

Efficient Research

Surprise, Surprise!

13 June 2008

The JSE All share enjoyed the surprise announcement by the SARB of (only) a 50 basis point hike in the repurchase rate to 12.0%. The market was expecting a 100 basis point increase and Financial (+1.61%) and Banking stocks (+1.49%) recovered earlier losses. Old Mutual jumped 2.8% (R17.56), Sanlam gained 1.9% (R18.29) whilst Liberty retreated 2.3% (R71). Absa increased 3.1% (R86.70) and Standard Bank closed up 1.9% (R81.50). Resources gained just over 1.0% with BHP Billiton closing 2.1% higher (R289.50) and Anglo American adding 2.0% (R507). The Gold mining index was 0.38% softer with AngloGold Ashanti inching 0.5% (R263.34) lower, Gold Fields down 1.2% (R91.40) whilst Harmony added 1.3% (R89.90). The Platinum mining index shed nearly 2.0%. Anglo Platinum was down 0.5% (R1310) and Impala Platinum fell 3.3% (R291). Industrials closed 1.73% in the green. Sasol ended 1.2% (R479.90) firmer. SAB was 1.8% (R191.72) lower at close. The gold price was slightly softer earlier, on \$871.55/oz. The platinum's price was \$12.50/oz higher, on \$2035.00/oz. The oil price was trading near the \$136 per barrel mark. Good economic news out of the U.S. supported the greenback, the currency was on US\$/€ 1.55 earlier. The rand reacted sharply to the lower-than-expected interest rate hike and lost almost 10c versus the dollar directly after the announcement. The local currency was quoted on \$8.12 against the U.S. dollar, R12.56 against the Euro and R15.81 against the British sterling. The R153 recovered 21 points yesterday (11.52%)

U.S. retail sales in May rose at double the expected pace (1.0% y:y) indicating that the government's tax rebate package and the aggressive cutting of interest rates by the Federal Reserve bank, stimulated consumer spending. Consumer expenditure makes up around 70.0% of the U.S. economy and the rise was taken as a positive sign by Wall Street. European markets advanced for the first time in 7 days on the back of a rally in banking and mining stocks. The Japanese market was trading in the red after speculation that a government report due next week will indicate some doubts over the nation's economic recovery.

The Australian market was down earlier.

On the domestic front, given that the market had already priced in 100 basis points, some reshuffling can be expected to continue today. This adds to our view that the Governor missed an opportunity to hit inflation hard, as the market was already anticipating a strong rise.

Local Markets				Exchange Rate			
	Index	Points	%		Points	%	
All Share	31,033.30	393	1.28	R/\$	8.12	0.12	1.50
Top 40	29,201.93	395	1.37	R/€	12.56	0.10	0.83
Indi 25	20,929.25	357	1.73	R/£	15.81	0.12	0.74
Fini 15	6,768.98	112	1.68	\$/€	1.55	-0.01	-0.69
Mid Cap	28,256.70	157	0.56	\$/¥	107.86	1.04	0.97
Small Cap	27482.43	170	0.62	Interest Rates			
Financials	17,731.40	282	1.61	REPO	12.00	0.50	4.35
Resources	70,552.55	712	1.02	Prime	15.50	0.50	3.33
Gold	2,290.63	-9	-0.38	R 153	11.52	-0.21	-1.79
Platinum	124.35	-3	-1.99	R 157	10.31	-0.04	-0.43
Construction	75.64	3	3.53	Commodities			
Banks	27,964.36	410	1.49	Gold \$	871.55	-8.55	-0.97
Retail	20,251.46	249	1.25	Platinum \$	2,035.00	12.50	0.62
IT	14,142.00	17	0.12	Oil \$	135.90	1.98	1.48

International Markets							
	Index	Point	%		Index	Point	%
Nikkei 225	13,871.55	-17	-0.12	CAC 40	4,672.30	11	0.24
Australia	5,424.00	-9	-0.17	Dow Jones	12,141.58	58	0.48
FTSE 100	5,790.50	67	1.17	Nasdaq	2,404.35	10	0.43
DAX	6,714.52	64	0.97	S&P 500	1,339.87	4	0.33

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