

Banking, Finance and Insurance

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BANKING IN SHORT

In Banking news this morning, the rand was in focus as International Monetary Fund (IMF) Managing Director Dominique Strauss Kahn said yesterday that devaluing the rand would be a "very short-sighted" move to make. FirstRand was also in focus this morning as it has completed several "significant transactions" following the signing of an agreement with China Construction Bank (CCB), Chief Executive Sizwe Nxasana said yesterday. However, it expects corporate bad debts to peak by July and said that business volumes would stay subdued as many customers remain heavily in debt. FirstRand yesterday reported a 2% drop in diluted headline earnings a share to 85.3c for the six months to the end of December.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand eyed R7.50 against the US dollar yesterday afternoon as the euro lost ground against the greenback. At 15:40, the rand was bid at R7.451 to the dollar from R7.386. It was bid at R10.083 to the euro from its previous close of R10.075 and at R11.121 against the sterling from R11.121. The euro was bid at \$1.354 from \$1.361.

BUSINESS DAY (National), Companies & Markets

Municipalities 'punish the honest'

Consumers' indebtedness to municipalities amounts to more than 2% of the gross domestic product (GDP) and needs urgent attention. This is an observation by Mike Schüssler, chief economist at Economists.co.za, in reaction to the National Treasury's announcement that consumers owed local authorities in excess of R56 billion on 31 December last year. More than R42 billion or 76% of this debt has been outstanding for longer than 90 days. Consumers' indebtedness to municipalities increased by 5.3% or R1.6 billion in 2009, but Schüssler says the relatively small increase can be attributed to municipalities having written off bad debts. By doing so, they are repeatedly rewarding defaulters, he reckons, placing an ever-increasing burden on the small group of honest, paying consumers.

FIN24.CO.ZA - FINWEEK

Market fears 'create opportunities'

Share markets seem to be suffering indigestion because trading, also on the local bourse, is becoming more volatile. What markets need is "healthy food", and such nourishment is in prospect, said Alwyn van der Merwe, director of investments at Sanlam Private Investments, at the group's investment forecast presentation on Monday. The "healthy food" to which he is referring is analysts' forecasts on companies' earnings. Analysts believe the earnings of companies on the JSE's all-share index could climb an average 40% in the coming year, he notes. This growth is largely spurred on by the anticipation of robust growth in the earnings of resources companies, which analysts estimate could be 82% in the coming year. Van der Merwe says such a large jump in earnings is quite possible if one looks at the low base from which most companies' earnings are coming.

FIN24.CO.ZA - FINWEEK

ANC: SA recovery will take years

The ANC has welcomed the International Monetary Fund's (IMF) report that Africa will see a relatively quick recovery from the global economic crisis. "The good news is that growth has returned to Africa - a confirmation of the recent message articulated by South African Finance Minister Pravin Gordhan in the Budget Speech," said ANC spokesperson Brian Sokutu on Monday. IMF Managing Director, Dominique Strauss-Kahn, said improved policies in the face of the crisis helped the continent get through the storm better than expected. "At the IMF we anticipate that Africa will see a relatively quick recovery, with average growth bouncing back to 4.5% this year and 5.5% in 2011," he said. Strauss-Kahn said the global recession struck Africa through several channels that led to exports collapsing, banks running into trouble as non-performing loans grew, and investments diminished.

FIN24.CO.ZA - FINWEEK

Saving: 'Employers can do more'

Employers can do more to help foster a savings culture in South Africa, a survey released by Old Mutual on Tuesday has found. According to the Old Mutual Savings Monitor, only 41% of South Africans working in formal employment in metro areas belonged to a retirement fund. The survey included 1 000 South African households in the main metropolitan areas, working in both the formal and informal sectors. It showed that only 54% of South Africans of pre-retirement age, 45 to 59 years, had formal retirement savings. "In countries with such a low savings culture, there is an increased burden on the government to provide retirement assistance, which in turn, could increase the need to raise taxes. Households often underestimate their future liabilities, especially the cost of educating children and the cost of retirement," Old Mutual said.

FIN24.CO.ZA - FINWEEK

Devaluing the rand 'would be short-sighted'

Devaluing the rand would be a "very short-sighted" move to make, International Monetary Fund (IMF) Managing Director Dominique Strauss Kahn said yesterday. He said any policy measures that led to a weakening of the rand would scare off the foreign investors and capital needed to fund South Africa's current account deficit. The rand gained about 30% against the dollar last year and is considered relatively strong at current levels near R7.40. The Congress of South African Trade Unions (Cosatu) has called on the Reserve Bank to widen its inflation targeting mandate and wants a much weaker rand to boost local industries and create jobs. Finance Minister Pravin Gordhan said he would like to see less volatility in the rand.

