The Investor

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So how do you identify a Blue Chip Share?

By Richard Cluver

Over the past few weeks I have proved to readers that the surest and easiest way to grow very wealthy, is to save the maximum you can every month and with the proceeds embark on a systematic Blue Chip share buying campaign.

Over the past 25 years, Blue Chips have delivered an amazing average annual price growth rate of 22 percent.

The graph on the left illustrates the value performance of the ShareFinder Blue Chip Index from 2002 to 2012 which grew by an annual average of 22.8 percent and on average delivered a dividend yield of 3.4 percent making a Total Return of 26.2 percent. Furthermore, if you select your Blue Chips carefully, it is possible to achieve an even higher Total Return.

And, as opposed to the usually random approach of simply selecting last year's best-performing unit trust which you hope will deliver superior market performance, in the case of Blue Chip shares it is comparatively easy to measure the long-term performance of their balance sheet statistics, noting that there is an absolute correlation between the sustained profits performance of a company and the value of its shares. It is also comparatively easy to sort such companies into risk versus growth categories.

I define a Blue Chip as a share of a company that, among other qualities, has paid constantly-

WHAT'S INSIDE

rising dividends over at least a decade. A little bit of homework in the library using back copies of the Stock Exchange Handbook will help you find them. Alternatively, you can subscribe to my ShareFinder Mobile computer programme which for just R1 300 a year will provide you with a Quality List of all the top performers. Indeed, at the touch of a button it will create a portfolio tailor-made to your personal needs and, furthermore, once you have bought its selected shares, it will watch over your portfolio instantly identifying any shares that are beginning to run out of steam and suggest a range of quality replacements.

At the time of writing there were some 71 companies listed on the Johannesburg Stock Exchange that have delivered consistently-rising earnings over the past decade. In the table on the right, I have listed them all.

I have, furthermore, grouped the shares in a descending series of rankings which, in a nutshell, represent ever-increasing risk as one moves down through the categories. Understanding how to sort stock-exchange listed companies into quality categories is important if you want to minimise the risk of price volatility.

In my book "The Philosophy of Wealth" *ISBN 0 9583067 6 1* I devoted some 112 pages towards explaining a systematic series of tests of fundamental balance sheet statistics which would collectively lead one to isolating various categories of investment grade companies. While I have no intention at this stage of re-iterating all that detail, The Philosophy of Wealth should be seen as an essential companion to this column as well as recommended reading for all serious students of long-term investment techniques.

In that work I showed how all "Investment Grade" shares might be lumped together under six distinct categories of risk and reward. I defined these as follows:

The Grand Old Favourites

This is the safest category of all for long-term investment. Within it are found the "big cap companies" with, in South Africa, a market capitalisation exceeding R10-billion, which have consistently delivered higher than average earnings, dividend and price growth rates over extended periods of time. This is a category which by definition includes shares in companies beloved of people seeking to set up widows and orphans trust funds. Collectively the group enjoys lower price volatility than long-dated Government bonds and I

Grade	Name	10YrEarn	10YrDiv
953.3	Averages:	73.03	31.42
974.3	Blue Chip Index Average:	63.50	28.76
870.5	Rising Star Index Average:	110.60	0.00
	Grand Old Favourites		
1 342.3	Group Avg.	135.64	26.85
1 871.4	HOSKEN CONS INVEST LTD	1 767.80	1.82
2 862.0	KUMBA IRON ORE LTD	69.49	74.38
900.6	NASPERS LTD -N-	36.44	26.32
2 450.9	CAPITEC BANK HLDGS LTD	36.12	28.16
2 438.5	MTN GROUP LTD	31.70	24.93
2 041.7	SANTAM LTD	31.43	23.56
730.5	RESILIENT PROP INC FD LD	29.91	16.73
795.5	SHOPRITE HLDGS LTD ORD	26.56	27.47
919.1	BHP BILLITON PLC	24.89	23.95
767.5	DISCOVERY HOLDINGS LTD	24.86	12.47
1 217.7	THE SPAR GROUP LTD	18.71	10.84
713.8	CLICKS GROUP LIMITED	17.09	20.59
2 490.9	MEDICLINIC INTERNATIONAL...	15.88	90.72
495.9	SANLAM LTD	14.62	15.16
334.2	TSOGO SUN HLDG LTD	13.93	19.88
446.1	SABMILLER PLC	10.79	12.54
	Mid-Cap Companies		
911.9	Group Avg.	62.63	18.50
1 806.1	PINNACLE TECH HLDGS LTD	329.12	34.69
914.5	WILSON BAYLY HLM-OVC O...	38.55	32.82
1 072.5	EOH HOLDINGS LIMITED	25.49	21.59
508.1	LEWIS GROUP LTD	22.53	10.79
340.3	HYPROP INVESTMENTS LTD	14.50	11.71
374.5	VUKILE PROPERTY FUND LTD	8.21	5.41
1 367.2	EMIRA PROPERTY FUND	0.00	12.45
511.4	SASOL LTD	19.24	7.92
531.2	WOOLWORTHS HOLDI...	18.17	15.70
312.9	BRIMSTONE INVESTMN...	18.09	18.32
275.1	SPUR CORPORATION L...	17.73	6.06
544.5	MASSMART HOLDINGS...	14.63	11.91
252.9	DISTELL GROUP LTD	13.56	9.51
238.6	SANLAM LTD	12.39	7.83
626.2	ACUCAP PROPERTIES ...	10.89	4.00
113.0	HYPROP INVESTMENT...	9.65	3.03
216.2	STANDARD BANK GRO...	9.34	0.81
219.9	Fountainhead Property Tr...	9.09	-0.74
281.0	TIGER BRANDS LTD ORD	8.45	13.01
311.2	REUNERT ORD	7.89	-2.21
465.8	KAGISO MEDIA LTD	2.76	4.35
333.5	INVICTA HOLDINGS LTD	-0.97	19.47
	Medium-Term Market Leaders		
1 250.2	Group Avg.	31.42	15.89
2 183.8	MTN GROUP LTD	48.19	5.60
2 276.6	NICTUS BEPERK	44.15	49.23
1 363.4	Y3K GROUP LTD	40.09	4.06
1 521.5	PINNACLE TECH HLDG...	35.82	30.92
1 014.8	CORONATION FUND M...	30.26	27.32
1 101.6	THE SPAR GROUP LTD	29.61	17.70
1 036.9	GOLD FIELDS LTD	28.48	-4.89
757.9	DISCOVERY HOLDINGS...	27.43	9.18
-4.4	PUTCO PROPERTIES LTD	-1.28	3.92
	Rising Stars		
796.3	Group Avg.	52.80	9.05
4 571.3	HOWDEN AFRICA HLD...	388.20	28.96
1 652.4	EXXARO RESOURCES ...	130.26	26.81
1 469.8	KUMBA IRON ORE LTD	117.44	26.54
790.2	AVENG LTD	74.06	-3.60
1 163.6	PRIMESERV GROUP LI...	70.00	-3.03
775.2	ELB GROUP LTD ORD	45.16	10.66
754.8	NEDCOR LTD	40.59	2.18
610.0	AVI LTD	36.39	17.04
561.8	RESILIENT PROP INC F...	30.67	9.70
566.3	TRANSPACO LTD	25.66	19.95
417.7	Marshalls Ltd	25.08	29.67
259.7	EMIRA PROPERTY FUND	23.67	0.78
131.7	TSOGO SUN HLDG LTD	23.11	-9.63
427.2	KWV BELEGGINGS BE...	22.76	9.74
340.6	OCEANA GROUP LIMITED	21.20	19.82
398.4	LEWIS GROUP LTD	19.78	1.23
171.0	TRENCOR LTD	14.83	5.30
0.5	AFGRI LTD	13.64	-3.10
193.6	PHUMELELA GAME LEI...	11.92	-6.95
243.5	VUKILE PROPERTY FU...	11.91	5.86
153.4	GROWTHPOINT PROP ...	10.24	5.69
1 865.9	HOSKEN CONS INVEST...	5.00	5.47
	Maverick Market Leaders		
412.3	Group Avg.	8.53	13.27
2 152.1	SPANJAARD LTD	138.10	10.79
1 893.7	PALABORA MINING CO ...	129.97	17.23
466.3	ASSORE LTD	55.60	37.82
5 576.5	METAIR INVESTMENTS ...	52.94	11.61
744.8	SABVEST LTD	40.66	6.04
2 597.1	CROOKES BROS LTD	40.24	3.02
249.3	ILLOVO SUGAR LTD	36.33	3.56
537.1	PSG GROUP LIMITED	27.50	14.75
509.0	DATATEC LTD	26.84	3.62
2 122.5	AFRICAN RAINBOW MI...	20.78	8.16
1 038.8	COMPAGNIE FIN RICHE...	18.01	13.09
400.7	VALUE GROUP LTD	12.24	12.76
249.4	BIDVEST LTD ORD	11.85	4.67
63.5	PIK N PAY HOLDINGS L...	9.84	5.06
189.5	ADVTECH LTD	5.83	8.14

accordingly use their mean volatility rate as the benchmark against which the volatility of all investment grade shares is rated in order to, within the ShareFinder computer analysis system, create risk ratings for every listed company.

