

**OMIGSA Comment – Tracy Brodziak, Head: Financials**

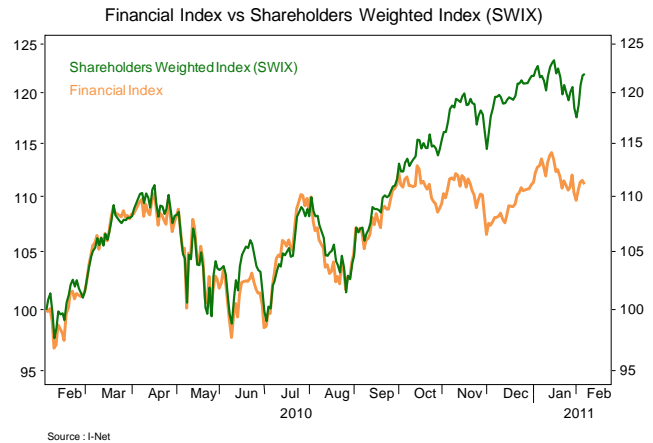
**Life companies outperform .....boosted by Old Mutual’s rebound**



The life assurance sector was up 2.7% for the month of January 2011, on the back of a rebound by Old Mutual, following a sell-off in December which was prompted by a delay in concluding the sale of its US life operations.

However, the Banking Index was down 2% over the same period. The weakness in the banking sector was in line with the overall market, which was weakened by renewed emerging market fears on the back of political unrest in the Middle East.

ABSA and African Bank were the worst performers in the month, each losing in excess of 5%, while further downside for the sector was limited by FirstRand, which ended the month flat.



Meanwhile, the FTSE/JSE Financial Index was down 1.5%, outperforming the FTSE/JSE Shareholder Weighted All Share Index (SWIX), which lost 3.4% over the same period.

Results season for the financial year 2010 commences in February and we expect the results to confirm that 2010 was a challenging year for the sector. However, going forward into 2011, we expect better operational performance compared to 2010 as the benefits of lower interest rates on debtors books, as well as a strengthening economy begin to emerge.

Life companies should continue to show an improving trend in lapse experience due to improving real household incomes, while single premium sales will be supported by the stronger equity markets.

**28 Jan - 03 Feb 2011 in a nutshell**

**Global:** Concerns over geopolitical issues in Egypt and other Arab states failed to steal the shine off most global equities this week, except emerging markets. The S&P 500 in the US gained 0.54%, while the European market shares rose slightly, at 0.17% and emerging market slid 0.79%.

**South Africa:** Buoyed by strong commodity prices, the local market was in the black this week, with the FTSE JSE/All Share Index collecting 2.04%. Resources were the winners, rallying 4.72%.

**Markets and Economics - Highlights**

**Global**

- Payroll gains probably picked up in January, even after accounting for the restraining influence of winter storms, showing the U.S. recovery is strengthening, economists said ahead of a jobs report today. Employment increased by 146 000 workers last month after a 103 000 gain in December, according to the median forecast of 85 economists surveyed by Bloomberg News. The report may also show the jobless rate rose to 9.5% from 9.4%.
- Inflation is likely to climb further and could exceed the European Central Bank’s (ECB) target for most of the year, but poses no threat yet to medium-term price stability, its president, Jean-Claude Trichet, said. Eurozone inflation accelerated to 2.4% last month, moving further above the ECB’s target of just below 2%.
- HSBC’s China Purchasing Managers’ Index edged up in January to show solid growth in the country’s vast manufacturing sector after factories took in more new orders, while input prices dipped in a tentative sign of receding inflationary pressure. The index, designed to provide an

early indication of conditions in a broad range of industries, nudged up to 54.5, from 54.4 in December, well above the long-run series average of 52.3

### South Africa

- There will be an increase in offshore bonds issued from SA this year as markets react positively to the country's membership of the Bric group of emerging economies. This is the view of Standard Bank, which yesterday said the country's international prestige has been enhanced after being invited to join Brazil, Russia, India and China. Experts say this will open the door for additional investment and capital flows into Africa's largest economy
- The rand is among the worst-performing currencies against the dollar this year, as increased capital outflows and emerging market jitters caused by the Egyptian crisis weigh down on it. Strong portfolio inflows over the past couple of years have been reversed with "hefty bond outflows" in the past two months, according to Michael Keenan, a Johannesburg-based currency strategist at Standard Bank.
- This year has not yet seen much improvement in business confidence as the private sector remains concerned about the tone and direction of state policy, amid an economy that is recovering slowly. The South African Chamber of Commerce and Industry's business confidence index dropped marginally to 87,4 points from 87,6 in December, official data showed.
- All is set for economic recovery in 2011, but South Africans should not begin thinking the next growth phase has dawned. This was the view of Economists.co.za economist Mike Schüssler, the compiler of the Sake24 and BoE Private Clients provincial barometers. These indices are compiled from many data series and measure the economic pulse of five of South Africa's provinces.

#### Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 03.02.2011	% Performance Return
United States	S & P 500 (US\$)	0.54%	1,307	3.90%
Europe	Euro Stoxx 50 (Euro)	0.17%	2,995	7.23%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-0.79%	1,133	-1.56%
South Africa	FTSE/JSE All Share (ZAR)	2.04%	32,794	2.10%
Global	MSCI (US\$)	0.61%	1,329	3.83%
ZAR/Dollar	Rand/US \$ (ZAR)	2.55%	7.23	9.38%
ZAR/Pound	Rand/£ (ZAR)	4.19%	11.68	13.29%
ZAR/Euro	Rand/Euro (ZAR)	2.07%	9.87	11.65%
JSE	Industrials	-3.35%	28,750	-5.46%
JSE	Financials	-0.46%	21,681	0.16%
JSE	Resources 20	4.72%	59,717	6.07%
JSE	Small Companies	-1.41%	32,343	-4.09%
JSE	Listed Property	-3.75%	359	-7.24%
JSE	RAFI@ ALSI	2.34%	6,870	3.23%
JSE	RAFI@ 40	2.33%	6,674	320%
JSE	SWIX	0.96%	6,746	0.03%

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