

# Banking, Finance and Insurance

Monday, 08 Feb 2010

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## BANKING IN SHORT

In Banking news this morning, policy-makers were considering whether to maintain stimulus measures as the South African economy had not been as affected by the global recession as other countries, central bank Deputy Governor Xolile Guma said yesterday; and figures due this week may send encouraging signals on the state of South Africa's economic recovery, although jobs data tomorrow may strike a sour note. Looking at business, rumours are again doing the rounds that Old Mutual could soon announce the sale of all or part of its 54% stake in Nedbank; and Nedbank may face lengthy legal proceedings defending claims by Pinnacle Point shareholders that the bank was responsible for their single-stock futures losses.

NEWS REVIEWS

## NATIONAL ECONOMY

### Rand and dollar report

The rand firmed in the afternoon session on Friday, tracking a weaker US dollar amid worse than expected non-farm payrolls data in the US. At 15:57, the rand was bid at R7.662 to the dollar from R7.650. It was bid at R10.513 to the euro from R10.541 and at R12.030 against the sterling from R12.073. The euro was bid at \$1.373 from \$1.374.

BUSINESS DAY (National), Companies & Markets

### Treasury aid health department

The troubled Eastern Cape Health Department was to get help from the Treasury in sorting out its financial management, the department said on Friday. Spokesperson Sizwe Kupelo said the Treasury had agreed to send a technical assistance team, which would arrive in Bisho this week for preliminary meeting. The department revealed last week that it was R1.8 billion in the red.

BUSINESS DAY (National)

### SA stimulus measures could be maintained

Policy-makers were considering whether to maintain stimulus measures as the South African economy had not been as affected by the global recession as other countries, central bank Deputy Governor Xolile Guma said in Australia yesterday. He is among global policy-makers visiting Sydney this week to attend a symposium organised by the Reserve Bank of Australia to celebrate its 50th anniversary. "Certainly in South Africa, we've been taking a look at it, because we were not affected as seriously as other people, said Guma." The country's economy grew 0.9% in the three months to September last year amid a manufacturing rebound, after shrinking in the previous three quarters.

BUSINESS REPORT (Star); BUSINESS DAY (National)

### Economist calls for wider inflation target

South Africa's inflation target needs to be reviewed, said Annabel Bishop, an economist at Investec. She said that targeting the recalculated CPI instead of CPIX has increased the structural nature of consumer inflation, but it is believed to be a better reflection of inflation due to the changes in the economy. "A change to the inflation target band is required, preferably to a band of 3% to 8% with a midpoint of 5.5%, bearing in mind the impact on unemployment," she said. "Such a change would also allow a lowering of SA's relatively high interest rates, and reduce the attractiveness of the carry trade in SA, hence curb the negative effect of further rand strength on exports".

BUSINESS DAY (National)

### Interest rate hikes likely

Goolam Ballim, Standard Bank Chief Economist, said in his address at Durban's Inkosi Albert Luthuli International Convention Centre recently, that the anticipated gradual upswing in the economy over the next couple of years is likely to indicate the end of interest rates cut and could lead to the Reserve Bank increasing rates in the second half of this year and early in 2011. Ballim said that South Africa's recovery from the global recession would be a slow process with economic growth of 2.6% anticipated for this year. Ballim added that the bank feels Eskom's application for a 35% electricity tariff hike would not be given the thumbs up by the National Energy Regulator of South Africa (Nersa).

DAILY NEWS (Deadline)

## Some positive signals on the horizon

Figures due this week may send encouraging signals on the state of South Africa's economic recovery, although jobs data tomorrow may strike a sour note. Factory output is likely to have risen in December for the first time since September 2008, lifted mainly by demand for exports. Those figures are due on Thursday. However, a labour force survey from Statistics SA tomorrow may carry more weight, with the final estimate of job losses over last year likely to rise above 1-million. On the other hand, the data may also show that the rapid pace of job shedding in the economy slowed in the fourth quarter of last year.

