



financial services group

## MONTHLY MARKET REPORT NOVEMBER 2009

# Asset Management

### NOVEMBER 2009 COMMENTARY

#### Dubai, or not Dubai

During the course of the final week in November Dubai World - the developer responsible for the palm-shaped islands off the coast of Dubai - sought to delay payment of around \$3.5bn in debt obligations coming due during the first few weeks of December.

Word spread - as word of this nature does - quickly, but global market reaction was muted. The dollar strengthened marginally from 1.51 to the EUR to 1.50 and the S&P 500 - taken here to be representative of US markets - weakened by 20 points. Markets in the immediate environs within the UAE - as represented by those in Abu Dhabi and Dubai - sold off heavily, as can reasonably be expected, by between 10 and 15%.

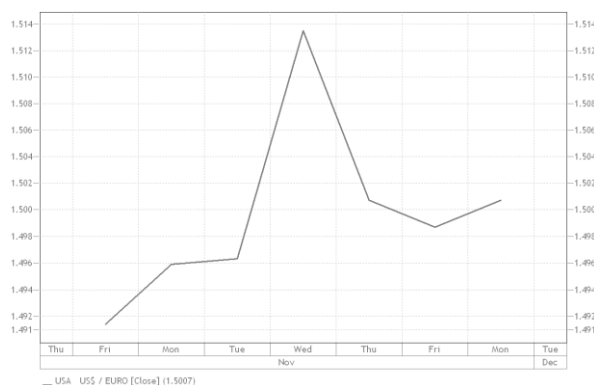
This muted international reaction can be ascribed to:

- The closure of markets in the US for thanksgiving and in the UAE for Eid;
- Dubai World's balance sheet containing \$75bn of assets against \$60bn of debt and
- The perception that the government of Dubai would stand behind Dubai World in the event of outright default, and - were it not to - the perception that Abu Dhabi would step in. Note that the Burj Dubai - often taken as a representative icon of Dubai - actually belongs to Abu Dhabi as a result of a previous bail out.

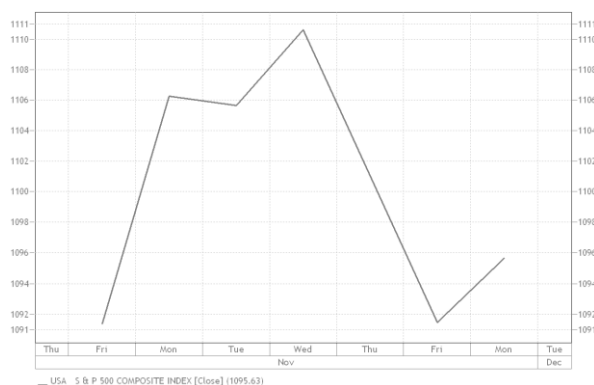
It is instructive to note that the last 18 months has been a credit crisis related to sub-prime and institutional - primarily banking - assets and that problems with Dubai World are the first indications that the credit crisis may well extend itself into a crisis related to sovereign assets.

For the moment, Dubai World's issues appear to be contained within the UAE but we keep a close watch on the sovereign ratings and risk premiums attached to countries that may be related to Dubai through property and banking/financing structures which, at first blush, may appear not to be related at all. What the credit crisis has taught us is that all markets, everywhere, are more closely connected than one might initially think.

USDEUR, Daily  
20 Nov 09 - 30 Nov 09

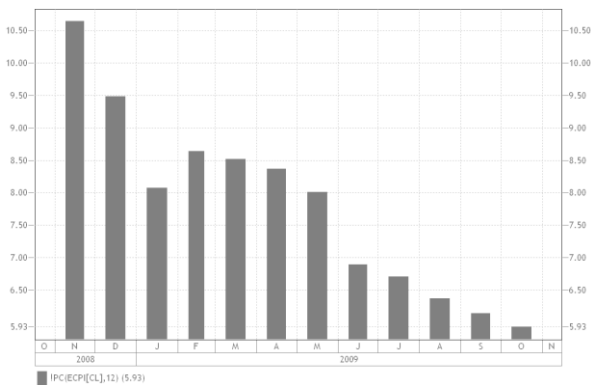


S&P 500, Daily  
20 Nov 09 - 30 Nov 09



**Better Data, Better Economy?**

**Consumer Price Index, Annual Change, Monthly  
Oct 08 - Oct 09**



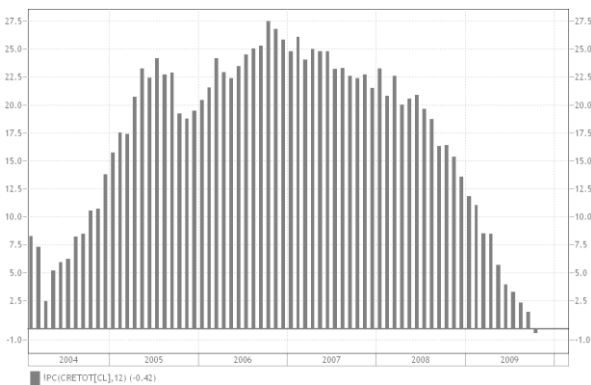
November saw the release of a wealth of South African economic data:

October's Consumer Price Index (CPI) registered a year-on-year change of 5.9%, entering the inflation target band of 3 - 6% for the first time in 30 months. This positive news was corroborated by the release of October's Producer Price Index (PPI) a day later that indicated continued deflation at South Africa's factory gates. Even though PPI no longer has as close a link to CPI as it once did, October's year-on-year change of -3.3% will provide further impetus to the deceleration in consumer inflation in coming months.

South Africa's first recession since 1992 officially ended with the release of the third quarter's Gross Domestic Product (GDP) data. The quarter-on-quarter, seasonally adjusted and annualized, change in GDP was 0.9% for Q3 2009. Whilst we welcome the news we note that growth rates for the first and second quarter were revised downwards and we continue to remain concerned that 2010 could see a second recession developing, though not as deep as the first, and often referred to as a double-dip.

Finally, money supply and credit extension data for October was also released during November. Both continued to decelerate from the dizzying heights experienced in late 2006. Money supply - as measured by M3 - has fallen from an astonishing 28% year-on-year change at its peak to 2.7% at this most recent reading. More importantly, private sector credit extension has fallen so much that it is now going backwards. Over the last year consumers have taken on 0.4% less credit. Effectively, the savings rate has gone up and consumers have paid off credit card debt. Whilst this is welcome from a macro-economic/monetary policy point of view, from a GDP growth point of view further savings, especially if they increase, are likely to reduce GDP growth rates.

**Private Sector Credit Extension, Annual Change, Monthly  
Feb 04 - Oct 09**



**NOVEMBER 2009 DATABANK**

	Index Value	Last Month	Year-to-Date	12 Months Ago
SA Repo Rate	7.00%	0.00%	-4.50%	-5.00%
JSE ALSI	26,894.74	2.03%	25.04%	26.81%
ALBI	295.48	0.10%	-2.16%	4.62%
R157	8.42%	8.41%	7.21%	8.29%
USDZAR	7.40	-5.19%	-22.27%	-26.33%

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