KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	2.7%	9.6%	9.0%	30.1%	22.9%	17.8%	22.2%
J200T	FTSE/JSE Top 40 Index	2.3%	9.4%	9.4%	32.5%	23.8%	17.5%	22.1%
J210T	FTSE/JSE Resources 20 Index	3.8%	8.5%	14.2%	36.4%	10.6%	3.4%	11.8%
J211T	FTSE/JSE Industrials 25 index	1.3%	7.6%	6.8%	32.6%	33.6%	29.0%	31.5%
J212T	FTSE/JSE Financials 15 Index	3.8%	19.7%	10.9%	26.3%	25.8%	23.4%	24.3%
J403T	FTSE/JSE SWIX Index	1.5%	10.0%	8.3%	28.5%	22.5%	18.8%	22.7%
J303T	FTSE/JSE CAPI Index	2.6%	9.7%	9.0%	29.9%	23.0%	18.0%	22.5%
J253T	SA Listed Property Index	2.3%	12.2%	2.1%	-3.6%	17.7%	18.1%	19.2%
ALBI	BEASSA All Bond Index	0.3%	4.6%	1.0%	-3.0%	6.5%	8.5%	8.9%
STeFI	STeFI Index	0.5%	1.3%	2.7%	5.3%	5.3%	5.4%	6.1%
	MSCI World Index in SA Rands	0.8%	0.5%	11.2%	36.6%	35.7%	27.7%	21.2%
	Rand/US Dollar Exchange Rate	-0.2%	-5.4%	4.5%	17.1%	16.4%	17.0%	4.5%
	Rand/Euro Exchange Rate	0.5%	-2.8%	6.8%	23.3%	19.1%	14.5%	5.5%
	Headline CPI	1.3%	3.1%	3.7%	6.0%	6.0%	6.0%	5.4%
	PPI	1.3%	3.6%	4.7%	8.2%	6.9%	7.3%	6.5%

"Russian economic growth forecasts have dropped sharply, capital flight has accelerated and higher borrowing costs reflect declining confidence in the market outlook."

Jacob J. Lew, the US Treasury secretary, in a statement announcing more sanctions against Russia

finsolnet

SYGNIA
THE SUM OF ALL THINGS

MARKET OVERVIEW

The second quarter started on a more upbeat note after the official Chinese manufacturing PMI rebounded from an eight-month low to breach the 50 level in March, signalling marginal expansion in Chinese manufacturing activity. The markets chose to ignore the more sombre HSBC/Markit PMI figure which dropped for a third month in a row to 48.0, the lowest reading since July 2013.

Market sentiment improved further after the US Federal Reserve chair, Janet Yellen, emphasised that unemployment remained a big challenge and that the US Fed would maintain its monetary stimulus and keep interest rates low until the jobless rate improved. The announcement was aimed at soothing the effect of the previous month's message of interest rate increases within six months of the end of quantitative easing. The US unemployment rate remained stable at 6.7% in March.

The eurozone saw little change, but a lot of noise. Inflation in the 18-nation currency bloc slowed to 0.5% year-on-year in March, the weakest pace in more than four years and well below the ECB's goal of 2%. This prompted the ECB President Mario Draghi to, once again, emphasise that the ECB backed quantitative easing if needed. In reality, the ECB seems less concerned about the risk of short-term deflation than it is about the impact of a stronger euro exchange rate on growth. It is thus more likely to employ more conventional monetary policy easing measures, such as lower interest rates and negative deposit rates for banks parking cash at the ECB, before contemplating any form of direct bond purchases.

Volatility returned to the markets as the conflict between Russia and the Ukraine flared up again after the Ukraine launched a military operation to reclaim control of eastern Ukrainian cities from pro-Russia activists. This drove the gold price temporarily above the US$1 300/oz level. The seizure of international inspectors by pro-Russian separatists and Russia's military exercises on Ukraine's border raised the stakes further. Month-end saw the US imposing further sanctions against Russian government officials and 17 companies deemed close to President Vladimir Putin.

However, the Ukraine was soon forgotten on more positive economic data releases, including flash HSBC/Markit PMIs for April for China and the eurozone which came in above expectations.

In the US, the Nasdaq recovered from the sharp sell-off earlier in the month after both Apple and Facebook published exceptional first quarter earnings results.

As expected, the month ended with the news that the US economy had slowed down substantially in the first quarter, registering a meagre 0.1% growth quarter-on-quarter, down from a 2.6% gain in the prior quarter. The data release coincided with the US Fed's meeting which resulted in the announcement of a further US$10 billion cut in quantitative easing, to US$45 billion a month. On the upside, the US Fed indicated that it was looking past the economic slowdown during an unusually cold winter because the pace of growth was already rebounding. This took the sting out of the earlier growth figure disappointment.

