KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	8.5%	7.1%	11.9%	30.7%	17.2%	19.2%	8.9%
J200T	FTSE/JSE Top 40 Index	10.4%	8.0%	12.5%	32.7%	16.8%	19.3%	7.6%
J210T	FTSE/JSE Resources 20 Index	12.4%	0.0%	-0.1%	8.6%	-3.2%	3.7%	-5.0%
J211T	FTSE/JSE Industrials 25 index	11.6%	14.8%	21.1%	53.6%	33.7%	33.6%	20.3%
J212T	FTSE/JSE Financials 15 Index	2.1%	5.0%	14.8%	29.4%	23.2%	20.5%	15.6%
J403T	FTSE/JSE SWIX Index	6.7%	6.2%	11.2%	28.6%	18.5%	19.7%	10.6%
J303T	FTSE/JSE CAPI Index	8.3%	7.1%	11.9%	30.7%	17.5%	19.3%	9.9%
J253T	SA Listed Property	-11.1%	-1.4%	4.6%	27.0%	23.2%	22.2%	22.7%
ALBI	BESA All Bond Index	-4.6%	-0.5%	2.5%	11.5%	11.3%	11.3%	12.1%
STeFI	STeFI Index	0.4%	1.3%	2.5%	5.3%	5.5%	5.8%	7.3%
	MSCI World Index in SA Rands	12.3%	17.9%	28.3%	51.5%	29.8%	24.2%	7.4%
	Rand/US Dollar Exchange Rate	12.3%	11.6%	13.3%	18.5%	21.7%	9.6%	5.8%
	Rand/Euro Exchange Rate	10.9%	11.2%	13.5%	24.7%	15.6%	11.6%	2.1%
	Headline CPI	0.4%	2.6%	3.4%	5.9%	6.0%	5.4%	5.9%
	PPI	0.4%	1.9%	2.9%	5.4%	6.6%	6.6%	5.6%

"If we do not resolve our labour relations challenges, we will be losers. But if we find a balanced, fair, socially responsible solution, we all stand to gain and we will see higher investment, higher employment, and improvements in living conditions."

Finance Minister Pravin Gordhan in parliament, commenting on the sharp deterioration of the rand.

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SYGNIA
THE SUM OF ALL THINGS

After a downbeat April, markets rebounded in May, fuelled by supportive monetary policies from central banks around the world. Commodities and the rand, however, had a torrid time, while the first quarter GDP growth figures worldwide provided few positive surprises.

MONETARY POLICIES FUEL THE RALLY

May opened with anti-austerity demonstrations in Greece, Turkey and Spain marking the traditional Workers' Day. Concerns about a slowdown in the US were reinforced by figures which showed that private employers added fewer jobs than anticipated last month, while the Markit manufacturing PMI slipped to 52.1 in April from 54.6 in March, its lowest reading since October 2012. A reading above 50 indicates expansion.

Figures from China followed a similar pattern with the manufacturing and services PMIs both falling in April (to 50.6 and 54.5 respectively), and with inflation, at 2.4% year-on-year, well below the government's 3.5% target.

Markit's manufacturing PMI for the eurozone, on the other hand, stabilised at 46.7 relative to 46.8 in March, lending credence to predictions of some improvement in the latter half the year. The first quarter growth figures were a disappointment, with the overall eurozone's GDP contracting by 0.2% quarter-on-quarter, Spain and Italy by 0.5%, and France by 0.2%. Only Germany narrowly avoided a contraction, with the economy growing by 0.1%, and with momentum on the up as industrial production, factory orders and exports all increased more than forecast in May.

On a positive note, Japan's economy expanded by an annualised 3.5% in the first quarter driven primarily by consumer spending and export gains, a vast improvement on the 1% growth in the previous quarter, and the two quarters of contraction preceding that. Industrial production figures also beat estimates. These are the first signs that the re-inflation campaign mounted by Prime Minister Shinzo Abe and Bank of Japan chief Haruhiko Kuroda might be working.

Despite starting on a down, market sentiment lifted dramatically after the European Central Bank lowered its benchmark interest rate by 25 basis points to 0.5% and emphasised that it will continue to lend banks as much money as they needed until mid-2014. The news sent US stocks to record heights, with the Dow Jones Industrials Average soaring above 15 000 and the S&P 500 index above 1 600. The jubilation was further fuelled by the news that the US unemployment rate had fallen to 7.5%, its lowest level since December 2008.

The rebound pushed the gold price below the psychologically significant US$1 400 level, triggering a bout of heavy selling which saw the metal re-test its two-year low of US$1 321.35 hit in April. Holdings in gold-backed exchange-traded products dropped to their lowest level since July 2011.

The positive mood was a turnkey for Portugal, Spain and Italy which all raised money in the bond market as investors, flush with central bank liquidity, snapped up anything offering higher yield.

Other countries, including Australia, Korea, India and Poland, followed the ECB in cutting interest rates.

Positive economic data from the US and China provided even more support to the rally.