BUSINESS REPORT (Star); BUSINESS DAY (National); TIMES Business Times; CITIZEN, Citi Business

Manuel quashed probe into high bank charges

Trevor Manuel put the brakes on the Competition Commission's 2008 demand for reduced bank charges, but the issue is back on the table, commission Chief Shan Ramburuth said yesterday. Briefing Parliament's new economic development committee, he said that the commission, the Treasury, the Reserve Bank and the Department of Trade and Industry had set up a team to ensure that the 28 recommendations of the commission's 2006-2008 banking inquiry were enforced. The proposals ranged from a R5 cap on the penalty for a rejected debit order to reductions in ATM costs. "The inquiry believes it is not the remit of the banks to further penalise their customers," the report said.

TIMES Business Times

NATIONAL BUSINESS

Resources: Sanlam not biting

Despite the generally optimistic outlook for resources companies, Sanlam Private Investments will not become an aggressive buyer of these stocks in the current economic climate. There is always a risk in such forecasts, says director of investments, Alwyn van der Merwe. In his view, resources shares can fire up a portfolio's performance, but they can also quickly shed much of this value. He explains that one needs to respect the risks. Local mining companies' rising production costs are one of the main reasons why he is not particularly excited about the earnings growth potential of these companies. The time to get excited about resources is when commodity prices are low, he says. Analysts believe the earnings of companies on the JSE's all-share index could climb an average 40% in the coming year, he notes.

FIN24.CO.ZA - FINWEEK

FirstRand waiting on RMB rebound

FirstRand produced almost unchanged interim earnings. The expectation is that the group's longer term fortunes would be driven by a powerful rebound in Rand Merchant Bank (RMB), its corporate and proprietary banking business. Earnings at banking group FirstRand rose 1%, and management expected a "subdued" second half to its financial year. Commenting on its results, Sizwe Nxasana, FirstRand CEO, told shareholders, "The anticipated modest growth in the South African economy will be driven mainly by further investment by government and some improvement in consumption levels. Whilst this will not drive significant growth in advances, as levels of consumer indebtedness are still at historic highs, FirstRand does expect this increased economic activity to benefit its banking franchises." Earnings at the group rose 1% to R4.6 billion for the six months ended December.

FIN24.CO.ZA - FINWEEK

Bad debt eats into FirstRand earnings

FirstRand expects corporate bad debts to peak by July and said that business volumes would stay subdued as many customers remain heavily in debt. The banking group, which yesterday reported a 2% drop in diluted headline earnings a share to 85.3c for the six months to the end of December, said it did not expect significant defaults in its second half because retailing bad debts had peaked. "We think the non-performing loans and bad debts in the corporate and commercial space are going to peak from around the middle of the year," First Rand Chief Executive Sizwe Nxasana, who took over from one of FirstRand's founding members, Paul Harris, in December, said yesterday.

TIMES Business Times

FirstRand results satisfactory

FirstRand has completed several "significant transactions" following the signing of an agreement with China Construction Bank (CCB), Chief Executive Sizwe Nxasana said yesterday. Through its agreement with CCB, and working closely with FirstRand India, Nxasana said its investment banking division was making progress in accessing the increasing Asia-Africa trade and investment flows. CCB and FirstRand signed the strategic co-operation pact for growth opportunities in Africa last year. The two banks have been focusing on providing joint advisory and structuring services to Chinese clients needing financial services in Africa.

BUSINESS REPORT (Star) ; BUSINESS DAY (National), Companies & Markets ; CITIZEN, Citi Business

JPMorgan upgrades Angloplat's share price target

JPMorgan has set a higher share price target for Anglo Platinum (Angloplat), the largest producer of the precious metal, which it described as its preferred major platinum exposure. The US investment bank said it was overweight on Angloplat, a unit of Anglo American, and set a new price target of R995 a share from its previous R960 a share. Angloplat's shares declined 1.09% on the JSE yesterday, to close at R696.80, in line with a weaker Top40 index, which lost 0.89%. JPMorgan said that Angloplat was positioned to respond to the improving platinum group metals demand fundamentals after the company's restructuring. The bank also said that Angloplat had improved its operations and safety record, and had shut down three unprofitable shafts under CE Neville Nicolau. Platinum hit an intraday high of 41 625 (R12 020) an ounce, its best since late January, before dropping to fix at \$1 574 in the afternoon in London, down \$29 from a day earlier.

