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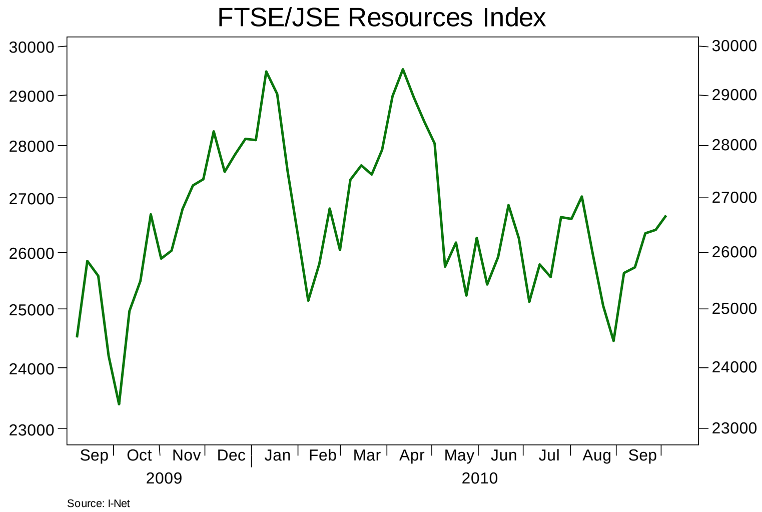
OMIGSA Comment – Anwaar Wagner, Head: Resources

Basic metals fall …………on easing Chinese economy

Following renewed concerns about the health of the global economy the basic materials sector was down -6.3%, underperforming the FTSE/JSE All Share Index (ALSI) which was down 3.6% for the month of August.



The need to reduce debt levels in the European economy (Portugal, Italy, Greece and Spain) was seen by some as a withdrawal of stimulus on a fragile recovery and, with the simultaneous need to cool the Chinese economy to a more sustainable level, weighed heavily on sentiment. To make matters worse for exporters, the rand continued to strengthen due to its relatively-high interest rate differentials.

We had previously stated that we find similarities between the first half of 2010 and that of 2008, especially the increased risk associated with high commodity and share prices. Share prices have since retreated and certain miners and non-miners are looking compelling again.

24 - 30 Sept 2010 in a nutshell

Global: Global equities were a mixed bag this week, on slowing economic growth in developed economies and the lingering sovereign debt crisis in Europe. The S&P 500 in the US gained 1.42%, while its European counterpart fell 1.33% and emerging market stocks rallied 4.36%.

South Africa: The local bourse rallied this week, with the FTSE/JSE All Share Index surging 3.48%, on positive investor sentiment about growth prospects in emerging markets. Industrials led the rally, soaring 6.43% for the week, on the back of a proposed take-over of Massmart by Wal-Mart, a US retailer.

Markets and Economics - Highlights

Global

- US consumer confidence fell to its lowest this month since February, underscoring lingering worries about the economic recovery, while US house prices dipped in July. The Conference Board's index of consumer attitudes fell to 48.5 points this month from a revised 53.2 points last month, pressured by a weak labour market and business conditions.
- The UK economy's fastest quarter of growth in nine years was fuelled by the biggest jump in government spending since 2008 and a surge in construction. Gross domestic product expanded 1.2% in the second quarter compared with the first, unrevised from a previous measurement, the Office for National Statistics said.
- Emerging markets attracted more money from share offerings than industrialised nations in the third quarter for the first time in at least a decade as companies in Brazil and China completed record sales.

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South Africa

- After contracting by 1.75% last year, SA's economy was expected to expand by about 3% this year, though growth of 6% was needed to reduce high unemployment, said a survey by the International Monetary Fund.
- SA's trade balance swung back into the red with a larger than expected deficit of R4.7bn in August. That followed two months of surprise surpluses, amounting to R2bn in June and R5.6bn in August, the South African Revenue Services said.
- Price increases at SA's factories, mines and farms quickened unexpectedly in August, driven mainly by mining products. Producer prices climbed 7.8% compared with the same month last year, up from a 7.7% rise in July, despite forecasts of a slowdown.
- Inflation subsided to its lowest level in five years last month, driven in part by the rand's strong rally, and raising the possibility of the Reserve Bank trimming interest rates again. Consumer inflation retreated to 3.5%, just below expectations and against 3.7% in July, figures from Stats SA showed.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 30.09.2010	% Performance Return
United States	S & P 500 (US$)	1.42%	1,141	2.32%
Europe	Euro Stoxx 50 (Euro)	-1.33%	2,748	-7.38%
Emerging Mkts	MSCI Emerg Mkts (US$)	4.36%	1,076	8.75%
South Africa	FTSE/JSE All Share (ZAR)	3.48%	29,456	6.47%
Global	MSCI (US$)	1.90%	1,179	0.94%
ZAR/Dollar	Rand/US $ (ZAR)	-2.38%	6.96	-5.82%
ZAR/Pound	Rand/£ (ZAR)	-1.97%	10.92	-7.93%
ZAR/Euro	Rand/Euro (ZAR)	1.50%	9.47	-9.72%
JSE	Industrials	6.43%	28,154	11.52%
JSE	Financials	4.29%	21,846	13.04%
JSE	Resources 20	1.33%	48,477	-5.10%
JSE	Small Companies	3.33%	30,543	9.53%
JSE	Listed Property	1.61%	379	17.34%
JSE	RAFI® ALSI	3.64%	6,184	7.51%
JSE	RAFI® 40	3.57%	5,722	5.97%
JSE	SWIX	3.97%	6,266	9.26%

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