KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	1.8%	4.3%	10.1%	23.6%	23.0%	17.6%	22.0%
J200T	FTSE/JSE Top 40 Index	1.5%	4.7%	10.5%	25.7%	24.2%	17.5%	21.7%
J210T	FTSE/JSE Resources 20 Index	0.1%	10.4%	13.2%	20.2%	10.0%	2.1%	10.3%
J211T	FTSE/JSE Industrials 25 index	1.1%	1.0%	8.1%	30.8%	35.1%	30.2%	32.4%
J212T	FTSE/JSE Financials 15 Index	6.4%	7.1%	14.8%	21.7%	24.8%	23.0%	24.6%
J403T	FTSE/JSE SWIX Index	3.3%	4.8%	11.1%	24.5%	23.2%	19.2%	22.9%
J303T	FTSE/JSE CAPI Index	1.9%	4.3%	10.0%	23.5%	23.1%	17.9%	22.4%
J253T	SA Listed Property Index	4.8%	1.8%	2.8%	1.1%	17.8%	18.6%	19.6%
ALBI	BEASSA All Bond Index	1.8%	0.9%	1.0%	0.6%	7.3%	9.2%	9.0%
STeFI	STeFI Index	0.5%	1.3%	2.6%	5.3%	5.3%	5.4%	6.2%
	MSCI World Index in SA Rands	-1.9%	3.1%	14.9%	35.8%	35.3%	27.8%	20.6%
	Rand/US Dollar Exchange Rate	-2.1%	1.8%	5.1%	14.1%	17.3%	16.0%	1.9%
	Rand/Euro Exchange Rate	-2.2%	0.6%	7.1%	22.9%	19.1%	14.9%	2.8%
	Headline CPI	1.1%	2.1%	2.9%	5.9%	5.9%	5.9%	5.4%
	PPI	1.3%	2.8%	3.8%	7.7%	6.6%	7.1%	6.3%

"As long as the political environment for the G-8 is not at hand, as is the case at the moment, there is no G8 – neither as a concrete summit meeting or even as a format for meetings."

Angela Merkel, the German Chancellor, March 2014

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SYGNIA
THE SUM OF ALL THINGS

MARKET OVERVIEW

The first quarter of 2014 ended on a flat note after a month of volatility brought about by concerns about Chinese growth, a shortened timeline for US interest rate increases and Russia's aggressive annexation of Crimea. Concerns about the impact of the recent bout of cold weather on the US economy also lingered. The combination of economic and geopolitical risks has meant a lot more skittish behaviour by investors.

China's economic data releases through the month painted a picture of a much more rapid slowdown than generally anticipated. China reported slower-than-expected growth in industrial production, retail sales and fixed asset investment, as well as a dramatic 18% drop in exports year-on-year. In addition, the central bank's decision to relax its trading band on the yuan relative to the US dollar, while a welcome sign of financial liberalisation, made currency traders more nervous about what for years has been a relatively safe investment bet.

On the political front, in the worst confrontation since the end of the Cold War, Russia challenged its former foes by annexing Crimea. The initial response from the EU and the US involved imposing travel sanctions and asset freezes on people regarded as close to President Vladimir Putin. However, the lack of more decisive action placed other parts of the Ukraine at risk as Russia built up troops on the border. Geopolitical risk played havoc with market sentiment despite Putin's assurance that he did not want further partitioning of the Ukraine.

Market sentiment took another beating after the US Fed decided to trim bond purchases by a further US$10 billion to US$55 billion a month and announced that it will no longer link short-term interest rate decisions to achieving the 6.5% unemployment target. Instead it will consider a broader range of indicators relating to unemployment, inflation and the financial markets. Going a step further the US Fed also signalled that the first interest rate hike could come as soon as six months after the end of quantitative easing. This could mean the first half of 2015, instead of 2016 as had been anticipated.

Concerns about a shortened timeline for higher interest rates were further exacerbated by more positive US economic data, including stronger consumer spending figures in February, lower unemployment benefit claims in March and an upward revision of the GDP growth rate for the fourth quarter of 2013 to 2.6%.

Month end brought another bout of negative news from China, including the HSCB/Markit "flash" PMI figure which fell to 48.1 in March from 49.5 in January. However, stock markets gained substantial ground on the last day of the month after the US Fed's chair, Janet Yellen, defended the extraordinary measures taken to support the US economy, a tactical move taken as an indication that interest rates will stay low for longer despite previous announcements, and after Chinese Premier Li Keqiang indicated that Beijing was ready to support the cooling economy and that the government had the necessary policies in place and would push ahead with infrastructure investment.