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

Grand Parade feels the recession pinch

Grand Parade Investments was hit by the recession and ended the six months to December with a drop of 16.5% in interim headline earnings. However, its headline earnings a share dipped by only 13.8% owing to a share buy-back programme last year. The black empowerment company's biggest investments are in Sun International's GrandWest casino and entertainment complex and its five-star hotel, the Table Bay, both in Cape Town. Looking to the future, it has expanded its interests into the gaming machine industry in the Western Cape and KwaZulu-Natal through a partnership with Australian company Thuo, from which its earnings grew by 24% in the six months period.

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

Favourable BCI report lights road to recovery

Another economic indicator has signalled a recovery. RMB Holdings said yesterday that its business confidence index (BCI), compiled with the Bureau for Economic Research (BER), had risen 15 points to 43 in the current quarter - the single biggest increase between two consecutive quarters in 16 years. The BCI is made up of the percentage of respondents rating prevailing business conditions as satisfactory in the manufacturing, building, retail, wholesale and new vehicle trade sectors. The favourable BCI report follows new last week that the Kagiso/BER purchasing managers' index rose to 60.4 last month from 53.6 the previous month.

BUSINESS REPORT (Star)

GENERAL NEWS

Msunduzi rescue plan

Another plan has been devised to help the cash-strapped Msunduzi Municipality. This comes in the form of the implementation of Section 139 (b) of the Constitution. This was confirmed by provincial African National Congress Secretary Sihle Zikalala yesterday evening. He said the party's provincial working committee took the decision in a meeting on Monday to implement Section 139 (b) whereby full intervention is sought from the provincial government to put the Msunduzi Municipality under an administrator. The steps taken by the PWC will need to be adopted by the KwaZulu-Natal Legislature before being amended.

WITNESS

PROPERTY AND HOUSING

Prices show recovery signs

The average price of houses in all categories was higher last month compared with a year ago, Absa said yesterday, and the improvement in the housing market was expected to gather further momentum this year on the back of the recovery in the economy. However, Absa said house prices adjusted for the increase in the consumer price index were still lower last month than a year ago.

BUSINESS REPORT (Star) ; TIMES Business Times

Property supplement

Business Day, Companies and Markets, contained a Property supplement with the following headings: "House prices to rise as economy shows recovery"; "Geyser is owner's problem"; "Busy Highveld Mall to expand"; and "Joburg values hold up well".

BUSINESS DAY (National), Companies & Markets

OIL NEWS

Oil Report

In London, Brent crude futures slid 95c to \$79.52 a barrel (R3.70 a litre) in the afternoon, after hitting a low of \$78.70.

US crude futures declined 92c to \$80.95, recovering slightly from a low of \$80.16.

BUSINESS REPORT (Star)

INTERNATIONAL ECONOMY & BUSINESS

Citigroup hires former Barclays bankers

Citigroup Inc., the bank 27% owned by the US government, hired Mark Connally and Michael Smith from Barclays Plc to head regional offices in its North American private-banking unit. Connally and Smith will be managing directors overseeing wealth-management services in the US Southwest and Midwest respectively, the New York-based bank said today in a statement. They will report to Chief Executive Officer Peter Charrington, head of private banking in North America. Connally and Smith held similar positions with London-based Barclays and before that with Lehman Brothers Holdings Inc. until it filed for bankruptcy on 15 September, 2008, and sold the North American investment-banking business to Barclays one week later. Smith, who will be based in Chicago, attended Rockford College in Rockford, Illinois, according to Citigroup spokesman Mark Costiglio.

BUSINESSWEEK.COM

LSE says sells 9% of Turquoise to 3 global banks

London Stock Exchange sold 9% of Turquoise to three banks, a sign of confidence in the alternative trading platform, which operates in a crowded market where profit is scarce. Barclays Bank, JP Morgan Cazenove and Nomura will each pay £1 million for 3% stakes, reducing LSE's stake to 51%, LSE said, in a deal that would value the whole business at £33 million (\$50 million). Twelve bank shareholders now hold 49 percent, up from nine banks with 40%. "The key thing is they have brought partners into the business who are substantial traders in the market," said Andrew Mitchell, an analyst at Macquarie. "It lends additional credibility to the prospects of the business," he said.

REUTERS.COM

RBS identifies partner for China securities JV

British lender Royal Bank of Scotland Plc has identified a partner for its planned Chinese securities joint venture, a source with knowledge of the matter said on Tuesday. RBS's long-awaited entry into the Chinese securities market will enable the lender to underwrite stock and bond offerings in China, which is seen as a source of strong growth by many global investment banks. The source declined to elaborate on the identity of the the partner. "We are exploring a securities JV that would further enhance our existing platform in China, where, in addition to our locally incorporated bank, we also have a leasing company and stakes in both a futures and trust company," Asia-Pacific Chief Executive John McCormick said in a statement. "China is a core market for our wholesale and investment banking business."

