KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	-2.4%	-0.6%	11.1%	14.9%	19.2%	16.3%	20.4%
J200T	FTSE/JSE Top 40 Index	-2.1%	0.0%	11.9%	15.8%	19.6%	16.4%	20.2%
J210T	FTSE/JSE Resources 20 Index	5.7%	5.3%	18.6%	4.7%	1.7%	1.6%	10.3%
J211T	FTSE/JSE Industrials 25 index	-4.9%	-0.8%	10.1%	26.9%	35.4%	29.8%	29.5%
J212T	FTSE/JSE Financials 15 Index	-7.1%	-7.4%	5.3%	7.4%	20.0%	18.3%	21.1%
J403T	FTSE/JSE SWIX Index	-3.3%	-1.6%	10.4%	15.0%	20.0%	17.5%	20.9%
J303T	FTSE/JSE CAPI Index	-2.4%	-0.6%	11.0%	14.9%	19.3%	16.6%	20.7%
J253T	SA Listed Property Index	-7.1%	-9.0%	-3.4%	-0.3%	14.3%	15.9%	17.4%
ALBI	BEASSA All Bond Index	-3.2%	-3.5%	-0.7%	-2.7%	5.2%	7.9%	7.5%
STeFI	STeFI Index	0.4%	1.3%	2.6%	5.2%	5.3%	5.5%	6.4%
	MSCI World Index in SA Rands	3.3%	10.5%	20.5%	43.9%	38.5%	26.4%	18.3%
	Rand/US Dollar Exchange Rate	7.3%	10.5%	12.7%	24.0%	19.4%	15.7%	1.8%
	Rand/Euro Exchange Rate	4.0%	9.8%	14.5%	23.0%	21.3%	15.1%	2.7%
	Headline CPI	0.3%	0.6%	2.4%	5.4%	5.5%	5.7%	5.4%
	PPI	0.5%	1.1%	2.9%	6.5%	6.0%	7.2%	5.6%

"There is no telling whether the unwinding of that policy will be moderately disruptive, not disruptive at all or bring a "cascade" of "intense and brutal changes in the prices of stocks and bonds".

Paul Singer, head of investment firm Elliott Management, Davos, Switzerland

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SYGNIA
THE SUM OF ALL THINGS

January brought a continuation of the sell-off in emerging markets as China's economy appeared to be slowing down and the US Federal Reserve continued with the tapering of quantitative easing. Emergency interest increases in Turkey, India and South Africa did little to stem outflows.

MARKET OVERVIEW

2014 kicked off on a negative note as data releases pointed to a slowdown in manufacturing activity in China and the US. China's official PMI fell to 51.0 in December from 51.4 the previous month, while the US ISM manufacturing index slipped to 57.0% from 57.3% in November. Chinese trade data was also a mixed bag, with exports disappointing.

The negative news was compounded by the minutes of the US Federal Open Market Committee meeting in December which implied that the main reason for the cut in quantitative easing was the fact that the US Fed judged the effects of the monthly asset purchases to be diminishing over time and not the strength of the US economy.

As attention turned away from quantitative easing to economics, investors' moods brightened.

In the US the ADP private survey of job creation reported that, consistent with recent months, 238 000 jobs were created in December. The unemployment rate fell to 6.7% as a large number of people stopped looking for work. Other data was also positive, with rising retail sales, home prices and consumer confidence leading the pack.

In Europe, the upturn in the eurozone's PMI, which came in at 52.7 in December and 53.9 (preliminary) in January, continued, putting the region on course for a 0.2-0.4% GDP expansion in the fourth quarter despite a flat-lining France. The recovery is still largely driven by Germany, where unemployment has dropped to 7.0%, as compared to 12.1% for the eurozone as a whole.

On the European periphery, Ireland successfully returned to the international bond markets. This was followed by Moody's upgrade of Ireland's sovereign credit rating back to investment grade status.

In Japan, the central bank maintained its easing programme in response to accelerating inflation. Consumer prices rose by 1.2% in November from a year earlier, the fastest pace since 2008 and approaching the 2% target set a year ago.

China's GDP grew by 7.7% last year, the same level as in 2012, and beating official estimates of 7.5%.

The second half of January was less rosy, with most emerging markets coming under tremendous sell pressure as investors assimilated the implications of the wind-down in US monetary stimulus. Domestic factors have also played a key role, including political uncertainty in Russia and Turkey and labour unrest in South Africa.

