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financial services group

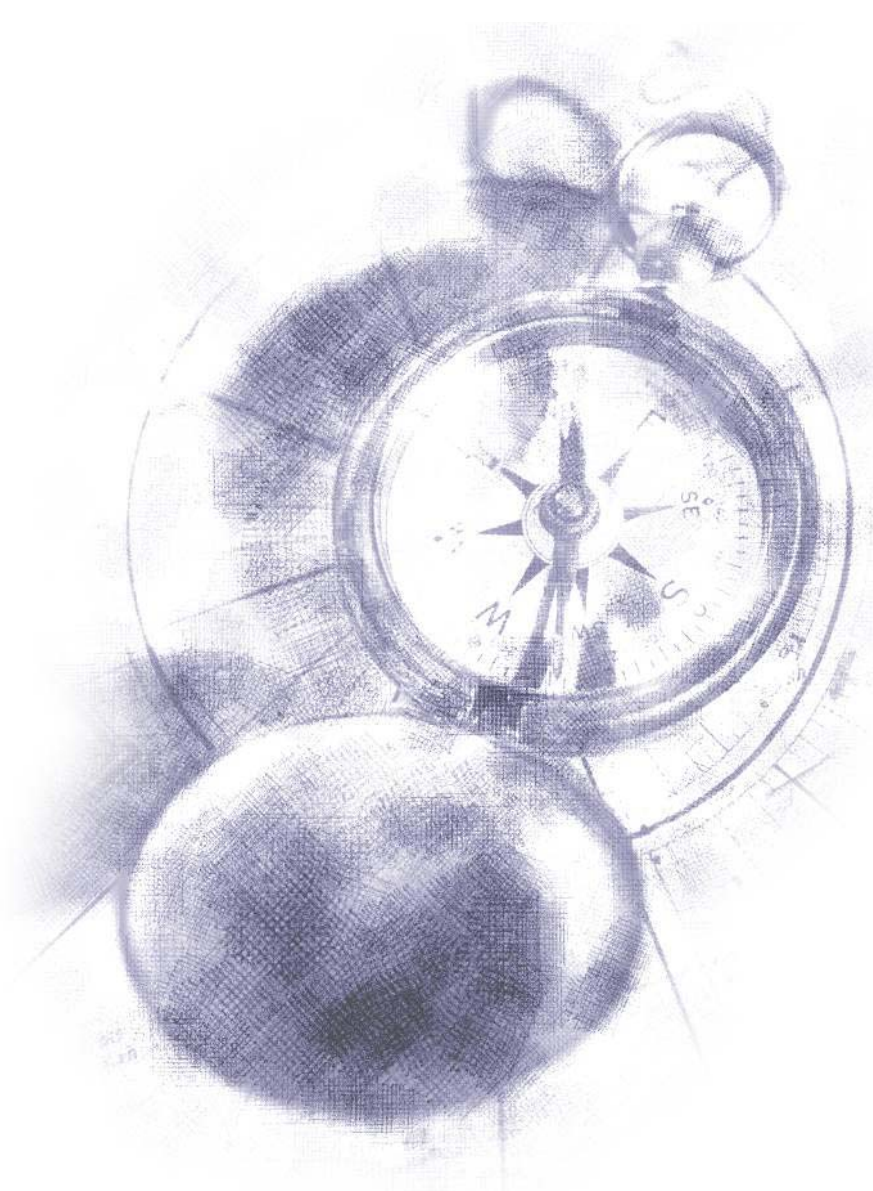
NFB ASSET MANAGEMENT

MONTHLY MARKET REPORT

OCTOBER 2008

CONTENTS

- October 2008 Commentary
 - SA PPI down 3.51% for September
 - US Fed cuts rates by 1.00%
 - Nikkei 225 falls 23.83%
 - Rand falls 15.65% against the USD
- October 2008 Data Bank



