

Banking, Finance and Insurance

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BANKING IN SHORT

The following stories were among those that made headlines in banking today: SA's gross gold and foreign exchange reserves leapt 3% to \$39.1 billion last month, but there was little evidence to show that the Reserve Bank had intervened aggressively to try to curb sustained gains in the rand; despite negative predictions from several leading economic commentators, the equity market recovery remained firmly on track; companies are going to greater lengths to recover the money owing to them as inquiries by cellphone companies, banks and debt collection agencies to credit bureaus rose in the three months to June; Absa Bank said yesterday it had been chosen as the most innovative bank in Africa at the African Banker Awards 2009, held in Istanbul, Turkey, on Tuesday; and the percentage of consumers with good credit ratings has continued to decrease.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

At 15:32 yesterday the rand was bid at R7.478 to the dollar from R7.420. It was bid at R10.984 to the euro from R10.934, and was at R11.886 against sterling from R11.809. The euro was bid at \$1.468 from \$1.472.

BUSINESS DAY (National), Companies & Markets

Government 'failing SA economy'

South Africa is busy losing manufacturing capacity while internal power struggles are causing government to drag its feet in terms of helping struggling industries. This is according to Lumkile Mondli, chief economist at the Industrial Development Corporation (IDC). He says that a lack of resources or implementation of plans, and internal power struggles have resulted in government to date having done "nothing" to help the economy. Mondli says there is still a lack of clarity within government as to who is responsible for what, with the roles of the new state departments, including Economic Development and Monitoring & Planning, still obscure.

FIN24.CO.ZA - FINWEEK

Reserve Bank does not try to curb sustained rand gains

SA's gross gold and foreign exchange reserves leapt 3% to \$39.1 billion last month, but there was little evidence to show that the Reserve Bank had intervened aggressively to try to curb sustained gains in the rand. Net reserves - which exclude foreign loans and deposits - climbed 2.6% to \$37.9 billion in the month, data from the bank showed yesterday. A hefty \$957 million rise in foreign exchange reserves stemmed mainly from the Treasury's \$500 million bond issue, a \$283 million allocation from the International Monetary Fund, and currency valuation adjustments. Higher gold prices also had an effect, pushing that component of reserves up by \$231 million. This meant that despite comments made by Reserve Bank Governor Tito Mboweni last month, the Bank had not been buying foreign currency in large enough amounts to have effected the rand by much, which scaled a 13-month peak at R7.29/\$.

BUSINESS DAY (National), BUSINESS REPORT (National), BUSINESS TIMES

Harmony CEO sees gold staying above \$1 000

Harmony Gold CEO Graham Briggs said yesterday that the dollar price of gold could stay above \$1 000 this year after it hit a new record, but stronger rand was eroding gains for South African producers. Gold hit a record high on the spot and futures markets yesterday, with dollar weakness continuing to support sentiment by attracting new investment in the metal. "Certainly it will go higher. It wouldn't surprise me if it stayed above \$1 000 an ounce," Briggs said. "My preference is that it should not rocket fast, but that it should creep up steadily. It's a little bitter-sweet for us South African gold producers, because what affects us most is the rand gold price. This is what would make a difference."

BUSINESS DAY (National), Companies & Markets

Equity market recovering nicely

Despite negative predictions from several leading economic commentators, the equity market recovery remained firmly on track, albeit showing signs of exhaustion, Jeremy Gardiner of Investec Asset Management said yesterday. The local equity market, up 0.25% last month, was the worst performing of the emerging markets for the month, with Russia's gains of 15% coming through as the strongest.

BUSINESS DAY (National)

NATIONAL BUSINESS

Absa denies liability in FoneWorx case

Big four bank Absa has denied any liability in a fraud case that saw R3 million illegally moved from FoneWorx's accounts. FoneWorx says just over R3 million of its money had been fraudulently moved out of its eight Absa accounts into 183 unknown, and unauthorised, Absa accounts, in February. It has since recouped R1.56 million of the stolen funds, and now wants the rest paid back to it. CEO Mark Smith says the balance of the missing money was transferred into the company's attorney's trust account, but then again removed by Absa. The bank claimed the money had been wrongfully transferred and was actually a duplicate payment, he says.

ITWEB.CO.ZA

Time to ditch retail shares?

The easy profits from investing in clothing retailers' shares have possibly already been made and investors must consider which of these shares should perhaps now be sold. The sale by Mike Lewis, a Foschini non-executive director, of about R75 million worth of his company's shares at the end of September attracted attention. This occurred after the Lewis family had made large investments in the company last August, and investors might wonder if it's time to dispose of their holdings in the clothing retail industry. According to Alwyn van der Merwe, Director of investments at Sanlam Private Investments, last year cyclical shares were largely priced for bad news and therefore very cheap. Foschini's price:earnings ratio at that time was 7, considerably lower than the current 11.

