

Things look good for the next asset bubble

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THE global investment landscape shows a heady cocktail of dire government finances combined with a ballooning in liquidity. This is likely to yield two outcomes: investor enthusiasm and price inflation. To boot, international interest rates are at or near zero percent which will also fuel investor sentiment. In this setting, it is hard to imagine the next asset bubble not forming.

Some evidence of this exuberance can be seen in the performance of global markets. The MCSI Emerging Markets Index rose by 73% in dollar terms in 2009. By contrast, the JSE All Share Index posted a more "modest" 29% rise last year in rand terms and 61% in dollar terms.

Another aspect to consider in this framework is that if countries are running fiscal deficits and price inflation is expected to follow from growing money supplies, these countries' currencies must come under threat. Safe havens such as cash provide no protection in such situations, so investors have to take refuge in noncash assets.

From this argument, the South African platinum producers are worth revisiting.

Looking at the domestic financial sector, it is significant that consumers' balance sheets, while stressed, are showing an improving trend. Banks, in particular, should be able to benefit from this.

Interest rates and consumer price inflation are low, while wage settlements have been of the order of eight percent to 12%. This means that we will see a real income effect in South Africa, leading to higher consumption levels. A company like Bidvest is well positioned to benefit from this set of forces because of its varied interests that range from motor retailing to consumer discretionary spending. In addition, its exposure to the hospitality industry could benefit (albeit temporarily) from the 2010 Soccer World Cup. Investors can also consider consumer cyclical stocks such as furniture retailer Lewis Group and clothing and jewellery retailer Foschini Group as opportunities to benefit from the consumer recovery.

A fledgling recovery

PROPERTY: Residential growth will be slow but steady

KAVITH HARRILALL

THERE is life in the residential property market, although the fledgling recovery in this property sub-sector will be characterised by gradual, mild growth in 2010.

This was the consensus reached at a high-level Remax function held in Durban this week.

The Remax awards function provided guests with key insights into the possible fate of the residential property market during 2010.

Peter Gilmour, regional owner and

chairman at Remax, said that November 2009 was a particularly buoyant month.

The group recorded about R1 billion in sales during the month — close to the 2007 average monthly sales level of R1,2 billion.

He pointed out that this feat was achieved with far fewer agents compared with 2007.

Gilmour believes that the current South African market is a more vibrant market when compared with 2008 and 2009 and is characterised by low and stable interest rates and

greater access to credit.

However, he added: "We'll see a recovery but certainly not a boom. The banks will [still] take back properties during the first half of the year. We must be realistic about the possible fundamentals of the market."

The Fifa Soccer World Cup will provide long-term benefits for the property market, according to Gilmour.

Adrian Goslett, regional director and CEO of Remax said that about 111 agents joined Remax during the final quarter of 2009 and a further 55 agents joined the group in January

2010.

Goslett added that they have concluded six franchise sales this year.

Riana Kruger of Standard Bank said there is still an element of caution within the market, adding that not every client will be granted 100% home loans.

Rudi Botha, CEO of bond originator Betterbond, said their numbers are looking up, adding that the bond origination industry still offers value to clients, despite a difficult 2009 characterised by strained relationships between banks and bond originators.

BWA APPOINTS NEW WOMEN TO TOP POSTS



PHOTO: SUPPLIED

The Businesswomen's Association (BWA), one of the most prominent associations of business and professional women in South Africa, this week announced the election of Ann Druce (right) as chairwoman and Farzanah Mall (left) as vice-chairwoman of the BWA Durban Branch. Druce spent 15 years marketing major fast-moving consumer goods brands for companies including Unilever and Adcock Ingram before moving to the other side of the desk and joining an ad agency. She now heads up Octarine, an advertising and design agency with national clients in the industrial, professional and consumer sectors. Mall is a senior manager in the risk advisory services division of PricewaterhouseCoopers in Durban, specialising in corporate governance, risk management and internal audit. Mall has been actively involved in a number of initiatives to promote women in business, both within PricewaterhouseCoopers and the Businesswomen's Association.

Asset management confidence on the up

A SURVEY released by Ernst & Young recently revealed that revived bottom-line profits in the fourth quarter of 2009 aided asset management confidence, which again rose sharply from an already strong 86 index points in the fourth quarter to its current level of 99.

The revival of asset management sector confidence is being experienced by small and large managers alike.

The large managers saw confidence levels rise from 84 to 100. Small manager confidence rose just as sharply, from 82 in the third quarter to 97.

This means all large managers and nearly all small managers were satisfied with business conditions in the fourth quarter.

This is the 28th quarterly survey conducted to measure confidence in the asset-management industry, and

the research is conducted by the Bureau for Economic Research in Stellenbosch.

Chris Sickle, the lead asset management director at Ernst & Young, said asset management confidence has been rising strongly since the first quarter of 2009, when it reached its lowest level.

Sickle attributes the strong confidence to renewed equity markets. — WWR.

THE Credit Information Ombud (CIO) has taken a big and bold step to expand its jurisdiction in the credit industry.

Since its inception in 2004, the CIO has had limited jurisdiction when exercising its powers. The focus in the past has been on complaints from consumers regarding negative information reflecting at the Credit Bureau.

The CIO has now expanded its jurisdiction to incorporate complaints relating to credit transactions as well.

The organisation will now be known as the Credit Ombud. All the major stakeholders in the credit industry are fully supportive of this new initiative and expanded jurisdiction.

However, with the expansion of its jurisdiction, the Credit Ombud will now assist in matters where consumers feel they have been unfairly treated or that their rights, especially those rights provided for in the National Credit Act, have been disregarded in credit transactions. Another one of the main objectives of the Credit Ombud's office is to educate consumers about all credit-related issues, explained Caroline Buthelezi, public relations and communications co-ordinator at the Credit Ombud's office.

"It is very important that we as an organisation evolve to meet the demands of the environment in the credit industry. We realise that this is a huge undertaking and is going to require even more from us as an organisation, and I believe that we are up to the challenge," Buthelezi said.

— WWR.

The Credit Ombud offers a free service. Complaints can be lodged by contacting the office at 0861 66 2837 or www.creditombud.org.za For general credit-related information the office can be contacted at ombud@creditombud.org.za



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