

Economic and Market Analysis

weekly report

WEEKLY REPORT: 27-31 JULY 2009

Table 1: Key Market Indicators

	Week ending 17 July 2009 *	Movement for the week	Expectations for this coming week
ALSI	23944	401 (+1.70%)	Increase
Industrial index	22362	463 (+2.11%)	Increase
Gold index	2356	28 (+1.20%)	Increase
Financial index	17708	451 (+2.61%)	Increase
Rand/\$	R7.74	-R0.38 (-4.62%)	R7.60/\$ - R7.90/\$
Gold price	\$952	\$14 (+1.49%)	\$940- \$970
Dow Jones	9093	349 (+4.0%)	Increase
Nikkei	9944	549 (+6.26%)	Increase
FTSE-100	4576	188 (+4.28%)	Increase
Hang Seng	19982	1177 (+6.26%)	Increase
SA Property Index	304	11 (+3.75%)	Increase
Capital market (ALBI)	287078	598 (+0.21%)	Increase

***Closing prices at 17:00**

More and more fundamental indicators are starting to show that the world economic recession is subsiding and the past week was no exception. Domestically, South African shares are continuing their upward rally notwithstanding the dark clouds of strikes across most economic sectors. Foreign investors remain positive on South African shares and bonds. Together with the strong rally in the prices of gold and platinum, the rand exchange rate continued to appreciate against all major currencies. Property shares finally started to move positive - given the improvement of more than 3% in the property index. Bonds remain in demand as the All Bond Index (ALBI) displayed a marginal improvement.

We expect more volatility in share prices but the trend will remain upwards. Property shares may finally show a continual rally. The prices of commodities will depend on the oil price and may even push share prices higher.

U.S. stocks increased last week, completing the steepest two-week rally for the Dow Jones Industrial Average since 2000. This can be ascribed to companies releasing better than expected profit data and the increase in home re-sales signalling that an economic recovery may be underway. This recovery signal may even strengthen in the coming week, considering that investors will concentrate mainly on the second quarter GDP figure of the US that will be released.



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Analysts also expect that the US Dollar will remain under pressure and will move weaker against the Euro and the Yen. Other important data includes the US consumer confidence index, which is expected to have improved from 49.3 to 49.9, as well as existing home sales, which are also expected to have increased.

Domestically, almost all of the key monthly economic data will be released for June. On Wednesday the inflation figure (CPI) will be published which is expected to have decreased to 7.5% in June. The PPI number will be released on Thursday which is expected to remain negative at -3.3%, against the -3.0% recorded in May. On Friday trade, money supply (M3) and credit figures will be released. With the release of May's figures, a sudden trade surplus of more than R2 billion was reported. This trend may have continued as the weak demand for imports may have been overshadowed by higher commodity prices (increasing South African exports). A trade surplus of R1.5 billion in June is thus possible, but given the volatility in which importers and exporters report their trade a deficit should not be surprising. M3 money supply came in at 7.31% growth for May and this is expected to have contracted further to 7.0% in June. Credit extension to the private sector (PSCE) is also expected to have remained low with a growth rate of a mere 5.5% against the 5.7% recorded in May. The above figures will once again suggest a possible cut in the repo rate by the Monetary Policy Committee (MPC) at their next meeting that will take place in August.

All in all, the financial markets should continue to improve this coming week, with the All Share Index (ALSI) possibly closing beyond the 24 000 level.



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Table 2: Release schedule for selected economic indicators this week

Date	Country	Indicators	Period	Unit	Expected	Previous
Jul 27	RSA	Insolvencies	May	%YoY		-23.6
Jul 27	RSA	Liquidations	Jun	%YoY		6.8
Jul 27	USA	New home sales	Jun	%MoM	3.8	-0.6
Jul 28	RSA	Unemployment	Q2 '09	% rate		23.5
Jul 28	USA	CB consumer confidence	Jul	Index	49.9	49.3
Jul 29	RSA	M3	Jun	%YoY	7.0	7.31
Jul 29	RSA	PSCE	Jun	%YoY	5.5	5.70
Jul 29	RSA	CPI	Jun	%YoY	7.5	8.0
Jul 29	USA	Durable goods order	Jun	%MoM	-0.5	1.8
Jul 30	RSA	PPI	Jun	%YoY	-3.3	-3.0
Jul 30	USA	Initial jobless claims	Jul 25	4wk, ma	520	566.0
Jul 30	RSA	Statement of National revenue, expenditure and borrowing	Jun			
Jul 31	RSA	Trade balance	Jun	ZARbn	-1.5 to 1.5	2.0
Jul 31	USA	GDP	Q2 '09	%QoQ	-1.5	-5.5
Jul 31	USA	Chicago PMI	Jul	Index	42.0	39.9

Prof Chris Harmse
27 July 2009

Note: The above is a fundamental analysis. From time to time the fundamental and technical analysis on the expected movement in share and other market prices may be in conflict, due to the difference in analysis techniques. However, it does not mean that they are not in correlation over the medium to longer term. This report, due to the time constraint is the opinion and sole responsibility of the author.



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