

Omigsa Comment – Anwaar Wagner, Head: Resources

Buoyant commodity prices power-up diversified miners



The FTSE/JSE Resources Index rose 7.5% during October 2009. The move reflects the continued rise of major commodity prices. For example, copper and nickel increased by close to 7%, while Zinc gained 15% for the month. The buoyant commodity prices rubbed on to the shares, with the major diversified mining companies BHP Billiton (BIL) and Anglo American Corporation (AGL) rising 6% and 22%, respectively.



Anglo was the focus of attention for two main reasons. Firstly, it hosted an analysts' visit to some of its South American assets. The visit helped to shed more light on the quality of the company's asset base, resulting in many from the brokerage community upgrading their recommendations on the share.

Secondly, the company announced a major restructuring of its management and head office. It also listed assets it considers core and non-core. This was also taken very well by the market as it reflects management's determination to run a more efficient operation.

06 - 12 Nov 2009 in a nutshell

Global: Investors returned to the markets this week on renewed risk-taking sentiment, powering-up most global bourses, after the Group of 20 (G-20) finance ministers pledged to keep economic stimulus in place until a recovery was assured. The S&P 500 in the US rose 1.87% while the European market shares rallied 3.01% and emerging market shares were 3.12% higher.

South Africa: Positive news from Wall Street boosted the local market with the FTSE/All Share Index ending the week 3.05% in the black. Leading the rally were financials, which surged 4.07%.

Markets and Economics - Highlights

Global

- The US economy will be slow to recover from recession as rising unemployment curbs consumer spending, according to Federal Reserve officials. The unemployment rate rose to 10.2% last month, the highest level since 1983. The economy has lost 7.3 million jobs since the recession began in December 2007.
- The Bank of England raised its forecast for economic growth and said inflation might exceed the 2% target in 2012 even if policymakers started increasing interest rates from a record low, according to quarterly predictions published in London.
- Global construction output will recover to grow 70% by 2020, powered by emerging nations like China and India, according to a new report. The global construction market is estimated to be worth \$12.7 trillion by 2020, with emerging countries particularly in Asia – dominating output and more than doubling their share of the market to \$7 trillion.

South Africa

- SA's mining output plunged 15.9% in the year to September 2009 – the sharpest fall in 17 months – suggesting that the sector will be slow to benefit from soaring mineral prices.
- Factory output rose a hefty 3.1% in September, more strongly than expected and backing the view that the most embattled sector is starting to recover. The manufacturing figure was 11.4% down on last September's, easing more than expected from a revised 15.2% contraction in August, official data showed.
- The Bureau of Economic Research is cautiously forecasting some good news for the South African economy. The bureau's economist agreed with the Reserve Bank's assessment that inflation would return to within the target range of below 6% by the second quarter of next year, even with an electricity price hike of 30%.

Key Indicators:				
Market	Index	Movement for the period		Year to Date
		%	Index Value @ 12.11.2009	% Performance Return
United States	S & P 500 (US\$)	1.87%	1,087	20.38%
Europe	Euro Stoxx 50 (Euro)	3.01%	2,877	17.38%
Emerging Mkts	MSCI Emerg Mkts (US\$)	3.12%	959	69.14%
South Africa	FTSE/JSE All Share (ZAR)	3.05%	26,688	24.08%
Global	MSCI (US\$)	2.22%	1,153	25.33%
ZAR/Dollar	Rand/US \$ (ZAR)	-1.59%	7.45	-21.83%
ZAR/Pound	Rand/£ (ZAR)	-1.43%	12.37	-9.84%
ZAR/Euro	Rand/Euro (ZAR)	-1.78%	11.06	-15.96%
JSE	Industrials	2.23%	25,290	17.65%
JSE	Financials	4.07%	19,207	21.73%
JSE	Resources 20	4.05%	48,824	26.78%
JSE	Small Companies	-0.55%	26,548	16.89%
JSE	Listed Property	1.25%	323	4.19%
JSE	RAFI® ALSI	3.04%	5,587	29.99%
JSE	RAFI® 40	3.17%	5,405	26.82%
JSE	SWIX	2.75%	5,525	21.43%

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