KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	3.6%	11.7%	19.3%	26.2%	22.4%	17.9%	20.2%
J200T	FTSE/JSE Top 40 Index	3.3%	11.9%	21.2%	26.8%	22.0%	18.0%	19.6%
J210T	FTSE/JSE Resources 20 Index	2.9%	12.6%	19.4%	3.9%	1.4%	2.1%	9.6%
J211T	FTSE/JSE Industrials 25 index	2.6%	11.0%	24.2%	43.1%	37.4%	30.7%	28.0%
J212T	FTSE/JSE Financials 15 Index	7.5%	13.7%	13.9%	31.0%	30.6%	21.8%	21.5%
J403T	FTSE/JSE SWIX Index	4.1%	12.2%	18.7%	26.3%	24.0%	19.0%	21.1%
J303T	FTSE/JSE CAPI Index	3.6%	11.7%	19.2%	26.4%	22.5%	18.1%	20.5%
J253T	SA Listed Property	3.0%	6.1%	-5.6%	18.5%	23.3%	18.5%	23.0%
ALBI	BESA All Bond Index	0.4%	2.9%	-4.0%	4.1%	8.6%	8.3%	10.2%
STeFI	STeFI Index	0.4%	1.3%	2.6%	5.2%	5.4%	5.5%	6.7%
	MSCI World Index in SA Rands	4.2%	9.0%	22.9%	45.9%	32.0%	26.3%	14.0%
	Rand/US Dollar Exchange Rate	0.3%	2.1%	12.0%	16.0%	12.5%	12.9%	0.6%
	Rand/Euro Exchange Rate	0.7%	4.2%	15.5%	21.4%	11.3%	12.0%	1.9%
	Headline CPI	0.5%	1.8%	2.2%	6.0%	5.7%	5.7%	5.3%
	PPI	0.4%	1.8%	3.3%	6.7%	5.3%	7.0%	4.7%

"My simple message today is, call a vote.
Stop this farce, and end this shutdown right now."

President Barack Obama calling on the speaker of the House,
John Boehner, to call for a House vote on lifting the debt ceiling.

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SYGNIA
THE SUM OF ALL THINGS

October brought another market rally despite a slow start after the US government shut down for the first time in 17 years. Positive economic data from the eurozone and China, and a growing expectation that the US Federal Reserve will continue the quantitative easing programme for longer fuelled positive sentiment.

MARKET OVERVIEW

The markets started on a jittery note after the US government shut down as the Republicans in the House looked to stall President Barack Obama's Affordable Care Act by refusing to pass the spending bill. With the debt ceiling due to be reached on 17th October there was little time to negotiate.

However, within days investors largely discounted the risk of the US defaulting on its debt, and, with official unemployment data from the US delayed by the shutdown, focused instead on economic data from other regions. The lack of US data supported the view that the US Fed was unlikely to slow the pace of its monthly bond purchases at its October meeting. The official appointment of the US Fed Vice Chairwoman Janet Yellen as the successor to Ben Bernanke was also received positively.

The eurozone continued to show signs of recovery with the manufacturing and services sectors expanding for the third straight month in September, retail sales rising and the unemployment rate level at 12.0% in August.

The impasse in the US allowed the Chinese President Xi Jinping to dominate the Asia-Pacific Economic Co-operation forum in Bali. The meeting is the traditional platform for both to vie for greater economic and strategic influence in a region where trade and growth potential remains high.

The deadlock was broken the day before the debt ceiling was to be reached, with the Senate pushing through an agreement to extend the debt ceiling to 7 February 2014 and to re-open the government with funding approved until 15 January 2014. The opinion polls showed that the public largely blames the Republicans for the stalemate. Although widely regarded as a temporary fix, the agreement might be sufficient to hold off any tapering of quantitative easing until the end of 2013.

The markets continued their climb, with the JSE closing above 45 500 for the first time and the S&P500 reaching consecutive record highs, as China released upbeat growth figures which showed that the economy grew by 7.8% year-on-year in the third quarter. The preliminary HSBC/Markit manufacturing PMI for October also exceeded expectations in a sign that the recovery is gaining momentum.

The US earnings reporting season kicked off with mixed results, with some significant disappointments, as well as positive revenue surprises from the technology sector.

The banking sector is in the headlines again after the ECB announced it will begin a thorough review of 130 European banks in November to see if they are healthy enough to withstand another crisis. This was compounded by the IMF warning that about one-fifth of combined corporate loans in Spain, Portugal and

Italy are at risk of default. Although nobody knows the true scale of potential losses, the IMF hinted that Spanish and Italian banks alone face €230 billion of losses over the next two years.

