

## Today's highlights

- US earnings: The benefits of going global
- Week at a glance: Upcoming results
- Upcoming dividend dates and corporate actions
- Company calendar – 25 July to 29 July
- Economic calendar – 25 July to 29 July

### Talking point: Another big week for data

While the key economic data mostly came out last week, some key releases are due this week, including producer inflation, private sector credit, money supply, trade and government finances, all for the month of June. These will give an underlying feel for the forces driving headline inflation in the months ahead. Chief among these will be the PPI and private sector credit numbers.

PPI rose 6.9% in May, and due to a sharp jump in food prices in June last year, the year on year number may well show a decline from the previous month. However this may well mask underlying gains in food prices in particular, so the month on month reading for this component will be keenly watched. Credit numbers are expected to hover around the 5.2% level seen in May, as mortgage growth stays slow (despite some signs of life lately).

All in all, the data releases this week are likely to support the decision by the Monetary Policy Committee (MPC) to keep rates on hold, and to further support the case for hikes only sometime in the New Year.

### Market highlights

US equities finished a little higher on Friday as the market mulled over some weaker than expected earnings reports alongside a new debt deal for the Eurozone and the deadlock on securing a new debt ceiling in the US.

The JSE declined again on Friday, as a combination of disappointing US earnings and ongoing worries about debt and fiscal deficits on both sides of the Atlantic held back local counters.

Bonds were a little weaker while the rand also fell as traders moved out of the euro after the previous day's buying following the thrashing out of a new deal for Eurozone economies under strain.

Debt worries and the rise in the US dollar against the euro knocked most commodities on Friday, but gold and oil managed gains on the day.

### Key indicators in a nutshell – Friday 22 July 2011

Key indicators	Last price	1 Day	1 Month	1 Quarter	Year date to	1 Year
JSE All Share	32016.3	-0.34%	3.97%	-1.97%	-0.32%	15.03%
S&P 500	1345.02	0.09%	4.50%	0.57%	6.95%	25.75%
Nikkei	10132.11	1.22%	5.22%	4.76%	-0.95%	9.20%
Rand/US \$	6.77	-0.02%	0.14%	-0.93%	-2.18%	11.40%
Rand/GB Pound	11.03	-0.06%	-1.54%	0.16%	-6.58%	3.62%
US\$/Euro	1.44	0.40%	-0.30%	1.48%	-6.78%	-11.07%
Gold \$/oz.	1599.2	0.58%	3.31%	5.45%	12.51%	34.80%

### Company results and updates

Zurich Insurance reported HEPS for the six months to June of 276c, from a previous headline loss per share of 319.9c. An interim dividend of 100cps was declared.

Anglo American Platinum reported diluted HEPS for the six months to June of 1232c, up from a previous 1024c. An interim dividend of 500cps was declared.

Massmart expects to report HEPS of between 397c and 442c for the 52 weeks to 26 June, up from 567.2c previously. Excluding the costs associated with the Wal-Mart transaction, HEPS is between 595.6c and 640.9c. Results are due out on 25 August.

Hulamin reported a doubling in diluted HEPS of 22c for the half year to June, from 11c previously.

## Daily ideas

### US earnings: The benefits of going global

A Wall Street Journal Report today by Kate Linebaugh and James Hagerty, *Business Abroad Drives U.S. Profits*, points to way foreign operations of leading US corporations have contributed to the very satisfactory second quarter earnings season now well under way in New York. One third through the earnings reporting season for the S&P 500 companies, earnings are the highest they have been in four years.

These S&P 500 earnings per share may well exceed \$100 for the 2011 calendar year. The drivers for this earnings growth however, as the report points out, is not the struggling US economy, but the off shore operations of these companies.

About three quarters of the companies that have reported so far have done better than analysts expected. As the WSJ report states, "...Many of them – ranging from manufacturers Honeywell International Inc. and Caterpillar Inc. to drug maker Abbott Laboratories – raised their earnings forecasts for later in the year.