Furthermore, these have in addition also experienced higher than average exponential rates of dividend growth which is calculated by comparing the five year compound annual average dividend increase percentage with the compound annual rate of increase for the previous ten years. In cases where the latest dividend growth rate exceeds the five-year rate and the five-year rate exceeds the ten-year rate, such exponential growth performance is invariably rewarded by sharply higher rates of price growth. When the converse occurs, however, and the latest rate falls below that of the five-year rate, the price growth rate can be expected to fall in the short-term. In companies with such excellent credentials, analysts usually regard these latter events as an opportunity to buy the shares at a lower than usual price. It should, however, be taken as a warning that problems might lie ahead. Should further growth rate reductions occur, the market will interpret this as a sign that short-term problems are becoming entrenched and there will in all probability be a sharp reduction in the future share price growth rate.

Though in the short to medium-term these Grand Old Favourites often produce lower share price and dividend growth rates than some of the other categories, it is their ability to generate relatively high and consistent earnings and dividend growth rates over very extended periods of time that make them such desired ingredients in long-term portfolios.

Mid-Cap Companies

These are companies with a market capitalisation greater than R1-billion that have also delivered consistently high earnings, dividend and price growth rates over extended periods of time. Like the Grand Old Favourites they normally enjoy both extremely low rates of price volatility and high dividend and share price growth rates. Furthermore, these have in addition also experienced exponential rates of dividend growth which can be seen by comparing the five year compound annual average dividend increase percentage with the compound annual rate of increase for the previous ten years. Here, it is obviously desirable that the latest dividend increase should also exceed the five-year rate. Should the latest increase fall below the five-year average rate of increase, this might offer an opportunity to buy these shares at a lower than usual price. It should, however, be taken as a warning that problems might lie ahead. Should further rate reductions occur, there would in all probability be a sharp reduction in the future share price growth rate.

Tightly-Held Mid-Cap Companies

This category enjoys all the attributes of the Mid-Cap Companies with one exception, that relatively small numbers of the shares are available to ordinary investors. This makes them comparatively hard to obtain and in theory renders them liable to severe price volatility. In practice, however, they are tightly-held precisely because they return such consistently high dividend, earnings and price growth rates that the voting blocks which control them are unlikely to sell. Furthermore, these have in addition also experienced exponential rates of dividend growth which can be seen by comparing the five year compound annual average dividend increase percentage with the compound annual rate of increase for the previous ten years.

Here, once again it is obviously desirable that the latest dividend increase should exceed the five-year. Should it fall below the five-year average rate, this might offer an opportunity to buy these shares at a lower than usual price. It should, however, be taken as a warning that problems might lie ahead. Should further rate reductions occur, there will in all probability be a sharp reduction in the future share price growth rate.

Blue Chips

These are the companies that remain when the above three categories have been stripped out of the list of companies that have consistently delivered rising dividends over at least the previous ten years. As a rule these are also extremely safe investments but they tend to deliver relatively lower total returns than the other three categories. The best of this category usually also experience exponential rates of dividend growth which can be seen by comparing the five-year compound annual average dividend increase percentage with the compound annual rate of increase for the previous ten years. However, in some cases this is not so and this should be taken as a warning that problems might lie ahead. Should further rate reductions occur, there will in all probability be a sharp reduction in the future share price growth rate. Should dividends at any time fail to either equal or exceed those of the previous year, these shares are regarded as having fallen from grace. In my own ShareFinder rating system we did for many years simply drop such companies from the blue chip category and they did not regain this status until they had again achieved a minimum of ten years of rising dividends. Recently, however, we have changed that approach having noted that in the marketplace such shares tend to recover much more rapidly than that. Accordingly, and provided that earnings per share have not similarly fallen, we nowadays keep such shares in the Blue Chip category though of course we significantly punish their quality rating within the category. Here I should note that when such hiccups repeatedly occur in a company dividend and earnings pattern and they are accordingly relegated to my Fallen From Grace category, it pays to keep a sharp eye on their subsequent price performance for it is normally the case that should their annual figures show any signs of returning to their previous track records, a sharp increase in share prices is the normal result.

Medium-Term Market Leaders

Drawn from a list of companies whose primary fundamental quality is that they have paid constantly rising dividends for a minimum of five but less than ten years, these are a category which have in addition also experienced exponential rates of dividend growth which can be seen by comparing the latest dividend increase percentage with the compound annual rate of increase for the previous five years.

Usually this category of companies will provide the highest share price increases, making them the market darlings for a while. Few, however, have ever managed to maintain these very high growth rates for extended periods. The best of them subsequently end up in the Grand Old Favourites, Mid-Cap or Blue Chip categories if they are able to sustain their exponential dividend growth rates for at least ten years, but usually by this latter stage the dividend growth rate will have slowed to a more measured and sustainable rate. The majority, however, run out of steam and quite often fall from grace. It would accordingly be unwise to weight too many of these into a long-term growth portfolio.

Rising Stars

These are companies whose primary quality is that their dividends have remained unchanged or have risen for a minimum of five years. Here it is important to note that many of these might have been subject to a dividend *growth-rate* reversal in the latest year of reporting and this often precedes an actual dividend decline the following year. In such circumstances, such shares will normally experience a sharp share price reduction and will thus be dropped from this category, not to be restored until they have rehabilitated themselves by achieving a minimum of five years of steady or rising dividends.

Maverick Market Leaders

This is a category of companies with very few claims to fundamental quality, which for inexplicable reasons have shown exceptional price growth. I like to display them in descending order of compound annual average share price growth rate and those topping this list will, despite their uncertain credentials, have achieved very high rates of share price growth. Some might in time achieve the fundamentals that will elevate them to the six quality categories.

Here, it is worth keeping an eye on those companies in this category which have achieved exponential dividend and earnings growth rates. Often these are cyclic profit companies of good reputation which are enjoying one of their periodic phases of profit growth which will often be reflected by rapid speculative share price gains. Sometimes it will be a sign of improving fundamentals which might in time lead to such companies being elevated in status to one of the higher categories.

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** If you want to use this software to its maximum advantage, it is highly recommended that you read Richard Cluver's books "The Philosophy of Wealth" ISBN No: 0958 3067 61 and "The Simple Secrets of Stock Exchange Success" ISBN No 9780 95830 6775 which can also be ordered from Richard Cluver Investment Services at a cost of R130 including postage.*

Using ShareFinder Effectively

By Richard Cluver

A reader contacted me this week with a query that has been running around in my mind ever since. Having followed my recommendations in my Prospects newsletter and built for himself a portfolio which is delivering very satisfactory annual growth and quite spectacular annual dividend increases, he wondered what he should be doing with his dividend income. More specifically, he wondered if Company A paid out a dividend whether it would not be proper to use that money to buy more shares of the same company.

My immediate response was that the two issues should be entirely unconnected. And in fact there are compelling reasons why one should not be blindly buying additional shares in any of the companies one holds in a portfolio. One of the more pleasant problems every long-term investor encounters over time is that the superior price growth rate of any particular share or shares in a portfolio tends over time to create adverse weighting in that share which could result in a serious impact upon overall portfolio value in the event that this overweight share should suffer some sort of market shock.

Ideally, for example, a balanced portfolio should consist of equal value investments in between 10 and 12 different shares, each in a different sector of the market. That way, provided the investor remains vigilant to developments within each company and takes appropriate selling action in the event that troubles develop within a particular company, the portfolio should remain largely immune to everything other than periodic economic events affecting the stock exchange as a whole. The latter can, furthermore, usually be fairly easily anticipated using fairly basic technical analysis techniques with the result that, as markets as a whole tend to reach the end of a periodic overbought phase one can usually take the precaution of selling off the weaker performers within the portfolio in order to create cash with which to start buying once the subsequent price correction has occurred.

So, blindly buying the shares of a company simply because it has paid out a dividend, disregarding the fact that there might be other shares standing at a far more attractive value/price relationship, clearly makes no sense. Simply stated, receiving dividend income, or any other income for that matter that is surplus to one's normal living needs, should be earmarked for investment into the shares of a company which both offers the best growth potential and, hopefully, and has been temporarily overlooked by the market and are is accordingly underpriced. The ShareFinder system's portfolio analyser offers one a daily list of which shares are underperforming in your portfolio and suggestions of which shares to replace them with so.

Offshore Portfolio

I have made significant progress in setting up our proposed offshore portfolio which will enable readers of this publication to participate in a Richard Cluver managed portfolio investing initially in shares listed on the London and later on all the world's principal markets using the proven methodology of the ShareFinder system. As a consequence we will no longer need to limit participation to high net worth individuals. If you are interested and would like to know more about our plans, please contact me on Richard@rcis.co.za. I will shortly be sending out an information newsletter to everyone who has indicated interest in the project.

By Invitation

Dr Cees Bruggemans
Chief Economist First National Bank

The world economy is marked by a remarkable divide in performance between very slow growth or recession-mired rich developed countries and continuing, if already more modest, growth in upcoming developing countries.

In addition, the shock potential to global performance from various regions, especially Europe and China, but not underestimating the US or the Middle East, has remained considerable. These divergences and possibilities are likely to keep colouring the global outlook and its impact on South Africa's performance in 2012-2013. With Europe likely in recession for most of 2012, the US scraping out a 2.5% growth rate at best and Japan not much better, the rich West remains an area of huge underperformance.

Unemployment is still rising in Europe, having reached 10.9% and likely to still go higher shortly. In the US, the economy has been generating 200 000 jobs monthly on average this year. But with new labour market entrants 100 000 monthly, it means only about 1.2 million new jobs this year to reabsorb the many unemployed (still numbering 15 million) and at least half as many discouraged workers having dropped out, for total labour reserve of 23 million on a 150 million labour force.

