

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

**Life companies steam ahead amid improved economic environment**



The FTSE/JSE Financial Index gained 1.1% for the month of February 2010. It marginally outperformed the FTSE/JSE Shareholder Weighted All Share Index (SWIX), which ended the month 1% up. Within

financials, the life sector provided the lift, returning 5% in the month, mainly boosted by strong performances from Discovery and Sanlam.

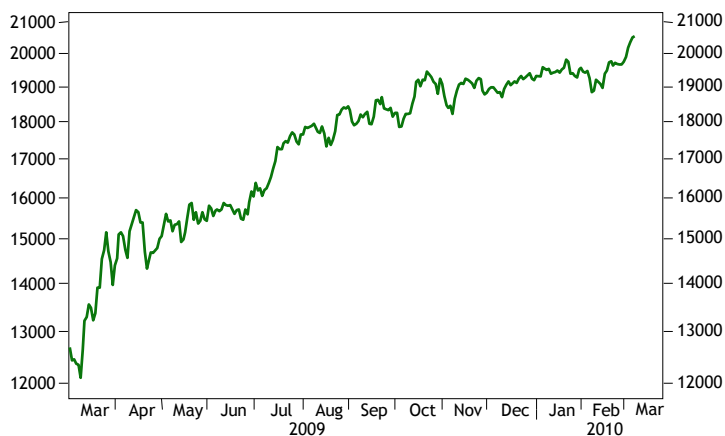
In contrast, the banking sector was down 1.8%, mainly as a result of poor performances from FirstRand and RMB Holdings, which were down over the period.

The financial sector continues to benefit from an improved local economic environment, following positive GDP growth in the second half of 2009, as well as some evidence of a rebound in economic activity from recent economic data.

With the reporting season now underway, we are seeing evidence of what was a tough operating environment in 2009. Loan impairment ratios for banks and policy termination rates for life companies remain at elevated levels, albeit stabilising. We expect a similar trend from companies which are yet still to report.

Going forward, we expect an operational recovery to commence sometime in 2010, supported by a stabilising economy and improved household incomes.

**JSE Financial Index**



Source: INET

**26 Feb - 04 March 2010 in a nutshell**

**Global:** The bulls charged forward this week on a flurry of extremely positive economic data from the US, sparking a rally on most global bourses. The S&P 500 in the US rose 1.81% while its European counterpart soared 4.19% and emerging markets shares surged 4.12%.

**South Africa:** The local market was not to be outdone as it cheerfully tracked its global peers, resulting in the FTSE/JSE All Share Index collecting a massive 3.90% for the week, on firmer metals prices. Industrials led the rally, climbing 4.90%.

**Markets and Economics - Highlights**

**Global**

- The number of US workers claiming jobless benefits fell by more than expected last week, offering a small sign of hope for the stricken labour market. Initial jobless claims declined by 29,000 to 469,000, labour department figures showed.
- The European Central Bank (ECB) left its benchmark interest rate unchanged at 1% as markets waited to see if it would scale back special lending to banks introduced during the financial crisis.
- Investors are pricing in big interest rate rises in emerging market economies, sparking fears of a stock market sell-off and prompting worries over the global recovery, which has been driven by the developing world, said a newspaper report.

## South Africa

- SA's trade balance swung back into the red with a bigger-than-expected deficit in January as exports plunged much faster than imports, data from the South African Revenue Service (SARS) showed.
- The SA Chamber of Commerce and Industry's business confidence index rose to 83 from 81.2 in January, its highest level since October last year. It added to a spate of data suggesting SA's recovery was gathering momentum.
- Private-sector borrowing fell in January for the fourth month running, supporting the view that the economy would not enjoy a rapid recovery from its first recession in 17 years. Private-sector credit extension was down 1.1% on the previous January's, after December's quickening from a revised contraction of 0.6%, official data showed.

### Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 04.03.2010	% Performance Return
United States	S & P 500 (US\$)	1.81%	1,123	0.71%
Europe	Euro Stoxx 50 (Euro)	4.92%	2,816	-5.06%
Emerging Mkts	MSCI Emerg Mkts (US\$)	4.12%	961	-2.88%
South Africa	FTSE/JSE All Share (ZAR)	3.90%	27,774	0.39%
Global	MSCI (US\$)	2.85%	1,156	-1.03%
ZAR/Dollar	Rand/US \$ (ZAR)	-3.36%	7.47	1.08%
ZAR/Pound	Rand/£ (ZAR)	-4.59%	11.22	-5.40%
ZAR/Euro	Rand/Euro (ZAR)	-2.97%	10.14	-3.34%
JSE	Industrials	4.90%	25,710	1.84%
JSE	Financials	4.28%	20,521	6.18%
JSE	Resources 20	4.30%	49,247	-3.60%
JSE	Small Companies	2.85%	28,680	2.85%
JSE	Listed Property	1.78%	344	6.50%
JSE	RAFI@ ALSI	4.26%	5,822	1.22%
JSE	RAFI@ 40	4.03%	5,647	0.98%
JSE	SWIX	3.98%	5,823	1.53%

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