

**OMIGSA Comment – Jeanine Van Zyl, Sector Head: Industrials, OMIGSA Equity Research**

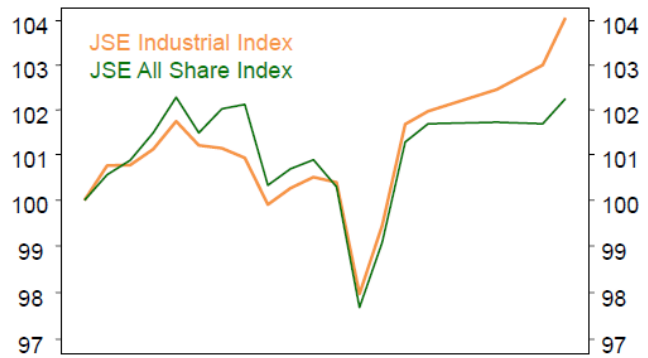
**Industrial index shows strong gains in April**



The Industrial Index was up 4.1% in April, compared to the FTSE/JSE All Share Index, which rose 2.2%.

The Industrial Index was pushed up by strong showings from Naspers (up 8%), Richemont (up 7%) and MTN (up 7%). Clothing retailers also performed well, helped by the South African Reserve Bank's decision to leave rates at the current 30-year low. Woolworths was up 11%, Mr Price gained 11%, Truworths was 8% higher and Foschini was up 7%. The building and construction companies Aveng, PPC and Murray & Roberts, on the other hand, all declined.

**FTSE/JSE Industrial Index vs FTSE/JSE All Share Index**



Source : I-Net

Local company news flow during the month was slow. Offshore, the two big consumer companies, SABMiller and British American Tobacco (BAT), both released quarterly trading updates. BAT continues to experience volume declines, particularly in areas like Japan and Mexico where major tax hikes have been implemented. In April, Australia became the first country to propose legislation for the plain packaging of cigarettes. If the legislation is passed, other countries are likely to follow. SABMiller reported volume growth of 3% for the three months to 31 March. Three of its important profit markets - the US, Poland and Colombia - all showed declines. Further, it has been reported in the foreign press that SAB Miller is bidding for a privately owned brewer in Brazil, called Schincariol, and is also considering bidding for the Fosters brewing business in Australia, which is soon to be split from the Fosters wine business.

**20 – 26 May 2011 in a nutshell**

**Global:** Global stocks were down, as oil and copper tumbled on the back of the stronger dollar and concerns that Europe's sovereign debt crisis is worsening. S&P 500 in the US fell 1.3%, while its European counterpart slid 3.2%, and emerging market stocks declined by 0.6%.

**South Africa:** The local bourse improved this week, with the FTSE/JSE All Share Index rising 0.19%. The biggest winner was the resources sector, which gained 1.0% for the week.

**Markets and Economics – Highlights**

**Global**

- The U.S. economy grew at a 1.8% annual rate in the first quarter of 2011, compared with a 3.1% gain in the last quarter of 2010, according to the U.S Commerce Department. The slowed growth has been attributed to high gasoline prices, government budget cuts and lower-than-expected consumer spending. Consumer spending in the U.S., which accounts for over two thirds of U.S. economic activity, expanded at a rate of 2.2% during this period.
- The European Central Bank has rejected calls by Germany and other Eurozone states for a restructuring of Greek debt; it is concerned about the effect that even a mild debt restructuring could have on Ireland and other weak Eurozone countries. This intensifying debate has fueled fears among investors that the region's debt crisis has entered a dangerous new phase. Meanwhile, Greece has unveiled a series of privatisations as part of an attempt to meet its goal to raise €50 billion by 2015 to pay down its debt, as it tries to secure the next tranche of a €110-billion EU/IMF bailout.
- Brazil's unemployment rate edged down to 6.4% in April from 6.5% in March 2011, the latest sign of a tight labour market that is pressurising inflation in Latin America's largest economy. Low unemployment is stoking consumer demand, and adding to skepticism that policymakers in Brazil will succeed in cooling inflation to the 4.5% mid-point of Government's target range by 2012. Consumer prices rose 6.51% through mid-May, above the upper limit of the annual range for the first time since 2005.

## South Africa

- The Producer Price Index slowed to 6.6% year-on-year in April, from 7.3% in March according to Statistics South Africa. The lower annual rate in April was driven by decreases in mining and quarrying, basic metals, other manufacturers, beverages and non-metallic mineral products. These decreases were partially counteracted by increases in the annual rate of change for electricity, as well as for petroleum, coal, and metal products.
- Concern about electricity capacity in South Africa and the debt crisis in Europe affected currency markets globally, and sent the rand to its lowest level in two months. For the month so far, the local currency is down 6.6% against the US dollar (USD), weakening as much as 1.4% to R7.07/USD, and hitting a two-week low of R9.95/€ during the course of the week.

### Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 26.05.2011	% Performance Return
United States	S & P 500 (US\$)	-1.34%	1,326	5.41%
Europe	Euro Stoxx 50 (Euro)	-3.15%	2,800	0.25%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-0.61%	1,133	-1.56%
South Africa	FTSE/JSE All Share (ZAR)	0.19%	31,980	-0.43%
Global	MSCI (US\$)	-1.41%	1,327	3.67%
ZAR/Dollar	Rand/US \$ (ZAR)	1.46%	6.96	5.30%
ZAR/Pound	Rand/£ (ZAR)	2.61%	11.40	10.57%
ZAR/Euro	Rand/Euro (ZAR)	0.20%	9.83	11.20%
JSE	Industrials	0.22%	27,598	-9.25%
JSE	Financials	0.37%	21,625	-0.10%
JSE	Resources 20	1.03%	54,965	-2.37%
JSE	Small Companies	-0.18%	32,115	-4.76%
JSE	Listed Property	0.27%	372	-3.88%
JSE	RAFI® 40	0.27%	6,684	0.44%
JSE	RAFI® ALSI	0.37%	6,449	-0.28%
JSE	SWIX	0.05%	6,666	-1.16%

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