The same numbers can be observed in Europe today, especially with peripheral countries hit hard by deepening recession. Over three million under-25 year-olds are unemployed in the Eurozone today, ironically at a time when Germany is experiencing growing skill shortages (suggesting substantial migration flows of the best qualified peripheral youngsters in years to come, with Germany supposedly easing its Eurozone professional qualification admissions policy). Portugal in any case is already seeing large outflows to Brazil and Angola and Spain sees outflows to Mexico and other Latin American destinations. Thus there remains much resource slack at present in these two huge economic regions which will probably take the rest of this decade to be taken up at a slow pace.

Meanwhile, their respective inflation rates are likely to head lower, probably below 2%. This suggests 0-1% interest rates, and possibly further quantitative easing (central bank bond buying) to keep liquidity plentiful, and this still for many years, possibly stretching even beyond 2014.

Although all emerging markets, including the leading BRIC economies, have slowed over the past year, their overall growth performance remains in excess of 5%. Chinese growth is likely to ease towards 8% this year from 9%-10% in recent years. Others such as Brazil, India and Russia have all slowed, with interest rates cut, likely stabilising their growth outlook. While the large difference in growth between rich countries and leading emerging markets is expected to persist this decade, the other main feature of the global outlook is the shock potential of key regions. Europe tops the most risky list, with concern remaining about a deepening recession and severe fiscal cutbacks further worsening the outlook, and a growth pact (promoting structural supply improvements) slow in coming, maintaining market unease about banking solvency and sovereign debt.

With peripherals like Spain and Portugal under pressure, new market shocks could still occur this year and next, with political fermentation in France and elsewhere further enriching the Eurozone brew.

The US faces a ‘fiscal cliff’ later this year when the Bush tax cuts lapse and $1.2 trill of mandated spending cuts (over ten years) kick in, potentially reducing GDP by up to 4% in 2013 if no action is taken. The betting is that given the dire implications, US politicians will soften these changes, but implacable differences of opinion exist and could lead to no action being taken. Thus the US may be walking a tightrope and the world with it as 2012 ends.

China faces major challenges, not only in overextended property and banking, but also with its demographic dividend ending as the pool of cheap rural labour dwindles and its growth needs to become more productivity-led, and more reliant on domestic consumption and less on exports.

The more immediate risk, however, appears to be in the Middle East where major political forces are squaring off, potentially impacting heavily on global oil prices. Although the likelihood of military action in the region and disastrous oil price spikes in 2012 seems to have receded, these risks may continue to linger in 2013. Even so, with world growth moderated and high oil prices encouraging energy saving, global oil demand growth appears modest even as supply is being boosted in various parts of the world. Instead of oil price spikes, this raises the spectre of possible oil price declines, with Brent oil last week already down to $113, positively shocking global growth and inflation.

So though there remains oil shock potential towards $150-$200 as one major negative tail-end risk, there also is potential towards $80 as a positive tailend risk for the world economy. These various major risks keep the global outlook for both rich and developing countries highly uncertain as we navigate what remains of 2012 and look towards 2013.

The Safe Haven Curse

You may have heard about the ‘commodities curse’, according to which rich natural resource endowments are not seen as fortuitous windfalls but as distorting wealth effects, often crippling in their impact.

In the case of developing economies such ‘luck’ supposedly ‘only’ creates enclave niches which do little for general development (a view that should be vigorously contested, especially in South Africa). For advanced economies it can give rise to so-called Dutch Disease (overvalued currencies causing growing imbalances as trade competitiveness is lost and/or leading to inadvisable investments and non-sustainable largesse, a much more persuasive argument, making it advisable to ‘salt’ away any excess gains so accruing in global wealth funds above ground, to be kept for a national rainy day only, as an alternative to keeping the original resources below ground).

There is today a second type of curse in evidence, with fascinating consequences. Ian Bremmer ("Every nation for itself") calls it the 'safe haven' curse and the main beneficiary-cum-sufferer today is the United States. Traditionally, financial safe havens were seen to be incorruptible precious metals, such as diamonds, gold and platinum. But today there is another type of safe haven which may not have known an equal in history (though on closer inspection this may be contested).
We are talking about a country which US senator Bowles earlier this year described as "the best-looking horse in the glue factory". Anything already INSIDE the knackers yard could not possibly be considered the ultimate in horseflesh by betting shops, yet that's what the world's investors have been doing, are doing and may still do for some while before that country either truly sorts itself out or the game is up.

Jamie Dimon (CEO JP Morgan) indicated last month that Americans do have all the answers to their problems, namely the Simpson-Bowles recommendations (Obama's fiscal commission which reported its findings last year with the definitive views as to what needs to happen). The US government finances are deeply overcommitted, with tax revenues at decades low yet spending of generous proportions as share of GDP, giving rise to massive budget deficits, rapidly rising national indebtedness, with future social promises way above what taxes will be able to cover at present levels.

If the US were a peripheral country as today found in southern Europe (and traditional in emerging countries on every continent), the markets would already have offered their verdict by starting their long exodus from US government paper, causing bond interest rates to rise, in the process hastening the process of fiscal overreach (as the interest burden accelerates irrepressibly). But this hasn't happened (yet).

Two reasons are on offer. One is today's composition of US bond market ownership, a technical aspect I covered in a Comment a year ago. It posed the question why bond vigilantism has lost its vigour in the US while being increasingly and visibly on edge in Europe. The short answer is that whereas twenty years ago, under Clinton, interest-rate sensitive private investors still held over 70% of US treasury bonds and were inclined to react to any policy action likely to endanger the future soundness of their bond investments (such as massive unfunded government spending proposals), thereby intimidating Presidents from doing so, today's ownership in the US (but not, yet, in Europe) is quite different.

Today, central banks and foreign governments hold over 70% of US treasury bonds. These parties are currency sensitive and not interest-rate sensitive, wishing to hold US paper to prevent their excess cash flows of over-appreciating their own currencies (and in the case of the Fed doing so as part of domestic financial stabilisation attempts). Thus we find in a still unbalanced world both the Fed and foreign central banks steadily buying more US treasury bonds despite the abysmal US fiscal finances, and especially its future prospects in the presence of a clearly dysfunctional political system.

Get the US to regain its economic balance (ending the Fed's wish to accumulate treasury bonds, indeed starting the process of unwinding its huge hoard of accumulated bonds) and get better global balances (ending the excessive trade surpluses of industrialising EM countries and rich commodity producers, thereby also ending their means and appetite for more Dollar balances) and the technical impotence of the US bond market should eventually end, making it possible to restore vigilantism as the private share started to rise again. But this is to run ahead of the story, as much needs to happen first for making US treasury bonds once again attractive to private LONG TERM investors.

The second reason for this loss of US bond vigilantism, granting the US the privilege of extremely low financing terms on a par with Germany (for instance) despite the worst of financial prospects on a par with the most desperate of today's peripherals) has to do with the fact that there is seemingly no alternative for the big global positive cash flows except in favour of the US. In a multi-polar superpower world there would be various parties competing with each other as a safe pair of hands for surplus global savings. But for some time now we have not been in a G8 or G3 but in a G1 world, where only the US leads. Indeed, Bremmer makes the point that of late this has increasingly turned into a G(0) situation, where nobody leads and no-one can create stable alliances capable of dominating.

Everything and everybody is either in crisis or transition (for which reason "Every nation for itself"). But there is still a global cash flow surplus in excess of a trill annually (though continuously changing in composition) and it needs outlets. A very large share of this annual surplus continues to wind its way to the US treasury bond market, for it is the deepest, most liquid such market on earth, with institutional safeguards that can be trusted. Trusted? Property law is sacrosanct to Americans (quoting Charlie Rose), but that doesn't make its government necessarily best behaved.nYet despite the obvious and the misgivings about what is currently playing in the US, the world keeps trundling its spare cash to New York, and may continue doing so a while longer. For it will take at least this decade to turn the rich world imbalances around, keeping the Fed and others accommodative for a long time.

Globalisation and its shortcomings are likely to keep other imbalances alive for some time as well (though probably further changing in nature and composition). And the US institutional advantages are likely to remain substantial compared to misfiring Europe and still very immature underdeveloped capital markets in China (and elsewhere) simply not offering the competition the Americans can at present. And this is still so despite the horrific foundations of US fiscal finances today. But one can see this isn't a proposition that can last forever, not unlike something similar faced by Britain a century ago.

Either the US makes a start with addressing its fiscal decrepitude (using Simpson-Bowles proposals) or at some point the combination of ending the Western financial emergency, growing internationalisation of the Chinese and (yes) the European bond markets, along with reducing global imbalances and excess cash flows seeking safe havens, and private market preponderance and vigilantism ultimately making a comeback and starting the market drive to vigorously interrogate the US on its deteriorating fiscal prospect.

Somewhere ahead looms a crossover in which the US will cease being a safe haven. But for now it is the only real one in the world that keeps being favoured by (nearly) everyone, in the process giving it little incentive to change, for global creditors keep accommodating it. And that is the curse. Having no incentive (indeed quite the converse) of doing anything to correct one's shortcomings because others keep being accommodative until they no longer need you.

That can be fatal to one's long term health. Or at least very costly when the change is finally forced, and the more wrenching for it. Just ask European peripherals how they feel about austerity and how markets won't easily accept a different tune, unless proposed growth compacts are for real, and another Maggie Thatcher makes her mark, this time continent wide, so that faster growth may accompany austerity and make the bitter pill of fiscal adjustment more digestible, eventually.

