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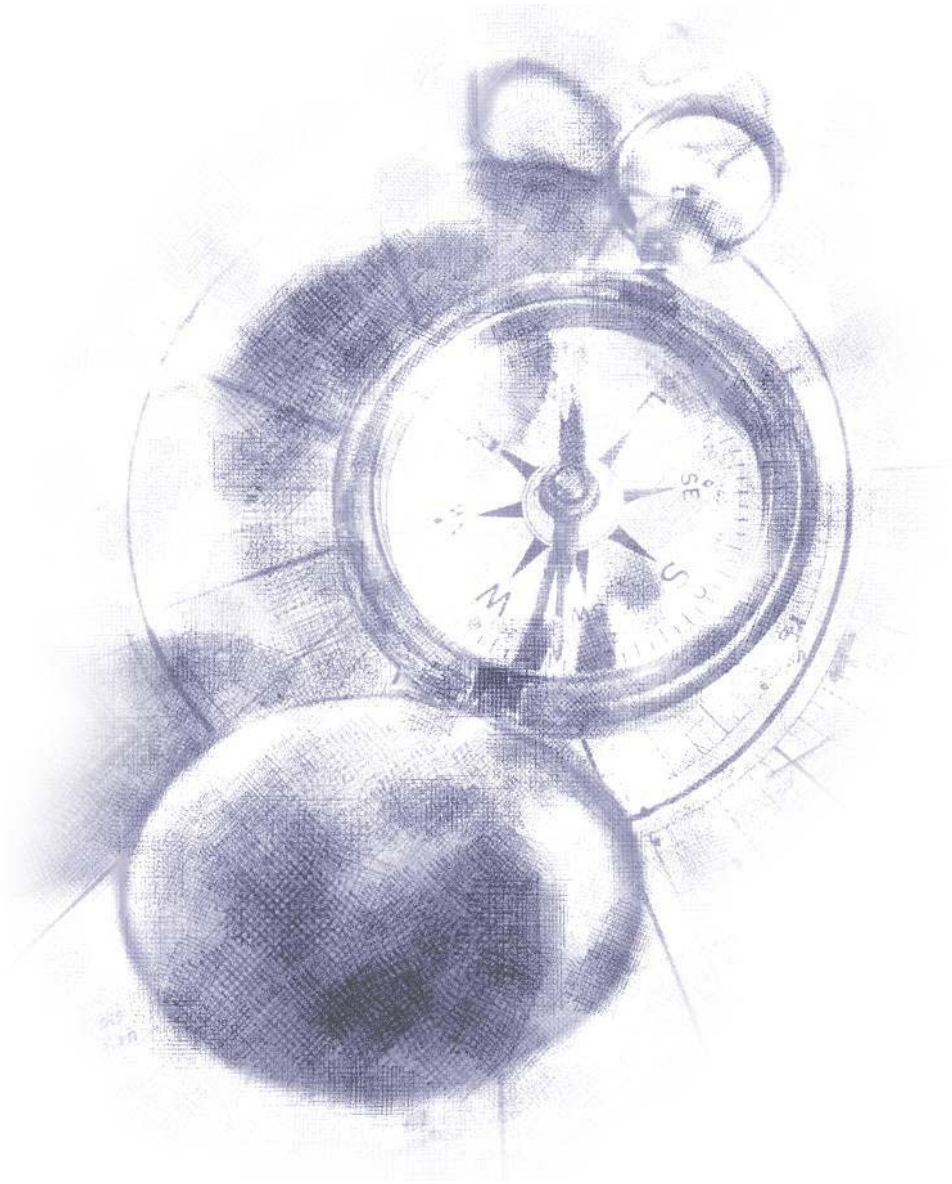
Authorised Financial Services Provider

NFB ASSET MANAGEMENT

MONTHLY MARKET REPORT

NOVEMBER 2008



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NOVEMBER 2008 COMMENTARY

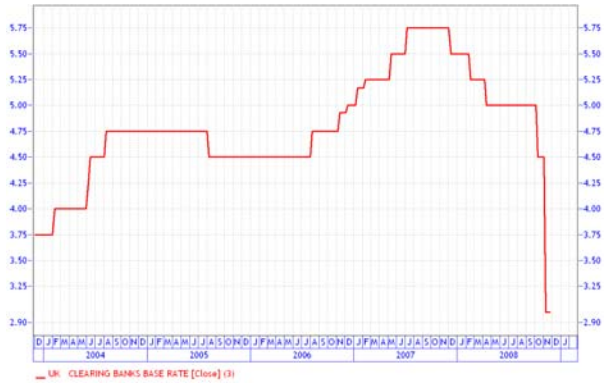
BOE slashes UK interest rates

The UK's Bank of England (BOE) cut its benchmark lending rate by a massive 1.50% during the first week of November saying "the past two months have seen a substantial downward shift in the prospects for inflation in the United Kingdom." This is the first cut of this magnitude since 1992. Also during November the European Central Bank (the ECB) cut interest rates by 0.50%.