China's export and import growth, industrial production and retail sales accelerated in April, even as urban fixed-asset investment, a gauge of construction and infrastructure spending, slowed and foreign direct investment figures missed estimates. The trade figures were immediately attacked as fake coming against a backdrop of a slowdown in exports to the US and Europe.

In the US, corporate and household borrowing, new claims for jobless benefits, housing market data and retail sales figures all came in above expectations. The consumers' economic outlook improved to its best reading in five months, indicating that Americans are looking beyond the current slowdown to a rebound in growth later this year. The US consumer price index dropped by 0.4% month-on-month, the biggest decrease since December 2008, bringing year-on-year inflation to 1.1%, as cheaper fuel costs helped to compensate for the burden of higher taxes.

Bucking the trend, South African mining stocks fell after Amplats, the world's largest platinum producer, announced a revised restructuring plan with only 6 000 mining jobs being cut instead of 14 000. Lonmin followed with the announcement of a wildcat strike and shut-down of 13 shafts as protesters demanded the closure of the NUM offices at the mine after AMCU announced it represents over 70% of the workforce. Sentiment was not helped by the banking sector which fell after Abil, which owns the furniture retailer Ellerines, announced a 26% drop in its six-month headline earnings. Concerns about a bubble in the unsecured lending sector pulled all other banking stocks down. The Reserve Bank has indicated that it did not believe that the level of unsecured lending poses a systemic risk to the banking system as a whole. Total unsecured credit exposure grew by 24.4% to R453 billion in March 2013, from R364 billion a year earlier. Total banking assets amount to R3.6 trillion. The average capital adequacy of the banking system remains above the minimum requirement of 9.5%, at 15.9%.

Adding to the woes, the rand dropped sharply against the US dollar after the US Federal Reserve chairman Ben Bernanke indicated that the quantitative easing programme would remain in place until such time as the US Fed saw a sustained US economic recovery. However, the minutes of the last US Fed's policy meeting showed that some officials were willing to scale back the stimulus as early as June if the economy picks up. The mixed message unleashed a wave of turbulence in the financial markets.

Flash manufacturing PMIs for May added to the uncertainty. While eurozone gauges pointed to a recovery, with Markit's composite PMI rising to a three-month high of 47.7, HSBC's manufacturing PMI for China, fell to a seven-month low of 49.6 in May from April's 50.4.

However, the concerns were short-lived as stocks rose again after the Bank of Japan and the ECB reassured investors that policies designed to boost growth would stay in place, and after the release of data which showed that US consumer confidence has climbed to its highest level since 2008 and home values jumped the most in seven years. Unfortunately, the robust economic data proved to be a double-edged sword as markets retreated on concerns that the US Fed may start to ease up on its stimulus program.

Month-end brought an uptick in the gold price on buying of physical gold bars across Asia and a sharp downward correction in the Nikkei which had soared by more than 80% between November and May. The nervousness in Japan rubbed off on markets elsewhere, with economic data adding to the more sombre mood. In the US weaker than expected consumer spending and inflation data curbed speculation of an early scale-back of economic stimulus, while the EU indicated that unemployment in the eurozone had reached a new high of 12.2% in April. In South Africa, resource and rand hedge shares bounced back due primarily to the weakness of the rand.

According to research done by the OECD the global economy is slowly regaining its strength, driven largely by the rebound of the US and Japan, but record-high unemployment in Europe continues to drag on efforts to recover in that region. The organisation predicted that the aggregate GDP in its 34 member countries, all of which have developed economies, would grow by 1.2% this year. The euro-area economy is predicted to shrink by 0.6% this year before expanding by 1.1% in 2014, while the US economy would rise by 1.9% this year and by 2.8% in 2014. China, a non-member country, is expected to expand by 7.8% in 2013.

SOUTH AFRICA

South African markets rose in unison with global bourses despite the continued sell-off in mining counters on a combination of domestic labour tensions and weaker metal prices. The headlight-grabbing act was the rand which plunged to its weakest level in four years against the US dollar on negative sentiment about socio-economic issues in the country, manifesting themselves through the violent labour unrest in the mining sector, and weak first quarter GDP growth numbers.

Economic growth as measured by the seasonally adjusted GDP growth slowed to an annualised 0.9% quarter-on-quarter in the first quarter of 2013 from 2.1% in the previous quarter, the weakest figure since early 2009. On an unadjusted year-on-year basis, the economy grew by 1.9%, down from 2.5% in the previous three months. Although the main culprit was manufacturing, which fell by 1.2% over the quarter, the slowdown was quite broad-based, including contractions in the agricultural and utilities sectors, as well as many sectors dependent on domestic demand. A marginal recovery in the mining sector was insufficient to offset the slowdown.

The figure was released after the Reserve Bank had already cut its GDP growth forecast for 2013 from 2.7% to 2.4%, despite keeping interest rates stable. International agencies followed, with the World Bank cutting its growth forecast for South Africa from 3.2% to 2.5% in 2013, citing increased domestic and external risks, including volatile labour relations, delays in new electricity generation and the risks posed by sudden foreign capital outflows. The OECD strongly encouraged the Reserve Bank to cut interest rates again.

