

# Efficient Research

## Party also on JSE

18 July 2008

What a bounce! The JSE made a huge recovery yesterday to end its four day losing streak, as the all share index jumped 4.16%, supported by a spectacular rise in financial (+6.7%) and industrial (+7.4%) shares.

Financial shares in most global markets performed strong yesterday supporting sentiment towards the local banks. These sectors have been under a lot of pressure from the last quarter of 2007 and it seemed inevitable that we should see some recovery in them – as the market saying goes, nothing goes up (or down) in a straight line! Amongst banks, Nedbank (+12.6%) made the strongest gains, while RMB and Standard both climbed more than 5%. Investment services company Investec PLC surged 12.1%.

Amongst industrials, Barloworld (+7.2%), Remgro (5.7%) and Bidvest (10.5%) made strong gains. The construction sector (11.1%) performed best, and amongst its large gainers was Aveng (14.0%), M&R Holdings (12.7%) and Group 5 (10.2%). Retailers climbed a strong 6.8%. Resources (1.6%) did join the party during the afternoon and gold miners (1.5%) closed higher, however platinum miners (-0.1%) was the only major sector to close the day in the red, as the cooling in the metal's price, together with the stronger rand provided little support.

The rand is firmer this morning, after gaining around 0.8% versus both the dollar and euro. The bond market reacted sharply to the stronger currency with the R153 and R157 bonds climbing 15 points each. The price of platinum dropped by \$80 per ounce (-4.1%) to \$1860 earlier as reports of declining global auto sales are decreasing the demand for the metal. According to industry reports, Autocatalysts account for around 60% of platinum demand. The price of oil cooled to just above \$130 per barrel (-3%) on speculation of slower demand in the US.

US markets closed higher yesterday, with big news being higher than expected earnings from JP Morgan Chase (largest US retail bank), which pushed the Dow Jones 1.8% higher. The Nasdaq was up 1.2%, while the S&P500 gained a similar amount. European markets also made strong gains yesterday, however the FTSE are expected to open today down, with results from Merrill Lynch, Google and Microsoft all providing some disappointing results. Merrill announced a larger than expected quarterly loss of \$4.8bn after writing down bad debt. Market sentiment in the Far East was dampened this morning the Nikkei (-0.7%) and Australian (-1.1%) markets were trading in the red. With little important economic data releases scheduled for today (both domestic and internationally) it will be interesting to see if investors continue to put forward the confidence seen around global market yesterday. Keep in mind that the perils in the US banking sector are unlikely to just fade away overnight...

Local Markets				Exchange Rate			
	Index	Points	%			Points	%
All Share	27996	1119	4.16	R/\$	7.55	-0.06	-0.80
Top 40	26214	1063	4.23	R/€	11.97	-0.10	-0.80
Indi 25	19363	1340	7.44	R/£	15.10	-0.14	-0.92
Fini 15	6772	424	6.69	\$/€	1.59	0.00	0.31
Mid Cap	26621	993	3.88	\$/¥	106.14	1.03	0.98
Small Cap	25444	684	2.76	Interest Rates			
Financials	17721	1054	6.33	REPO	12.00	0.00	0.00
Resources	60727	969	1.62	Prime	15.50	0.00	0.00
Gold	2426	35	1.46	R 153	10.87	-0.15	-1.32
Platinum	101	0	-0.15	R 157	9.88	-0.16	-1.59
Construction	71	7	11.05	Commodities			
Banks	30084	1659	5.84	Gold \$	957.20	-6.80	-0.71
Retail	20316	1297	6.82	Platinum \$	1860.00	-80.50	-4.15
IT	11857	233	2.01	Oil \$	132.00	-4.19	-3.08
International Markets							
	Index	Point	%		Index	Point	%
Nikkei 225	12795	-93	-0.72	CAC 40	4226	114	2.76

Australia	4919	-58	-1.17	Dow Jones	11447	207	1.85
FTSE 100	5286	136	2.63	Nasdaq	2312	27	1.20
DAX	6271	116	1.88	S&P 500	1260	15	1.20

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