Stockbroker's views

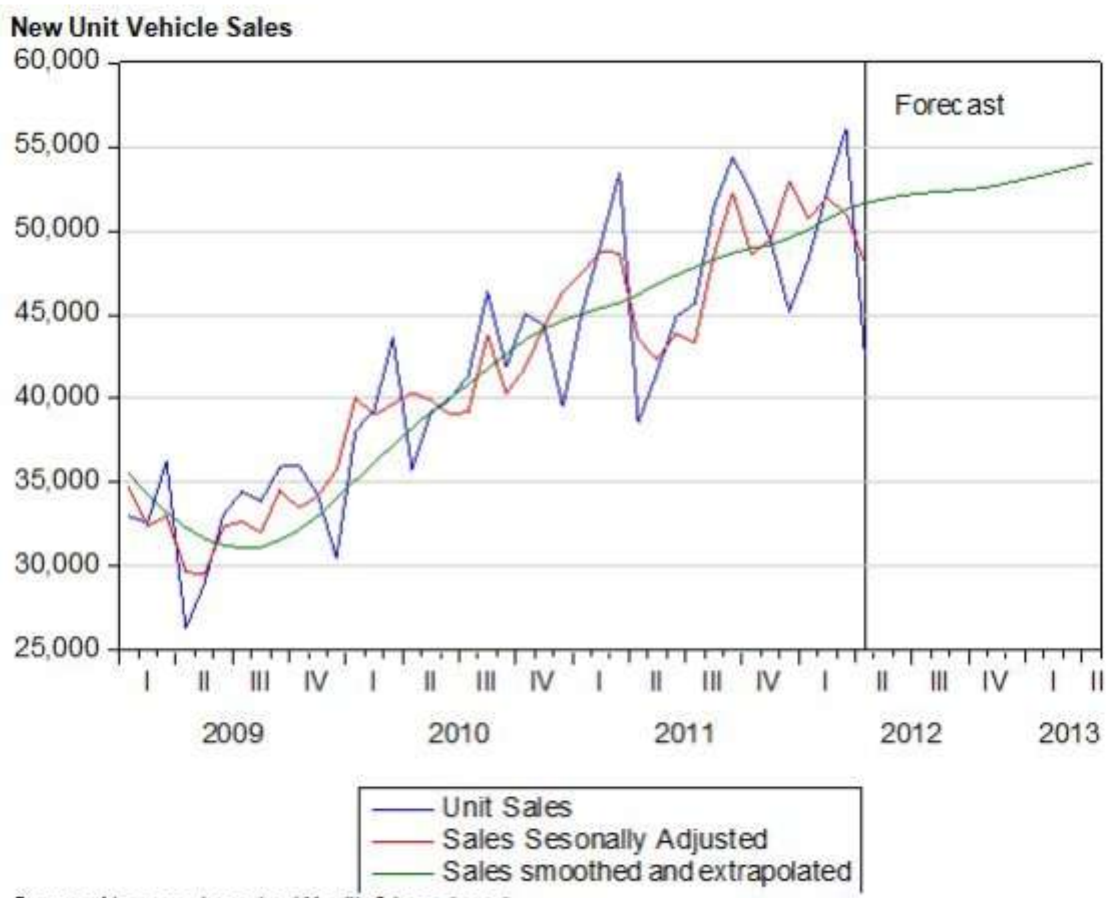
by **Brian Kantor**
Investec Securities

Public holidays may be very helpful to retailers in SA, but they do not bring customers into the show rooms or forecourts of motor dealers. These may even stay shut, like their workshops, on the public holidays that made April 2012 a weak month for new vehicle sales. These numbered 42 617 units. However it was a better month than April 2011, some 10.5% better.

On a seasonally adjusted basis, sales in April were 2 950 fewer than in March 2012, which was a very good month for the dealers with unit sales of new cars at a very robust 56 110. But making seasonal adjustments for Easter, which may fall in March or April, is always problematic and where holidays make a difference to economic activity it may be best to add March and April sales together and divide them by two, giving a monthly rate of about 50 000 units.

In the figure below we compare unit vehicle sales on an actual and seasonally adjusted basis. On a seasonally adjusted basis sales must be regarded as continuing their very satisfactory recovery from the sales trough of 2009. They have maintained the faster pace realised in late 2011 and so the upswing in sales remains intact. If recent sales trends are sustained, the industry can look to a smoothed monthly rate of SA sales of about 56 000 new units this time next year or an annual market of about 672 000 new units (See below). This however would still leave the dealers well below the level of sales that peaked at about 60 000 units a month in late 2006.

Current vehicle sales are a source of satisfaction about the state of the SA economy as well as its appetite for new vehicles and for the credit with which to finance the upgrading of the vehicle stock.



Source: Naamsa, Investec Wealth & Investment

Current sales volumes leave little room for either concern about demand running away with itself (and thus needing restraint) or for complacency that sales will continue at current rates.

The encouragement of low interest rates is still called for.

USA Comment   By John Maldin

One of the more remarkable essays I have read in a long time is a speech by Jim Grant to the New York Federal Reserve. The always erudite Grant takes us back in time to the very beginnings of the Federal Reserve, to show us how far we have strayed from the original intent. I really think you should read this. I have perused it several times and intend to read it yet again – and then some more.

Grant argued for a return to the gold standard in the very halls of fiat money! It seems the New York Fed is asking some of its critics to come and speak. I have read some of the speeches, but this is the best so far for several reasons, not the least of which is that it contains some very funny lines. If you find yourself invited to the lion's den, Grant seems to think it is best to make fun of their teeth! You really do have to admire his courage. I think I would be a little concerned that I might be on the menu!

A Piece Of My Mind

By Jim Grant

My friends and neighbours, I thank you for this opportunity. You know, we are friends and neighbours. Grant's makes its offices on Wall Street, overlooking Broadway, a 10-minute stroll from your imposing headquarters. For a spectacular vantage point on the next ticker-tape parade up Broadway, please drop by. We'll have the windows washed.

You say you would like to hear my complaints, and, on the one hand, I do have a few, while on the other, I can't help but feel slightly hypocritical in dressing you down. What passes for sound doctrine in 21st-century central banking—so-called financial repression, interest-rate manipulation, stock-price levitation and money printing under the frosted-glass term "quantitative easing"—presents us at Grant's with a nearly endless supply of good copy. Our symbiotic relationship with the Fed resembles that of Fox News with the Obama administration, or—in an earlier era—that of the Chicago Tribune with the Purple Gang. Grant's needs the Fed even if the Fed doesn't need Grant's.

In the not quite 100 years since the founding of your institution, America has exchanged central banking for a kind of central planning and the gold standard for what I will call the Ph.D. standard. I regret the changes and will propose reforms, or, I suppose, re-reforms, as my program is very much in accord with that of the founders of this institution. Have you ever read the Federal Reserve Act? The authorizing legislation projected a body "to provide for the establishment of the Federal Reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper and to establish a more effective supervision of banking in the United States, and for other purposes." By now can we identify the operative phrase? Of course: "for other purposes."

You are lucky, if I may say so, that I'm the one who's standing here and not the ghost of Sen. Carter Glass. One hesitates to speak for the dead, but I am reasonably sure that the Virginia Democrat, who regarded himself as the father of the Fed, would skewer you. He had an abhorrence of paper money and government debt. He didn't like Wall Street, either, and I'm going to guess that he wouldn't much care for the Fed raising up stock prices under the theory of the "portfolio balance channel."

It enflamed him that during congressional debate over the Federal Reserve Act, Elihu Root, Republican senator from New York, impugned the anticipated Federal Reserve notes as "fiat" currency. Fiat, indeed! Glass snorted. The nation was on the gold standard. It would remain on the gold standard, Glass had no reason to doubt. The projected notes of the Federal Reserve would—of course—be convertible into gold on demand at the fixed statutory rate of $20.67 per ounce. But more stood behind the notes than gold. They would be collateralized, as well, by sound commercial assets, by the issuing member bank and—a point to which I will return— by the so-called double liability of the issuing bank's stockholders.

If Glass had the stronger argument, Root had the clearer vision. One can think of the original Federal Reserve note as a kind of derivative. It derived its value chiefly from gold, into which it was lawfully exchangeable. Now that the Federal Reserve note is exchangeable into nothing except small change, it is a derivative without an underlier. Or, at a stretch, one might say it is a derivative that secures its value from the wisdom of Congress and the foresight and judgment of the monetary scholars at the Federal Reserve. Either way, we would seem to be in dangerous, uncharted waters.

As you prepare to mark the Fed's centenary, may I urge you to reflect on just how far you have wandered from the intentions of the founders? The institution they envisioned would operate passively, through the discount window. It would not create credit but rather liquefy the existing stock of credit by turning good-quality commercial bills into cash— temporarily. This it would do according to the demands of the seasons and the cycle. The Fed would respond to the community, not try to anticipate or lead it. It would not override the price mechanism— as today's Fed seems to do at every available opportunity—but yield to it.
My favourite exposition of the sound, original doctrines is a book entitled, "The Theory and Practice of Central Banking," by H. Parker Willis, first secretary of the Federal Reserve Board and Glass's right-hand man in the House of Representatives.

Writing in the mid-1930s, Willis pointed out that the Fed fell into sin almost immediately after it opened for business in 1914. In 1917, after the United States entered the Great War, the Fed set about monetizing the Treasury's debt and suppressing the Treasury's borrowing costs. In the 1920s, after the recovery from the short but ugly depression of 1920-21, the Fed started to implement open-market operations to sterilize gold flows and steer a desired macroeconomic course.