OCTOBER 2008 COMMENTARY

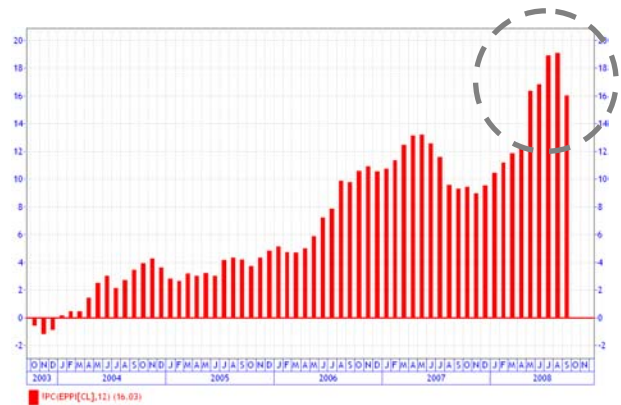
SA PPI down 3.51% for September 2008

The South African Producer Price Index fell by 3.51% for September 2008, its largest ever monthly fall, with the annual rate falling to 16.0%. A survey by I-Net Bridge had consensus expectations for the year-on-year change in PPI at 18.1%.

Changes in PPI generally lead changes in CPI - consumer inflation - by around 3 to 6 months and, together with the anticipated changes in the calculation of the consumer inflation basket in January 2009, likely signals the peak of the South African inflation environment. In addition the main drivers of inflation - maize and oil prices - have also weakened significantly with their year-on-year changes to October close to or at zero.

It is our expectation that once inflation rates have fallen by two to three percent in excess of the two or so percent in January that the central bank will begin considering cutting interest rates. This may come as soon as February 2009, expectations for a rate cut in December this year are overdone.

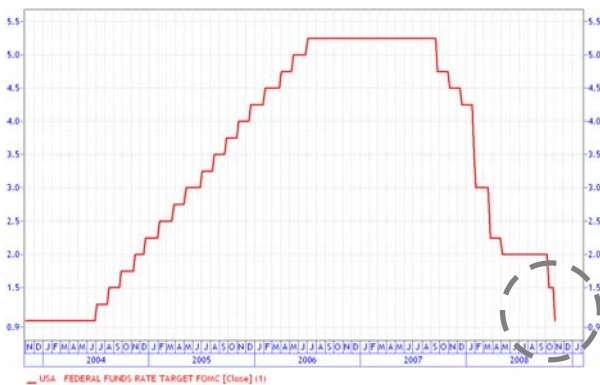
SA PPI Monthly Sep 03 - Sep 08



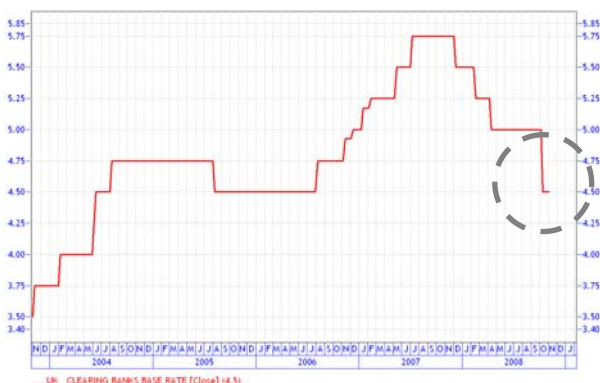
Maize Price Year-on-Year Monthly Oct 03 - Oct 08



Fed Funds Rate Weekly Oct 03 - Oct 08



UK Overdraft Rate Weekly Oct 03 - Oct 08



US Fed cuts rates by 1.00%

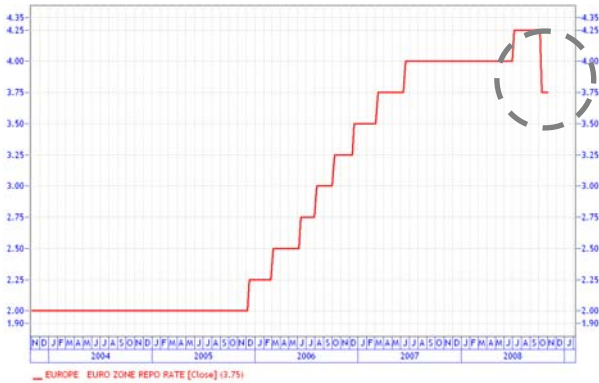
In unprecedented emergency co-ordinated moves 6 central banks lowered interest rates to assuage the effects of the credit crunch and lengthen the odds of an impending recession (see GDP Footnote below).