The situation was further exacerbated by the release of a preliminary HSBC PMI figure for China which showed that Chinese manufacturing activity contracted in January for the first time in six months. The PMI came in at 49.6, well below the 50.5 level reached in December.

A subdued corporate earnings season in the US did not help sentiment. Before releasing their fourth quarter reports, a large number of US companies warned of poor earnings. Of the 100 firms to provide an outlook, 80 were negative, 10 were positive and 10 were in line with expectations.

As the flight from emerging markets gathered momentum, currencies in Turkey, Argentina, South Africa and Russia hit record lows in a sign of global contagion. Only countries, such as Indonesia and Brazil, who have responded to the on-going strains with pre-emptive policy rate hikes, have been weathering the tapering shock relatively well.

While the correction in emerging markets currencies was largely anticipated as recovery in mature markets and plans for normalisation of US monetary policy got underway, the pace of adjustment has caught investors by surprise.

The market dynamic did not change despite Turkey raising interest rates by 4.25% to 12.0%. The sharp increase by the country’s central bank, which previously took a fairly passive approach to defending its currency, highlighted just how perilous the situation has become. Turkey, more than any of the others, has borne the brunt of bond sales. Since May, foreign investors have sold, in net terms, US$3.9 billion worth of lira-denominated bonds, according to data from the Institute of International Finance.

The move was followed by India which raised interest rates by 0.25% to 8.0%, and South Africa which had little choice but to hike interest rates by 0.5% to 5.5%.

Argentina allowed the peso to plunge 15% after the central bank began scaling back interventions in the foreign-exchange market to preserve foreign reserves that have fallen to a seven-year low.

Emerging markets slumped further after the US Fed announced that it would trim its bond purchases by a further US$10 billion to US$65 billion a month from February. The action was widely expected, although some investors hoped that the US central bank might put its plans on hold given the turmoil in emerging markets. This was the last meeting for the US Fed chairman Ben Bernanke. The move indicates just how serious the US Fed is about ending the asset-purchase programme in 2014.

On a more positive note, the Fed reiterated its promise to keep rates near zero until well after the US unemployment rate, now at 6.7%, falls below 6.5%, especially if inflation remains below the 2% target.

The sell-off provided a badly needed boost to gold, which traded at its highest levels in two months. However, inflation, a big driver for gold, remains benign in the US, Europe and China. Despite the short-term recovery, the global rotation from bonds into equities is expected to continue to take the shine off commodity prices.

The oil price, on the other hand, hovered around US$107 a barrel as the negative news from China was counter-balanced by stronger demand for oil due to a bitterly cold weather across the northern hemisphere and supply concerns on the back of simmering tensions in the Middle East.

The World Bank and the IMF published their global growth forecasts for 2014 of 3.2% and 3.7% respectively.

360 DEGREES ROUND THE WORLD

LATVIA: Latvia became the 18th member of the eurozone, which also celebrated the 15th anniversary of its launch in 1999.

GERMANY: Germany's world-beating current account surplus hit a new record of US$260 billion in 2013 as its earnings from exported goods were largely invested abroad. Germany's surplus is far higher than that of the world's leading exporter, China, which is in second place with US$195 billion. At 7.3% of GDP, the number once again breaches the European Commission's recommended threshold of 6%.

UK: Consumer inflation fell to 2.0% in December, reaching the Bank of England's target for the first time since November 2009. However, disappointing output figures from both the manufacturing and construction sectors and a downward revision of third quarter growth number point to some weakness in the UK economic recovery.

FRANCE: France has been branded the 'sick man of Europe'. December data releases, including industrial production figures and new car sales, were more positive. The French Central Bank expects GDP growth to rebound to 0.5% quarter-on-quarter in the fourth quarter of 2013, after the economy shrunk by 0.1% in the third quarter of the year.

GREECE: Greece's highest court has ordered a reversal of troika-imposed wage cuts on the country's police and armed forces, in a move that could jettison the government's spending plans and complicate negotiations for the future releases of bail-out funds.

CHINA: China's wages are expected to increase by over 10% in 2014; driving more low-cost manufacturers out of the country as the ruling Communist Party pushes for pay increases to retain public support and to accelerate the shift away from capital-intensive manufacturing to a more services-driven economy. The trend of shifting low-end manufacturing bases to Southeast Asian countries has benefited countries such as Bangladesh, Vietnam and Cambodia.

THAILAND: The risk of Thailand defaulting on its debt peaked as anti-government protests prompted large withdrawals of investments by foreign investors. Prime Minister Yingluck Shinawatra dissolved the parliament in December and called a snap poll for February. The risk of another military coup is growing given the bleak prospects for a negotiated solution.