These cuts follow hard on the heels of last month's co-ordinated interest rate cuts of 0.50% by the Federal Reserve, the ECB, the BOE, the Bank of Canada and Sweden's Riskbank.

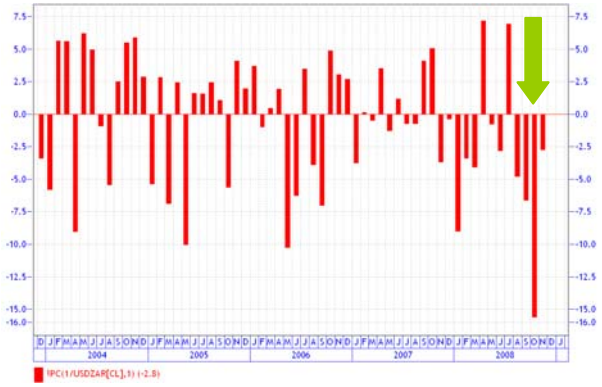
Further cuts can be expected from both the ECB and the BOE as both economies face the prospects of an extended recession. The US Fed, however, has very little ammunition with which to fight a recession as interest rates are at just 1%, having been cut by an additional 0.5% pursuant to the co-ordinated cuts earlier in the month.

UK Overdraft Rate Monthly Nov 03 – Nov 08



UK CPI Year-on-Year Monthly Oct 03 – Oct 08

SA rand v US dollar Month-on-Month Nov 03 – Nov 08



SA rand v US dollar Weekly Nov 03 – Nov 08

Rand continues to weaken against the USD

Having depreciated some 16% against the US dollar during October the rand continued its poor form losing another 2.7% against the greenback during November, closing above ten to the dollar at month-end for the first time since September 2002.

This can be largely attributed to two main drivers: the world's ongoing appetite for the dollar as a consequence of the global credit crisis and the first downgrades of emerging markets by rating agencies, which can also be largely ascribed to the credit crisis.

During the month Fitch lowered its ratings outlook for Chile, Malaysia and South Africa from stable to negative; though without changing the rating itself. Standard & Poor's revised its outlook on SA's sovereign crediting rating from stable to negative two days later. Moody's on the same day, however, informed I-Net Bridge that they were not about to change their positive outlook on SA's foreign currency rating.

South Africa, with its highly liquid currency market and its massive current account deficit, looks set for an extended period of currency weakness which can only be further exacerbated if the Reserve Bank elects to cut interest rates; a situation which should have largely been taken into account by the broader market already.

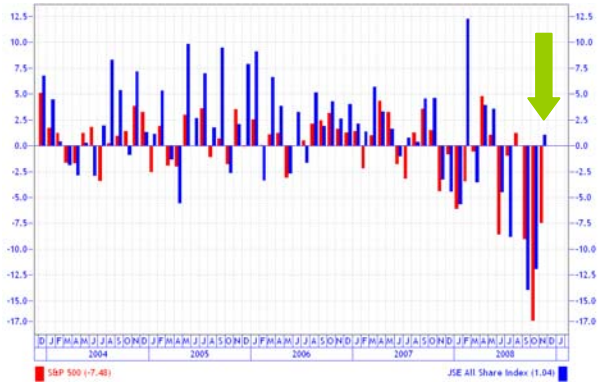
US TARP buffeted as economic storm worsens

During November the US adjusted its plans for the $700bn Troubled Asset Relief Programme which was originally intended to buy up toxic mortgage securities but which will now focus on continued capital injections into struggling banks; much more akin to the UK model implemented shortly after the Fed's first TARP announcements.

This, coupled together with poor third quarter GDP data which reflected a contraction in the US economy in the order of 0.3%, saw markets across the globe experience further heavy falls, with the S&P 500, of the markets we follow in this Report, falling the most; some 7.5%.

This trend, however, was ignored in large part by the JSE which rallied an impressive 1% for the month on the back of a 6% rise in Mining stocks; which in turn was driven by the rally in the rand price of commodities (see: "Rand continues to weaken against the USD" elsewhere in this Report). Industrial counters, however, fared far worse, falling some 11% during the month alone.

