KEY INDICATORS

		1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
J203T	FTSE/JSE All Share Index	5.1%	12.5%	12.3%	27.0%	25.7%	17.8%	16.4%
J200T	FTSE/JSE Top 40 Index	5.1%	13.9%	13.7%	28.9%	26.1%	18.1%	15.8%
J210T	FTSE/JSE Resources 20 Index	2.0%	19.4%	6.2%	7.3%	5.5%	3.9%	5.0%
J211T	FTSE/JSE Industrials 25 index	6.4%	12.0%	20.9%	46.0%	42.5%	30.3%	26.6%
J212T	FTSE/JSE Financials 15 Index	6.5%	8.2%	6.0%	24.2%	29.9%	17.6%	16.3%
J403T	FTSE/JSE SWIX Index	5.6%	11.2%	12.0%	25.3%	26.1%	18.3%	17.1%
J303T	FTSE/JSE CAPI Index	5.1%	12.4%	12.3%	27.1%	25.8%	18.0%	16.7%
J253T	SA Listed Property	6.7%	-1.3%	-1.7%	10.3%	23.0%	17.9%	20.6%
ALBI	BESA All Bond Index	3.9%	1.9%	-0.5%	3.1%	9.9%	8.5%	10.0%
STeFI	STeFI Index	0.4%	1.3%	2.6%	5.2%	5.4%	5.6%	6.8%
	MSCI World Index in SA Rands	2.5%	9.9%	18.2%	45.1%	34.6%	26.3%	12.2%
	Rand/US Dollar Exchange Rate	-2.4%	1.6%	8.6%	20.7%	11.3%	13.0%	4.0%
	Rand/Euro Exchange Rate	-0.3%	5.5%	14.8%	26.8%	11.9%	12.7%	3.0%
	Headline CPI	0.3%	1.7%	3.0%	6.4%	5.7%	5.6%	5.3%
	PPI	0.8%	2.2%	3.8%	6.7%	3.4%	5.4%	3.9%

"The potential strike by the US against Syria will result in more innocent victims and escalation, potentially spreading the conflict far beyond Syria's borders. A strike would increase violence and unleash a new wave of terrorism. It could undermine multilateral efforts to resolve the Iranian nuclear problem and the Israeli-Palestinian conflict, and further destabilise the Middle East and North Africa."

Russian President Vladimir Putin, writing in The New York Times

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SYGNIA
THE SUM OF ALL THINGS

September brought another market rally, supported by positive manufacturing PMI data from China, Japan and the eurozone, a delay in US military action against Syria and no cuts to monetary stimulus by the US Federal Reserve. However the month ended with a global sell-off of stocks driven by the threat of a US government shutdown and a crisis in Italian politics.

MARKET OVERVIEW

The market started off with above-expectations August manufacturing PMI figures from China and the eurozone. Perversely, the news that manufacturing activity in the US eased was also viewed as a positive, as it supported the case for the continuation of quantitative easing. China also announced that its August industrial production figures climbed to a 17-month high in the latest indication of stabilising growth.

The suspension of military action against Syria after Russia brokered a deal to disarm the Syrian government of chemical weapons as an alternative, followed in the footsteps of good economic news.

The G-20 summit in St Petersburg delivered little, with its agenda largely dominated by the Syrian crisis. Most significantly, the G-20 struggled to find any common ground over the potential for turmoil that could be unleashed when the US tightens its monetary policy.

As the likelihood of any immediate US military action waned, investors re-focused their attentions on the US Fed's meeting and the likelihood of tapering of the US$85 billion-a-month bond-buying programme.

The mixed data from the US kept everyone guessing. The US unemployment figure, at 7.3%, provided little direction as most of the improvement is due to fewer people looking for work. The ADP private jobs survey, on the other hand, showed fewer jobs being created than expected. The US Fed chairman Ben Bernanke sent global markets into a tailspin in May when he suggested that monetary stimulus might be cut. The initial benchmark for scaling back was unemployment falling from the prevailing 8.1% to 7.0%.

The final decision to postpone the wind-down and wait for more evidence of solid economic growth caught the markets by surprise. The US Fed also cut its projection for US economic growth to a 2%-2.3% range for 2013, citing strains in the economy from tight fiscal policy and higher mortgage rates. Stock prices spiked, the gold price rose and the benchmark 10-year Treasury yield fell sharply on the news.

The markets rose even further after Larry Summers withdrew from consideration as a successor to Ben Bernanke in February 2014. The most likely candidate, Janet Yellen, is considered to be a "dove", more concerned with unemployment than inflation, and as such less likely to advocate interest rate hikes and a withdrawal of stimulus measures.

By month-end, however, the attention shifted to new tussles between the Republicans and the Democrats over once again raising the US's debt ceiling. Budget brinkmanship has become fairly routine since the Republicans gained control of the House of Representatives in the 2010 elections.