360 DEGREES ROUND THE WORLD

EUROZONE: The eurozone continues to face the risk of a sustained period of low inflation, a risk highlighted by the March inflation figure which came in at 0.5% year-on-year. Individual countries that have experienced negative inflation included Spain, Sweden, Bulgaria, Greece and Portugal. Lack of inflation, and corresponding consumer demand, has the potential to destroy output, hurt job creation and impact on the ability of governments to repay debts. Unsurprisingly, the IMF and the World Bank called for further monetary easing by the ECB. The problem is that the structure of the ECB does not allow for outright sovereign debt purchases, the US version of quantitative easing. Therefore, when the time comes, the ECB will need to find more creative methods of relaxing its monetary policy.

GERMANY vs the US: The German government increased the national minimum wage to €8.50 per hour, at the same time as the US Democrats' bill to raise the federal minimum wage to US$10.10, a foundation of President Obama's economic agenda, failed to pass the vote in the Senate on Republican opposition.

FRANCE: France faced fresh turmoil as disappointing local elections for the ruling Socialist Party led to the resignation of the cabinet. This forced President Francois Hollande to appoint a new government. However, with France having missed its budget deficit target of 4.1% of GDP in 2013, there is little scope to manoeuvre. Despite earlier promises the new government was forced to unveil a new €50 billion savings package, which includes a freeze in pensions, welfare benefits and civil service pay.

ITALY: The new Italian Prime Minister Matteo Renzi cut the government's forecast for economic growth for 2014 to 0.8%. Italy's GDP contracted by 1.9% last year. The biggest problem facing Italy is its level of public debt which reached a record 132.6% of GDP in 2013 and is expected to rise further in 2014.

SPAIN: Spain's economic growth accelerated unexpectedly in the first quarter, rising by 0.4% quarter-on-quarter and 0.5% year-on-year. Foreign investors are flocking back to the country and the improving confidence in its economy has helped to push Spain's five-year borrowing costs to below those of the US for the first time since 2007.

GREECE: Greece returned to the capital markets for the first time since its economic collapse in 2010. The sale of €3 billion five-year debt was eight times oversubscribed. The government had initially priced the bond to provide a return of between 5% and 5.25%, but with strong demand it was able to lower the yield to 4.95%.

UK: House prices in the UK continued their climb in March for the 15th straight month. The average price of a UK home rose to **£**180 264, just 3% off its 2007 peak. House prices in London averaged **£**362 699, double the average for the rest of the country and 20% above their previous record high.

USA: With the US economy continuing to recover, the US has re-assumed its role as the engine of global growth. The IMF expects the US economy to grow by 2.8% this year and by 3% in 2015, while contributing 0.52% to global growth between 2014 and 2019, double the level seen between 2008 and now. The US made its highest contribution in the 1980s and 1990s at an average of 0.80%.

JAPAN: With inflation coming in at 1.3% year-on-year in February, and most corporates expecting price gains to persist for the next five years, Japan has officially exited its 15-year period of deflation. This has allowed the Bank of Japan to refrain from adjusting its quantitative easing programme for now. However, the central bank still needs to steer the economy through the slump in consumption projected to follow the 3% increase in sales tax effective introduced in April. There are also other signs that the economic recovery is not as broad-based as it should be.

INDIA: India's central bank left its key interest rate unchanged as consumer-price inflation eased to a two-year low and the rupee strengthened, increasing scope to support growth ahead of national elections starting this month. Governor Raghuram Rajan kept the repurchase rate at 8.0%.

CHINA: Worryingly, China continues to show further signs of a slow-down. With mixed manufacturing activity numbers in March, attention turned to trade figures. Both exports and imports dropped unexpectedly in March, although the export number was distorted by the inflated numbers in early 2013 when some companies filed fake invoices to disguise capital inflows. In response, the government outlined a number of measures, including spending on railways and tax relief to support the economy. However, the measures stopped short of a full blown stimulus, despite the fact that benign inflation numbers (2.4% year-on-year in March) have left room for support.

This comes again a backdrop of other worrying events this year, including the collapse of a major property developer, the nation's first onshore bond default and the last-minute bailout of a shadow-banking investment product.

SOUTH AFRICA

The strike in the platinum sector continued with Amplats, Impala and Lonmin all indicating that they have nearly exhausted their stockpiles and may need to declare a force majeure event to protect themselves from contractual defaults. The April offer of a 10% wage increase, which would lift the minimum wage packages to R12 500 by 2017, was rejected by AMCU who wants an immediate rise to R12 500. The three platinum miners have lost R13.5 billion in revenue since the strike started.

Economic indicators are pointing to a weaker first quarter GDP growth number, with the manufacturing activity indicator, the Kagiso PMI, falling to 50.3, and with retail sales, a key indicator of consumer spending, coming in at a lower-than-expected 2.2% year-on-year in February, compared with a revised 6.4% in January.

The consumer price index rose last month to the upper end of the Reserve Bank's target band at 6% year-on-year from 5.9% in February. Although the CPI figure was widely anticipated, producer inflation surprised on the upside, accelerating to 8.2% year-on-year in March from 7.7% in February. Both figures increase the likelihood of an interest rate hike sooner rather than later.

March also saw a further contraction in employment with 48 241 job losses, particularly in the mining and construction sectors. The public sector was the sole job creator during the month. And finally, South

Africa's trade balance registered an R11.39 billion deficit in March after a downward revised R647million surplus in February.

