

Economic and Market Analysis

weekly report

WEEKLY REPORT: 1-5 DECEMBER 2008

Table 1: Key Market Indicators

	Week ending 28 November	Movement for the week	Expectations for this coming week
ALSI	21209	+3143 (+17.40%)	Volatile
Industrial index	19451	+1352 (+7.47%)	Volatile
Gold index	1992	+387 (+24.11%)	Volatile
Financial index	16023	+1519 (10.47%)	Volatile
Rand/\$	R9.98/\$	-86cent (-8.03%)	R9.70-10.15/\$
Gold price	\$814	+\$40 (+5.16%)	\$7.90- \$830
Dow Jones	8829	+1276 (+16.91%)	Volatile
Nikkei	8512	+601 (+7.60%)	Volatile
FTSE-100	4288	+107 (+13.41%)	Volatile
Hang Seng	13888	+1229 (+9.71%)	Volatile
SA Property Index	296	+18 (+6.47%)	Increase
R157	8.28%	+3 (+0.24%)	Increase

World financial markets started to recover last week. Negative sentiment makes way for some optimism, as some of the rescue money in the US is distributed via the banking sector. The Dow Jones on Wall Street ended higher on all four days last week (Thursday was a public holiday). The index had the biggest increase over a week this year of almost 17%. Expectations for further tax relief from the Obama administration early next year, as well as further interest rate cuts support the recovery.

In tandem with the sharp recovery in share prices in New York, share prices on the JSE also had one of its biggest recoveries this year. News that the economy is not in a recession, but had a positive growth rate of 0.2% during the third quarter, as well as that of the inflation numbers, both CPIX (12.4%) and the PPI (14.5%) were lower than market expectations, favoured share prices. The ALSI, led by a sharp increase in the prices for gold and platinum, jumped by 17.40% last week. Figure 1 clearly shows the double bottom that was formed during the previous week and the sharp recovery in the ALSI. Technically, the next resistant level is around 27 000.

The higher gold price, as well as news that China decreased their interest rates by a large margin, favoured the gold index as it shot up by more than 21% during last week. Harmony Gold increased with R19.50 (29.32%) per share, Gold Fields with R19.45 (30.27%) per share and AngloGold Ashanti with R34.25 (18.54%) per share. The listed property index also continued its recovery as the index gained 6.47%. The rand also moved stronger



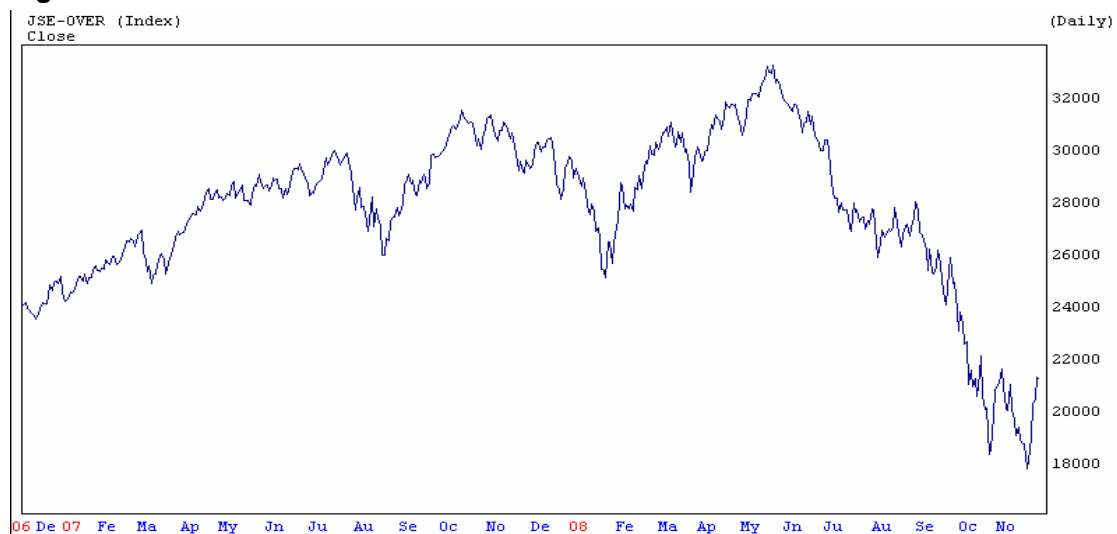
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against the major currencies and gained 86 cents against the dollar to end the week just below R10.00/\$.

Figure 1: The ALSI on the JSE: The next resistant level now is around 27 000



Three important economic indicators for South Africa will be released this coming week. The Investment Purchasing Managers Index for November will be published today. Last month's downward movement to 46.2 points was negative for the share market. We expect a slight improvement this time. The motor car sales figures for November will be released on Wednesday, whereas South Africa's foreign Reserve's position will be announced on Friday. Unfortunately, it is expected that a mixed bag of economic news will be announced this coming week. Ben Bernanke, chairperson of the Federal Reserve Board, speaks on the US economy today. The motorcar sales figure for the US will be released this coming Wednesday, as well as the Federal Reserve's so-called beige book that gives an overview on regional economic performance. The weekly employment data for the USA will be crucial. Three different measures of employment will be released, namely initial jobless claims (last week of November 2008), non-farm payrolls (November 2008) and the unemployment rate for November 2008. With the release of the non-farm payrolls last month, share prices moved quite negatively. Once again, it is expected that the figure will even be worse this month. Expectations are that 300 000 jobs were lost last month, against the 240 000 of October. In return, this will indicate that the US unemployment rate had worsened even further from 6.5% in October to 6.8%, the highest in years. Together with the release of the consumer credit figures for October 2008 this coming Friday (expectations are that consumer used far less credit, namely R2.7 billion against 6.9 billion in September), Wall Street may end the week lower due to a deepening recession fear. Nevertheless, if commodity prices continue to recover, shares on the JSE may move higher



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again over the week. But overall, we expect a rather volatile movement on share markets this week, with the outcome unsure.

Table 2: Release schedule for selected economic indicators this week

Date	Country	Indicator	Period	Expected	Prior
Dec 1	USA	Construction Spending	Oct	-0.9%	-0.3%
Dec 1	USA	ISM Index	Nov	38.0	38.9
Dec 1	RSA	Investec Purchasing Managers Index (IPM)	Nov	46.8	46.2
Dec 2	USA	Auto Sales	Nov	N/A	N/A
Dec 2	USA	Truck Sales	Nov	N/A	N/A
Dec 2	RSA	Vehicle Sales (Units)	Nov	39 000	38143
Dec 3	USA	ADP Employment	Nov	-173K	-
Dec 3	USA	Productivity-Rev.	Q3	0.9%	1.1%
Dec 3	USA	ISM Services	Nov	42.6	44.4
Dec 3	USA	Fed's Beige Book	-	-	-
Dec 4	USA	Initial Claims	11/29	N/A	N/A
Dec 4	USA	Factory Orders	Oct	-2.7%	-2.5%
Dec 5	USA	Average Workweek	Nov	33.6	33.6
Dec 5	RSA	International Liquidity Position	Nov	\$32.3 bn	\$32.1bn
Dec 5	USA	Hourly Earnings	Nov	0.2%	0.2%
Dec 5	USA	Non-farm Payrolls	Nov	-300K	-240K
Dec 5	USA	Unemployment Rate	Nov	6.8%	6.5%
Dec 5	USA	Consumer Credit	Oct	\$2.7B	\$6.9B

Prof Chris Harmse
1 December 2008

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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