S&P 500; JSE Alsi Month-on-Month Nov 03 – Nov 08



M3 Year-on-Year Monthly Oct 03 – Oct 08

But for money supply, all data points to a rate cut

November proved to be a heartening month for those burdened by almost any kind of debt as data released throughout the month pointed the way toward lower interest rates.

GDP fell heavily from a revised 5.1% (quarter-on-quarter seasonally adjusted and annualised) to just 0.2%, uncomfortably close to a contraction. The annual rates of both CPI and CPIX fell, to 12.1% and 12.4% respectively. The annual rate for PPI fell during the month as well, from 16% to 14.5%. And, finally, Private Sector Credit Extension fell to 16.2%, which was substantially higher than market expectations of 15.3% and which set the tone for disappointing M3 – money supply – data.

Forecasts for the year-on-year change in M3 were for it to fall to around 15% from the previous month's level of 15.2%. However, November's data proved to be rather disappointing coming in higher than the previous month; with the year-on-year change at 15.6%.

Certain sectors of the market continue to anticipate an interest rate cut in the first week of December. We, however, are still of the opinion that interest rates will only be cut in February 2009, and that they will be cut in the order of 0.50%.

All charts are sourced from I-Net Bridge.

NOVEMBER 2008 DATA BANK

Inflation Rates as at 30-Oct-08	Index Value	Last Month	Last 12 Months	
CPI	165.3	0.00%	12.14%	
CPIX	173.1	0.17%	12.40%	
PPI	185.8	-0.48%	14.48%	
Interest Rates as at 30-Nov-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%	0.00%	-3.25%	-3.50%
UK Overdraft Rate	3.00%	-1.50%	-2.50%	-2.75%
European Repurchase Rate	3.25%	-0.50%	-0.75%	-0.75%
JSE Indices as at 30-Nov-08	Value	Last Month	YTD	Last 12 Months
JSE ALSI	21,209.49	1.04%	-26.76%	-30.02%
JSE FINDI	16,023.36	3.70%	-29.27%	-32.93%
JSE Mining	24,751.10	6.26%	-32.33%	-36.91%
JSE INDI	20,465.65	-11.08%	-31.38%	-31.20%
PE Ratios as at 30-Nov-08	Value	Last Month	At End Dec '07	12 Months Ago
JSE ALSI	9.28	10.03	14.52	15.24
JSE FINDI	6.99	7.42	10.89	11.44
JSE Mining	9.58	9.05	15.98	17.19
JSE INDI	8.27	9.31	13.26	13.18
International Indices as at 30-Nov-08	Value	Last Month	YTD	Last 12 Months
MSCI	892.93	-6.72%	-43.80%	-44.57%
S&P 500	896.24	-7.48%	-38.96%	-39.49%
FTSE 100	4,288.01	-2.04%	-33.59%	-33.34%
DJ Euro Stoxx 50	2,430.31	-6.23%	-44.76%	-44.70%
Nikkei 225	8,512.27	-0.75%	-44.39%	-45.71%
Bond Markets as at 30-Nov-08	Value	Last Month	YTD	Last 12 Months
ALBI	164.63	3.89%	-0.22%	-0.18%
JPM Global Government Bond Index	418.54	4.24%	4.98%	4.43%
Bond Markets as at 30-Nov-08	Value	Last Month	At End Dec '07	12 Months Ago
R153	8.27%	9.68%	9.37%	9.49%
US 10 Year Government Bond	2.92%	3.96%	4.04%	4.03%
JPM Emerging Market Bond Spread	705	629	239	246
Currencies as at 30-Nov-08	Value	Last Month	YTD	Last 12 Months
USDZAR	10.05	2.88%	47.54%	48.11%
EURZAR	12.78	2.69%	28.25%	28.51%
GBPZAR	15.42	-1.65%	13.05%	10.57%
EURUSD	1.27	-0.31%	-12.99%	-13.25%
GBPUSD	1.54	-4.28%	-22.54%	-25.25%
Other	Value	Last Month	At End Dec '07	12 Months Ago
PSCE (Oct 08)	16.30%	16.43%	21.46%	22.27%
M3 (Oct 08)	15.83%	15.39%	24.49%	23.25%
Gold (Nov 08)	$813.5	$728.5	$836.5	$794.75
Petrol Price Unleaded JHB (Nov 08)	R8.96	R9.41	R7.47	R7.04

All data is sourced from I-Net Bridge.