



# Your Oasis

Monthly News Update

Your Oasis | May 2009

## CEO Introduction



The current turbulent times bring to mind Rudyard Kipling's famous words: "If you can keep your head when all about you men are losing theirs and blaming it on you." These words are even more relevant today as many investment advisers are being blamed for the world's woes. That is why we at Oasis are keeping our heads and not letting the successive bouts of euphoria and depression influence our investment judgment. We rigorously research each company we invest in, but we do not restrict ourselves to what the company puts out on its website, but also look at its peers, the industry it operates in, what legislation, such as tax and pension obligations, may help or hinder it and what the global macro-environment is. This newsletter shares some of our insights, so that you can make a better informed investment decision. Should you have any queries regarding your investment please contact our client services department in 0860 100 786.

### Working Day Adjustment

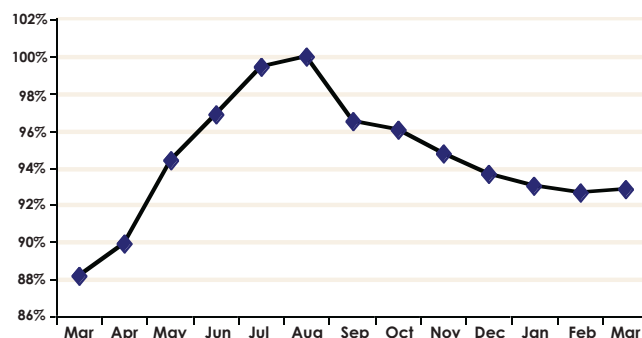
As an individual, the multitude of public holidays in April has been a boon, but for the purpose of analysis, what is relevant is how this impacts on the year-on-year (y/y) comparison as data such as retail sales or manufacturing production reported by the media on a y/y basis. This working day adjustment applies not only to March and April, as Easter was in March 2008 and in April 2009, but can apply to any month of the year as a working day in many industries is only from Monday to Friday. This was the case with February data as there were 29 calendar days in February 2008 and only 28 calendar days in February 2009, while there were 21 working days in February 2008 and only 20 working days in February 2009. Many people will remember the headline that screamed: "**Recession looms large as retail sales plunge 4.5%**", but if one adjusts for the 4.8% decline in the number of working days, then February retail sales were flat y/y, hardly deserving of the recession talk. This means that when the retail data is released for March, the comparison will be for a non-Easter month with an Easter month, so sales will be lower than normal on a y/y basis, while the opposite effect will appear in April. Production data will see the opposite effect as fewer holidays in March 2009 compared with March 2008 means the y/y comparison will be boosted.

### Producer Inflation

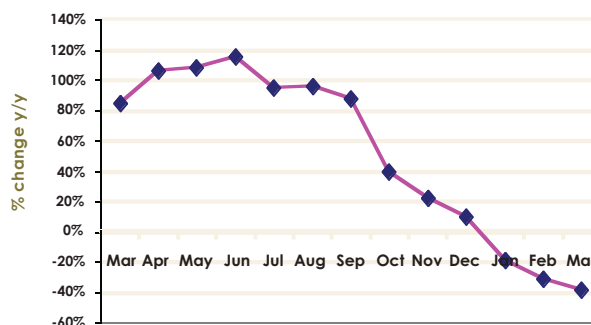
The producer inflation data in March showed the first monthly increase since August 2008. Despite the 0.1% monthly gain in March, producer prices are still 8.2% below their August 2008 peak. This fact gets lost when one only looks at data on a y/y basis, which is why graphs are such a useful analysis tool. What the graph of the index (August 2008 = 100) shows is that some pricing power may be returning to producers as the collapse in demand after Lehman Monday on 15 September 2008 forced many to cut prices.

This collapse in prices is still visible in the imported crude oil data, which shows that prices of this commodity are down 38.7% y/y in March compared with a 114.9% y/y increase in June 2008. The strength of the rand during April is likely to keep the imported crude oil price firmly in negative y/y territory.

Producer Price Index August 2008 = 100



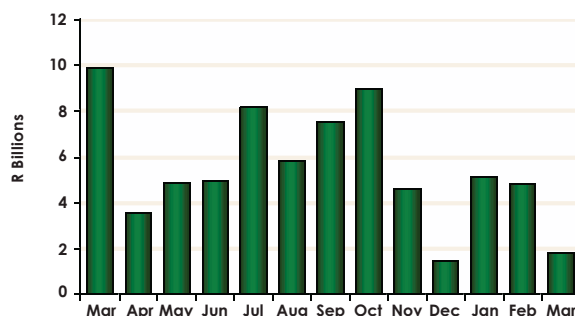
Imported Crude Oil Price



### Credit Extension

South African total loans and advances (TLA) eased to a 7.3% y/y increase in March 2009 from a 10.24% y/y rise in February. The March increase was the slowest y/y rise since 2004 and substantially lower than July's 20.2% y/y. Cash conservation is a current priority of both households and businesses, while banks have tightened credit criteria. The result is that businesses paid back R5.24bn in March, while credit extended to households plunged by 82.2% y/y to only R1.75bn. The good news is that household's debt burden relative to disposable income is reducing.

Credit Extended to Households



2008 - 2009