REUTERS.COM

Find the right bank account for you

Metro Bank had its banking licence rubber-stamped by the Financial Services Authority last week and when it opens the doors of its London branches in May it will be the first new high-street bank for 100 years. Virgin Money, which already sells credit cards and insurance, will also soon be offering bank accounts, and it is widely expected that Tesco and the Post Office will follow suit. But customers fed up with high charges and poor service are urged not to wait for these new "white knights". The new entrants aren't likely to offer deals as keenly priced as the best-buy accounts today. Virgin, for example, has said it will charge a monthly fee on its bank account, while Metro Bank says it will offer "outstanding service" but admits customers are unlikely to get the most competitive interest rates.

TELEGRAPH.CO.UK

UK exports plunge, threatening hopes of economic recovery

UK exports suffered their biggest fall in more than three years during January, dashing hopes that trade would help lift the flagging economy. Exports fell by £1.4 billion, or 6.9%, to £19.5 billion compared with December in the largest month-on-month fall since July 2006, according to the Office for National Statistics (ONS). The trade deficit widened to its biggest since August 2008, despite economists' predictions that it would narrow. While the ONS has no hard data yet on the impact of the winter weather on exports, some analysts speculated that snow-bound manufacturers struggled to get their goods to ports. JP Morgan economist Malcolm Barr said, "It is plausible that the snow disruption was more of a constraint on the ability to get UK exports to airports and the docks than it was on receiving imports."

TELEGRAPH.CO.UK

British banks given a year's grace on liquidity

Britain's banks have been given a period of grace before strict new rules on liquidity are introduced that will cost more than £2 billion and potentially derail economic growth. Reflecting concerns expressed by lenders, the Financial Services Authority (FSA) yesterday conceded it would be "premature to increase liquidity requirements across the industry at the current time". When it announced the revised standards last October, the FSA said it would "not tighten before economic recovery is assured". The rules are now not expected to be introduced before 2011 after the regulator said its next announcement would be in the final three months of this year. The new liquidity regime is an attempt to ensure that a lender's treasury assets are readily convertible into cash in a crisis so it can pay out to customers without resorting to state help.

TELEGRAPH.CO.UK

Prudential seeks to woo angry investors

Prudential shareholders have been offered assurances they will share in the lucrative underwriting of the insurer's record \$21 billion (£14 billion) rights issue to head off a brewing row between investors and the company. The reassurances will be made by Tidjane Thiam, Prudential's Chief Executive, who is meeting shareholders in London and Edinburgh this week to convince them that his plan to buy AIA, AIG's Asian insurance operation, for \$35.5 billion will transform the company. The first meetings were held yesterday. Institutions have been dismayed by the appearance of 30 banks and sovereign wealth funds on the underwriting syndicate for the rights issue, alongside Credit Suisse, HSBC and JP Morgan. At 3.5pc, the issue promises to be a fees bonanza, totalling \$735 million, and major shareholders don't want to be cut out.

TELEGRAPH.CO.UK

Radical shake-up of Liberty's properties

Liberty International, the listed UK regional shopping centre industry leader in which South African institutions have a more than 20% shareholding, has decided to proceed with a demerger of its London-focused property entity from its shopping centre business. David Fischel, the group's Chief Executive, also confirmed on Monday that it was in discussions with "one party" about the disposal of its property interests in the US and had signed exclusivity and confidentiality agreements. Fischel declined to comment on whether any time limit was linked to the agreement. Capital & Countries USA, a wholly-owned Liberty International subsidiary, several years ago acquired the Serramonte shopping centre, the Walnut Creek shopping centre, and a campus-style medical centre, all in California.

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

UK export decline widens deficit

Britain's trade deficit with the rest of the world widened unexpectedly in January after lower sales of chemicals and other commodities led to a drop in exports. The trade gap in physical goods widened to £7.99 billion, well above the £7 billion forecast by analysts, according to figures from the Office for National Statistics. The figures were a disappointment given that economists had expected recent weakness in the British pound to boost exports.