Republicans are demanding a one year delay in the implementation of President Barack Obama's 2010 Affordable Care Act ("Obamacare") in exchange for lifting the US debt ceiling. The US will reach its current borrowing limit of US$16.7 trillion on 17 October. Given the tight deadline for any negotiation, a temporary government shutdown became a certainty, with the consequences of a massive sell-off in global stocks and a jump in the gold price.

The growing political crisis in Italy did not help matters. Five ministers of former Prime Minister Silvio Berlusconi's People of Liberty party resigned from the cabinet, forcing Prime Minister Enrico Letta to call for a vote of confidence. A failure to win that vote, to be held within days, could lead to the collapse of the governing coalition.

The oil price fell below US$105 a barrel after Saudi Arabia indicated it was ready to supply whatever volumes were needed to meet demand. Obama's comments to the United Nations that the US was committed to finding diplomatic solutions to the civil war in Syria and the dispute with Iran over its nuclear programme further eased concerns about potential disruptions in oil supplies from the Middle East.

360 DEGREES ROUND THE WORLD

US: Economic data remained mixed, with the housing market continuing to recover, household spending increasing and unemployment dropping, but consumer confidence and retail sales weaker. However higher payroll taxes, limited job gains and restrained income growth have all taken their toll on retail sales. Core inflation came in at 1.8% year-on-year in August, below the US Fed's 2% target.

EUROZONE: Although September brought more evidence that the eurozone may be doing better, the ECB remained cautious, keeping interest rates at a low of 0.5%, maintaining its forecast for a GDP contraction of 0.4% over 2013 and lowering its prediction for 2014 to a 1% expansion.

GERMANY: Chancellor Angela Merkel won a landslide victory in the German elections as her conservative bloc, the Christian Democratic Union and Bavarian Christian Social Union, won 41.5% of the vote, beating the centre-left Social Democrats. However, with no absolute majority, she must choose the Social Democrats or Greens as a junior partner. A third option would be to try a minority government which needs the support of the SPD or the Greens for each piece of legislation it wants to pass. There will be no quick answers as SPD faces strong internal opposition to a coalition, while the Greens have no leadership left after their poor election results.

UK: The Bank of England left its key interest rate at 0.5% and made no changes to its £375 billion assets purchase programme. With the manufacturing and services sectors looking healthier and unemployment down at 7.7% in July, the OECD has lifted its 2013 growth forecast for the country from 0.8% to 1.5%.

FRANCE: The government cut its economic growth forecast for 2014 to 0.9% and pushed back a deficit-reduction target, acknowledging it would take advantage of the extra two years granted by the EU to put its finances back on track and get its deficit down to an EU limit of 3% because of weaker growth and dwindling tax revenues. It maintained its 2013 growth forecast at 0.1%.

GREECE: Greece announced that it has achieved a budget surplus, not counting interest payments, and that it was on course to fulfil conditions to seek additional debt relief from its international lenders. Austerity has helped Greece cut its primary deficit by 9.2% of GDP in 2010-2012, one of the largest fiscal improvements recorded worldwide. This has come at a cost of 27.9% unemployment and a deep economic recession. Greece is expected to need further help at least once and possibly twice more.

CHINA: The economic turnarounds in the US and Europe have come at just the right time for China’s manufacturing and exports which both rose more than expected in August. Stronger-than-expected domestic industrial recovery, improving business confidence, subdued inflation (2.6% year-on-year in August) and easing interbank lending conditions have led Goldman Sachs, JP Morgan and Deutsche Bank to raise their estimates for China’s economic growth for the third and fourth quarters.

JAPAN: Japan is on a roll, with its economy growing at a robust revised rate of 3.8% year-on-year, inflation rising by 0.8% in the year to August and unemployment at the lowest level since 2008 at 3.8%. In addition Tokyo has just won in the bid to hold the 2020 Summer Olympics ahead of Istanbul and Madrid, raising hopes of an investment and construction boom. Tokyo held Asia's first Olympics in 1964. Much of the positivity is being attributed to the economic policies introduced by Prime Minister Shinzo Abe. However, the public debt of over ¥1 quadrillion, a number bigger than twice the size of the economy and larger than the economies of Britain, France and Germany combined remains a concern. Abe is planning a controversial sales tax increase of 3% for 2014 to create an appearance of taking the problem seriously. Critics fear an impact on the nascent growth.

INDIA: The new Reserve Bank Governor Raghuram Rajan surprised the markets by raising interest rates by 0.25% to 7.50% to fight inflation, currently at 6.1%. Rajan took office in early September amid India's worst economic crisis since 1991. He also indicated that he intends to withdraw liquidity tightening measures implemented to stabilise the currency.