The announcement came at the same time as the report that China's largest banks have tripled the amount of bad loans written off in the first half of 2013 in an effort to clean up their books ahead of a potential wave of fresh defaults.

China's benchmark money-market rate jumped the most since July as the central bank refrained from adding funds to the market in an effort to dampen the property market.

The oil price hovered between US$102 and US$110 a barrel as violence in the Middle East and the recent US raids in Libya and Somalia fed concerns over oil supplies. The kidnapping of Libya's prime minister renewed concerns over oil supplies from the Middle East and North Africa. But the International Energy Agency's prediction of strong growth in non-OPEC supply next year and higher than expected US reserves kept a lid on prices.

The October rally tapered off somewhat at month-end as the US Fed's statement following the meeting of its policy committee was interpreted as less alarmist and, as such, an indication that a policy change could be on the cards sooner than the widely expected March 2014. The US Fed maintained its optimistic assessment of "growing underlying strength in the broader economy". The decision followed the first October employment data which showed that the budget battles in Washington have taken their toll, with the monthly job creation number coming in at the lowest level in six months.

Gold gained ground over the latter half of October to top US$1 335 an ounce, but slipped again on the back of US Fed's latest policy outlook. Gold prices have fallen nearly 20% this year in the expectation of an imminent scaling back of monetary stimulus by the US Fed.

360 DEGREES ROUND THE WORLD

US: The US government expects that the October shutdown trimmed 0.25% from fourth-quarter economic growth and cost 120 000 jobs. Other economic data also pointed to a patch of weakness, with the services and manufacturing sectors slowing down, jobless claims inching up and home purchases falling as rising prices and mortgage rates discouraged would-be buyers.

EUROZONE: The number of people out of work in the eurozone rose slightly to 12.2% in September, signalling that renewed economic growth has not yet filtered through to the labour market. Joblessness continued to rise in France, Italy and Belgium, offsetting improvements in Germany and Portugal. Employment is typically one of the last components of the economy to respond in an upturn, because companies tend to wait to hire people until they are sure business is really getting better.

GERMANY: German Chancellor Angela Merkel and the Social Democrats continued with negotiations regarding the structure of a new government, with the fight for control of the finance ministry looming in the background. Coalition negotiations were unfortunately overshadowed by reports that the US government had tapped Merkel's mobile phone.

UK: The UK economy expanded at the rate of 0.8% in the third quarter, up from 0.7% in the previous three-month period, marking the fastest rate of growth in more than three years. The data showed that output from all four main sectors of the economy, services, industrial production, construction, and agriculture, grew, indicating a broad based recovery. The Bank of England voted unanimously to keep policy unchanged as economic data pointed to a "robust" recovery. The IMF lifted its forecasts for UK economic growth to 1.4% in 2013 and 1.9% next year, about half a percentage point more than before.

FRANCE: The Bank of France cut its forecast for third quarter growth to just 0.1%.

ITALY: Prime Minister Enrico Letta, who leads a fractious coalition with former Prime Minister Silvio Berlusconi's People of Freedom party cobbled together after inconclusive February elections, was forced to call for a vote of confidence after Berlusconi withdrew his support from the government and ordered five ministers to resign. The fissures stem from Berlusconi's legal troubles whereby his tax-fraud conviction subjects him to expulsion proceedings in parliament. In a Senate debate leading up to the vote, Berlusconi unexpectedly reversed his position, after failing to gain support.

On the economic front Italy's jobless rate rose to 12.3% in September, the highest since records began in 1977 and almost double Germany's 6.9%. The Italian government expects that unemployment in the euro zone's third-biggest economy will keep rising against the backdrop of a fragmented coalition.

SPAIN: Spain emerged from a two-year recession in the third quarter, with their GDP expanding by 0.1% from the second quarter when it shrank 0.1%. Year-on-year the economy contracted by 1.2%. The third quarter also brought a decline in unemployment to 26% as tourist visits to the end of September reached 48.8 million, the highest level for a nine-month period since at least 2000.

CHINA: The Chinese economy has stabilised although the recovery is uneven. September manufacturing figures disappointed, consumer inflation has picked up to 3.1% year-on-year and exports have dipped. The latter is a worrying sign, although trade figures remain distorted by fake export invoices used to disguise capital inflows.

The People's Bank of China is refraining from injecting funds into the economy as part of efforts to counter surging property prices in the capital and rising discontent over the city's record-high home prices. China's house prices in September rose 9.1% from a year earlier, with prices in the largest cities rising much faster than the national average.