JAPAN: Japan's population declined by the most on record in 2013, highlighting the demographic challenges faced by Prime Minister Shinzo Abe in reviving the world's third-biggest economy. The population fell by 244 000, the seventh straight year of decline. Rising welfare costs for an ageing nation threaten to worsen a debt burden that is already twice the size of the Japanese economy.

INDIA: India's consumer prices rose by 9.9% year-on-year in December, while the GDP grew by 5.0% in 2013, well below the average of 8.5% shown between 2009 and 2011.

SOUTH AFRICA

The rand continued to extend its slide against major currencies in January, breaking through the R/US$11.20 level for the first time in five years and increasing the likelihood of a breach in the upper inflation target and the probability of a series of interest rate hikes in 2014. From peak to trough the rand has depreciated by about 60% relative to the US dollar since April 2011 when it stood at R/US$6.53.

The broad weakness in the equity market was masked by a surge in resources and rand hedge stocks in response to the weaker rand. Government debt was heavily sold, with the yield for the secondary benchmark bond maturing in 2026 jumping to a two-year high of 8.72%.

Domestic factors did not help, with threats of further labour disruptions on the horizon as Amcu called for strikes at three platinum mines, namely Impala Platinum, Amplats and Lonmin, in pursuit of an unlikely R12 500 per month minimum wage. Amcu has also refused to accept the 8% increase agreed between other unions and the Chamber of Mines in 2013. The strike action was subsequently deferred, but the news has already done damage. Hopes for an immediate resolution remain dim given Amcu's uncompromising approach to negotiations.

On the economic front the Kagiso PMI fell 2.5 points to 49.9 in December, breaching the 50 level for the first time since April 2013. The SARB composite leading business economic indicator declined by 0.1% year-on-year in November, indicating that the outlook for the South African economy over the next six months has deteriorated.

On a positive note retail sales rose more than expected (4.2% year-on-year) in November despite the obvious constraints facing consumers. The consumer price index came in at 5.4% year-on-year in December on the back of lower food prices.

In a surprise move the Reserve Bank increased the repo rate by 0.5% to 5.5% for the first time in five years on deteriorating prospects for inflation due to the lagged effect of a weaker rand. Their forecast average inflation rate for 2014 is now 6.3%. Inflation is expected to breach the upper end of the target range in the second quarter of 2014 and to reach a peak of 6.6% in the final quarter of the year before declining to 6.0% in second quarter of 2015.

Annual growth in 2013 is estimated to have been around 1.9%. The Bank's forecasts for growth in 2014 and 2015 have been revised down to 2.8% and 3.3% respectively.

ODDS AND ENDS

MINTS TAKE OVER FROM BRICS…

Goldman Sachs soothsayer Jim O'Neill, who coined the term Brics (Brazil, Russia, India, China, South Africa), is now hailing the Mints (Mexico, Indonesia, Nigeria and Turkey) as the new frontiers of global growth. Disturbingly for South Africa, whose place in Brics has often been contested, Nigeria appears set to lead the way. With young and large populations they are well placed geographically. Mexico is next to the US, while Indonesia is in a prime position in Southeast Asia. All three are also commodities producers.

…WHILE SOUTH AFRICA IS RELEGATED TO THE FRAGILE FIVE CLUB

The name, the Fragile Five, conceived by a research analyst at Morgan Stanley, identifies Turkey, Brazil, India, South Africa and Indonesia as economies that have become too dependent on skittish foreign investment for their growth.

PIMCO

The giant asset manager PIMCO lost its most prominent spokesman Mohamed A. El-Erian, who resigned unexpectedly. PIMCO, with nearly US$2 trillion in assets, is one of the biggest participants in the global bond markets. As co-chief investment officer and chief executive, El-Erian played a significant role in the company. The founder and co-chief investment officer, Bill Gross, issued an immediate statement and a list of promotions. As an investor with PIMCO, and given the depth of its team, we do not regard the departure as having a material long-term impact on the business.

HOW RICH ARE THE RICH?

According to a study released by Oxfam, the international development aid organisation, in the run-up to the summit in Davos, Switzerland, the richest 85 people in the world own about the same as the poorest half of the world's population. Oxfam attributes this inequality to a "power grab" by the rich elite, with income inequality on the rise in most countries. The report cites opinion polls in the USA, the UK, the Netherlands, Spain, Brazil, India and South Africa, according to which a large majority think that the rich have too much influence. It is an unsurprising, but an ugly statistic.

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