FIN24.CO.ZA - FINWEEK

Companies seek to recover money owing to them

As South Africans battle to service their debts, companies are going to greater lengths to recover the money owing to them. Inquiries by cellphone companies, banks and debt collection agencies to credit bureaus rose in the three months to June, figures from the National Credit Regulator showed yesterday. Banks' inquiries to credit bureaus more than doubled to 5.1-million from 2.42-million. "It is likely that companies are experiencing increased difficulty with consumers meeting their credit obligations and as a result company balance sheets may be at an increased risk of a rise in bad debt... leading to a more proactive action with regards to balancing debtors' book," the report commented.

BUSINESS DAY (National)

Woolworths Financial Services aims higher

Woolworths Financial Services (WFS) planned to launch new products at the higher-income market as it shifted focus from consolidation over the past year to expanding the business, CE Sam Ngumeni said yesterday. A year ago, Absa acquired 50% plus one share of WFS, for a joint venture to leverage Woolworths' distribution channel and customer base and Absa's funding, credit risk, customer value and marketing capabilities. WFS had delivered acceptable financial performance, impairment levels had improved and the customer base had grown by more than 100 000 to 1.8-million over the year. Absa's knowledge of credit risk management also helped to ensure a better quality book and acceptable levels of impairment.

BUSINESS DAY (National), Companies & Markets, BUSINESS REPORT (National)

Road agency to acquire two new bonds

The South African National Roads Agency (Sanral) tapped into two bonds maturing in 2020 and 2034 and received bids for R1.06 billion in the second auction under its domestic medium-term note programme, which carries a government guarantee.

BUSINESS DAY (National), Companies & Markets, PRETORIA NEWS, BUSINESS TIMES, CITIZEN (Second Edition)

Paladin set to raise R150m

Investment holding firm Paladin yesterday said it was raising R150 million through a renounceable rights issue to take advantage of future investment opportunities. It said key shareholder PSG would follow at least R50 million of its rights and had renounced the remaining rights in favour of its shareholders.

BUSINESS DAY (National), Companies & Markets

Absa Bank wins award

Absa Bank said yesterday it had been chosen as the most innovative bank in Africa at the African Banker Awards 2009, held in Istanbul, Turkey, on Tuesday, while its Tanzanian subsidiary, the National Bank of Commerce (NBC), was selected as the best local bank in Africa. Organised by IC Publications, publishers of the African Banker magazine, the African Banker Awards recognise excellence in African banking across several categories.

BUSINESS DAY (National), Companies & Markets

Consumers with good credit decrease

The percentage of consumers with good credit ratings has continued to decrease, the National Credit Regulator said yesterday. This followed its monitoring of registered credit bureaus and the quality of their data. As at the end of June, credit bureaus had records for 17.79-million credit-active consumers, the NCR said. According to these records the percentage of consumers in good standing stood at 55.9%, a decrease of 1.7 percentage points when compared to March and 4.5 percentage points lower than the quarter to June last year.

BUSINESS REPORT (National)

GENERAL NEWS

FNB online banking troubles

Lee-Anne van Zyl, CEO of online banking at First National Bank (FNB) spoke on Moneyweb on Tuesday about the problems with online banking experienced by FNB customers this week. She explained what had gone wrong: "We did a major upgrade on the weekend and, as normal... we did a full regression test, and everything looked perfect. On Monday morning what we started to find, as our clients started to log on, and we got increased volumes, we started to lose database connection. What that means is that some clients would be able to log on and some clients would not be able to log on." Van Zyl said that as of Tuesday at 11:00 the consumer platform was 100% up and running. "Online banking clients have full functionality, and we no longer have to regulate."

SAFM - Moneyweb, MONEYWEB.CO.ZA

Gold rallies to new historic high, again

The gold price rallied to a new historic high for the second day running, briefly touching \$1 048.43 an ounce in London yesterday before easing to \$1 042.80. The metal traded stronger on a 13-month high in emerging market stocks and rising commodity prices as investors sought assets with higher yields than the dollar-based investments they had favoured as a safe haven during the financial crisis.

BUSINESS DAY (National)

Scopa wants report to be released

The KZN legislature's finance watchdog, the standing committee on public accounts (Scopa), is expected to call on the provincial Treasury to release the long-awaited report on missing millions at the KwaZulu-Natal Department of Agriculture. The forensic investigation was conducted in 2007 after it was discovered that the department had exceeded its budget by more than R100 million over four consecutive financial years. While members of the finance portfolio committee have been briefed on the contents of the report, it has never been publicised because the Treasury has argued that its release could have a negative impact on any potential criminal investigations.