Eurozone inflation fell to 0.5% year-on-year in March, its lowest since November 2009, adding to speculation that the ECB will be forced to cut interest rates in April. In addition, geopolitical tensions appeared to ease as Russia began pulling back some troops from Ukraine's eastern border after the US Secretary of State, John Kerry, met his Russian counterpart, Sergei Lavrov, to discuss the situation in Ukraine.

Gold had a poor month, falling below US$1 300/oz level as an improving US economic outlook and prospects of interest rate increases in the first half of 2015 lifted the US dollar and bolstered appetite for longer term risk.

The oil price ended the month above US$108 a barrel on stronger US economic data and concerns that possible Western sanctions on Russia's energy sector could disrupt global supplies, which have already been stretched by production disruptions in Libya and Nigeria.

Many investors opted to lock in gains while observing developments.

360 DEGREES ROUND THE WORLD

GERMANY: Economic data from Europe's largest economy reinforced the picture of an accelerating recovery. However, investor and business confidence fell sharply in March on concerns about a possible confrontation with Russia. The EU relies on Russia for a third of its energy imports.

FRANCE: Unemployment in France surged to a new high of 10.2% in February, contributing to President Francois Hollande's record low poll ratings.

ITALY: Italy's new Prime Minister Matteo Renzi announced a series of tax cuts, spending measures and labour market reforms in an effort to jump-start the economy. The EU responded by warning Italy that it had to respect EU budget rules on cutting its deficit and debt.

SPAIN: With an election due in November 2015, the Spanish government is visibly wavering in its resolve to tackle unemployment and revamp the tax system. With its bond yields falling, Spain is paying less to fund itself than Italy, allowing the politicians to slow down on reform. This comes at a time when the Bank of Spain announced a budget deficit of 7.1% of GDP for 2013, well ahead of its target of 6.5%.

GREECE: Greece's economy shrank by 3.9% in 2013, bringing the cumulative contraction over the past six years to almost 24%. This is the sharpest decline since 1945. On a positive note, however, the country has finally struck a deal with its international lenders to unlock the next tranche of bail-out loans after six months of negotiations.

UK: The Bank of England held its benchmark interest rate at 0.5%, while indicating that there was no rush to remove the emergency stimulus. Given that inflation slipped to its lowest level in four years in February, at 1.7% year-on-year, low interest rates seem necessary to support the recovery. In the meantime, the finance minister, George Osborne, presented his first populist budget since 2008, including a significant relaxation of limits on lump sum payments on retirement from defined contribution plans.

USA: The job growth figures accelerated in February despite the icy weather that gripped the US, easing fears of an abrupt economic slowdown. The unemployment rate rose, however, to 6.7% from a five-year low of 6.6% in January, as Americans flooded into the labour market in search of work.

Other data releases seemed to confirm the news that any weather-related economic effects would be less severe than anticipated. Rising retail sales, declining jobless benefits claims, a rebound in industrial production figures and improving confidence numbers all painted a positive picture. Even the property market continued to pick up, with the S&P/Case-Shiller index of property values in 20 cities rising by 13.2% year-on-year. This comes against a backdrop of minimal inflation, with February's consumer prices rising by 1.1% year-on-year, well below the US Fed's 2% target.

JAPAN: Japan's central bank kept monetary policy unchanged despite the downward revision of the GDP growth figure for the fourth quarter of 2013 from 1% to 0.7%.

INDIA: Prime Minister Manmohan Singh's Congress Party is heading for its worst performance in a general election scheduled for April, as inflation, slowing economic growth and a series of corruption scandals have visibly eroded voter support.

CHINA: China shocked the markets with weaker than expected trade and inflation data. Exports dropped by 18.1% in February from a year earlier, while consumer inflation came in at 2% year-on-year with the February figure at its lowest in 13 months. Indicative of China's wobbly economy fighting substantial slack, producer prices fell for the 24th consecutive month, dropping by 2%. Simultaneously, credit growth slowed amid a crackdown on shadow lending, as did real estate investment. The signs are that the 7.5% GDP growth set for 2014 might become a challenging target to achieve. On a positive note, with inflation clearly not a threat, China has the room to ease monetary policies to bolster the economy.