The third quarter growth figure came in at a comfortable 7.8% year-on-year, a pick up reflecting the implementation of a "mini" fiscal stimulus, including railway spend and tax cuts, to support the economy.

JAPAN: Prime Minister Shinzo Abe decided to raise sales tax in April 2014 despite concerns that this will impact on growth. At the same time he delayed key labour market deregulation supported by the business sector and seen as crucial to the success of Abenomics policies.

INDIA: The World Bank lowered its growth forecast for India from 6.1% to 4.7% for the current fiscal year, citing a sharp slowdown in manufacturing and investment as well as negative business confidence. The IMF cut its growth forecast to 3.8% in 2013 and 5.1% growth for 2014.

SOUTH AFRICA

Economic indicators have started to reflect the effects of the costly strike action of past months.

The trade deficit widened to the largest gap in seven months in August as strikes curbed commodity exports. Overall the deficit of R107.3 billion for the year is 54% bigger than it was in the same period a year earlier. The Kagiso PMI fell to an eight-month low in September falling to 49.1 from August's 56.5.

The heavily subsidised car industry took a heavy hit after BMW, having settled on a 10% wage increase for next year, simultaneously announced its decision to stop expansion in South Africa.

On a more positive note retail sales grew more than expected at 3.0% year-on-year in August, the CPI inflation decreased to 6.0% year-on-year in September from 6.4% in August, and PPI inflation remained level at 6.7%. Furthermore unemployment fell to 24.7% in the third quarter on a combination of people dropping out of the workforce and some job creation. The expanded definition of unemployment, which includes people who are not actively looking for work, fell to 35.6%.

The Medium Term Budget Policy Statement brought few surprises. The overall outlook is one of a low growth environment for the next three years with a modestly improving budget deficit and a rising level of public debt.

The headline numbers were:

- GDP to grow steadily over the next few years: 2.1% in 2013, 3% in 2014, 3.2% in 2015 and 3.5% in 2016.
- Inflation to remain below 6% in the medium term: 5.9% in 2013, 5.6% in 2014, 5.4% in 2015 and 5.4% in 2016.
- Current account deficit as a percentage of GDP to remain stable: -6.5% in 2013, -6.4% in 2014,
- -6.2% in 2015, -6.1% in 2016.
- Budget deficit as a percentage of GDP to narrow from 4.2% in 2013 to 4.1% in 2014, 3.8% in 2015 and 3% in 2016.

The most entertaining aspect of the budget was the crackdown on public sector spending, with limits being placed on business class travel, overseas delegations, compensation for personal car use, housing provisions, credit cards and funding of alcohol consumption.

The new B-BBEE codes have also been released, with the clear intention of tightening empowerment legislation. Most companies will struggle to keep their current BEE ratings. The new codes contain five rather than seven elements and provide for penalties should an enterprise fail to reach the minimum standard in three areas: ownership; enterprise development and procurement and skills development.

In headline news, South Africa cancelled its bilateral investment treaty with Germany, one of its most important trading partners, amid protests by German businesses. The move comes as part of government's stated intention of ending bilateral treaties with individual countries and replacing them with general legislation.

ODDS AND ENDS

OBAMACARE

The three-year effort to open the Obamacare health-insurance exchanges culminated in a launch beset by logistical delays and website failures. The Affordable Care Act requires most Americans to obtain health insurance starting next year, or pay a fine. To make finding coverage easier, the law set up government-run exchanges where consumers can buy plans from insurance companies with the help of tax credits. Not all states have signed up for the roll-out.

IMF GROWTH FORECASTS

The IMF cut its global economic growth outlook for 2013 by 0.3% to 2.9% and for 2014 to 3.6% as capital outflows weaken emerging markets and the US government shutdown depressed confidence. Emerging economies, struggling with the dual challenges of slowing growth and tighter global financial conditions, are expected to grow by 4.5%. The US forecast has been cut to 1.6% this year and 2.6% next year. Japan maintained its outlook of 2% growth this year and 1.2% next year. The IMF raised its forecast for the euro area to a contraction of 0.4% this year. China's projected growth has been cut to 7.6% in 2013 and 7.3% in 2014.

AN UPDATE ON SYRIA

The international chemical weapons watchdog, the Organisation for the Prohibition of Chemical Weapons in The Hague, said that Syria had met an important deadline for the "functional destruction" of all the chemical weapons production and mixing facilities it declared to inspectors. A joint OPCW-UN team of inspectors had visited 21 of the 23 chemical sites Syria declared to them. While the remaining two sites were too hazardous to visit because of the country's civil war, the chemical-making equipment there had already been moved to other sites. The next phase is Syria's destruction of its stockpiles of chemical weapons by mid-2014.

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