BUSINESS DAY (National)

## Dollar eats into SA reserves as Banks stay out

South Africa's gold and foreign exchange reserves have fallen for the second month in a row as gains in the dollar reduced the value of its holdings in other currencies. The trend also showed that the Reserve Bank was sticking to its policy of not intervening to try to curb strength in the rand, which is seen as a possible threat to the tentative economic recovery. Net reserves slipped 0.9% to \$38.63 billion and gross reserves fell 0.5% to \$39.40 billion, official data showed yesterday. The Reserve Bank said that the main reason for the change was revaluation effects stemming mainly from strength in the dollar.

BUSINESS DAY (National)

## NATIONAL BUSINESS

### Old Mutual to sell Nedbank stake?

Rumours are again doing the rounds that Old Mutual could soon announce the sale of all or part of its 54% stake in Nedbank. In a recent note to clients, analysts at Standard Securities said the fallout of the financial market meltdown has put pressure on financial services conglomerates, like Old Mutual, to break down into simpler and less complex operations. "In the growing context of the disaggregation of global financial services conglomerates, we believe that Old Mutual may well look to sell part or all of its current stake in Nedbank," Standard Securities said. Old Mutual declined to comment on the note, saying it was in a closed period ahead of its results reporting and hence could not comment on market speculation.

FIN24.CO.ZA - FINWEEK

### Clientele sees higher earnings

Life insurer Clientele advised on Thursday that it expects the group's earnings and headline earnings per share attributable to ordinary shareholders for the six months ended 31 December 2009 to be 27% to 33% higher than that of the previous year. The group's results are expected to be published in mid-February.

FIN24.CO.ZA - FINWEEK

### Local governments to get loans boost

Minister of Finance Pravin Gordhan has given his support to the plan by the Development Bank of Southern Africa (DBSA) to double loans to local authorities. Over the next five years the bank will make about R35 billion available to municipalities. This is more than half the R70 million funding that the bank will grant to sectors in South Africa to help them out of the recession. Until now loans to municipalities have amounted to R16.6 billion or 75.5% of the bank's public-sector loan book of R28.5 billion. Of the R35 billion, R7 billion will be advanced to struggling municipalities, and the funding available for metros will increase from R11 billion to R20 billion. Furthermore, the bank will make R300 billion available in grants to municipalities unable to repay loans.

FIN24.CO.ZA - FINWEEK

### Basel proposals to have big impact

Some financial services sector proposals issued for consultation by the Basel Committee in December could have a significant effect on South African banks - if implemented - Errol Kruger, Registrar of Banks, said yesterday. "My initial feeling is that proposals regarding liquidity might have a bigger impact than proposals on capital," Kruger said. Kevin Lings, the economist at Stanlib, said the reason for this was that the bulk of bank deposits in South Africa were short term, while in other countries were of longer term. Liquidity refers to the volume of transactions and the proposals are aimed at ensuring that banks maintain an adequate level of high-quality assets that can be converted into cash.

BUSINESS REPORT (Star)

## JSE down more than 7% in 2010

The JSE's All-Share index has already shed 7.26% since the beginning of the year, after it closed on 25 793 points on Friday. However, analysts said that the market was simply experiencing a "welcome" correction that experts have been predicting for months. Jeremy Gardiner, a Director at Investec Asset Management, said the market rose too much and too quickly, and just when everyone thought the world had shrugged off its problems, news to the contrary came up. Karl Leinberger, head of investments at Coronation, said the reason for the current correction is nothing new. He explained that governments' incentive packages to alleviate the financial crisis had to be withdrawn at some point.

*FIN24.CO.ZA - FINWEEK*

## Teba Bank, union meet today

Teba Bank and its union will meet to discuss the bank's alleged bad-faith labour practices this week. The Labour Court of Johannesburg ordered Sasbo and Teba to meet today to resolve a labour dispute over proposed changes to conditions of employment. Sasbo - The Finance Union is the recognised union within Teba Bank. It had asked the court to stop the bank from unfairly and unduly pressuring employees to accept changes to the terms and conditions of their employment or face retrenchment by 1 March. Sasbo argued that the changes would drastically reduce employees' take-home pay.

