KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	4.9%	5.5%	13.6%	22.8%	21.0%	17.1%	24.1%
J200T	FTSE/JSE Top 40 Index	5.4%	6.6%	14.4%	24.9%	21.8%	17.1%	24.2%
J210T	FTSE/JSE Resources 20 Index	4.4%	12.3%	15.4%	16.8%	5.2%	1.3%	13.3%
J211T	FTSE/JSE Industrials 25 index	5.1%	4.2%	13.9%	33.3%	36.1%	30.9%	33.9%
J212T	FTSE/JSE Financials 15 Index	8.4%	3.5%	15.0%	17.6%	22.1%	21.7%	26.4%
J403T	FTSE/JSE SWIX Index	4.9%	4.9%	13.5%	21.9%	21.3%	18.6%	24.6%
J303T	FTSE/JSE CAPI Index	4.9%	5.4%	13.5%	22.8%	21.1%	17.4%	24.4%
J253T	SA Listed Property Index	4.7%	-1.8%	4.7%	-0.3%	16.3%	18.1%	19.1%
ALBI	BEASSA All Bond Index	2.4%	0.2%	3.1%	-1.0%	6.4%	8.7%	8.6%
STeFI	STeFI Index	0.4%	1.3%	2.6%	5.2%	5.3%	5.5%	6.3%
	MSCI World Index in SA Rands	1.7%	9.4%	20.1%	45.0%	39.2%	26.9%	21.6%
	Rand/US Dollar Exchange Rate	-3.2%	6.0%	4.7%	19.1%	20.0%	15.6%	1.3%
	Rand/Euro Exchange Rate	-1.0%	7.4%	9.2%	25.9%	22.1%	15.6%	3.3%
	Headline CPI	0.7%	1.0%	2.0%	5.8%	5.6%	5.8%	5.4%
	PPI	1.0%	1.7%	3.3%	7.0%	6.4%	7.2%	6.0%

"We remain concerned about the self-justifying narrative from certain quarters in the developed world; the idea that emerging markets are the 'problem,' that they must 'get their house in order' and that global cooperation for a more humane and sustainable future is a project for another day. These are voices from precisely those places where huge regulatory failures led to the financial earthquake we have experienced."

Minister of Finance, Pravin Gordhan, Budget Speech following the comments made by participants in the G-20 meeting in Sydney

finsolnet

SYGNIA
THE SUM OF ALL THINGS

MARKET OVERVIEW

February opened weaker as anxiety mounted over the strength of the US economic recovery and the speed of the US Federal Reserve's tapering of quantitative easing.

The news that China's official PMI edged down to 50.5 in January from December's 51, a six-month low, reinforced concerns that China's economy could act as a drag on broader financial markets. A separate report on the non-manufacturing sector also showed a deterioration, with that PMI falling to 53.4 in January from 54.6 in December. China's economy grew by 7.7% in 2013, the same rate as in 2012. Consumer inflation remained moderate in February, rising by 2.5% from a year earlier.

The US economic data releases were mixed. Although non-farm payroll data showed that a disappointing 175 000 jobs were created in January, the official unemployment rate fell to a post-recession low of 6.6%. Manufacturing expanded at the slowest rate in eight months as the pace of new orders sharply decelerated, with the ISM index falling to 51.3% from 56.5% in December. And consumer sentiment declined, while consumer spending has been affected by the polar vortex which has affected much of the US. The US fourth-quarter growth came in at a 2.4% annual rate, down sharply from the 3.2% expected.

In Europe, fears of deflation returned as consumer prices rose by a mere 0.7% year-on-year in January, well below the ECB's 2% target and a fourth consecutive reading of less than 1%. On a positive note the eurozone PMI rose to 54 in January, with the manufacturing recovery broadening across the region. The fourth-quarter GDP numbers also surprised on the upside with a 0.3% quarter-on-quarter growth. This brought the 2013 growth to negative 0.4%. The GDP data for Germany and France showed quarterly growth of 0.4% and 0.3% respectively, while Italy's fourth-quarter GDP rose by 0.1%, bringing an end to the country's two-year recession.

The ECB left its key lending rate at a record low of 0.25%, although ECB President Mario Draghi reiterated a pledge to take further easing action if needed.

Gold continued to battle with the complexity of reconciling faltering US economic data against the backdrop of continued tapering by the US Fed. The recent spike in the gold price has been largely driven by geopolitical concerns, particularly in Ukraine, as well as expectations of a slowdown in the US recovery.

Markets were given a boost after the new US Fed chairwoman, Janet Yellen, pledged to keep interest rates low and to continue to taper the pace of bond purchases if the economy keeps improving. Yellen also indicated that more work is needed to restore the labour market to health, and that the volatility in global financial markets does not pose a risk to the US economic outlook.