The Federal Reserve, the European Central Bank (the ECB), the Bank of England (the BOE), the Bank of Canada and Sweden's Riskbank all lowered rates by 50 basis points on the 8th of October. China's central bank lowered one year lending rates by 27 basis points.

From the Fed's Open Market Committee's statement: "incoming economic data suggest that the pace of economic activity has slowed markedly in recent months. Moreover, the intensification of financial market turmoil is likely to exert additional restraint on spending."

Further rate cuts can be expected from both the ECB and the BOE as recessionary fears mount, particularly in the euro-region where inflation has fallen for the second consecutive month. Inflation fell from 3.8% to 3.6% in September. The US Fed, however, has very little ammunition with which to fight a recession as interest rates are at just 1%, having been cut by an additional 0.5% pursuant to the co-ordinated cuts earlier in the month.

Euro Repurchase Rate Weekly Oct 03 - Oct 08



Interestingly, Denmark was the only central bank during the month to have raised interest rates. They lifted rates 0.5% to 5.5% in an effort to protect the krone.

GDP Footnote

Gross domestic product in the US fell by 0.3% and in the UK by 0.5% during the third quarter. A recession is defined as two consecutive quarters of negative GDP growth.

Nikkei 225 falls 23.83%

Fears that co-ordinated rate cuts on the part of the world's central banks would fail to halt the deepening credit crisis prompted steep falls in Japan's Nikkei 225 Index.

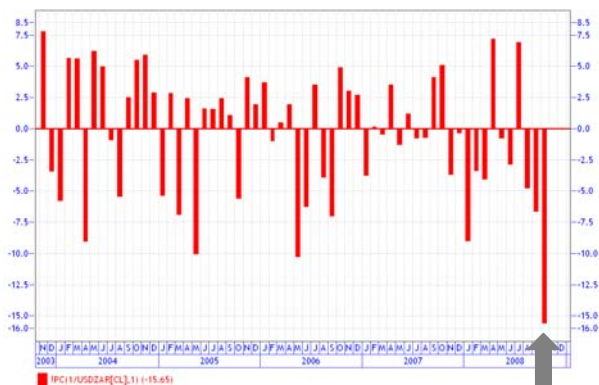
The Index fell by more than 8% on four days in October with October the 16th's fall of 11.41% being the largest single day fall since October 1987.

These fears were further compounded when Yamato Life Insurance become the Japanese' financial institutions first casualty of the global credit crisis.

Nikkei 225 Weekly Sep 03 - Sep 08



SA rand v US dollar Month-on-Month Sep 03 - Sep 08



Rand falls 15.65% against the US dollar

The rand suffered heavily during October at the hands of foreign investors pulling back their emerging market exposure, posting its largest monthly loss against the US dollar since late 1985.

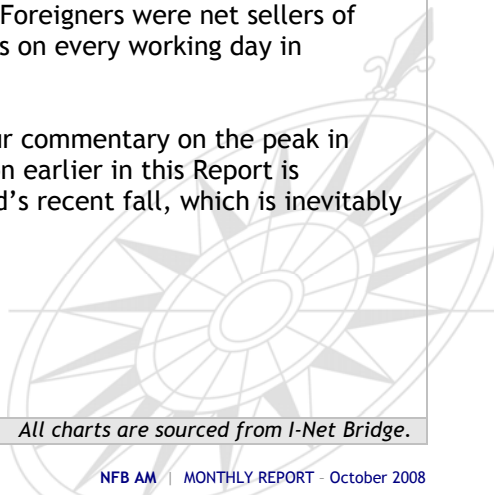
South Africa represents some 7% of the MSCI Emerging Market Index and is the most liquid emerging market currency but also has one of the worst current account deficits and therefore represents an easy "out" for developed market investors wishing to cut back on their emerging market exposure.