*BUSINESS DAY (National)*

## Alexander Forbes makes offer to settle lifecare

Alexander Forbes said on Friday that it had made a substantial written settlement offer for the surplus removal schemes involving the Lifecare Group Holdings Pension Fund. The matter dates to the 1990's and relates to the alleged involvement of some former employees of Alexander Forbes in surplus stripping. Unlike other parties, Alexander Forbes did not receive any of the money that left these funds, but it believes that the matter should be resolved.

*BUSINESS DAY (National), Companies & Markets*

## Reinet Investments benefits from BAT

Reinet Investments said on Friday that its net asset value rose to €2.36 billion in the three months to December, from €2.25 billion in the prior quarter, due to a rise in the share value of British American Tobacco (BAT), which accounts for 80% of its assets.

*BUSINESS DAY (National), Companies & Markets*

## Nedbank fights single-stock futures claim

Nedbank may face lengthy legal proceedings defending claims by Pinnacle Point shareholders that the bank was responsible for their single-stock futures losses. Nedbank said on Friday that a summons had been served on it and on five other entities on 28 January, by parties who became shareholders in Pinnacle Point in November 2008. "These parties appear to be controlled inter alia by Dave Mostert, Mervyn King and Ivor Stratford. The plaintiffs and other parties swapped their interests in various companies for shares in Acc-Ross Holdings around November 2008. Acc Ross subsequently changes its name to Pinnacle Point Group," Nedbank said.

*BUSINESS DAY (National), Companies & Markets*

## Absa's profit dip likely to meet forecast

Absa Group is expected to report headline earnings per share (HEPS) tomorrow in the middle of the 25%-35% decline it forecasts in a trading statement, analysts said on Friday. The group said in its recent trading statement for the financial year to end 31 December that it expected earnings per share (EPS) to be 35%-45% lower. The difference between the HEPS and EPS was largely due to impairments from the investments acquired through the single-stock future débâcle late in 2008.

*BUSINESS DAY (National), Companies & Markets*

## GENERAL NEWS

### Broker orders to repay for loss on investment

The financial services ombudsman has again ordered a broker - who claimed the arbitrator had no jurisdiction to hear the case - to make good on a client's claim. Broker Willie Jordaan had his fourth encounter with Charles Pillai, Ombud for Financial Services Providers, arising out of dubious investments made on his advice. Pillai's office said on Friday that Jordaan, a former Sanlam employee, had advised several clients to invest in Fidental Holdings - which has since collapsed - and in a bridging finance scheme, of the sort used to pay estate agents before property transfers are paid.

*BUSINESS DAY (National)*

## Msunduzi running at a loss

Msunduzi Municipality Deputy Municipal Manager for Finance, Roy Bridgmohan, said that the municipality spent more than R165 million more than it raised in the first half of its financial year, and is running at a loss. Bridgmohan said that although there is no financial crisis, there is a need for stricter financial management as the municipality was funding a lot through its reserves. Bridgmohan added that the Finance Department is studying debt management and is working to collect all the outstanding money that is due because it is running at a loss.

*WITNESS*

## Kulula makes it easy

Kulula has introduced a new online payment mechanism, called secure instant deposit, that will help speed up and simplify internet transfers. The system is an assisted electronic funds transfer that allows clients to "safely" transfer cash directly to Kulula, using their existing internet banking facility instead of using a credit card, the company says. No credit card is required now to book online with Kulula. Customers can, however, pay from a credit card account if this is set up on their internet banking.