"Central banks," wrote Willis, glaring at the innovators, "...will do wisely to lay aside their inexpert ventures in half-baked monetary theory, meretricious statistical measures of trade, and hasty grinding of the axes of speculative interests with their suggestion that by doing so they are achieving some sort of vague 'stabilization' that will, in the long run, be for the greater good."

Willis, who died in 1937, perhaps of a broken heart, would be no happier with you today than Glass would be—or I am. The search for "some sort of vague stabilization" in the 1930s has become a Federal Reserve obsession at the millennium. Ladies and gentlemen, such stability as might be imposed on a dynamic capitalist economy is the kind that eventually comes around to bite the stabilizer.

"Price stability" is a case in point. It is your mandate, or half of your mandate, I realize, but it does grievous harm, as defined. For reasons you never exactly spell out, you pledge to resist "deflation." You won't put up with it, you keep on saying—something about Japan's lost decade or the Great Depression. But you never say what deflation really is. Let me attempt a definition. Deflation is a derangement of debt, a symptom of which is falling prices. In a credit crisis, when inventories become unfinanceable, merchandise is thrown on the market and prices fall. That's deflation.

What deflation is not is a drop in prices caused by a technology-enhanced decline in the costs of production. That's called progress. Between 1875 and 1896, according to Milton Friedman and Anna Schwartz, the American price level subsided at the average rate of 1.7% a year. And why not? As technology was advancing, costs were tumbling. Long before Joseph Schumpeter coined the phrase "creative destruction," the American economist David A. Wells, writing in 1889, was explaining the consequences of disruptive innovation.

"In the last analysis," Wells proposes, "it will appear that there is no such thing as fixed capital; there is nothing useful that is very old except the precious metals, and life consists in the conversion of forces. The only capital which is of permanent value is immaterial—the experience of generations and the development of science."

Much the same sentiments, and much the same circumstances, apply today, but with a difference. Digital technology and a globalized labour force have brought down production costs. But, the central bankers declare, prices must not fall. On the contrary, they must rise by 2% a year. To engineer this up-creep, the Bernankes, the Kings, the Draghis—and yes, sadly, even the Dudleys—of the world monetize assets and push down interest rates. They do this to conquer deflation.

But note, please, that the suppression of interest rates and the conjuring of liquidity set in motion waves of speculative lending and borrowing. This artificially induced activity serves to lift the prices of a favoured class of asset—houses, for instance, or Mitt Romney's portfolio of leveraged companies. And when the central bank-financed bubble bursts, credit contracts, leveraged businesses teeter, inventories are liquidated and prices weaken. In short, a process is set in motion resembling a real deflation, which then calls forth a new bout of monetary intervention. By trying to forestall an imagined deflation, the Federal Reserve comes perilously close to instigating the real thing.

The economist Hyman Minsky laid down the paradox that stability is itself destabilizing. I say that the pledge of a stable funds rate through the fourth quarter of 2014 is hugely destabilizing. Interest rates are prices. They convey information, or ought to. But the only information conveyed in a manipulated yield curve is what the Fed wants. Opportunists don't have to be told twice how to respond. They buy oil or gold or foreign exchange, not incidentally pushing the price of a gallon of gasoline at the pump to $4 and beyond. Another set of opportunists borrow short and lend long in the credit markets. Not especially caring about the risk of inflation over the long run, this speculative cohort will fund mortgages, junk bonds, Treasurys, what-have-you at zero percent in the short run. The opportunists, a.k.a. the 1 percent, will do fine. But what about the uncomprehending others?

I commend to the Federal Reserve Bank of New York Financial History Book Club (if it doesn't exist, please organize it at once) a volume by the British scholar and central banker, Charles Goodhart. Its title is "The New York Money Market and the Finance of Trade, 1900-1913." In the pre-Fed days with which the history deals, the call money rate dove and soared. There was no stability—and a good thing, Goodhart reasons. In a society predisposed to speculate, as America was and is, he writes, unpredictable spikes in borrowing rates kept the players more or less honest. "On the basis of its record," he writes of the Second Federal Reserve District before there was a Federal Reserve, "the financial system as constituted in the years 1900-1913 must be considered successful to an extent rarely equalled in the United States." And that not withstanding the Panic of 1907.

My reading of history accords with Goodhart's, though not with that of the Fed's front office. If Chairman Bernanke were in the room, I would respectfully ask him why this persistent harking back to the Great Depression? It is one cyclical episode, but there are many others. I myself draw more instruction from the depression of 1920-21, a slump as ugly and steep in its way as that of 1929-33, but with the simple and interesting difference that it ended. Top to bottom, spring 1920 to summer 1921, nominal GDP fell by 23.9%, wholesale prices by 40.8% and the CPI by 8.3%. Unemployment, as it was inexactly measured, topped out at about 14% from a pre-bust low of as little as 2%. And how did the administration of Warren G. Harding meet this macroeconomic calamity? Why, it balanced the budget, the president declaring in 1921, as the economy seemed to be falling apart, "There is not a menace in the world today like that of growing public indebtedness and mounting public expenditures." And the fledgling Fed, face to face with its first big slump, what did it do? Why, it tightened, pushing up short rates in mid-depression to as high as 8.13% from a business cycle peak of 6%. It was the one and only time in the history of this institution that money rates at the trough of a cycle were higher than rates at the peak, according to Allan Meltzer.

But then something wonderful happened: Markets cleared, and a vibrant recovery began. There were plenty of bankruptcies and no few brickbats launched in the direction of the governor of the New York Fed, Benjamin Strong, for the deflation that cut an especially wide and devastating swath through the American farm economy. But in 1922, the first full year of recovery, the Fed's index of industrial production leapt by 27.3%. By 1923, the unemployment rate was back to 3.2%. The 1920s began to roar.

And do you know that the biggest nationally chartered bank to fail during this deflationary collapse was the First National Bank of Cleburne, Texas, with not quite $2.8 million of deposits? Even the forerunner to today's Citigroup remained solvent (though for Citi, even then it was a close-run thing, on account of an oversize exposure to deflating Cuban sugar values). No TARP, no starving the savers with zero-percent interest rates, no QE, no jimmying up the stock market, no federal "stimulus" of any kind. Yet—I repeat—the depression ended. To those today who demand ever more intervention to cure what ails us, I ask: Why did the depression of 1920-21 ever end? Given the policies with which the authorities treated it, why are we still not ensnared?

If you object to using the template of 1920-21 as a guide to 21st-century policy because, well, 1920 was a long time ago, I reply that 1929 was a long time ago, too. And if you persist in objecting because the lessons to be derived from the Harding depression are unthinkably at odds with the lessons so familiarly mined from the Hoover and Roosevelt depression, I reply that Harding's approach worked. The price mechanism is truer and enterprise hardier than the promoters of radical 21st-century intervention seem prepared to acknowledge.

In notable contrast to the Harding method, today's policies seem not to be working. We legislate and regulate and intervene, but still the patient languishes. It's a worldwide failure of the institutions of money and credit. I see in the papers that Banca Monte dei Paschi di Siena is in the toils of a debt crisis. For the first time in over 500 years, the foundation that controls this ancient Italian institution may be forced to sell shares. We've all heard of hundred-year floods. We seem to be in a kind of 500-year debt flood.

Many now call for more regulation—more such institutions as the Treasury's brand-new Office of Financial Research, for instance. In the March 8 Financial Times, the columnist Gillian Tett appealed for more resources for the overwhelmed regulators. Inundated with information, she lamented, they can't keep up with the institutions they are supposed to be safeguarding. To me, the trouble is not that the regulators are ignorant. It's rather that the owners and managers are unaccountable.

Once upon a time—specifically, between the National Banking Act of 1863 and the Banking Act of

1935—the impairment or bankruptcy of a nationally chartered bank triggered a capital call. Not on the taxpayers, but on the stockholders. It was their bank, after all. Individual accountability in banking was the rule in the advanced economies. Hartley Withers, the editor of The Economist in the early 20th century, shook his head at the micromanagement of American banks by the Office of the Comptroller of the Currency—25% of their deposits had to be kept in cash, i.e., gold or money lawfully convertible into gold. The rules held. Yet New York had panics, London had none. Adjured Withers: "Good banking is produced not by good laws but by good bankers."

Well said, Withers! And what makes a good banker is more than skill. It is also the fear of God, or, more specifically, accountability for the solvency of the institution that he or she owns or manages. To stay out of trouble, the general partners of Brown Brothers Harriman, Wall Street's oldest surviving general partnership, need no regulatory pep talk. Each partner is liable for the debts of the firm to the full extent of his or her net worth. My colleague Paul Isaac, who is with me today—he doubles as my food and beverage taster— has an intriguing suggestion for instilling the credit culture more deeply in our semi-socialized banking institutions.

We can't turn limited liability corporations into general partnerships. Nor could we easily reinstate the so-called double liability law on bank stockholders. But what we could and should do, Paul urges, is to claw back that portion of the compensation paid out by a failed bank in excess of 10 times the average wage in manufacturing for the seven full calendar years before the ruined bank hit the wall. Such a clawback would not be subject to averaging or offset one year to the next. And it would be payable in cash.

The idea, Paul explains, is twofold. First, to remove the government from the business of determining what is, or is not, risky—really, the government doesn't know. Second, to increase the personal risk of failure for senior management, but stopping short of the sword of Damocles of unlimited personal liability. If bankers are venal, why not harness that venality in the public interest? For the better part of 100 years, and especially in the past five, we have socialized the risks of high finance. All too often, the bankers who take risks don't themselves bear them. By all means, let the capitalists keep the upside. But let them bear their full share of the downside.