On a positive note, the rand strengthened relative to the US dollar on the prospects of a longer time horizon for interest rate increases in the US and private sector credit expansion rose by 8.8% year on year in March, well above expectations. 70% of all credit growth during the first quarter can be attributed to corporates.

The IMF downgraded its 2014 GDP growth forecast for South Africa to 2.3% from a previous level of 2.8%, warning that strikes and policy uncertainty are weighing on growth. The IMF expects the sub-Saharan African economy to grow by 5.4% in 2014 and 5.5% in 2015, up from 4.9% in 2013.

According to a SARB Financial Stability Review report for the six months ended December 2013, the SARB sees the tapering of the US quantitative easing programme as posing one of the biggest risks to South Africa's financial stability. Foreign capital outflows are particularly problematic for countries with relatively large current account deficits, such as South Africa, which rely on capital inflows to service the deficit.

Although the net outflow from South Africa in the first quarter, at R12 billion, has been fairly low compared with other BRICS nations, it was double that of South Africa's total outflow for the whole of 2013.

ODDS AND ENDS

JAPAN IS GETTING OLDER

Japan's population contracted for the third year in a row, with the proportion of people over the age of 65 rising to a new record, underscoring the challenge the country faces in financing its aging society. The population declined by 0.17% to 127.3 million in October 2013. Japan has one of the world's lowest birth rates. People aged 65 or older made up one fourth of the total population, the highest-ever percentage of any industrialised country.

NO LONGER THE BIGGEST

Following a rebasing of the calculations, Nigeria has formally overtaken South Africa as the biggest economy in Africa with its nominal GDP coming in at US$ 509.9 billion in 2013. This makes the Nigerian economy about 60% bigger than South Africa's, which reported a nominal GDP of US$ 322.6 billion last year. Nigeria has a population of 169 million and its GDP grew by 6.4% in 2013, compared to South Africa's 1.9%. The growth and size of the economy make it a serious contender for attracting foreign direct investment to the continent. On the upside, in the short term, South Africa has a lot more to offer with a relatively stable political situation, robust infrastructure and a strong banking sector. South Africa still has a significantly higher GDP per capita than Nigeria.

FACEBOOK DEFIES SCEPTICS

Facebook reported another quarter of strong revenue and profit growth. The company made a profit of US$885 million in the first quarter. Most of Facebook's revenue derives from ads in their news feeds. However, the company is eyeing two more promising categories of advertising: full-motion video ads and image ads on its Instagram photo-sharing service. The company indicated that it would be a couple of years before Facebook tried to make serious money from Instagram, its Messenger app, and WhatsApp. The company also agreed to recently acquire Oculus VR, a virtual reality technology company.

Facebook accounted for 17.5% of the $18 billion spent on mobile ads worldwide last year, compared with a 49.3 percent share for Google.

AND WHILE ON THE TOPIC OF TECHNOLOGY…

In a blow to Microsoft, the US government has advised computer users not to use the Internet Explorer web browser until Microsoft issues the relevant security patch. Versions 6 to 11 are vulnerable to external attacks which could allow hackers to gain access to users' computers. Sceptics point to the announcement as a strategy orchestrated by Microsoft to encourage users to upgrade their Microsoft XP software which has reached "end of life" this month and will no longer be supported by Microsoft.

DISCLOSURE

The information and opinions contained in this document are of a general nature and are not intended to address the circumstances of a particular individual or entity. Sygnia does not act as advisor or in a fiduciary capacity towards the recipient(s).

Whilst reasonable care was taken in ensuring that the information contained in this document is accurate, Sygnia does not warrant its accuracy, correctness or completeness and accepts no liability in respect of any damages and/or loss suffered as a result of reliance on the information in this document. Sygnia does not undertake to update, modify or amend the information on a frequent basis or to advise any person if any information provided in this document is found to be inaccurate or subsequently becomes inaccurate.

No one should act on the information contained in this document without having obtained appropriate and professional investment, legal, tax and such other relevant advice as may be required in each instance.

The figures and values are calculated by FTSE International Limited ('FTSE') in conjunction with the JSE Limited ('JSE') in accordance with standard criteria. Figures and values quoted are the proprietary information of FTSE and the JSE. All copyright subsisting in the Figures and values vests in FTSE and the JSE jointly. The data was obtained from I-Net Bridge.

SYGNIA ASSET MANAGEMENT Registration No. 2003/009329/07

Directors: N. Giles | N. Govender | S Mkhwanazi | S. Peile | M. Wierzycka

CAPE TOWN I 7th Floor I The Foundry I Cardiff Street I Green Point I 8001
T +21 446 4940 I F +21 446 4950 I W www.sygnia.co.za I E info@sygnia.co.za

JOHANNESBURG I 9th Floor I 15 Alice Lane I Sandton I 2196
T +11 290 9360 I F +11 290 9365 I W www.sygnia.co.za I E info@sygnia.co.za

Sygnia Asset Management is an authorized financial services provider