*BUSINESS DAY (National)*

## City of Cape Town owed for rates and services

The City of Cape Town was owed R4.5 billion in outstanding payments for rates and services by December last year, with council staff owing R12 992 437 in unpaid accounts. Trevor Blake of city finance said that debt management actions were being intensified, especially against those consumers who could pay but choose not to pay. Blake said that the biggest challenge for the city's debt collection was the finalisation of the ownership and responsibility for the debt between the provincial and national government.

*CAPE TIMES*

## PROPERTY AND HOUSING

### Rural serves Resilient best

Staying away from the bright lights of South Africa's big cities has paid off for Resilient Property Income Fund. The retail-focused company on Thursday reported a rise in its distribution of 14.21% to 194.13 cents per linked unit for the year to end-December, paying a final interest distribution of 102.62c per linked unit for the six-month period to 31 December 2009. According to the company's MD Des de Beer, non-metropolitan areas are less risky for a firm focusing mainly on shopping malls. "Consumers in non-metropolitan areas don't really have bonds to pay off, there are few cars, they are conservative and so don't take on too much debt," said De Beer. "There's a lot of social spending."

*FIN24.CO.ZA - FINWEEK*

### SAPOA intervenes on behalf of property industry

In order to ensure that the property industry is included in shaping of the country's development planning policy, the South African Property Association (SAPOA), has been admitted as an amicus curiae (someone who assists the court) to the Constitutional Court. This comes in the wake of the judgement handed down by the Supreme Court of Appeal on 22 September 2009 in the dispute between the City of Johannesburg Metropolitan Municipality and the Gauteng Development Tribunal and a number of private sector role players in the development industry. SAPOA, which represents by far the majority of urban land developers in South Africa and specifically through its membership, has a vital interest in the outcome of the Constitutional Court case.

*NEWS REVIEWS*

### Retail property 'can only improve'

Weak Christmas sales have not dampened analysts' enthusiasm for the retail property sector in the medium term. They believe that although the sector will remain under pressure in the short term, shopping centres will in time deliver better yields than industrial property and offices. During an economic recovery retail property has always been inclined to perform better than the other sub-segments of the commercial property sector. This, however, applies only to dominant shopping centres, which have proved defensive in the economic downturn. A new research report from Old Mutual Investment Group Property Investments (Omigpi), which owns the Gateway Theatre of Shopping in Umhlanga and Menlyn Park in Pretoria, among others, shows that sales turnover for December last year remained unchanged in nominal terms.

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## GLOBAL FINANCIAL CRISIS

### G-7 stimulus efforts run into trouble

Finance Ministers of the Group of Seven (G-7) industrialised countries pledged at the weekend to press ahead with economic stimulus measures even as investors intensify their focus on mounting budget deficits. "We need to continue to deliver the stimulus to which we are mutually committed and begin looking at exit strategies to move to a more stable fiscal take," Canadian Finance Minister Jim Flaherty said yesterday.

*BUSINESS DAY (National)*

## INTERNATIONAL ECONOMY & BUSINESS

### Bernanke calls for Fed's autonomy

Federal Reserve Chief Ben Bernanke began a second term on Wednesday calling for the central bank to retain its independence and urging reforms to ensure a major financial crisis "never again" occurs. Bernanke took the oath of office for a new four-year term as chairperson of the Board of Governors of the Federal Reserve System after a bruising confirmation battle that ended with a 70-30 Senate vote last week approving his nomination. The swearing-in was administered by Fed Vice-Chairperson Donald Kohn and attended by Anna Bernanke, the chairperson's wife, in the atrium of the central bank's main building in Washington. In his remarks, Bernanke said the central bank must work with Congress and others to reform the financial system to avert a recurrence of the worst economic crisis in decades.

*FIN24.CO.ZA - FINWEEK*

### Liberty International responds to press comment

The Board of Liberty International notes Friday's press comment in relation to a potential separation of Liberty International into two separate businesses, a shopping centre focused business and a London focused business. The Board confirms that it is actively considering a reorganisation of the group by way of a demerger of a London focused entity from its shopping centre business, Capital Shopping Centres. Such a transaction requires a number of third party approvals which have been requested and some of which are currently outstanding. The Board will only be in a position to decide whether to proceed or not once it has progressed these matters further. Liberty International will make further announcements as appropriate.