SOUTH AFRICA

March brought a reminder of just how precarious the national power grid is after Eskom imposed rolling blackouts for the first time since 2008. Other bad news included the continuation of strikes in the platinum sector, the release of the perception-damaging Nkandla report and a record rainfall in Gauteng which is likely to cause further damage to the economy. Amplats, the largest platinum miner in the world, openly questioned the viability of keeping the Rustenburg and Union mines open if the strike continues.

The consumer inflation figure came in at a higher than expected 5.9% year-on-year, up from 5.8% a month previously. Despite that the Reserve Bank kept the repo rate on hold at 5.5% and indicated that it would raise interest rates more slowly than it had in the previous cycle. However the Reserve Bank governor, Gill Marcus, was unequivocal that interest rates will be increased in the future. The Bank expects inflation to average 5.8% this year, while the GDP growth forecast has been cut to 2.6% for this year and 3.1% for 2015, compared with estimates of 2.8% and 3.3%, respectively, in January.

The news of no interest rate increases saw consumer stocks stage a strong recovery, while the rand strengthened to R10.55 to the US dollar, taking comfort from the Bank's indication of higher interest rates in future.

Other positive news included the fact that the trade balance recorded a R1.72 billion surplus in February from a R16.93 billion deficit in January as exports outpaced imports, and manufacturing production increased by 3.4% quarter-on-quarter in the first three months of the year. In addition, the seasonally adjusted Kagiso PMI rose by 1.8 points to 51.7 in February, a recovery mainly driven by an improvement in new sales orders.

ODDS AND ENDS

G-8 SHRINKS TO G-7

Russia's membership of G-8 has been suspended. The now "G-7" powers decided to hold the next summit in Brussels instead of a planned G-8 meeting in Sochi, Russia. The G-8 group has provided a forum for contacts between the western industrialised nations and Russia since 1998. Russia shrugged off the announcement as insignificant, describing the G-8 as an "informal group".

RENEWAL OF THE "COLD WAR"?

The annexation of Crimea has brought back vivid memories of the Cold War stand-offs between the Western powers and Russia. In reality, the decision to invade Crimea seems like a reactive, impulsive move rather than the implementation of a long-term strategic plan. On the surface the decision was triggered by the ousting of a Russia-friendly government led by Viktor Yanukovych. When Yanukovych fled the country, Russia's control over Ukraine dissipated overnight. Faced with a complete loss of power over the region, and after the West rejected a number of compromise solutions he put forward for the Ukraine, Putin felt he had little choice but to invade.

The true reasons might well go deeper. The Crimea invasion is also the culmination of many years of Putin feeling aggrieved over what he perceives as double standards of the international political system, with the US deciding what is right or wrong. He has also expressed dissatisfaction with the fact that Russia has been unfairly victimised and marginalised by the west, with Sochi being the final straw. The 2014 Winter Olympics was Putin's pet project, costing upward of US$50 billion, and yet the build-up was spoiled by protests over gay rights and security concerns, with few heads of state attending the Games.

So far the decision to seize Crimea has gone down well in Russia. However, public adulation is fleeting and the economic reality of sanctions, should those be applied, may well turn the situation on its head. Putin shares those concerns, as evidenced by his phone call to President Barack Obama at month end to discuss a possible diplomatic resolution to the crisis in Ukraine, and the subsequent Paris-based accord meeting between the US and Russian Secretaries of State.

NASPERS DISAPPOINTED

Naspers shares came under pressure after the Chinese central bank disallowed Naspers subsidiary, Tencent, to sell virtual credit cards to customers. Tencent, which is 34% owned by Naspers, is a Chinese company offering a diverse range of internet-based services, including China's largest instant messenger service, one of the largest web portals and a hugely popular mobile chat service.

CANDY CRUSH GETS "CRUSHED"

The high profile initial public offering of King Digital, the maker of the computer game Candy Crush, on the New York Stock Exchange got a cold reception, with the share price plunging nearly 16% in its first day of trading. Most IPOs in the past two years have seen an average of 22% increase. The dive sent shivers through the frothy IPO market, leading to comparisons to the IPO peak in 2000. This came on the back of a general sell-off in technology stocks, such as Facebook, Twitter and Yelp, which led to the Nasdaq 100 Index falling by 4.2% since reaching a 13-year peak on 5 March 2014.

DISCLOSURE

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