

**OMIGSA Comment – Ian Woodley, Sector Head: Resources**

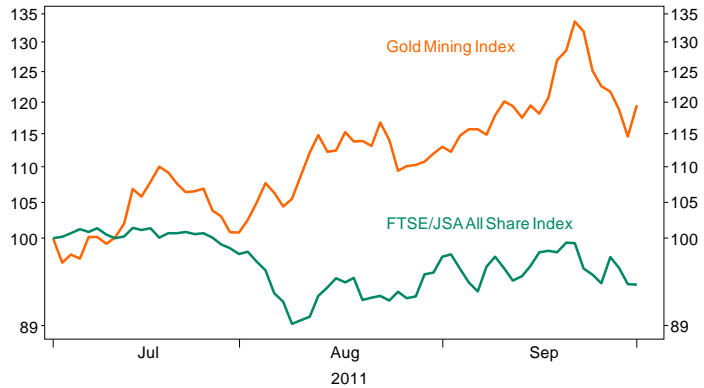
**Gold price up by 10% for the quarter**



The gold price moved up strongly during the quarter, reaching an all-time high of \$1896/oz, before it too succumbed to pressures on the market, falling back to just over \$1600/oz, still up almost 10% for the quarter.

With the rand weakening by 20%, margins for the third and fourth quarter look like being substantially better than those seen earlier this year. The Gold Index was easily the best-performing sector for the third quarter, up 19.5% versus the general market's performance of -5.8%.

**Gold Mining Index vs. FTSE/JSE All Share Index – Total Return**



Source: I-Net

On the share front, Durban Deep (+33.3%) and Goldfields (+31.7%) were the best performers, with heavyweight AngloGold up a “mere” 21.1% during the quarter. The other shares were comfortably up, with the exception of Great Basin Gold, which was marginally down for the quarter. Of the other precious metal companies, the platinum shares fell in a range from 9.5% down (Impala) to 25.7% down (Northam).

Prices for the PGM metal complex substantially underperformed the gold price, and the Platinum Index fell by 9.7% for the quarter.

**30 September – 07 October 2011 in a nutshell**

**Global:** US and European stocks rose ahead of the release of US jobs data and in light of news that European leaders have taken further steps to ease debt pressure. The S&P 500 improved by 0.40% and its European counterpart rose 1.65%. However, emerging markets fell 3.41%.

**South Africa:** South African stocks showed some improvement due to positive news out of Europe. The FTSE/JSE All Share Index was slightly higher, rising 0.67%. Most sectors showed slight growth for the week, except industrials and small caps which were down 1.47% and 0.66%, respectively.

**Markets and Economics – Highlights**

**Global**

- Intensifying labour market distress has put immense pressure on the Federal Reserve and the Obama administration to implement more measures to put the 14 million jobless Americans back to work. One such measure is the proposed introduction of a \$447 billion jobs bill, which will be funded through a surtax of 5.6% on people earning at least \$1 million. The economy needs to grow by at least a 2.5% rate, with payrolls expanding by 150 000 positions a month, to keep the jobless rate from rising. Meanwhile, ahead of the release of US jobs data, economists expect that the unemployment rate to remain at a high 9.1% in September, with the economy replacing just 60,000 of the nine million jobs lost during the crisis.
- European stock markets were boosted by news that leaders have acted to further ease debt pressures. The European Central Bank (ECB) has announced €40bn of emergency loans for Eurozone banks to help ensure European lenders do not run out of cash. The announcement came as the ECB decided to keep interest rates on hold again at 1.5%. Critics, however, believe this move does nothing to address the more fundamental concern of markets that many European banks do not have enough capital to absorb the losses that would result from a renewed recession as well as from a widely expected debt default by Greece.
- India's annual food inflation rate has risen to a three-week high of 9.41%, from 9.13% in the preceding week, due to an increase in the prices of cereals, rice, vegetables and pulses. With food inflation again rising to over 9%, the government will have to look at easing supply side bottlenecks, as the Reserve Bank of India (RBI) will not be able to increase rates significantly after it tightened monetary policy earlier this month. The bank increased its key interest rates by 25 basis points to contain rising inflation for the 12th time since March 2010. Despite the aggressive monetary tightening by the RBI, headline inflation in August remained high at 9.78%, and was seen inching closer towards double-digit.

## South Africa

- According to the South African Chamber of Commerce and Industry (Sacci), South African business confidence remained low in September as the outlook for the recovery in Africa's largest economy remained subdued. The Business Confidence Index fell to a 16-month low of 98.4 from 98.6 in August said Sacci. It said that "Global events did, and will even more so, affect the South African economy negatively in the months to come". The index is compiled from 13 economic indicators, including retail sales, inflation and financial gauges, such as the stock index and the currency.
- According to Tradition Analytics, the rand has already started to benefit" from improved liquidity conditions and lower levels of risk in Europe. This comes as the ECB said it would reintroduce purchases of covered bonds and year-long loans for banks to support markets rattled by the region's sovereign-debt crisis. The rand advanced against the US dollar for a third day, extending 1.9%, its best weekly gain since July.

### Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 06.10.2011	% Performance Return
United States	S & P 500 (US\$)	0.40%	1,165	-7.39%
Europe	Euro Stoxx 50 (Euro)	1.65%	2,249	-19.48%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-3.41%	864	-24.93%
South Africa	FTSE/JSE All Share (ZAR)	0.67%	29,889	-6.94%
Global	MSCI (US\$)	-0.50%	1,124	-12.19%
ZAR/Dollar	Rand/US \$ (ZAR)	-0.63%	7.93	19.97%
ZAR/Pound	Rand/£ (ZAR)	-1.73%	12.23	18.62%
ZAR/Euro	Rand/Euro (ZAR)	-1.85%	10.64	20.36%
JSE	Industrials	-1.47%	25,823	-15.08%
JSE	Financials	0.43%	20,731	-4.23%
JSE	Resources 20	1.40%	48,636	-13.62%
JSE	Small Companies	-0.66%	30,933	-8.27%
JSE	Listed Property	1.05%	379	-2.07%
JSE	RAFI@ 40	0.66%	6,182	-7.11%
JSE	RAFI@ ALSI	0.96%	5,919	-8.47%
JSE	SWIX	0.07%	6,313	-6.39%

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