

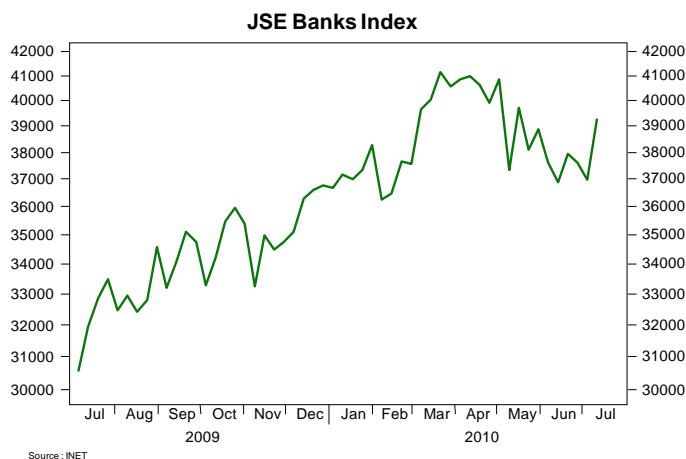
OMIGSA Comment – Tracy Brodziak, Head: Financials

SA banks – well-capitalised and unlikely to be affected by G20 proposals



The financial crisis over the last two years has caused regulators to relook at regulations of the banking sector. It has been felt that a factor in the crisis was the low level of capital held by banks and that too much reliance was placed on short-term funding, which was difficult to renew during the crisis.

This led the Basel committee to re-examine banks' capital and liquidity requirements, coming up with a set of proposals referred to as Basel 3. These proposals are being assessed and evaluated by various banking regulators around the world, with much resistance being shown against some of the proposals.



This was evidenced by the recent G20 summit, whereby the timeframe for implementation was lengthened and there was disagreement among G20 members on how best to regulate the banking sector.

The good news for SA investors is that SA banks are very well capitalised and easily meet the more stringent capital requirements proposed under Basel 3. However, the liquidity requirements are a lot more onerous, and SA banks would not be able to meet them as they currently stand. However, it is likely that the final requirements will be watered down and allow some discretion at the country level – the fact that SA banks withstood the financial crisis so well stands them in good stead.

02 - 08 July 2010 in a nutshell

Global: Better-than-expected economic news from the US and Europe buoyed global equities this week, tempering fears over global economic recovery. The S&P 500 in the US surged 4.19%, while its European counterpart rallied 5.84% and emerging market stocks rose 3.52%.

South Africa: The local market cheered the positive news from Wall Street, with the FTSE/JSE All Share Index climbing 4.04% this week. Financials led the rally on the local bourse, flying 5.80%.

Markets and Economics - Highlights

Global

- A positive jobs report and decent retail sales data helped ease worries about a potential double-dip recession in the US. Jobless claims were 454 000 last week, modestly better than the 460 000 expected. Moreover, continuing claims dropped to 4.41 million from 4.63million last week, significantly better than the 4.6million consensus estimate, official data showed.
- The European Central Bank (ECB) left interest rates at a record low as rising market borrowing costs and the sovereign debt crisis threatened to derail the region's recovery. Policymakers kept the benchmark rate at 1%, while separately, the Bank of England left its key rate at 0.5%. This is happening amid concerns over government spending cuts and the banking sector, which cloud the outlook for growth in the Euro-zone.
- The International Monetary Fund raised its forecast for Brazil's economic growth this year to 7.1%, the Washington-based organization said in revisions to its World Economic Outlook. The increase is bigger than any other country, according to the report. Brazil's central bank has boosted the benchmark lending rate to 10.25% from a record low of 8.75% in March, as the

economic growth threatens to quicken inflation.

South Africa

- The International Monetary Fund (IMF) has revised upwards its growth forecast for SA this year, in line with more upbeat estimates for the rest of the world. It said SA's economic growth was likely to reach 3.2% this year, up from an estimate of 2.6% published in April, said Alfredo Cuevas, the IMF's senior resident representative in SA.
- Manufacturing output rose more slowly than expected in May compared with the same month last year, adding to mounting concern over a likely slowdown in the economy's second-biggest sector. Factory output rose 7.9% year-on-year, moderating from a downwardly revised 8.6% rise in April and supported mainly by the "base effect" of low production in May last year, Stats SA said.
- The reality is the global economy probably never emerged from the crisis and this has significant implications for growth outlooks in South Africa. "The recovery in South Africa is hesitant, fragile and uneven," said South African Reserve Bank Governor Gill Marcus.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 08.07.2010	% Performance Return
United States	S & P 500 (US\$)	4.19%	1,070	-4.04%
Europe	Euro Stoxx 50 (Euro)	5.84%	2,666	-10.12%
Emerging Mkts	MSCI Emerg Mkts (US\$)	3.52%	941	-4.90%
South Africa	FTSE/JSE All Share (ZAR)	4.04%	27,061	-2.19%
Global	MSCI (US\$)	4.73%	1,085	-7.11%
ZAR/Dollar	Rand/US \$ (ZAR)	-2.46%	7.54	2.03%
ZAR/Pound	Rand/£ (ZAR)	-2.22%	11.45	-3.46%
ZAR/Euro	Rand/Euro (ZAR)	-0.83%	9.59	-8.58%
JSE	Industrials	1.81%	24,784	-1.83%
JSE	Financials	5.80%	20,305	5.06%
JSE	Resources 20	2.69%	46,261	-9.44%
JSE	Small Companies	1.25%	28,099	0.76%
JSE	Listed Property	3.21%	354	9.60%
JSE	RAFI® ALSI	4.68%	5,677	-1.30%
JSE	RAFI® 40	4.21%	5,450	-2.54%
JSE	SWIX	5.50%	5,721	-0.24%

Editor: kbuthlezi@omigsa.com

OMIGSA: Tel. 021 509 7622

www.omigsa.com

The information in this document is obtained from OMIGSA, Morningstar and Reuters as at 08 July 2010. While every effort has been made to ensure the accuracy of information contained on this document, the Old Mutual, the Old Mutual Investment Group, its associated companies, its Directors or employees provide no representation or warranty, express or implied, regarding the accuracy, completeness or correctness of information contained in this website.

Any opinion expressed is intended for general information, and is subject to change at any time without notice. Old Mutual Investment Group (South Africa) (Pty) Limited is a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group is a wholly owned subsidiary of Old Mutual South Africa Limited. Reg No 1993/003023/07.