the tax impact of distributions).

According to I-Net consensus forecasts, forward yields out to 2013 range from a high of 10.2% for SA Corporate and 4.8% for Capshop. Bear in mind of course that Capshop's yield is more in line with those of the UK market. **Patrick Lawlor**

Name	FYE	Current Price	Published (at FYE)		F2011		F2012		F2013	
			DPS	DY	DPS	DY	DPS	DY	DPS	DY
ACUCAP	31/03/2011	3555	275.63	7.8%			291.1	8.2%	311	8.7%
CAPITAL PROPERTY	31/12/2010	836	60.14	7.2%	66	7.9%	70.6	8.4%	77.1	9.2%
CAPSHOP	31/12/2010	4149	144.54	3.5%	169	4.1%	176	4.2%	199.5	4.8%
EMIRA	30/06/2010	1340	108.08	8.1%	114.7	8.6%	122.2	9.1%	131.9	9.8%
FOUNTAINHEAD	30/09/2010	657	54.08	8.2%	55.2	8.4%	57.7	8.8%	61.8	9.4%
GROWTHPOINT	30/06/2010	1820	121.2	6.7%	130.9	7.2%	140	7.7%	153	8.4%
HOSPITALITY-A	30/06/2010	1405	116.3	8.3%	122.2	8.7%	128.3	9.1%	134.7	9.6%
HYPROP	31/12/2010	5467	357	6.5%	382.6	7.0%	414.1	7.6%	448	8.2%
REDEFINE	31/08/2010	804	66.5	8.3%	68.2	8.5%	72.7	9.0%	77.4	9.6%
SA CORPORATE	31/12/2010	333	28.42	8.5%	29.9	9.0%	31.6	9.5%	33.8	10.2%
SYCOM PROP FUND	31/03/2011	2135	156.67	7.3%			165.1	7.7%	177.1	8.3%
VUKILE	31/03/2011	1440	117.65	8.2%			126.1	8.8%	135.3	9.4%

Source: I-Net Bridge consensus forecasts

Upcoming dividend dates and corporate actions

Share/security	Last day to trade	Ex-dividend	Record date	Pay date	Description	Per share amount/ result
Ameacor	15 July	18 July	22 July	25 July	Cash Dividend	R0.08
Beige	15 July	18 July	22 July	25 July	Cash Dividend	R0.0015
Immuniti	15 July	18 July	22 July	25 July	Name change	1 Nutritional Holdings (NUT) per 1 IMU
Lewis	15 July	18 July	22 July	25 July	Cash Dividend	R2.07
Nictus	15 July	18 July	22 July	25 July	Cash Dividend	R0.0855
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
Primeserv	15 July	18 July	22 July	25 July	Cash Dividend	R0.025
Trustco	15 July	18 July	22 July	25 July	Cash Dividend	R0.018
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	25 July	29 July	1 August	Minority Offer	R0.10
Reunert 5.5% Cum Prefs	22 July	25 July	29 July	1 August	Cash Dividend	R0.055
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	15 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
Metorex	23 September	26 September	30 September	3 October	Scheme of arrangement (Jinchuan offer)	R8.90

Source: JSE

Company calendar – 15 July to 22 July

Friday 15 July	Highveld Steel quarterly operational update
Monday 18 July	Holdsport lists on JSE
Tuesday 19 July	Illovo AGM
Wednesday 20 July	BHP Billiton quarterly update Ellies finals
Thursday 21 July	SABMiller quarterly trading update Kumba Iron Ore interims Vodacom quarterly trading update Bonatla AGM