In March 2009, the Financial Times published a letter to the editor concerning the then novel subject of QE. "I can now understand the term 'quantitative easing,' wrote Gerald B. Hill of Stourbridge, West Midlands, "but . . . realize I can no longer understand the meaning of the word 'money.'"

There isn't time, in these brief remarks, to persuade you of the necessity of a return to the classical gold standard. I would need another 10 minutes, at least. But I anticipate some scepticism. Very well then, consider this fact: On March 27, 1973, not quite 39 years ago, the forerunner to today's G-20 solemnly agreed that the special drawing right, a.k.a. SDR, "will become the principal reserve asset and the role of gold and reserve currencies will be reduced." That was the establishment— i.e., you—talking. If a worldwide accord on the efficacy of the SDR is possible, all things are possible, including a return to the least imperfect international monetary standard that has ever worked.

Notice, I do not say the perfect monetary system or best monetary system ever dreamt up by a theoretical economist. The classical gold standard, 1879-1914, "with all its anomalies and exceptions . . .

'worked.'" The quoted words I draw from a book entitled, "The Rules of the Game: Reform and Evolution in the International Monetary System," by Kenneth W. Dam, a law professor and former provost of the University of Chicago. Dam's was a grudging admiration, a little like that of the New York Fed's own Arthur Bloomfield, whose 1959 monograph, "Monetary Policy under the International Gold Standard," was published by yourselves. No, Bloomfield points out, as does Dam, the classical gold standard was not quite automatic. But it was synchronous, it was self-correcting and it did deliver both national solvency and, over the long run, uncanny price stability. The banks were solvent, too, even the central banks, which, as Bloomfield noted, monetized no government debt.

The visible hallmark of the classical gold standard was, of course, gold—to every currency holder was given the option of exchanging metal for paper, or paper for metal, at a fixed, statutory rate. Exchange rates were fixed, and I mean fixed. "It is quite remarkable," Dam writes, "that from 1879 to 1914, in a period considerably longer than from 1945 to the demise of Bretton Woods in 1971, there were no changes of parities between the United States, Britain, France, Germany—not to speak of a number of smaller European countries." The fruits of this fixedness were many and sweet. Among them, again to quote Dam, "a flow of private foreign investment on a scale the world had never seen, and, relative to other economic aggregates, was never to see again."

Incidentally, the source of my purchased copy of "Rules of the Game" was the library of the Federal Reserve Bank of Atlanta. Apparently, President Lockhart isn't preparing, as I am—as, may I suggest, as you should be—for the coming of classical gold standard, Part II. By way of preparation, I commend to you a new book by my friend Lew Lehrman, "The True Gold Standard: A Monetary Reform Plan without Official Reserve Currencies: How We Get from Here to There."

It's a little rich, my extolling gold to an institution that sits on 216 million troy ounces of the stuff. Valued at $42.222 per ounce, the hoard in your basement is worth $9.1 billion. Incidentally, the official price was quoted in SDRs, $35 to the ounce—now there's a quixotic choice for you. In 2008, when your in-house publication, "The Key to the Gold Vault," was published, the market value was $194 billion. Today, the market value is $359 billion, which is encouraging only if you personally happen to be long gold bullion. Otherwise, it strikes me as a pretty severe condemnation of modern central banking.

And what would I do if, following the inauguration of Ron Paul, I were sitting in the chairman's office? I would do what I could to begin the normalization of interest rates. I would invite the Wall Street Journal's Jon Hilsenrath to lunch to let him know that the Fed is now well over its deflation phobia and has put aside its Atlas complex. "It's capitalism for us, Jon," I would say. Next I would call President Dudley. "Bill," I would say, pleasantly, "we're not exactly leading from the front in the regulatory drive to reduce the ratio of assets to equity at the big American financial institutions. Do you have to be leveraged 89:1?"

Finally, I would redirect the efforts of the brainiacs at the Federal Reserve Board research division. "Ladies and gentlemen," I would say, "enough with 'Bayesian Analysis of Stochastic Volatility Models with Levy Jumps: Application to Risk Analysis.' How much better it would please me if you wrote to the subject, 'Command and Control No More: A Gold Standard for the 21st Century.'" Finally, my pièce de résistance, I would commission, staff and ceremonially open the Fed's first Office of Unintended Consequences.

Let me thank you once more for the honor that your invitation does me. Concerning little Grant's and the big Fed, I will quote in parting the opening sentences of an editorial that appeared in a provincial Irish newspaper in the fateful year 1914. It read: "We give this solemn warning to Kaiser Wilhelm: The Skibbereen Eagle has its eye on you."

Company reports

SA-CORP 2012/05/09

Unitholders were referred to the cautionary announcements released on the SENS on 25 April 2012 by SA Corp and Capital Property Fund ("CPL") as well as the subsequent voluntary announcement by CPL on 2 May 2012 relating to CPL's expression of interest in acquiring all the assets of SA Corporate.SA Corp confirms that an unsolicited approach by way of an expression of interest letter has been received from CPL to acquire the assets of SA Corp, however at this stage no exclusivity has been granted nor has any agreement been reached between the parties in any form. Accordingly, unitholders are advised to continue to exercise caution when trading in the fund's units until a further announcement has been made.

HYPROP 2012/05/09

Hyprop unitholders are referred to the announcement released on SENS on 5 April 2012 and the notice of general meeting posted to shareholders and debenture holders on the same day, including a form of proxy, relating to the proposed disposal of Hyprop's 50% undivided share in the Southcoast Mall including Hyprop's 50% undivided share in the related immovable property to Redefine Properties Ltd. ("the disposal"). Hyprop unitholders are advised that at the general meeting of shareholders and debenture holders of Hyprop held on Tuesday, 8 May 2012, all of the resolutions required to implement the disposal were approved by the requisite majorities. The disposal remains conditional upon approval by the Competition Authorities, which approval shall be announced on SENS upon Hyprop receiving same.

Trematon -- joint announcement

Shareholders were referred to the joint announcement as published in SENS on 19 March 2012 and in the press on 20 March 2012, and to the circular issued to Club Mykonos Langebaan Ltd. ("CML") shareholders on 10 April 2012 ("the circular"), detailing the scheme of arrangement ("the scheme") in terms of section 114(1) of the Companies Act No 71 of 2008 ("the Companies Act"), which has been proposed by the CML board between CML and its shareholders (save for Tremgrowth) ("the Scheme Members"). The scheme, if implemented, will result in Tremgrowth acquiring the entire issued share capital of CML. Scheme Members currently hold 2 763 548 CML shares (constituting 7.8% of the entire issued share capital of CML, the balance of such issued share capital being held by Tremgrowth) ("Scheme Shares"). The consideration for the Scheme Shares is either a cash consideration of R3.00 for each Scheme Share or two Trematon shares for each Scheme Share duly disposed of. Scheme Members are reminded of the times and dates in the circular for making an election as to the form of such consideration failing which the said cash consideration will automatically apply. Shareholders are hereby advised that the scheme was approved by the requisite majority of shareholders (the relevant special resolution being approved by 97.91% of the voting rights exercised by Scheme Members thereon) present and voting, in person or by proxy, at the meeting of Scheme Members held on 7 May 2012. Shareholders are further advised that one dissenting shareholder holding 25 048 CML shares (representing 0,07% of the total issued share capital of CML and 0.91% of the total issued share capital held by Scheme Members) notified CML prior to the Scheme Meeting that it objects to the special resolution to approve the scheme. Accordingly such shareholder is entitled (but not obliged) to exercise any rights in terms of section 164 of the Companies Act (details whereof are contained in the circular). Shareholders should note that the implementation of the scheme remains conditional upon the fulfilment of certain conditions precedent by no later than 18 May 2012 (or any agreed extension thereof) as detailed in the circular. Further announcements regarding same will be released on SENS and published in the press in due course.

Cargo cautionary announcement

Shareholders are advised that the company has entered into acquisition negotiations which, if successfully concluded, may have a material effect on the price of the company's securities. Accordingly, shareholders are advised to exercise caution when dealing in the company's securities until a full announcement is made.

Sentula -- B-BBEE transaction become effective

Sentula shareholders ("shareholders") are referred to the announcement released on SENS on Friday, 2 March 2012 and published in the press on Monday, 5 March 2012, which set out the full terms of the proposed Broad-based Black Economic Empowerment transaction ("the B-BBEE Transaction"). Shareholders are advised that the conditions precedent to the B-BBEE transaction have now been fulfilled and accordingly the B-BBEE transaction will become effective on Wednesday, 9 May 2012.

SABMiller - MillerCoors first quarter results

SABMiller reported that MillerCoors first quarter underlying net income increased 16.6 percent to USD275.3 million versus the first quarter 2011, driven by positive pricing growth, cost management and favourable mix. Premium Light STRs were down low-single digits in the first quarter. Miller Lite declined low single digits and launched new advertising and brand positioning themed "It's Miller Time" in mid-March. Although Miller64 volumes were lower than MGD64 volumes in the prior year, new brand positioning was introduced in early March with new advertising and packaging, which is off to a great start. Coors Light grew low-single digits and kicked off two multicultural programs in the quarter - activation around our sponsorship of Mexico's First Division Soccer League and the Ice Cold Leader program, which rewards African American community leadership.

