

Efficient Research

Inflation..A Matter of Interest (Rates)

11 June 2008

Higher oil prices, inflation concerns and the anticipation of upward movements in interest rates, seem to be the global theme in world markets. The JSE All share retreated 1.4% (31 047.43) yesterday with Resources down 1.35%. The Gold mining index fell just over 3.0% and the Platinum mining index closed 0.4% lower. Amongst resources stocks, BHP Billiton decreased 3.5% (R284) and Anglo American shed 0.3% (R513.75). Gold miner Harmony closed 5.3% down (R91.70), Gold Fields declined 4.3% (R94.90) and Anglo American ended 1.1% softer. Anglo Platinum inched 0.6% (R1347) higher while Impala Platinum was 1.0% lower (R307). Sasol ended the session 1.2% firmer (R481). Financials closed 1.23% in the red with Banks were down 1.85%. Absa (R83.60) and Nedbank (R91.47) came under selling pressure, retreating 4.2% and 3.7% each respectively.

Industrials gave up 1.62%.

Federal Reserve Chairman Mr. Ben Bernanke's hawkish comments led the dollar to gain against the Euro as markets started to price in the possibility of a 25 basis point hike at the next Fed meeting on the 5th of August. The stronger greenback, partly faded the appeal for commodities' and precious metal prices consequently retreated. The International Energy Agency lowered its forecast for international oil demand for 2008 by 70 000 barrels a day to 86.77m barrels, citing the main reason being higher prices which is expected to dampen consumption. The oil price was trading slightly lower this morning.

The rand depreciated against the dollar, but managed to strengthen marginally against the British sterling and Euro. The R153 bond gave up 4 points yesterday, its yield higher at 11.72%. Markets in the U.S. and Europe closed in the red as energy and technology shares dragged indices lower. Economic growth in the U.K. for the three months to end May, inched a mere 0.2% higher according to the country's National Institute of Economic and Social Research. The Nikkei in Japan is trading higher on the back of the yen's depreciation (mainly against the dollar) and expected improvement in export company profits. The Bank of Japan is expected to keep their main interest rate unchanged (0.5%) as the central bank is concerned about higher oil prices eroding business profit and spending. The Australian bourse is in the green this morning. The country reported a 6.0% rise in mineral resource exports as commodities like coal, iron ore, oil and gold are enjoying stronger prices. Consumer confidence in the country dropped to a 16-year low (84.7 points), according to Westpac Banking Corp. and Melbourne Institute survey, as our Australian neighbours are also battling with a combination of higher inflation and higher debt servicing costs.

On the domestic front, manufacturing production figures are scheduled for release later this morning. We expect the April figure to show a 2.0% real increase in the output of the country's second largest industry.

Local Markets				Exchange Rate			
	Index	Points	%			Points	%
All Share	31,047.43	-440	-1.40	R/\$	7.92	0.04	0.51
Top 40	29,226.75	-431	-1.45	R/€	12.30	-0.05	-0.42
Indi 25	20,742.99	-341	-1.62	R/£	15.55	0.00	-0.01
Fini 15	6,723.56	-86	-1.26	\$/€	1.55	-0.02	-1.18
Mid Cap	28,193.39	-244	-0.86	\$/¥	107.34	1.08	1.02
Small Cap	27332.15	-327	-1.18	Interest Rates			
Financials	17,610.75	-219	-1.23	REPO	11.50	0.00	0.00
Resources	71,122.49	-971	-1.35	Prime	15.00	0.00	0.00
Gold	2,366.24	-74	-3.05	R 153	11.72	0.04	0.39
Platinum	129.37	-1	-0.40	R 157	10.32	0.04	0.44
Construction	73.82	-2	-2.03	Commodities			

Banks	27,799.48	-523	-1.85	Gold \$	871.15	-19.25	-2.16
Retail	20,107.68	-219	-1.08	Platinum \$	1,980.00	-55.00	-2.70
IT	14,035.67	-2	-0.02	Oil \$	131.90	-2.49	-1.85

International Markets							
	Index	Point	%		Index	Point	%
Nikkei 225	14,167.67	147	1.04	CAC 40	4,761.08	-38	-0.80
Australia	5,557.60	13	0.24	Dow Jones	12,289.76	9	0.08
FTSE 100	5,827.30	-50	-0.86	Nasdaq	2,448.94	-11	-0.43
DAX	6,771.10	-45	-0.65	S&P 500	1,358.44	-3	-0.24

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