The rand breached the R10 to the US dollar level after President Jacob Zuma commented on the economy, warning that the recovery is too weak and is being hampered by tumbling commodity prices and a wave of labour unrest. Zuma urged participants in pending wage talks in the gold, coal and platinum mining sectors to find quick resolutions to negotiations and has tasked Deputy President Kgalema Motlanthe, a former general secretary of the NUM, as well as the finance, mineral resources and labour ministers to mediate in the conflict between the unions. The lack of any new policy announcements was greeted with disappointment.

On a positive note the S&P affirmed its sovereign credit rating for South Africa, albeit warning it could lower its currency rating if the government's fiscal policy flexibility decreases, particularly if public-sector wages or debt-service costs rise more than expected.

On the economic front manufacturing activity expanded in April, with the Kagiso PMI rising to 50.5 from 49.3 in March on strong gains in the business activity and new sales orders sub-indices.

Unemployment, as calculated by Stats SA, rose to 25.2% in the first quarter, up from 24.9% in the fourth quarter of last year, with the number of unemployed people increasing to 4.6 million.

The Consumer Price Index remained unchanged at 5.9% year-on-year in April. On a month-on-month basis, inflation slowed to 0.4% compared with 1.2% in March. The biggest threats to future inflation are the recent above-inflation wage settlements (Transnet at 8.5%, bus drivers at 9.5%) which have set the tone for other industries. The high increases with no commensurate increase in productivity, once again highlights South Africa's inflexible labour legislation.

GLOBAL SNAPSHOTS

Japan

Japan's efforts to end decades of deflation, dubbed "Abenomics", are dependent on a "three arrow" approach, an analogy which refers to a 16th century Samurai warlord who tried to teach his sons unity by showing them a single arrow could be snapped easily, while three together were hard to break.

The first two "arrows", fiscal and monetary stimulus, have caused shares to rise and the yen to slump. Abe's third arrow involves boosting private investment through deregulation, taxes, spending and equipment-leasing deals. The third arrow is vital. If Japan does not manage to create sustainable domestic demand, Abe's policies will become yet another attempt to export their way out of the vast problems of the domestic economy.

The Netherlands

Interestingly, the Netherlands is one of the most heavily indebted countries in the world with consumer debt at 250% of available income, one of the highest levels in the world. As a benchmark, in Spain, the figure has never exceeded 125%. The Netherlands' household debt level exceeds both Ireland and Greece. With the economy in a recession (the IMF predicts a contraction of 0.5% in 2013) and rising unemployment (8.1% in March), it is an open question how long it can support its ally, Germany, in calling for austerity.

China

According to research by the Bank of America, China's trade surplus is approximately one-tenth the official US$61 billion reported so far this year, and has in fact shrank rather than expanding in 2013. Overstated exports would means that real growth could be even weaker. Some suspected ruses include counting flows associated with arbitrage between the onshore and offshore exchange rates for the yuan as "trade". The research underscores the skepticism about Chinese statistics in general.

ODDS AND ENDS

Fortunes are made

Microsoft founder Bill Gates has regained the title of world's richest person from the Mexican telecommunications billionaire Carlos Slim, with a fortune valued at US$72.7 billion, in the Bloomberg's billionaire index. Spanish fashion mogul Amancio Ortega came third, and Warren Buffet fourth.

A bit of nostalgia

Greece's government has sought a legal opinion on whether the sale of Skorpios island, the private retreat of late ship-owner Aristotle Onassis, by his granddaughter Athina Onassis to an unnamed Russian billionaire is in public interest. Onassis, who died in 1975 at age 69, specified in his will that Skorpios should stay with his descendants as long as they can afford to maintain it and pass to the state if they cannot. Onassis married his second wife, Jacqueline Kennedy, on Skorpios in 1968. He is buried on the island along with his sister Artemis, his son Alexander and daughter Christina.

Oil price – the "new LIBOR"

The London offices of BP, Platts and Royal Dutch Shell, as well as Shell's Rotterdam offices and Statoil in Norway, were raided by the European Commission. In a case akin to the LIBOR benchmark rate manipulation, the EC suspects the oil companies of colluding to manipulate the benchmark price for a number of oil and refined products by providing distorted prices to the price reporting agency Platts. Such manipulation could have had a huge impact on prices paid by consumers. Price reporting agencies operate as unregulated bodies. Traders can influence oil prices for their own profit by giving the agencies a partial picture of the trades they conducted.

FOOTNOTE

In a shameful indictment of the effectiveness of the South Africa's judicial system J Arthur Brown, the alleged mastermind behind the Fidentia fraud which left thousands of the most vulnerable in poverty, has been given a suspended 18 months prison sentence for two fraud convictions and a R150 000 fine. The State originally laid 192 charges against him. For those of us in the financial services industry, who understand how the fraud was perpetrated and how the court has been manipulated through endless legal manoeuvres, this judgement is, and will always remain, an outrage.

DISCLOSURE