BUSINESS REPORT (Star)

Support will end, Moody's warns

British banks and lenders that have not improved their funding position may have their financial-strength ratings cut as government support for the industry is withdrawn, according to Moody's Investor Service. "There may be some institutions that have not sufficiently improved the stand-alone strength to offset the phasing out of extraordinary systemic support, and the senior debt and deposit ratings of these institutions could be downgraded," Moody's said in a report published today. The UK government has pledged more than £ trillion to assist banks during the credit crisis through direct investments, loan underwriting and by capping losses on toxic assets.

BUSINESS REPORT (Star)

Bankers must learn lesson

Banks had not learned their lessons from the credit crunch, UK Treasury Minister Paul Myners said yesterday, arguing that market discipline must go together with government action to restore public faith in financial institutions. Myners said that bankers who were protected by government bailouts would need to "start behaving as if they have something to lose", if the global financial system was to avoid a repeat of the meltdown seen in 2008. "Saving the world's financial systems was unquestionably the right thing to do, but we protected those very market fundamentalists who caused the crisis from the consequences of their actions."

BUSINESS REPORT (Star)

UK banks face test to balance finances

UK banks including Barclays may need to shrink their balance sheets by as much as £530 billion to meet new liquidity and capital requirements, according to Credit Suisse Group analyst Jonathan Pierce. Banking groups might have to cut their existing balance sheet assets by between 6% and 18% because they would be unable to raise the £420 billion to £750 billion of extra long-term capital likely to be required by regulators, Pierce said yesterday. The contraction in assets could mean a 10% to 25% drop in net interest income, he said.

BUSINESS REPORT (Star)

Sir James Dyson plan to fill UK's engineering vacuum

A radical set of proposals aimed at rebuilding Britain's manufacturing and technology industries and helping pull Britain out recession have been published by Sir James Dyson, the vacuum-cleaner entrepreneur. The design millionaire, whose report was commissioned by the Conservative Party, has called for an overhaul of the start-up funding, a re-routing of the research and development (R&D) tax credits and fresh funding for science and technology in education. Conservative leader David Cameron has pledged to look at each recommendation with a view to adopting them as policy if the Tories win the general election. In his report, Ingenious Britain, Sir James has been highly critical of the government failure to back engineering projects.

TELEGRAPH.CO.UK

Goldman Sachs sued by big pension fund over pay

Goldman Sachs Group Inc was sued on Monday by a large union pension fund that accused the Wall Street investment bank of overpaying its executives. The International Brotherhood of Electric Workers fund filed the lawsuit in Delaware Chancery Court, seeking to recover money for the company on behalf of other shareholders. It seeks to stop Goldman from allocating roughly 47% of 2009 net revenue as compensation, saying such allocations "vastly overcompensate management and constitute corporate waste." The lawsuit also wants Chief Executive Lloyd Blankfein and others in management, rather than shareholders, to be responsible for charitable contributions that Goldman is making as an apology for its activities. Goldman has been at the center of a public debate over how much banks should pay out in the wake of the 2008 financial crisis.

REUTERS.COM

World equities up 73% a year after crisis low

Equities have had a volatile 2010 so far, but globally they remain around 73% higher than the low ebb of the financial crisis exactly 12 months ago. MSCI's all-country world stock index .MIWD0000PUS, a broad measure of global equities, hit a low on 9 March, 2009. The index then rose around 80% before hitting a high on 11 January, this year. On Tuesday, the index was down 0.8%, for a year to date gain of just 0.1%. But the index is up some 73% from its closing low one year ago.

REUTERS.COM

Banker warns of looming sovereign debt crisis

The financial crisis could evolve into a full-blown sovereign debt crisis if troubled countries to not get their public finances under control, European Central Bank executive board member Juergen Stark said yesterday. Stark said that the outlook for the global economy remained fraught with significant risks despite recent improvements, and warned that advanced parts of the world faced their economies limping along in the years ahead and longer-run higher unemployment. But he saved his main fire to deliver a thinly veiled warning to countries such as Greece who have let their public finances spiral out of control.

BUSINESS DAY (National)

China pledges prudence in adding gold to reserves

China would be prudent in adding gold to its official reserves, wary that any move to buy the metal would only drive its price higher, its top foreign exchange manager said yesterday. Yi Gang, head of the State Administration of Foreign Exchange, said that while gold was "not a bad asset", it would never become a big part of China's overall investment portfolio.

BUSINESS DAY (National)

INDICATORS

Rand - Dollar \$	7.3990	(-0.0335)
Rand - Sterling £	11.0837	(+0.0117)
Rand - Euro €	10.0441	(+0.0098)
JSE Allshare	27898.1	(-218.55)
Gold	\$1115.7	(-10.00)
Platinum	\$1574.0	(-29.00)
Brent Crude Oil	\$79.5	(-0.95)

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