

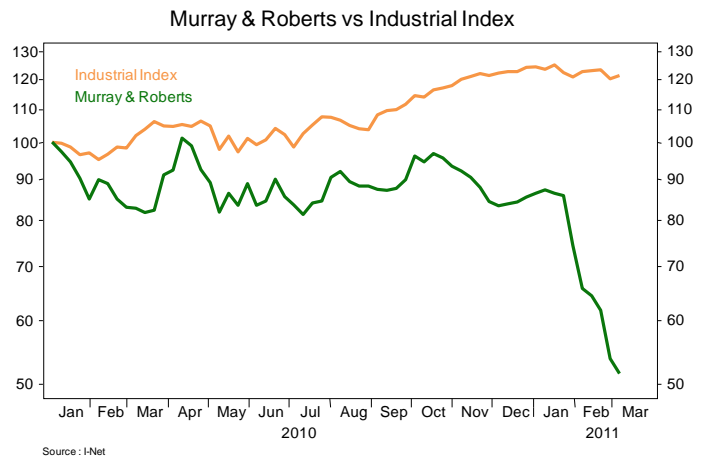
OMIGSA Comment – Cavan Osborne, Analyst: Industrials

Construction sharesbiggest lag in industrials



The construction shares continue to struggle in 2011, particularly Murray and Roberts who recently announced large write-offs, followed by the immediate retirement of both the CEO and Financial Director.

These shares are eventually starting to look attractive, even though the environment for construction is still not improving and faces some big headwinds with government capital spending not matching previous years, and the private sector remaining reticent to invest.



Meanwhile, the industrial sector continued to underperform the overall market in February, up 1.9% compared to the overall market, which was up 2.8%. The performance was mostly in the rand hedge shares as risk aversion increased and the rand took some pressure. With the rand being so volatile, this performance could easily switch in months to come.

With speculation about the upward spiralling food inflation internationally, combined with a weaker rand, food retailers attracted a lot of buying. They have had a tough year trading against the headwind of food deflation, or very low inflation, and now the tide is turning in their favour. Woolworths was up 14% in the month, which was primarily after releasing an excellent set of results.

25 Feb - 03 March 2011 in a nutshell

Global: Speculation of a peace deal in Libya and improved economic data from the US cheered most global equities this week. The S&P 500 in the US climbed 1.07% while its European counterpart edged up by 0.68% and emerging market stocks rallied 3.68%.

South Africa: The positive sentiment in the US drove the local market into positive territory this week, with the FTSE/JSE All Share Index collecting 2.03%. Resources led the 'relief' rally, rising 2.19%.

Markets and Economics - Highlights

Global

- Manufacturing in the US grew in February at the fastest pace in almost seven years, driven by gains in orders, employment and exports that signal factories will continue to propel the expansion. The Institute for Supply Management's factory index increased to 61.4, exceeding the median forecast of economists surveyed by Bloomberg News and the highest level since May 2004.
- European Central Bank (ECB) president Jean-Claude Trichet said yesterday the ECB could raise interest rates next month to fight accelerating inflation pressures. The euro climbed to almost a four-month high against the dollar after Mr Trichet said officials needed to exercise "strong vigilance" towards inflation. An "increase of interest rates in the next meeting is possible", he said in Frankfurt after the bank left its key rate at a record low of 1%.

- Investors disillusioned by the fall of Wall Street titans, economic anaemia in Japan, and debt in Europe have found many opportunities to grow wealth in industrialising nations such as China and India. But now, as angry populations roil one Middle Eastern regime after the next, and discontent over escalating food prices and lagging living standards is heard elsewhere in the developing world, investors are moving staggering piles of cash out of emerging markets – and back into what they hope are the relatively stable havens of the US, Europe and Japan, according to fund tracker EPFR Global.

South Africa

- South African business confidence fell to its lowest in four months in February, damping the outlook for economic growth, the SA Chamber of Commerce and Industry (SACCI) said. The business confidence index (BCI) dropped to 86.4 points last month from 87.4 in January, SACCI said.
- The success of South Africa's bond issue on international capital markets, late on Tuesday, is a sign of investor confidence in the economy, according to analysts. The National Treasury said that the \$3 billion (R21bn) in bids received amounted to four times the value of the \$750 million, 30-year global bond deal. And the 6.25% interest rate government would pay was only 180 basis points higher than the rate on 30-year US Treasury's benchmark bonds.
- New-car sales reached their highest in three years in February, leading the continued acceleration in vehicle sales, according to statistics released yesterday by the National Association of Automobile Manufacturers. Total new-vehicle sales grew 25.2% year-on-year last month to 49164 from 39284, the association reported. Economists pointed to low interest rates, improving income and discounting as reasons behind the strong sales.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 03.03.2011	% Performance Return
United States	S & P 500 (US\$)	1.07%	1,320	4.93%
Europe	Euro Stoxx 50 (Euro)	0.68%	2,969	6.30%
Emerging Mkts	MSCI Emerg Mkts (US\$)	3.68%	1,127	-2.09%
South Africa	FTSE/JSE All Share (ZAR)	2.03%	32,350	0.72%
Global	MSCI (US\$)	1.88%	1,352	5.63%
ZAR/Dollar	Rand/US \$ (ZAR)	-1.70%	6.92	4.69%
ZAR/Pound	Rand/£ (ZAR)	-0.88%	11.24	9.02%
ZAR/Euro	Rand/Euro (ZAR)	-1.72%	9.65	9.16%
JSE	Industrials	-0.32%	27,486	-9.62%
JSE	Financials	1.21%	21,079	-2.62%
JSE	Resources 20	2.19%	59,446	5.58%
JSE	Small Companies	-0.10%	31,826	-5.62%
JSE	Listed Property	0.56%	362	-6.46%
JSE	RAFI® ALSI	2.02%	6,782	1.91%
JSE	RAFI® 40	1.98%	6,549	1.27%
JSE	SWIX	2.09%	6,652	-1.36%

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