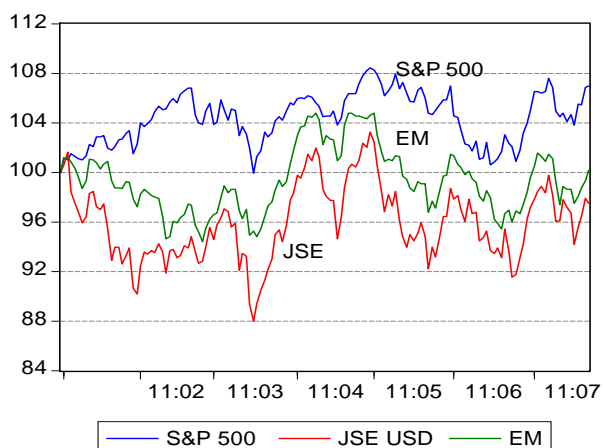
The report refers to the bellwether industrial giant GE that reported a 21% increase in earnings to \$3.8bn for the second quarter. Yet US revenues in GE's core industrial businesses shrank about 3.4% while international industrial revenue soared 23% to \$13.4bn, accounting for about 59% of the company's total industrial revenue. This translates into growth in capital expenditure and employment offshore rather than on US shores making the US economic recovery less likely to benefit from the financial strength of US corporations, many of whom have a strong global footprint.

We have been firmly of the view that the most compelling way to gain exposure to the global economy is via the companies listed on the S&P 500. The valuations of these companies appeared very undemanding of earnings growth, trading as they do well below their average price to trailing earnings multiples (which averaged as much as 21 times between 1980 and 2011). The current trailing S&P 500 earnings per share, calculated before higher second quarter earnings have been reported, is US\$81.31. This puts the S&P on a trailing 16.5x earnings and a prospective forward PE of under 14 times earnings to be reported in the first quarter of 2012.

This advice has proven apposite as we show below. Since 1 January 2011, the S&P 500 has gained almost 7% (to 23 July) while the MSCI EM is flat and the JSE in US dollars is 2.5% weaker than on 1 January 2011.

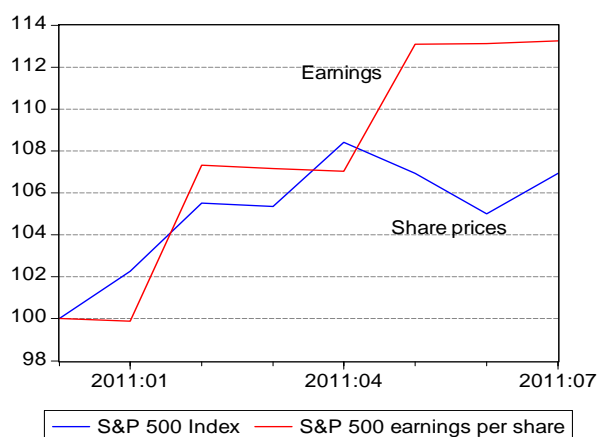
However as we also show, S&P earnings year to date have significantly outpaced the share market index, adding to the case for investing in the S&P 500. We remain firmly of the view that the S&P 500 is still very undemanding of future earnings growth and even less demanding than it was. And the unsatisfactory state of the US economy can be expected to continue to keep down interest rates in the US (and so the competition for equities from fixed interest income). **Brian Kantor**

### The S&P 500, MSCI EM, and the JSE (USD) (1 January =100)



Source: I-Net Bridge and Investec Wealth and Investment

## S&amp;P 500, prices and earnings (1 January 2011 = 100)



Source: I-Net Bridge and Investec Wealth and Investment

## Week at a glance: Upcoming results

Earnings season gets back into the swing of things this week, with a number of major companies reporting. We have already seen interim results out of Anglo American Platinum and Hulammin this morning, but the rest of the week has a strong resources flavor as well. AECI, ArcelorMittal, Mondi and Anglo American all report this week, with tobacco giant British American Tobacco breaking up the theme.

