



financial services group

# MONTHLY MARKET REPORT JUNE 2010

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## June 2010 COMMENTARY

### Double Dip; Back in Vogue

Having fallen 5% in May and an additional 3% in June, see the first chart, the JSE All Share Index is looking weak. These movements are mirrored rather closely by the JSE's international counterparts as well. Ordinarily we eschew technical analysis for anything other than an understanding of market perceptions around key psychological levels - like 10,000 on the Dow - but we do take note that the JSE, amongst others, has recently traded below its 200-day moving average. The second chart is on the Dow and contains Dow 10,000 as well as its 200-day moving average. We won't be executing any trades because of this but you can consider our collective ears pricked and our collective eyes peeled.

Much of this most recent weakness is a result of fears that the US - together with other larger, developed markets - may be about to enter recessionary conditions again, more commonly known as the double dip theory.

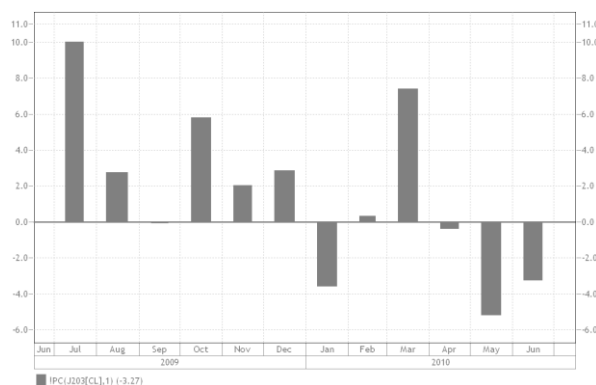
In ordinary recessions markets fall some 20 to 40%. We say ordinary recessions because recessions are normally preceded by the appearance some 18 to 12 months before of inverted yield curves (see explanatory note below). Yield curves at present, and for some time now, are not inverted. In fact they are steeply positively sloped given government and central bank interventions to artificially lower rates from overnight deposits right through to two year government bonds.

Since its peak in late April 2010 the S&P 500 has already fallen in excess of 15%, see the third chart, in other words a large portion of the potential 20 to 40% fall has already occurred. Now may be a time to be more cautious, in conjunction with your NFB independent financial advisor. A time when return of capital is more important than return on capital.

### Inverted Yield Curves

Yield curves at first glance appear to be arcane financial instruments; they're not. Along the x-axis we plot the duration of various interest bearing instruments, from overnight right through to 30 years, if you'd like. Along the y-axis we plot their yield-to-maturity. In general as you move along the x-axis you should find that yields move up along the y-axis; yield curves are ordinarily positively sloped. At its simplest - and it is possible to complicate this argument further - yield should increase as duration increases because there is greater risk the further out money is deposited for. Inverted yield curves occur when short rates are higher than long rates.

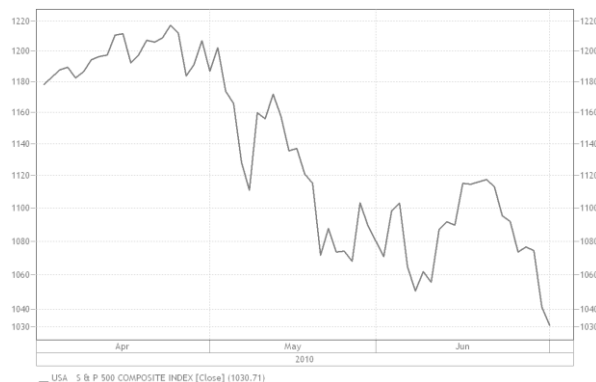
### JSE All Share Index, Monthly Jun 09 - Jun 10



### Dow Jones Industrial Average and 200-day moving average Sep 06 - Jun 10

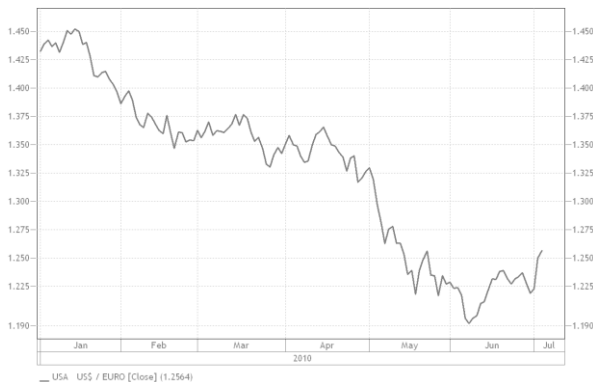


### S&P 500, Daily Apr 09 - Jun 10



**Euro Stability Watch**

**EURUSD, Daily  
Jan 10 - Jun 10**



First there was Greece and then came Hungary, which was quickly withdrawn, and now there is Spain. Much has been written about Greece's financial woes and enough has been said about Hungary's admission of financial woes and subsequent retraction, so we'll restrict our commentary on Spain to the following: combining bankrupt banks with each other does not create a solvent bank. We're specifically targeting combining Spanish cajas (nonprofit institutions that have made roughly half the loans in the Spanish economy) with each other here.

**JUNE 2010 DATABANK**

	Index Value	Last Month	Year-to-Date	12 Months Ago
SA Repo Rate	6.50%	0.00%	-0.50%	-1.00%
JSE ALSI	26,258.82	-3.27%	-5.09%	19.09%
ALBI	315.79	0.27%	5.61%	9.91%
R157	8.03%	8.04%	8.39%	8.47%
USDZAR	7.67	0.07%	3.63%	-0.62%

All charts and data are sourced from I-Net Bridge.