DAILY NEWS (Deadline)

'Gold might climb to \$1 650 by 2011'

Commodity investor James Sinclair said yesterday that gold might climb to \$1 650 (R12 300) an ounce by early 2011 on demand for an investment to compete with the dollar and other currencies. "The carry trade has dropped the dollar as a currency of choice," said Sinclair, CE of Canada-based Tanzanian Royalty. "Gold is competition to currencies."

BUSINESS REPORT (Star)

A pirouette for Mboweni

While Tito Mboweni may have had his critics hot under the collar at times during his term as Governor of the Reserve Bank, one of South Africa's largest ballet institutions will pay tribute to him in October. "As his tenure in his capacity as governor of the South African Reserve Bank is coming to an end, the South African Ballet Theatre thought it would be appropriate to host an entertaining farewell," said the company's spokesperson Samantha Saevitzon. "The governor has been a patron of the South African Ballet Theatre since 2004." The function will be a black tie event in the ballroom of Johannesburg's Hyatt Regency Hotel, where the audience can get close to their favourite dancers - like senior principal dancer Angela Malan - while dining on a three-course meal.

FIN24.CO.ZA - FINWEEK

INSURANCE

Confidence in life insurance industry increases

Confidence in the life insurance industry rose at its sharpest pace in three years in the third quarter, according to a survey by accounting firm Ernst & Young. It means two-thirds of the life insurance industry are satisfied with business conditions in spite of the tough economic environment. The improvement followed on the revival of investor sentiment and stronger equity markets in the third quarter. Life insurance confidence rose from 53 index points in the previous quarter to its current 66. But Ernst & Young life insurance sector spokesperson Tim Rutherford said this did not seem to be in line with the weak business fundamentals.

BUSINESS DAY (National), Companies & Markets

Fedhealth to increase charges

Medical scheme Fedhealth yesterday announced a 15.9% average rise in charges for next year. Principal officer Peter Jordaan said this year had been one of the toughest years in determining increases. Economic pressures, high claims and increases in medicine prices and the rates charged by service providers had contributed to the increase.

BUSINESS DAY (National), Companies & Markets

Insurers increase in-house agents

Despite cutting on sales remuneration spending, the major life insurance groups - Sanlam, Old Mutual, Metropolitan, Clientele, Liberty and Discovery - continue to boost their in-house agent forces, meaning that the agents are selling fewer policies. Selling fewer policies could be due to the recession that South Africa entered into a recession at the beginning of the year, hitting grudge purchases like life insurance, among other things. Tim Rutherford, the life insurance analyst at auditing firm Ernst & Young, said yesterday that increasing agent forces could also be a result of an adjustment to new legislation that kicked in at the beginning of the year.

BUSINESS REPORT (National)

PROPERTY AND HOUSING

House prices set to pick up

House prices are set to rise again in the near future, Absa said yesterday. In its latest house price index, it found that nominal year-on-year price deflation in the housing market had showed down further in September 2009. Absa's senior property analyst Jacques du Toit said that "If the latest trends are to continue, house prices may start to rise on an annual basis before the end of the year". On a month-on-month basis, prices continued to rise in September after reaching a lower turning point in April this year. Absa said that middle-segment house prices were down by a nominal 0.3% year-on-year to R966 300 in September 2009, from a revised -1.1% year-on-year in August.

FIN24.CO.ZA - FINWEEK

House prices decline slowly

South African house prices declined at their slowest pace in 10 months in September, signalling a possible recovery in the market before the end of the year, Absa Group said yesterday. The bank's average nominal house price fell an annual 0.3% to R966 300 last month, after dropping a revised 1.2% in August. Prices rose 0.8% in the month. "If the latest trends continue, house prices may start to rise on an annual basis before the end of the year," said Jacques du Toit, Absa's senior property analyst.

BUSINESS REPORT (National)

French firm buys Gandhi home

A historical house in Johannesburg in which Mahatma Gandhi once lived was recently sold for several millions. The 101-year-old house in Pine Avenue in Orchards was sold to a French tour company by Lew Geffen Sotheby's International Realty for significantly more than the original asking price of R2.8 million. Speculation in the market is that it was sold for R7 million. The new owner, Voyageurs du Monde, which is listed on the Paris stock exchange, aims to preserve the house as a heritage site and establish a Gandhi museum there. Between 1908 and 1910 Gandhi lived in the house where, among other things, he fine-tuned his philosophy of passive resistance.