On the downside, this is a strong signal that emerging markets will have to cope with the fallout as best they can. This message was reinforced by the communiqué following a G-20 meeting in Sydney, Australia, which indicated that the G-20 will take "concrete actions" to bolster growth while backing the normalisation of monetary policy in advanced economies. Emerging nations are expected to fend for themselves by managing their own high inflation and current account deficits, a message bluntly conveyed by the UK, Japan and South Korea post the meeting. However, the final G-20 statement included a commitment that central banks would be "mindful of impacts" of monetary policy settings.

The market rally continued, propelled by positive news flow, including better than expected export numbers from China, the smooth passage of the vote by the US House of Representatives to suspend the country's debt limit until March 2015 and an upbeat German consumer confidence report.

Poor economic data from the US, such as existing home and retail sales numbers, has been attributed to a particularly harsh winter. Even though home prices in the US climbed at a slower pace over the year to December, the first deceleration since June, and that the consumer confidence index dropped by more than expected, did not have an impact.

The rally wobbled temporarily after China's preliminary HSBC/Markit PMI for February fell to 48.3, a second month of contraction for Chinese manufacturing. Japan's sluggish trade data which showed the trade deficit widening to a record level on surging import costs added to the concerns. And in Europe, the Markit data showed business activity losing momentum on the back of weakness in France.

Month-end also brought the disappointing news that the US economy grew at a slower pace in the fourth quarter of 2013 than first thought, weighed down by lacklustre retail sales, inventory adjustments and a slightly less robust trade balance. The Bureau for Economic Analysis now estimates that the economy grew by an annualised 2.4%, down from an initial estimate of 3.2% released in January.

However, the benchmark S&P 500 Index closed at a fresh record as investors welcomed more dovish remarks from Yellen before the Senate Banking Committee. She reaffirmed the central bank's accommodative policy, but indicated that the central bank might consider a pause in its reduction of bond buying if the economic weakness persists.

360 DEGREES ROUND THE WORLD

EUROZONE: The ECB has raised its forecasts for the eurozone GDP growth in 2014 to 1.2%, while the unemployment rate is expected to fall to 12%. The UK is expected to grow by 2.5% this year, as compared to 1.8% for Germany and 1.0% for France.

UK: The UK economy grew by an estimated 0.7% in the three months to December, contributing to its 2.7% growth for 2013, the strongest annual expansion since the start of the financial crisis. However, the economy continues to face headwinds, with both the manufacturing and services sectors expanding at a slower pace in January and retail sales numbers disappointing. Unemployment has also risen to 7.2% and inflation has slowed to below the Bank of England's 2% target for the first time since November 2009. The Bank of England kept its benchmark rate at a record-low 0.5%.

GERMANY: With business confidence at the highest level in three years and unemployment at a record low of 6.8%, Germany is providing the impetus to a fragile recovery in the rest of the euro area, its largest trading partner. On the political front, Chancellor Angela Merkel used her visit to the UK to call for a stronger EU.

ITALY: Italy's Prime Minister Enrico Letta resigned in favour of Matteo Renzi, the head of parliament's biggest party, the Democratic Party. Renzi, seen as the new hope for the country, pledged to overhaul Italy's labour market, modify the tax code and change the country's election law. The change came just as Moody's lifted its outlook on Italy's credit rating from negative to stable as its funding costs retreated and the risk of the state having to bail out banks diminished.

FRANCE: In a bid to shift to more business-friendly policies, the increasingly unpopular President Francois Hollande announced that French business taxes would be harmonised with those of its neighbours, especially Germany, by 2020.

SPAIN: Moody's raised Spain's sovereign debt rating and outlook, citing progress in economic rebalancing, structural reforms and improved market access after around five years of a deep economic downturn. The ratings agency increased the sovereign one notch to Baa2 with a positive outlook. Spain is currently rated one notch above junk at Standard & Poor's, at BBB-minus, with a stable outlook, while Fitch has Spain at two notches above junk, at BBB, with a stable outlook.

GREECE: Greece's primary budget surplus for 2013, excluding interest payments and other one-off items, has come in at over €1.5 billion, much higher than the targets set by the country's international lenders, the EU and the IMF. A primary budget surplus is a key condition set by the lenders to grant the country additional debt relief. However, Greece's unemployment rate rose to a record 28% in November, while the top four banks are expected to require €5 billion in extra capital.

JAPAN: Risks are mounting for Japan as a record trade deficit and the sales tax hike in April threaten to undermine Prime Minister Shinzo Abe's bid to engineer a sustained recovery. The signs are worrying. The fourth quarter GDP growth came in at an annualised 1%, well below expectations. The yen's 18% decline against the US dollar last year while boosting exports, has also driven up inflation (1.3% year-on-year in December) with no commensurate wage increases. In another restraint on growth, all of Japan's 48 operable nuclear reactors are shut for inspections after the 2011 Fukushima crisis, with no date for set restarting them, driving up crude oil import numbers.

