

OMIGSA Comment – Tracy Brodziak, Sector Head: Financials

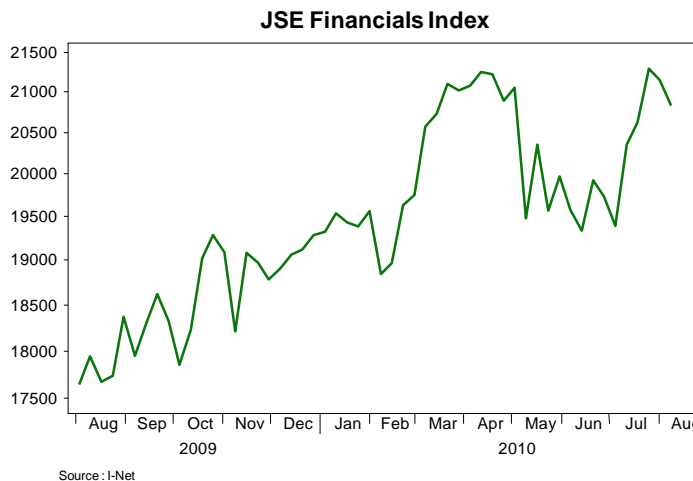
Old Mutual roars aheadon rumours of a possible Nedbank sale

The FTSE/JSE Financial Index returned 9.3% for the month of July, outperforming the FTSE/JSE Shareholder Weighted All Share Index (SWIX), which returned 8.3%.

The banking index returned 11.4% for the month, with performance evenly spread between the banks, but this performance did not match the 12.4% rise in the life sector index. Old Mutual rose 17.5% with support from rumors of a possible sale of Nedbank.



The financial sector was buoyed by strong earnings reports in the US, which provided confidence that the world economy is in good health. Positive local inflation data also lent support to the sector. Reporting season has commenced and we expect financial companies to show signs of recovery in earnings. Earnings momentum is expected to pick up in the second half of 2010 and be sustained into 2011. This will mainly be driven by lower impairment ratios for banks and improving policy termination rates for life companies, all coming on the back of a sustained recovery in the economy and improvements in household incomes.



30 July - 05 August 2010 in a nutshell

Global: Robust corporate earnings in the US pushed up most global equities this week. The S&P 500 in the US rallied 2.18% while the European market shares climbed 2.40% and emerging market stocks were 1.81% higher.

South Africa: The local bourse bucked the global upward trend, with the FTSE/All Share Index staying flat at -0.08%, on lacklustre banking shares. As expected, the biggest losers were financials, falling 2.43%.

Markets and Economics - Highlights

Global

- US private sector employment rose slightly more than expected last month, easing some concerns about labour market weakness ahead of a key government jobs report, to be released today. US private employers added 42 000 jobs, compared with a revised gain of 19 000 in June, the report by a payrolls processor, ADP Employer Services showed.
- The Euro-zone's dominant services sector picked up speed last month, allaying fears of a double-dip recession, although strong growth in Germany and France masked weakness in southern Europe. On the other hand, Britain's services industry grew at its slowest rate in 13 months last month, as worries about spending cuts weighed on confidence, a survey showed.
- China's central bank said that inflation risks persisted as growth stabilised in the world's third-biggest economy. There was "still a need to strengthen the management of inflation expectations", the People's Bank of China said in a second-quarter report.

South Africa

- Confidence in the domestic economy edged up last month after a dip in June, with recovery from last year's downturn seen still on track, although expansion should remain far below the country's potential. The Reuters Econometer – an index of six weighted indicators – rose to 249.23 points in July from 243.03 the previous month.
- Manufacturing activity has edged up for the first time in five months, but its level shows that the economy's second-biggest sector still faces heavy pressure. SA's Purchasing Managers' Index (PMI) rose 1.1 points to 49.5 last month – staying below 50, which marks the cutoff between expansion and contraction.
- Pessimistic forecasts of a collapse in new vehicle sales after the World Cup proved unfounded, with new car sales last month exceeding expectations by rising 32% to 29 221 units from the 22 062 units sold in July last year.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 05.08.2010	% Performance Return
United States	S & P 500 (US\$)	2.18%	1,126	0.98%
Europe	Euro Stoxx 50 (Euro)	2.40%	2,819	-4.96%
Emerging Mkts	MSCI Emerg Mkts (US\$)	1.81%	1,012	2.28%
South Africa	FTSE/JSE All Share (ZAR)	-0.08%	28,528	3.11%
Global	MSCI (US\$)	2.22%	1,153	-1.28%
ZAR/Dollar	Rand/US \$ (ZAR)	-1.09%	7.24	-2.03%
ZAR/Pound	Rand/£ (ZAR)	0.79%	11.50	-3.04%
ZAR/Euro	Rand/Euro (ZAR)	-0.21%	9.54	-9.06%
JSE	Industrials	-1.05%	26,947	2.78%
JSE	Financials	-2.43%	20,836	7.81%
JSE	Resources 20	1.75%	49,653	-2.80%
JSE	Small Companies	0.30%	28,823	3.36%
JSE	Listed Property	0.82%	368	13.93%
JSE	RAFI® ALSI	-0.23%	5,979	3.95%
JSE	RAFI® 40	-0.07%	5,777	3.31%
JSE	SWIX	-0.55%	5,999	4.60%

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