Tenth and Blake Beer Company continued to grow the MillerCoors Craft and Import portfolio by double digits in the quarter driven by increases in Leinenkugel's and Blue Moon. Leinenkugel's Summer Shandy was introduced a month earlier this year and saw particularly strong growth, more than doubling volumes. Peroni Nastro Azzurro grew high-single digits and continued to show strong growth in the on-premise market. The integration of The Crispin Cider Company and its affiliate Fox Barrel Cider Company is progressing well, resulting in a significant increase in cider production since the acquisition. The Below Premium portfolio declined low-single digits, as the company maintained appropriate price gaps between Premium and Below Premium beers. The

Premium Regular portfolio was down mid-single digits with a double-digit decline by Miller Genuine Draft partly offset by low-single-digit growth of Coors Banquet.

Financial Highlights for the First Quarter

For the quarter, MillerCoors underlying net income increased 16.6 percent to USD275.3 million. Domestic net producer revenue per barrel grew 3.9 percent, the highest quarterly increase in three years, aided by management of pricing and promotions and accelerated mix gains. Total company net producer revenue per barrel, including contract brewing and company-owned distributor sales, increased by 3.8 percent for the quarter. Third-party contract brewing volumes were up by 5.7 percent driven by increases in Miller Brewing International and other contract partners. Total COGS per barrel increased 0.9 percent for the quarter driven by packaging innovation, higher freight, brand premiumization and brewing material costs, partially offset by tight cost control and savings initiatives. Marketing, general and administrative (MG&A) costs increased 3.7 percent for the quarter to USD410.8 million, driven by cycling the one-time receipt of USD14 million from a third party in 2011 and an increase in short and long-term incentive expenses this year. These increases were partly offset by the re-phasing of certain marketing programs to the upcoming three quarters. In the first quarter, USD25 million of cost savings were realized, driven by various initiatives primarily within the integrated supply chain. Depreciation and amortization expenses for MillerCoors in the first quarter were USD71.1 million and additions to tangible and intangible assets totalled USD46.4 million. There were no special charges during the first quarter.

Clover dividend tax announcements

Shareholders are advised that with effect from 1 April 2012, the company will be required to withhold an amount equal to 15% of the value of all dividends declared to shareholders who are individuals or trusts. This will result in Clover realising a saving in respect of Secondary Tax on Companies ("STC") that it would otherwise have paid on preference share dividends paid to preference shareholders. Following an analysis of the rights of the preference shareholders contained in the Memorandum of Incorporation of the company (the "MOI"), the board of directors of the company (the "board") has determined that it is in the interest of the preference shareholders for the savings that will be realised by Clover in the manner aforesaid to be passed on to all preference shareholders in the proportions in which they hold the preference shares inter se. This will ameliorate the effects of the Dividend Tax on preference shareholders who are individuals and trusts by ensuring that they participate in the savings realised by Clover, on behalf of preference shareholders, as a result of the abolishment of the STC regime. Accordingly, the board has determined that it will propose certain amendments to the MOI that will ensure that dividends payable in respect of the company's preference shares will be adjusted (grossed-up) as a result of the introduction of the Dividends Tax. The proposed amendments contemplate, inter alia, that the preference dividend rate (as defined in the MOI), at which preference shareholders receive preference dividends from the company, be increased from 90% of the average prime rate (as defined in the MOI) to 99% of such average prime rate in order to pass the effects of the savings referred to above on to all preference shareholders proportionately. Owing to certain potential practical difficulties in procuring the registration of the amendments to the MOI before the next preference dividend is declared and paid to preference shareholders at the end of June 2012, the proposed amendments will be drafted in such a way as to take effect from (a) 1 April 2012, if the special resolutions of the shareholders required to give effect to the amendments of the MOI are registered by the Companies and Intellectual Property Commission on or before 15 June 2012; or (b) 30 June 2012, if the special resolutions of shareholders required to give effect to the amendments of the MOI are registered by the Companies and Intellectual Property Commission on or after 16 June 2012. The abovementioned resolutions will be passed at a combined meeting of ordinary and preference shareholders and at a separate meeting of the preference shareholders, respectively. In this regard, shareholders are advised that the company will shortly be posting a combined circular to ordinary and preference shareholders detailing the reasons for, and effects of, the proposed amendments, which circular will contain notices convening each of the meetings referred to above and proxy forms for use in connection with each of the meetings.

SA Corp -- update to cautionary

Unitholders were referred to the cautionary announcements released on the SENS on 25 April 2012 by SA Corp and Capital Property Fund ("CPL") as well as the subsequent voluntary announcement by CPL on 2 May 2012 relating to CPL's expression of interest in acquiring all the assets of SA Corporate. SA Corp confirms that an unsolicited approach by way of an expression of interest letter has been received from CPL to acquire the assets of SA Corp, however at this stage no exclusivity has been granted nor has any agreement been reached between the parties in any form. Accordingly, unitholders are advised to continue to exercise caution when trading in the fund's units until a further announcement has been made.

Hyprop -- disposal approved at meeting

Hyprop unitholders are referred to the announcement released on SENS on 5 April 2012 and the notice of general meeting posted to shareholders and debenture holders on the same day, including a form of proxy, relating to the proposed disposal of Hyprop's 50% undivided share in the Southcoast Mall including Hyprop's 50% undivided share in the related immovable property to Redefine Properties Ltd. ("the disposal"). Hyprop unitholders are advised that at the general meeting of shareholders and debenture holders of Hyprop held on Tuesday, 8 May 2012, all of the resolutions required to implement the disposal were approved by the requisite majorities. The disposal remains conditional upon approval by the Competition Authorities, which approval shall be announced on SENS upon Hyprop receiving same.

Basread no change statement & notice of AGM

Further to Basread's audited results for the year ended 31 December 2011, published on 22 March 2012, the annual financial statements for the year ended 31 December 2011, incorporating the notice of annual general meeting (the "annual report") were dispatched to shareholders on 07 May 2012. The annual report contains no modifications to the aforementioned published audited results for the year ended 31 December 2011, and is available on the company's website hosted at www.basilread.co.za. Annual general meeting The annual general meeting of Basread shareholders will be held at 10:00 on Thursday, 7 June 2012 at the Basil Read Campus, 7 Romeo Street, Hughes, Boksburg, Johannesburg to transact the business as set out in the notice of the annual general meeting forming part of the annual report.

TREMATON 2012/05/09

Shareholders were referred to the joint announcement as published in SENS on 19 March 2012 and in the press on 20 March 2012, and to the circular issued to Club Mykonos Langebaan Ltd. ("CML") shareholders on 10 April 2012 ("the circular"), detailing the scheme of arrangement ("the scheme") in terms of section 114(1) of the Companies Act No 71 of 2008 ("the Companies Act"), which has been proposed by the CML board between CML and its shareholders (save for Tremgrowth) ("the Scheme Members"). The scheme, if implemented, will result in Tremgrowth acquiring the entire issued share capital of CML. Scheme Members currently hold 2 763 548 CML shares (constituting 7.8% of the entire issued share capital of CML, the balance of such issued share capital being held by Tremgrowth) ("Scheme Shares"). The consideration for the Scheme Shares is either a cash consideration of R3.00 for each Scheme Share or two Trematon shares for each Scheme Share duly disposed of. Scheme Members are reminded of the times and dates in the circular for making an election as to the form of such consideration failing which the said cash consideration will automatically apply. Shareholders are hereby advised that the scheme was approved by the requisite majority of shareholders (the relevant special resolution being approved by 97.91% of the voting rights exercised by Scheme Members thereon) present and voting, in person or by proxy, at the meeting of Scheme Members held on 7 May 2012. Shareholders are further advised that one dissenting shareholder holding 25 048 CML shares (representing 0,07% of the total issued share capital of CML and 0.91% of the total issued share capital held by Scheme Members) notified CML prior to the Scheme Meeting that it objects to the special resolution to approve the scheme. Accordingly such shareholder is entitled (but not obliged) to exercise any rights in terms of section 164 of the Companies Act (details whereof are contained in the circular). Shareholders should note that the implementation of the scheme remains conditional upon the fulfilment of certain conditions precedent by no later than 18 May 2012 (or any agreed extension thereof) as detailed in the circular. Further announcements regarding same will be released on SENS and published in the press in due course.

FAMBRANDS 2012/05/08
Fambrands is in the process of finalising its results for the year ended 29 February 2012. Accordingly, shareholders are advised that the group expects to report headline earnings per share (HEPS) and earnings per share (EPS) (calculated on an IFRS basis) of between 276 cents per share and 281 cents per share. This is an improvement on the prior year comparable headline and earnings per share of between 14% and 16%. On a diluted basis, the group expects to report diluted HEPS and diluted EPS of between 270 cents per share and 275 cents per share, also an improvement of between 14% and 16%. The group's results for the year ended 29 February 2012 are expected to be published on SENS on Monday, 21 May 2012.

INGENUITY 2012/05/08
Shareholders are referred to the trading statement released on SENS on 20 April 2012 ("the trading statement") and are advised that the company is now in a position to give further guidance as follows:

Ingenuity expects earnings per share ("EPS") for the six months ended 29 February 2012 to be between 60% to 70% lower than the prior comparative period as was announced in the trading statement; and

further, Ingenuity expects headline EPS for the six months ended 29 February 2012 to be between 65% to 75% lower than the prior comparative period due to the increase in the tax rate computation of Capital Gains Tax which was announced in the Budget in February 2012, increasing the inclusion rate from 50% to 66.67%.

The company's results for the six months ended 29 February 2012 are expected to be published on or about 7 May 2012.

CHROMETCO 2012/05/08
Shareholders were advised that the company expects the following results for the year ended 29 February 2012:

Headline loss per share of between 8 - 9 cents per share (2011: loss of 4.11 cents per share). Change of 94% to 119%.
Earnings per share of between 51 - 54 cents per share (2011: earnings of 2.8 cents per share). Change of 1732% to 1840%.
Net asset value per share of between 91 - 94 cents per share (2011:21 cents per share). Change of 334% to 348%.