INDIA: Triggered by the sharp sell-off of the rupee last year India has reduced its current-account deficit, increased interest rates to 8% and built up foreign-exchange reserves. The tighter monetary policy is bearing fruit, with the consumer price index rising by 8.8% from a year earlier, compared with 9.9% in December, and the rupee strengthening by 11% against the US dollar since hitting a record low in August. The Reserve Bank of India expects the economy to grow by 4.9% in the 12 months to March 2014.

SOUTH AFRICA

February saw the rand retreat back to R10.70 to the US dollar as negativity about emerging markets subsided and despite the continuation of strike action in the platinum sector where AMCU showed no signs of relenting on their demand for a R12 500 minimum wage and rejected the latest offer of a three year wage deal of between 7.5% and 9% increases. In the meantime Amplats launched a court action seeking R591 million in damages for loss of production from AMCU.

The shortfall in South Africa's trade balance, including trade with Botswana, Lesotho, Namibia and Swaziland, which widened to R17.1 billion in January from a revised R2.77 billion surplus in December, had only a temporary impact on the rand.

A firmer gold price fuelled a stronger appetite for mining and resources shares through the month. The financial sector, on the other hand, is facing increasing pressure from unsecured lenders, such as African Bank and Capitec.

On the economic front the Kagiso PMI remained unchanged at 49.9 in January, its weakest level since April 2013. The consumer price index rose by an above-expectation 5.8% year-on-year in January driven up by higher food prices. The producer price index for final manufactured goods increased by 7% year-on-year, and the SACCI's business confidence index dropped to its lowest level in five months.

On a more positive note, the unemployment figure for the fourth quarter of 2013 came in at 24.1%, down from 24.5% at the end of September. The number of people without jobs fell to 4.8 million.

South Africa's GDP growth jumped to an annualised 3.8% in the fourth quarter of last year from 0.7% in the previous quarter due to improved mining and manufacturing production. This brought the 2013 GDP growth to 1.9%.

The Minister of Finance, Pravin Ghordan, delivered one of the most unexciting budgets of the past decade. The highlights included:

- Budget deficit targets have been cut as a weaker rand is expected to boost tax revenue. Budget deficit is set to remain at 4% of GDP in 2014, before narrowing to 3.6% and 2.8% in the following two years.
- Total debt as percentage of GDP continues to grow, rising to 44.3% of GDP in 2016/17. Only 10% of debt is denominated in foreign currencies.
- GDP growth forecasts have been lowered to 2.7% for 2014, 3.2% in 2015 and 3.5% in 2016.
- Inflation is set to average 6.2% this year, declining to 5.9% next year and 5.5% in 2016.
- The current account deficit is expected to average at 5.7% over the next three years.

ODDS AND ENDS

BITCOINS TAKE A KNOCK

Mt. Gox, once the world's largest Bitcoin exchange, filed for bankruptcy in Japan, and said that 850 000 Bitcoins belonging to its customers and the firm were missing. The company believes there is a high possibility that the Bitcoins were stolen as a consequence of weakness in its computer system's security measures. The price of Bitcoins fell from over US$1,000 to US$560 on the news.

CRIMEA BECOMES A HEADLINE

Crimea is an autonomous republic within Ukraine located on the northern coast of the Black Sea. It became part of the Ukraine after the collapse of the Soviet Union in 1992. However, Russia still leases key installations in Crimea, such as the naval base for its Black Sea Fleet. Although Crimea has enjoyed a large degree of autonomy from the Ukraine, the peninsula has strong historic, linguistic and cultural ties to Russia. Its population of roughly two million is predominantly Russian (58%), followed by a large number of Ukrainians (24%) and Crimean Tatars (12%).

The upheaval in the Ukraine began after President Viktor F. Yanukovych, a staunch Russian ally, refused to sign new political and free trade agreements with the EU last year, setting off violent civil unrest that ultimately unravelled his presidency and resulted in an installation of a pro-Western interim government.

By the end of February however, Russian armed forces seized control of Crimea. The move was a direct rebuff to US President Barack Obama, who warned Russia to respect Ukraine's territorial integrity.

In addition to the risk of open war, the move has already had consequences. The US and Canada indicated they would suspend participation in preparatory meetings for the G-8 economic conference to be held in Sochi, Russia, in June, and warned of "greater political and economic isolation" for Russia.

Ukraine is also in dire economic straits. The old government secured a US$15 billion bail-out from Russia, which has now been suspended. The interim government has asked the IMF for help.

NOT GOOD NEWS FOR EMERGING MARKETS

According to a survey of asset managers by Bank of America-Merrill Lynch, global investors are increasingly worried about a sharp slowdown in China, which has eclipsed the US Fed's cutbacks in its bond-buying as the biggest perceived threat to the global economy. The survey polled 222 asset managers who manage a total of US$591 billion of assets. A net 29% of investors are underweight emerging equities, a record low for the survey, which dates back to 2001.

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.