SA rand v US dollar Weekly Sep 03 - Sep 08



These foreign outflows were mostly clearly evidenced by the cumulative sales of shares listed on the JSE in the amount of R41.66bn for the year-to-date. 2007 saw inflows of R63.27bn. Foreigners were net sellers of South African equities on every working day in October.

One final thought: our commentary on the peak in South African inflation earlier in this Report is tempered by the rand's recent fall, which is inevitably inflationary.



All charts are sourced from I-Net Bridge.

| OCTOBER 2008 DATA BANK | | | | |
|--|--------------------|-------------------|-----------------------|-----------------------|
| Inflation Rates as at 30-Sep-08 | | | | |
| | Index Value | Last Month | Last 12 Months | |
| CPI | 165.3 | 0.18% | 13.14% | |
| CPIX | 172.8 | 0.12% | 13.02% | |
| PPI | 186.7 | -3.51% | 16.03% | |
| Interest Rates as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| SA Repo Rate | 12.00% | 0.00% | 1.00% | 1.50% |
| US Federal Funds Rate | 1.00% | -1.00% | -3.25% | -3.75% |
| UK Overdraft Rate | 4.50% | -0.50% | -1.00% | -1.25% |
| European Repurchase Rate | 3.75% | -0.50% | -0.25% | -0.25% |
| JSE Indices as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| JSE ALSI | 20,991.72 | -11.93% | -27.51% | -33.01% |
| JSE FINDI | 15,451.91 | -14.47% | -31.79% | -39.42% |
| JSE Mining | 23,292.36 | -17.31% | -36.32% | -42.70% |
| JSE INDI | 23,016.44 | -7.81% | -22.82% | -26.13% |
| PE Ratios as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| JSE ALSI | 9.53 | 10.66 | 14.52 | 15.79 |
| JSE FINDI | 7.26 | 8.27 | 10.89 | 12.34 |
| JSE Mining | 9.05 | 10.84 | 15.98 | 17.28 |
| JSE INDI | 9.31 | 10.75 | 13.26 | 14.53 |
| International Indices as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| MSCI | 957.25 | -19.05% | -39.75% | -43.10% |
| S&P 500 | 968.75 | -16.94% | -34.03% | -37.47% |
| FTSE 100 | 4,377.34 | -10.71% | -32.21% | -34.88% |
| DJ Euro Stoxx 50 | 2,591.76 | -14.69% | -41.09% | -42.27% |
| Nikkei 225 | 8,576.98 | -23.83% | -43.97% | -48.76% |
| Bond Markets as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| ALBI | 158.47 | -1.30% | -3.95% | -6.20% |
| JPM Global Government Bond Index | 401.50 | -1.34% | 0.70% | 3.10% |
| Bond Markets as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| R153 | 9.68% | 9.43% | 9.37% | 8.77% |
| US 10 Year Government Bond | 3.96% | 3.81% | 4.04% | 4.41% |
| JPM Emerging Market Bond Spread | 629 | 414 | 239 | 186 |
| Currencies as at 31-Oct-08 | | | | |
| | Value | Last Month | YTD | Last 12 Months |
| USDZAR | 9.77 | 18.55% | 43.41% | 49.49% |
| EURZAR | 12.45 | 6.57% | 24.89% | 32.45% |
| GBPZAR | 15.68 | 6.25% | 14.94% | 15.58% |
| EURUSD | 1.27 | -9.81% | -12.72% | -12.09% |
| GBPUSD | 1.61 | -9.90% | -19.08% | -22.80% |