*NEWS REVIEWS*

### Wells Fargo extends text banking to all customers

Wells Fargo & Company announced on Friday that text banking - a safe and easy way to stay on top of account information - is now accessible to all customers including those who have yet to enroll in Wells Fargo Online Banking. Wells Fargo is the first major financial services company in the United States to offer text banking to all its customers. "Our text banking service is now available to all Wells Fargo customers via a mobile phone, not just online banking customers. Through simple and secure text queries, text banking is the fastest, easiest way for customers to see a snapshot of their accounts," said Arah Erickson, Vice President and head of Wells Fargo Retail Mobile Banking. "We are proud to enable access to account information through whichever channel best suits customers' changing needs and preferences."

*MARKETWATCH.COM*

### US jobless data 'offers hope'

The unemployment rate dropped unexpectedly in January to 9.7%, while employers shed 20 000 jobs, according to a report that offered hope the US economy will add jobs soon. The unemployment rate dropped from 10% because a survey of households found the number of employed Americans rose by 541 000, the Labour Department said on Friday. The job losses are calculated from a separate survey of employers. The department also revised its past employment estimates to show that job losses from the Great Recession have been much worse than previously stated. The economy has shed 8.4-million jobs since the downturn began in December 2007, up from a previous figure of 7.2-million.

*FIN24.CO.ZA - FINWEEK*

### Greek farmers scale back protest

Prime Minister George Papandreou got a measure of relief on Friday in his fight to curb Greece's runaway deficit, as protesting farmers scaled back highway blockades in opposition to the government's austerity measures. The prospect of strikes and protests have raised fears Papandreou won't be able to push through an austerity plan aimed at dousing the country's financial crisis, which has undermined the euro because markets fear Greece may default on its debts. The worries have spread to other countries such as Portugal, where there is also resistance to cutbacks aimed at dousing a spreading European government debt crisis. Stock markets across Europe have sagged as a result.

*FIN24.CO.ZA - FINWEEK*

### Qatar bank to issue bonds

Qatar Islamic Bank has hired HSBC and Credit Suisse to sell Islamic bonds, two bankers familiar with the deal said yesterday. The Sukuk offer is in its early stages, said one of the bankers. A spokesperson for Qatar Islamic declined to comment.

*BUSINESS DAY (National)*

### Geithner confident US will not lose top debt rating

US Treasury Secretary Timothy Geithner yesterday said that the US was in no danger of losing its Aaa debt rating, although the Obama administration has predicted a \$1.6 trillion budget deficit this year. "Absolutely not," said Geithner, when asked in an ABC News interview broadcast yesterday whether downgarde was a concern. "That will never happen to this country," he added. Geithner said that investors around the world turned to US Treasury securities and dollar-denominated assets whenever they were about global stability.

*BUSINESS DAY (National)*

### Global finance chiefs agree on no more Haiti debt

Finance chiefs from the Group of Seven (G-7) nations at the weekend agreed on the need to cancel Haiti's international debt to help the country rebuild after a devastating 7-magnitude earthquake. "Haiti's tragedy must not be a burden that will weigh on the country's recovery," Canadian Finance Minister Jim Flaherty said after a chairing meeting with his counterparts and central bankers from the G-7 in Iqaluit, Canada.

*BUSINESS DAY (National)*

## INDICATORS

Rand - Dollar \$	7.6958	(-0.0788)
Rand - Sterling £	12.0332	(-0.0227)
Rand - Euro €	10.5248	(-0.0217)
JSE Allshare	25793.0	(-525.30)
Gold	1058.0	(-25.25)
Platinum	1475.0	(-74.00)
Brent Crude Oil	71.7	(-0.40)

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