The results for the year have been affected by IFRS requirements relating to the rerecognition of the ownership of the group's mining assets at fair value pursuant to the intended sale not being agreed by shareholders, and related matters including additional taxation provisions which are expected to be one-off non-recurring items, as well as costs relating to the commencement of mining operations in December 2011. The company's results for the twelve month period ended 29 February 2012 are expected to be published on or about 11 May 2012.

FAMBRANDS 2012/05/07
Fambrands is in the process of finalising its results for the year ended 29 February 2012. Accordingly, shareholders are advised that the group expects to report headline earnings per share (HEPS) and earnings per share (EPS) (calculated on an IFRS basis) of between 276 cents per share and 281 cents per share. This is an improvement on the prior year comparable headline and earnings per share of between 14% and 16%. On a diluted basis, the group expects to report diluted HEPS and diluted EPS of between 270 cents per share and 275 cents per share, also an improvement of between 14% and 16%. The group's results for the year ended 29 February 2012 are expected to be published on SENS on Monday, 21 May 2012.

ASTRAL 2012/05/04
Shareholders were advised that a reasonable degree of certainty exists that Astral's earnings and headline earnings per share for the six months ended 31 March 2012 will both reflect a decrease of between 16% and 19% compared to the previous comparable period. The decrease in earnings is mainly due to increases in feed and other input costs not all recovered in selling prices. The decrease now includes a provision for a proposed settlement, still to be reached with the Competition Commission and subsequent ratification by the Competition Tribunal, on various matters currently under investigation. Further details pertaining to this provision should be available when Astral Foods reports on its results on Monday 14 May 2012. It is expected that the results for the six months to 31 March 2012 will be published on SENS on 14 May 2012.

BEIGE 2012/05/04
According to Business Report, M&R and Zimbabwe's Trinvest Investments have sold their 47% shareholding in M&R Zimbabwe to Zumbani Capital. M&R spokesman Ed Jardim commented that M&R Zimbabwe was "heavily focused on manufacturing and no

longer fits within the existing construction Africa and Middle East operating platform or the group's Africa strategy." The stake was sold for USD1.47cps, compared to M&R's last-traded price of 7c in a "special bargain

M&R-HLD 2012/05/04
According to Business Report, M&R and Zimbabwe's Trinvest Investments have sold their 47% shareholding in M&R Zimbabwe to Zumbani Capital. M&R spokesman Ed Jardim commented that M&R Zimbabwe was "heavily focused on manufacturing and no longer fits within the existing construction Africa and Middle East operating platform or the group's Africa strategy." The stake was sold for USD1.47cps, compared to M&R's last-traded price of 7c in a "special bargain

PICKNPAY 2012/05/03
Business Report wrote that Pick n Pay opened the group's second distribution centre on Wednesday, 3 May 2012. The opening of the new distribution centre means that Pick n Pay is one step closer to achieving greater efficiencies across the group. Nevertheless, the effect of the distribution centres on Pick n Pay's bottom line will only be felt in years to come. The new distribution centre is in Phillipi in Cape Town, and is one of five around the country. The total investment in the new centres amounts to R2 billion. Richard van Rensburg, deputy CE of Pick n Pay, commented that the fast-moving consumer goods section of the Phillipi centre will be fully operational by October 2012.

VODACOM 2012/05/03
Annual results for the year ended 31 March 2012 are expected to be released on or about Monday, 21 May 2012. Vodacom delivered a strong performance with earnings before interest, tax, depreciation and amortisation ("EBITDA") growth of approximately 10% for the year ended 31 March 2012. However basic and headline earnings were negatively impacted by:

an effective tax rate of 36% mainly due to STC on higher dividends paid and the movement in net deferred tax assets derecognised; and
higher depreciation and amortisation from higher capital expenditure including non cash capital additions.

Headline earnings per share ("HEPS") for the year ended 31 March 2012 is expected to be between 5% and 10% higher than the prior year reported HEPS of 656 cents per share. Basic earnings per share ("EPS") for the year ended 31 March 2012 is expected to be between 20% and 25% higher than the prior year reported EPS of 561 cents per share as a result of the high impairment charges impacting the prior year EPS. Non-cash capital additions relate to the exchange on non monetary assets for the radio access network renewal programmes as well as finance leases entered into for the self-provisioning of transmission.

FOSCHINI 2012/04/25
In terms of the listings requirements of the JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on next will be more than 20% different from that of the previous corresponding period.
The company advises that its basic and headline earnings per share for the year ended 31 March 2012, are expected to be between 20% and 23% higher than those reported for the year ended 31 March 2011.
The financial information on which this trading statement is based has not been reviewed or reported on by the company`s auditors.
The group`s results for the year ended 31 March 2012 are expected to be released on SENS on 29 May 2012.

COAL 2012/04/25
Coal announced that the first shipment from the company's Vele Colliery in Limpopo Province was loaded into 30 rail wagons at the existing Musina siding on Tuesday, 24 April 2012. This first 'test' shipment train of approximately 1 500 tonnes of thermal coal is destined for the Matola Terminal in Maputo, Mozambique, from where it will be shipped and sold to Asian markets.

The coal was produced as part of the plant product test work that is currently being conducted on both metallurgical and thermal coal at Vele. A key objective of this test train run is to determine axle load capacity of the Transnet Freight Services (TFR) line between Groenbult and Hoedspruit. The test run is expected to confirm TFR's capacity to commence regular, weekly trains from this existing siding and on the existing line.

The shipment coincided with the official delivery of the plant from the project engineering consultants ELB Engineering Services to Vele mine management. Production at the Vele colliery resumed in December 2011 with the extraction of run of mine (ROM) material. Wet commissioning of the plant was completed in December 2011 and hot commissioning in February 2012. Further test work is currently being undertaken to confirm the design of processing infrastructure to enable the recovery of additional coking coal from the slimes portion of the coal, as well as the production of a secondary thermal product other than coking coal.

GROUP-5 2012/04/25
Shareholders were referred to the cautionary announcements dated 14 October 2011, 21 November 2011, 12 December 2011, 27 January 2012, and 9 March 2012 regarding a potential strategic venture ("potential strategic venture") between Telkom and KT Corporation (collectively "the companies"). Shareholders are advised that the companies have completed the diagnostic review and harmonised their respective findings. The companies are now in the process of finalising the terms of the potential strategic venture. Once the terms have been agreed, the companies will present the potential strategic venture to their respective boards of

directors for approval before engaging with key stakeholders and presenting the terms of the potential strategic venture to Telkom shareholders for approval.

Shareholders are once again advised that whilst discussions regarding the potential strategic venture are ongoing, there is still no certainty that a formal transaction will be proposed or concluded. Accordingly, shareholders are advised to continue exercising caution when trading in the company's securities until a further announcement is made.

TELKOM 2012/04/25
Shareholders were referred to the cautionary announcements dated 14 October 2011, 21 November 2011, 12 December 2011, 27 January 2012, and 9 March 2012 regarding a potential strategic venture ("potential strategic venture") between Telkom and KT Corporation (collectively "the companies"). Shareholders are advised that the companies have completed the diagnostic review and harmonised their respective findings. The companies are now in the process of finalising the terms of the potential strategic venture. Once the terms have been agreed, the companies will present the potential strategic venture to their respective boards of directors for approval before engaging with key stakeholders and presenting the terms of the potential strategic venture to Telkom shareholders for approval.

Shareholders are once again advised that whilst discussions regarding the potential strategic venture are ongoing, there is still no certainty that a formal transaction will be proposed or concluded. Accordingly, shareholders are advised to continue exercising caution when trading in the company's securities until a further announcement is made.

AFEAGLE 2012/04/25
Afeagle announced that all resolutions put to shareholders at the general meeting were passed. The company will release another announcement confirming the results of the placing and open offer once the final numbers are confirmed. Terms used but not defined in this announcement shall have the same meaning as those set out in the circular issued by Afeagle to its shareholders on 5 April 2012.

1TIME 2012/04/25
Shareholders are referred to the announcement released on SENS of the JSE on 21 February 2012 and to the definitions contained therein ("the announcement") regarding a sale of shares and subscription agreement with Paladin in terms of which Litha will purchase certain Pharmaplan shares from Paladin for cash and Paladin will subscribe for new Litha shares, which together with the other indivisible transactions described in the announcement, shall be referred to as "the transaction". In this regard, shareholders are advised that there has been a delay in the posting of the circular such that the date of the General Meeting of shareholders, which was previously disclosed to be 10h00 on Wednesday, 2 May 2012 ("the general meeting"), will be amended to a later date. Shareholders will be advised of the salient dates and times relating to the transaction on SENS and on the date of distribution of the circular.

LITHA 2012/04/25
Shareholders are referred to the announcement released on SENS of the JSE on 21 February 2012 and to the definitions contained therein ("the announcement") regarding a sale of shares and subscription agreement with Paladin in terms of which Litha will purchase certain Pharmaplan shares from Paladin for cash and Paladin will subscribe for new Litha shares, which together with the other indivisible transactions described in the announcement, shall be referred to as "the transaction". In this regard, shareholders are advised that there has been a delay in the posting of the circular such that the date of the General Meeting of shareholders, which was previously disclosed to be 10h00 on Wednesday, 2 May 2012 ("the general meeting"), will be amended to a later date. Shareholders will be advised of the salient dates and times relating to the transaction on SENS and on the date of distribution of the circular.