

## Efficient Research

# Consumers in for a Rate Breather?

14 August 2008

The JSE all share closed 0.42% higher yesterday as the bourse managed to close just over the 27 000-point level on the back of firmer commodity prices. Resources were up 2.25% with BHP Billiton gaining 1.8% (R222.02) and Anglo American increasing 3.3% (R413). The Gold mining index (+6.67%) was favoured, supported by the higher gold price, after it took a beating the previous two days. AngloGold Ashanti surged 6.9% (R220.76), Gold Fields rallied 7.0% (R73.50) and Harmony increased 6.7% (R63.30). The Platinum mining index inched 0.14% higher but Anglo Platinum retreated 1.5% (R904.90) whilst Impala Platinum gained 1.3% (R216.20). Sasol closed 0.8% higher (R391). Financials retreated 1.18% with Banks ending 0.64% lower. Standard Bank reported on their interim results for the first half of the year. The bank's headline earnings increased with 15.0% although the credit loss ratio was expected to increase significantly to 1.27%. The share price closed 1.0% lower (R90). Other banking groups that ended in the red was First Rand (-2.1%, R15.27) and Nedbank (-0.1%, R105.85). Industrials gave up 1.17% though construction stocks firmed (1.49%).

The oil price was \$2.80 per barrel higher earlier after the U.S. Department of Energy reported a sharp decline in fuel inventories. This likely provided support to gold (as an inflationary hedge) and the yellow metal price firmed with \$16.33/oz to \$831.05 per troy ounce. Platinum was also higher this morning (\$1531/oz). The rand lost ground against the U.S. dollar yesterday as the greenback appreciated. The U.K. pound traded softer yesterday after the Bank of England commented on a significant probability that their economy could see two consecutive quarters of contraction, i.e. a recession, this year.

Wall Street closed in the red yesterday after U.S. retail sales in July decreased 0.1%, dragging retail stock lower and Merrill Lynch & Co. commented that the contagion of the subprime crisis is expected to continue. European markets turned negative on the Bank of England's comments and financial shares closed sharply lower. The Nikkei 225 was trading lower after Urban Corp., a listed property developer, filed for the biggest bankruptcy claim in six years in Japan. The Australian bourse was trading higher on the back of firmer commodity prices.

Overseas, the Euro zone's second quarter growth figures will be released later today, expected to show the first economic contraction since the euro was launched in 1999. Locally, the Reserve Bank's announcement on interest rates this afternoon will be closely watched by both local and international investors. We expect the Bank to keep its main repo interest rate unchanged at 12.0% as the outlook for inflation has improved and consumer demand has started showing signs of slowing.

| Local Markets |       |        |       | Exchange Rate  |          |        |       |
|---------------|-------|--------|-------|----------------|----------|--------|-------|
|               | Index | Points | %     |                |          | Points | %     |
| All Share     | 27036 | 113    | 0.42  | R/\$           | 7.87     | 0.07   | 0.91  |
| Top 40        | 25009 | 137    | 0.55  | R/€            | 11.73    | 0.10   | 0.86  |
| Indi 25       | 19244 | -227   | -1.17 | R/£            | 14.68    | -0.12  | -0.79 |
| Fini 15       | 6993  | -95    | -1.34 | \$/€           | 1.49     | 0.00   | 0.05  |
| Mid Cap       | 28211 | -189   | -0.66 | \$/¥           | 109.46   | 0.16   | 0.15  |
| Small Cap     | 26784 | 62     | 0.23  | Interest Rates |          |        |       |
| Financials    | 18367 | -220   | -1.18 | REPO           | 12.00    | 0.00   | 0.00  |
| Resources     | 55377 | 1220   | 2.25  | Prime          | 15.50    | 0.00   | 0.00  |
| Gold          | 1841  | 115    | 6.67  | R 153          | 9.95     | 0.05   | 0.51  |
| Platinum      | 91    | 0      | 0.14  | R 157          | 9.26     | -0.02  | -0.16 |
| Construction  | 75    | 1      | 1.49  | Commodities    |          |        |       |
| Banks         | 31497 | -202   | -0.64 | Gold \$        | 831.05   | 16.33  | 2.00  |
| Retail        | 23793 | -644   | -2.64 | Platinum \$    | 1,531.00 | 25.50  | 1.69  |
| IT            | 13898 | -69    | -0.50 | Oil \$         | 114.14   | 2.80   | 2.51  |

**International Markets**

|            | Index | Point | %     |           | Index | Point | %     |
|------------|-------|-------|-------|-----------|-------|-------|-------|
| Nikkei 225 | 12963 | -60   | -0.46 | CAC 40    | 4403  | -116  | -2.56 |
| Australia  | 5066  | 70    | 1.41  | Dow Jones | 11533 | -110  | -0.94 |
| FTSE 100   | 5449  | -86   | -1.55 | Nasdaq    | 2429  | -2    | -0.08 |
| DAX        | 6422  | -164  | -2.49 | S&P 500   | 1286  | -4    | -0.29 |

Prepared by: Doret Els (Economist)

Efficient Group

This report is confidential and for the information of clients only. Information and opinions in this document are from sources believed to be reliable, but cannot be guaranteed due to the nature thereof. Efficient Group accepts no liability as a result of any action based on the information or opinions expressed in this report. The company, directors and staff may from time to time have interests in the shares mentioned in this report.