Source: I-Net, Company updates

Economic calendar – 15 July to 22 July

Date	International	South Africa
Friday 15 July	EMU – May Foreign trade [11h00] US – June CPI [14h30] US – July Empire State survey [14h30] US – June Industrial production [15h15] US – July Consumer sentiment [15h55]	
Monday 18 July	US – May Long term TIC flows [15h00] US – July NAHB survey [16h00]	
Tuesday 19 July	Germany – July ZEW business survey [11h00] US – June Housing starts [14h30]	
Wednesday 20 July	Germany – June PPI [08h00] EMU – July Consumer confidence prelim [16h00] US – June Existing home sales [16h00]	June CPI [10h00]
Thursday 21 July	June – June Trade balance China – July PMI flash Germany – July PMI flash [09h30] EMU – May Balance of payments [10h00] EMU – July PMI flash [10h00] UK – June Public sector finances [10h30] UK – June Retail sales [10h30] US – Initial jobless claims for previous week [14h30] US – June Leading indicators [16h00]	Reserve Bank MPC meeting and rates announcement [15h00]
Friday 22 July	Germany – July IFO Business survey [10h00]	

Sources: Bloomberg, StatsSA

Key market indicators – Thursday 14 July 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32203.94	-0.33%	3.12%	-0.07%	0.26%	17.12%
JSE Fini 15	8181.34	0.19%	2.88%	1.43%	0.12%	4.49%
JSE Indi 25	28356.75	-0.19%	4.61%	5.93%	5.84%	27.10%
JSE Mining	35384.88	-0.80%	2.23%	-6.49%	-4.87%	13.57%
JSE Resi 20	53887.21	-0.72%	2.05%	-6.30%	-4.29%	14.59%
S&P 500	1308.87	-0.67%	1.63%	-0.82%	4.07%	19.49%
DJI	12437.12	-0.44%	2.99%	0.77%	7.42%	20.01%
NASDAQ	2762.67	-1.22%	3.13%	-0.07%	4.14%	23.22%
Nikkei	9936.12	-0.27%	4.07%	3.59%	-2.86%	4.18%
Hang Seng	21940.20	0.06%	-2.47%	-8.61%	-4.75%	7.39%
FTSE 100	5846.95	-1.01%	0.76%	-2.49%	-2.08%	10.93%
CAC 40	3751.23	-1.11%	-2.93%	-5.62%	-1.41%	3.12%
DAX	7214.74	-0.73%	0.14%	0.51%	4.35%	16.53%
ASX-ORD	4561.30	-0.48%	-1.93%	-7.65%	-5.89%	3.67%
JSE All Share (in US\$)	4713.28	-0.64%	1.99%	-0.63%	-2.87%	28.64%
MS EM Index	1135.42	-0.22%	0.09%	-3.91%	-1.39%	18.62%
MS World Index	1310.83	-0.72%	0.38%	-2.03%	2.40%	18.20%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.83	-0.31%	-1.09%	-0.56%	-3.13%	9.84%
Rand/GB Pound	11.01	-0.44%	0.28%	0.51%	-6.43%	3.54%
Rand/Euro	9.68	-0.18%	0.89%	1.31%	-8.61%	-1.21%
Rand/Aus \$	7.33	-0.21%	-1.54%	-2.07%	-7.83%	-9.46%
Yen/ US \$	79.18	-0.33%	1.72%	4.96%	2.44%	12.16%
Swiss Franc/US \$	0.82	-0.53%	3.59%	9.42%	14.62%	29.37%
US \$/Euro	1.42	0.52%	2.06%	1.94%	-5.44%	-10.14%
US \$/GB Pound	1.61	0.12%	1.41%	1.10%	-3.31%	-5.96%
US \$/Aus \$	1.07	0.49%	-0.30%	-1.51%	-4.63%	-17.59%
Nominal Effective Exchange Rate (2000 = 100)	75.38	0.92%	1.14%	1.70%	7.80%	-1.34%

15 July 2011

dailyview

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Commodities						
Gold \$/oz.	1587.43	0.31%	4.17%	6.79%	11.68%	31.02%
Platinum/oz.	1768.5	0.60%	-1.50%	-1.26%	-0.08%	15.82%
Brent Crude \$/bbl	116.7	-1.37%	-2.47%	-5.72%	23.17%	54.34%

Fixed income	Closing yield %
SA R157	7.47
US 2 YEAR	0.37
US 10 YEAR	2.92
UK 2 YEAR	0.53
UK 10 YEAR	3.11
EURO 2 YEAR	1.27
EURO 10 YEAR	2.76

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