

# Efficient Research

## Inflation Worries

29 May 2008

The JSE all share closed 0.79% in the red yesterday (32 208.96), dragged down by a worsening inflation outlook and softer commodity prices. The Consumer Price Index excluding interest on mortgage bonds, namely CPIX, increased 10.4% (y:y) in April – higher than the market's expected 9.9% y:y rise. The Governor of the Reserve Bank, Mr. Tito Mboweni, gave a strong warning to the market yesterday, saying that interest rates might be increased with as much as 200 basis points at the next MPC meeting in June. Although we do not anticipate this to happen, the possibility of a 100 basis point hike is on the rise. Resources shed 1.0% with BHP Billiton down 2.5% (R298.45) though Anglo American was 1.6% higher (R530.50). The Gold mining index retreated 2.41%. AngloGold Ashanti dropped 3.6% (R291), Gold Fields declined 2.1% (R101.70) and Harmony was 1.2% lower (R93.66). The Platinum mining index decreased 2.12% as Anglo Platinum gave up 3.6% and Impala Platinum closed 1.9% softer (R338.45). Financials were 0.28% softer. Liberty Holdings surged a whopping 20.6% (R213) after Standard Bank announced a offer to buy the 40.8% stake it did not hold in Libhold for R4.4bn. Liberty Holdings owns 50.0% of Liberty Group, whose share price rallied 8.4% (73.56). Banks (-0.93%) were hampered by the deteriorating rate outlook; Absa dropped 2.5% (R85.99), both First Rand (R14.79) and Nedbank (R101.50) declined 1.4% each and Standard Bank inched 0.3% lower (R87.25). Industrials gave up 0.87%. Precious metal prices were slightly softer this morning. Brent crude's price per barrel was nearly \$5.00 per barrel less expensive earlier. The rand appreciated against the major currencies yesterday, supported by the possibility of further monetary tightening and hence, optimistic carry trade returns for foreign investors. The R153 bond plunged 16 points yesterday (11.05%), hampered by inflation worries. Wall Street closed in the black yesterday on the back of higher than expected durable goods orders in April as well as a higher oil price that provided support for energy stocks. The U.S. economic growth figure for the first quarter will be released by the Commerce Department later today - growth of 0.9% is expected according to a Bloomberg survey, with exports mainly providing pace to growth. This will be the lowest q:q growth reported in five years! The main European markets ended the session in the black as technology and chemical shares gained. The Nikkei 225 in Japan is trading in the green as good durable goods orders in the U.S. eased concern about dwindling demand in Japan's biggest export market. The Australian market is also higher. On the local front, Producer Price Inflation is scheduled for release later this morning, and the outlook doesn't look good, given yesterday's higher than expected CPI figures.

Local Markets				Exchange Rate			
	Index	Points	%		Points	%	
All Share	32,208.96	-256	-0.79	R/\$	7.67	-0.05	-0.70
Top 40	30,263.31	-273	-0.89	R/€	12.00	-0.12	-0.96
Indi 25	21,349.12	-187	-0.87	R/£	15.16	-0.08	-0.54
Fini 15	7,047.55	-19	-0.27	\$/€	1.56	0.00	-0.21
Mid Cap	29,594.26	32	0.11	\$/¥	104.61	0.35	0.34
Small Cap	29278.971	11	0.04	Interest Rates			
Financials	18,509.97	-52	-0.28	REPO	11.50	0.00	0.00
Resources	73,742.64	-746	-1.00	Prime	15.00	0.00	0.00
Gold	2,430.60	-60	-2.41	R 153	11.05	0.16	1.42
Platinum	138.19	-3	-2.12	R 157	9.81	0.05	0.56
Construction	80.78	0	0.00	Commodities			
Banks	29,807.41	-278	-0.93	Gold \$	902.25	-3.55	-0.39
Retail				Platinum			
	21,625.02	51	0.24		2,064.00	-59.00	-2.78

				\$			
IT	14,045.76	174	1.25	Oil \$	125.30	-4.86	-3.73

**International Markets**

	Index	Point	%		Index	Point	%
Nikkei 225	14,081.29	372	2.71	CAC 40	4,971.11	65	1.32
Australia	5,807.10	53	0.91	Dow Jones	12,594.03	46	0.36
FTSE 100	6,069.60	11	0.18	Nasdaq	2,486.70	5	0.22
DAX	7,033.84	75	1.08	S&P 500	1,390.84	5	0.40

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