



Stocks to look out for in 2010

Much has been said on the 2009 stock market slump and the subsequent expected recovery. As always, CDH is looking forward while learning from the past performance. As such, this newsletter analyses and recommends the top three stocks investors should be on the look out for in 2010.

Press Corporation Limited

PCL bottomed-out at K120 from a peak of K205 last year but is well on its way towards recovery. The stock is currently trading at 84% of its net book value, yet half of its net book value (namely National Bank) is separately trading at 285%. Despite the low dividend yield, this stock is still strongly undervalued. Moreover, the Press Corporation CEO's committment to axe non-performing subsidiaries paves the way for a leaner and more profitable conglomerate. However, we still project 2009 earnings to be modest due the severe power and forex shortages which had a detrimental impact on manufacturing subsidiaries.

Illovo

With the highest dividend yield; 5-year consistent earnings growth; and, the largest market capitilisation on the Domestic Stock Index (DSI), Illovo remains the premier blue-chip company on the local bourse. Most analysts forecast 2010 to be a good year for commodity prices in general and sugar leads the pack. With hightened global warming awareness, the demand for sugar-based biofuels is sky-rocketing. Coupled with Illovo's improved access to the lucrative EU markets, the future for this stock is very sweet indeed.

Standard Bank

The bank's whooping 103% increase in after-tax interim profit took everyone by surprise. Despite the fact that most of this income was generated from non-core activities, we can still expect very robust earnings for the 2009 period. Investors would do well to get in on this stock before it peaks and stagnates as was the case with NBS last year.

General stock market outlook

With the declining risk-free rates and undervalued stocks, we expect much more activity on the MSE than the previous year. However, liquidity will remain an issue and investors are strongly advised to focus their trades on momentum. Value investors and speculators alike can also look forward to the possibility of a few IPOs in 2010. Whatever happens, count on CDH to give out the latest financial news, tips, and advise.

Market statistics		
Treasury Bill Yields		
Tenor	Current	Previous
Days	%	%
91	7.37 ↓	7.49
182	11.07 ↑	11.02
273	10.00 ↓	10.17
CDH Investment Rates		
Tenor/Period	Rate %	
7 days	6.25	
14days	6.50	
21days	6.75	
30days	7.25	
60 days	7.50	
91 days	8.00	
182days	8.50	
273 days	neg.	
Inflation Rates		
	Dec.09	Nov.09
National -	7.6 ↑	7.20
Urban -	9.2 ↑	8.6
Rural -	6.7 ↑	6.4
Middle Exchange Rates		
	14.01.10	08.01.10
USD K147.0035 ↓	K147.000	
GBP K242.0798 ↓	K237.0794	
ZAR K20.5528 ↓	K20.5523	
EUR K220.8203 ↓	K 213.2895	
Stock Exchange		
Week ended 14 th Jan, 2010		
Index	Current	Previous
	Points	Points
MASI	5154.95 ↔	5154.95
DSI	4087.19 ↔	4087.19
FSI	314.21 ↔	314.21
Nominal Treasury bill stock		
In K'billion		
June.09	July.09	Aug.09
103.4	103.2	111.3
Source: NSO, RBM, MSE, CDH		
African proverb: "He who learns teaches."		
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