All the results this week are interims, and the I-Net Bride consensus we use in the table only looks at full year results. On this basis, Anglo looks the cheapest of them all, with a one year forward PE (I-Net consensus) of 7.6x. **Patrick Lawlor**

Date of release	Company		Year end	Prev FY EPS	Next FY EPS (I-Net)	2yr (I-Net)	Next DPS (I-Net)	Rec (I-Net)	Price	FPE
25/07	AECI	I	December	575	726	900.7	245.9	Buy	8500	11.7
27/07	Arcelor Mittal	I	December	343	557	947.2	186	Sell	7570	13.6
27/07	BAT	I	December	1808	2161.6	2454.1	1407.9	Buy	31250	14.5
28/07	Mondi	I	December	451	608	736.1	252.5	Hold +	5560	9.1
29/07	Anglo American	I	December	2993.9	4411.2	5729.9	645.9	Buy	33546	7.6

F = final, I = interim, Q = quarterly; EPS = earnings per share; DPS = dividend per share; FY = full year; FPE = forward PE

All prices, earnings and dividends in cents per share

Source for all numbers and forecasts: 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
Avusa	22 July	25 July	29 July	1 August	Cash Dividend	R0.85
Investec Ltd	22 July	25 July	29 July	8 August	Cash Dividend	R1.02
Investec plc	22 July	25 July	29 July	8 August	Cash Dividend	R1.02
Mix Telematics	22 July	25 July	29 July	1 August	Cash Dividend	R0.06
Nampak 6.5% Cum Pref	22 July	25 July	29 July	1 August	Cash Dividend	R0.065
Nampak 6% Cum Pref	22 July	25 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	25 July	29 July	5 August	Interest	R1.49
MAS plc	29 July	1 August	5 August	12 August	Cash Dividend	EUR0.0214
SABMiller	29 July	1 August	5 August	12 August	Cash Dividend	USD0.615
Foord Compass CD	4 August	5 August	12 August	15 August	Scrip Dividend	R0.13 per debenture or 4.013 FSPD per 100
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
JOZI03	9 September	12 September	16 September	21 September	Interest	R15.06
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
Afrox	14 October	17 October	21 October	24 October	Cash Dividend	R0.22

Source: JSE

## Company calendar – 25 July to 29 July

<b>Tuesday 26 July</b>	Aquarius Platinum quarterlies Santova Logistics AGM
<b>Wednesday 27 July</b>	Arcelor Mittal interims South Ocean interims Medi Clinic AGM
<b>Thursday 28 July</b>	Mondi interims Investec interim management statement
<b>Friday 29 July</b>	Anglo American interims DRDGold AGM Tongaat Hulett AGM

Source: I-Net, Company updates

## Economic calendar – 25 July to 29 July

Date	International	South Africa
<b>Monday 25 July</b>	<b>Germany</b> – June Retail sales [08h00]	
<b>Tuesday 26 July</b>	<b>UK</b> – Q2 GDP advance [10h30] <b>US</b> – May S&P/Case Shiller house price index [15h00] <b>US</b> – June New home sales [16h00] <b>US</b> – July Consumer confidence [16h00]	
<b>Wednesday 27 July</b>	<b>Germany</b> – July CPI prelim [08h00] <b>EMU</b> – June M3 [10h00] <b>US</b> – June Durable goods orders [14h30] <b>US</b> – Beige Book [20h00]	
<b>Thursday 28 July</b>	<b>Japan</b> – June Retail sales <b>Germany</b> – June Employment [09h55] <b>EMU</b> – July Business and consumer confidence [11h00] <b>US</b> – Initial jobless claims for previous week [14h30] <b>US</b> – June Pending home sales [16h00]	June PPI [11h30]
<b>Friday 29 July</b>	<b>Japan</b> – July PMI manufacturing <b>Japan</b> – June Core CPI <b>Japan</b> – June Unemployment <b>Japan</b> – June Industrial production prelim <b>UK</b> – June M4 lending [10h30] <b>US</b> – Q2 Real GDP advance [14h30] <b>US</b> – July Chicago PMI [15h45] <b>US</b> – July Consumer sentiment [15h55]	June PSCE and M3 [08h00] June National exchequer [14h00] June Trade balance [14h00]