FIN24.CO.ZA - FINWEEK

Property tax window widened

The introduction of a two-year property 'tax window' by the South African Revenue Service (SARS) has been brought forward from 1 January 2010 and will now apply retrospectively to disposals from 11 February 2009. The window period will last for transfers up until 31 December 2011. During this "tax window" period people who hold their primary residences in CCs or private companies can transfer their properties into an individual's name without incurring any liability for capital gains tax (CGT). "Although the original proposal was met with considerable enthusiasm many taxpayers were disappointed to discover that their personal circumstances did not fall within the parameters of the proposed relief," says Kemp Munnik, a tax director at auditing and accounting firm BDO.

FIN24.CO.ZA - FINWEEK

GLOBAL FINANCIAL CRISIS

Indicators points towards recovery

Key economic indicators have pointed towards an unfolding global recovery, with emerging economies leading the pack. Speaking at a press conference yesterday, Adenaan Hardien, the chief economist at Cadiz Asset Management, presented an optimistic assessment of global and local economic fundamentals. He recalled recent projections from the International Monetary Fund (IMF) stating that next year real growth worldwide would have jumped from minus 1.1% to a positive 3.1%. According to the IMF, advanced economies such as the US and the UK would contribute 1.3% and 0.9% respectively while emerging economies such as Brazil and Russia would contribute 5.1% to the overall growth.

BUSINESS REPORT (National)

INTERNATIONAL ECONOMY & BUSINESS

Oxfam berates world bank, IMF

Oxfam International on Monday criticised the World Bank and the International Monetary Fund (IMF) for celebrating three percent increase in the voting power for poor countries. Oxfam's advocacy Director Bernice Romero said the institutions are still far from being "accountable to the people hit hardest," by the global financial crisis. "Celebrating a 3% increase in voting power for poor countries is smoke and mirrors when the World Bank counts Singapore, Saudi Arabia and Israel as developing countries," said Romero. The Board of Governors of the IMF on Sunday urged member countries to consent to the pending 2008 quota and voice reform in the institution. But Romero said that the three percent voting power increment for the poor countries is a sham.

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Cheap equities price buoyed turnover

Low prices of stocks quoted on the Nigerian Stock Exchange (NSE) on Tuesday triggered massive rise in turnover of traded equities which impacted positively in all market indices. Turnover rose by 619.46-million shares Tuesday to close at 926.54-million shares valued at N7.38 billion transacted in 7 037 deals. This was against the volume that opened trading for the day which stood at 307.07-million shares valued at N2.05 billion transacted by investors in 4 943 deals. The banking sub-sector which has remained the most active based on turnover and return on investment continued to lead on the activity chart measured by volume with 759.67-million shares valued at N6.29 billion exchanged by investors in 4 188 deals.

ALLAFRICA.COM - ALL AFRICA MEDIA

\$225m offer for Trump Casinos

Bondholders battling Donald Trump for control of Trump Entertainment Resort's three Atlantic City casinos have raised their offer to \$225 million. That is well in excess of what the real estate mogul and reality TV star has offered to regain the gambling company he once ran. Bondholders attorney Kris Hansen said Wednesday his clients have added \$50 million to their \$175 million offer. No word yet if Trump plans to increase his \$100 million offer, which is being made with his daughter Ivanka and Dallas-based Beal Bank.

FIN24.CO.ZA - FINWEEK

Spanish Bank to gain from Brazilian listing

Spanish bank Santander would make a €1.43 billion capital gain on the listing of its Brazilian unit, it said yesterday, positioning the company to reap the rapid growth expected in Brazil and underpinning its capital base. Shares in Santander were taking a breather following yesterday's 14.1 billion reais (\$8.05 billion) record initial public offering in its Brazil unit. They were down 1% to €11.050 in early trade, having risen about 7% since Friday. Santander, the euro zone's biggest bank, said it would use its earnings on the Brazil share sale to boost generic provisions. This will help fight off the effects of the global recession, which has hit Spain quite hard.

BUSINESS DAY (National), Companies & Markets

Strauss-Kahn attempts to shift focus

Dominique Strauss-Kahn is trying to keep attention focused on the International Monetary Fund (IMF) as the world's focus shifts from the financial crisis to economic recovery. With IMF members gathering in Istanbul this week, its managing director wants to turn the lender into an insurance fund they can draw on in hard times. That would increase its role beyond giving loans to distressed economies. His problem is that some of the 186 members are not ready to give power to an IMF they say is controlled by rich nations.

BUSINESS REPORT (National)

INDICATORS

Rand - Dollar \$	7.4502	(- 0.0702)
Rand - Sterling £	11.8525	(- 0.1021)
Rand - Euro €	10.9399	(- 0.0610)
JSE Allshare	25298.9	(+ 279.25)
Gold	1040.3	(+ 1.50)
Platinum	1323.0	(+ 13.00)
Brent Crude Oil	68.6	(+ 0.02)

The figures quoted are from the close of business yesterday, along with any movement, either up or down, from the previous day.