Sources: Bloomberg, StatsSA, SA Reserve Bank

## Key market indicators – Friday 22 July 2011

Indices	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
JSE All Share	32016.30	-0.34%	3.97%	-1.97%	-0.32%	15.03%
JSE Fini 15	8080.35	-1.28%	2.55%	-1.07%	-1.11%	1.99%
JSE Indi 25	28005.38	-0.62%	5.35%	2.61%	4.53%	22.82%
JSE Mining	35452.91	0.35%	3.90%	-7.38%	-4.68%	13.46%
JSE Resi 20	53957.17	0.24%	3.61%	-7.30%	-4.16%	14.23%
S&P 500	1345.02	0.09%	4.50%	0.57%	6.95%	25.75%
DJI	12681.16	-0.34%	4.72%	1.40%	9.53%	25.30%
NASDAQ	2858.83	0.86%	7.10%	1.37%	7.76%	30.70%
Nikkei	10132.11	1.22%	5.22%	4.76%	-0.95%	9.20%
Hang Seng	22444.80	2.08%	2.68%	-7.02%	-2.56%	9.56%
FTSE 100	5935.02	0.60%	2.81%	-1.38%	-0.60%	13.81%
CAC 40	3842.70	0.68%	-0.74%	-4.46%	1.00%	9.98%
DAX	7326.39	0.50%	0.66%	0.42%	5.96%	22.30%
ASX-ORD	4674.10	1.04%	1.81%	-6.44%	-3.57%	5.54%
JSE All Share (in US\$)	4731.73	-0.36%	4.12%	-2.82%	-2.49%	28.14%
MS EM Index	1153.18	0.87%	3.31%	-4.20%	0.16%	19.54%
MS World Index	1348.70	0.37%	3.78%	-0.65%	5.36%	23.92%

Currencies	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
Rand/US \$	6.77	-0.02%	0.14%	-0.93%	-2.18%	11.40%
Rand/GB Pound	11.03	-0.06%	-1.54%	0.16%	-6.58%	3.62%
Rand/Euro	9.72	0.24%	-0.29%	0.36%	-9.04%	-1.03%
Rand/Aus \$	7.35	-0.28%	-2.69%	-2.12%	-8.02%	-10.12%
Yen/ US \$	78.52	0.08%	2.37%	4.62%	3.30%	10.65%
Swiss Franc/US \$	0.82	-0.27%	2.60%	7.99%	14.01%	28.11%
US \$/Euro	1.44	0.40%	-0.30%	1.48%	-6.78%	-11.07%
US \$/GB Pound	1.63	0.13%	-1.50%	1.31%	-4.22%	-6.86%
US \$/Aus \$	1.09	-0.18%	-2.82%	-1.08%	-5.79%	-19.29%
Nominal Effective Exchange Rate (2000 = 100)	76.01	-1.14%	0.95%	-0.08%	6.91%	-2.83%

	Last price	1 Day	1 Month	1 Quarter	Year to date	1 Year
<b>Commodities</b>						
Gold \$/oz.	1599.2	0.58%	3.31%	5.45%	12.51%	34.80%
Platinum/oz.	1793	0.42%	2.87%	-2.21%	1.30%	18.35%
Brent Crude \$/bbl	118.44	0.06%	3.80%	-3.79%	25.00%	57.58%

Fixed income	Closing yield %
SA R157	7.37
US 2 YEAR	0.39
US 10 YEAR	2.97
UK 2 YEAR	0.53
UK 10 YEAR	3.11
EURO 2 YEAR	1.39
EURO 10 YEAR	2.82

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