SOUTH AFRICA

The anticipated prolonged strike action fizzled out sooner than expected as employers capitulated, handing out above-inflation wage increases to avoid protracted work disruptions. The NUMSA-led strike in the gold mining industry lasted a mere three days after an agreement was reached on 8.0% wage increases. Sectors of the motor industry settled on a 11.5% increase, while the construction sector agreed on 12%. The platinum sector, however, is still under threat, with Amplats facing the latest wrath of unions over job cuts.

On the economic front, the Kagiso manufacturing PMI rose to 56.6, its highest level since August 2007. However, new car sales fell by 0.3% year-on-year in August, business and consumer confidence dropped and retail sales increased by a disappointing 2.8% year-on-year in July.

Consumer inflation rose by 6.4% in the year to August, while the producer price index spiked at an above-expectations 6.7%. The Reserve Bank left its key lending rate and growth forecasts of 2.0% in 2013 and 3.3% in 2014 unchanged, but revised its 2014 inflation outlook up to an average of 5.8%. The current breach of the inflation ceiling is still expected to be temporary.

The effects of a weaker rand came through in the current account deficit which widened to 6.5% of GDP in the second quarter from 5.8% in the first quarter.

September was also a month of legal controversy as the Cabinet agreed to implement a credit amnesty whereby all black-listings by credit bureaus will be removed once a person pays off their debts. In addition, labour law amendments which removed the right of companies to appeal against employment equity compliance orders and fines issued by the Department of Labour, progressed through Parliament despite objections from business. This is viewed as a nod to COSATU's demand for tougher enforcement of employment equity laws. The Cabinet also approved for public comment the Employment Tax Incentive Bill aimed at encouraging companies to employ the youth. And finally, President Jacob Zuma sent the controversial Protection of State Information Bill back to Parliament on concerns that it would not pass Constitutional muster. The aim of the bill is to regulate the classification, protection and dissemination of state information, weighing state interests against transparency and freedom of expression.

PRIMER ON THE "US DEBT CEILING"

September ended with the US government shutting down for the first time in 17 years. The US government has shut down only 17 times since 1977.

US DEBT CEILING: The debt ceiling is a cap set by US Congress on the amount of debt the government can borrow. Theoretically the debt ceiling is largely academic as Congress approves all taxes and all spending independently and hence effectively decides what it wants the debt level to be. Arguing over the debt ceiling is thus equivalent to arguing over whether to pay the bills. In fact, many US lawmakers maintain that the explicit setting out of the debt ceiling level is an unnecessary law. However, as it stands, if an increase in that number is not approved by 17 October 2013, the government will not be able to raise more money in the bond market and will run out of money to pay its bills.

KEY DEADLINES: There are two deadlines. The first is 1 October 2013, the start of the new fiscal year and the date by which Congress needs to pass a spending bill to allow the government to continue to operate. The second is 17 October 2013, the date by which the government's total outstanding debt is expected to reach the current US$16.7 trillion debt ceiling, and before which Congress needs to approve an increased debt ceiling to avoid a default on its payments.

GOVERNMENT SHUTDOWN: If the budget is not approved by 1 October 2013, the government will stop providing funding to all non-essential services. In practice this means that 800 000 federal employees would be put on temporary unpaid leave. Essential services such as the military, air traffic control, social security, medical services and so on will continue to operate.

OBAMACARE: The Affordable Care Act, a piece of legislation providing for sweeping reforms of the US health care system, was signed into law by US President Barack Obama in March 2010 despite objections from the Republican party. Republicans, who control the House of Representatives, want to attach a one-year delay to its implementation and repeal the tax to pay for it as a condition to approving legislation (the spending bill) to keep the government running. The Democrat-controlled Senate has refused to agree, resulting in a stand-off and a government shutdown.

DEBT DEFAULT: The extreme result of the government not raising the debt ceiling would be a debt default as the US government will not have the funds to service its interest obligations. The global consequences would include permanent increases in the cost of borrowing for the US, a freezing of the financial system and a recession triggered by a lack of government spending.

US CONSTITUTION: The Constitution requires the president to spend what Congress has instructed him to spend, to raise the taxes Congress has authorised him to impose and to borrow no more than Congress authorises. If Obama spends what the law orders him to spend and collects the taxes Congress has authorised him to collect, then he must borrow more than Congress has authorised him to borrow. If the debt ceiling is not raised, he will have to violate one of the constitutional imperatives. Leading US lawmakers have argued that from a Constitutional perspective, in the order of priorities, the president should disregard the debt ceiling and honour spending and tax legislation.

The outcome of the wrangle is likely to be a temporary government shutdown, followed by a negotiated solution regarding the spending bill and the debt ceiling. Irrespective, the credibility of the world's largest economy has been damaged, with the consequences of upward pressure on interest rates in the US and possible further cuts in its credit rating.

ODDS AND ENDS

Global Warming

The Intergovernmental Panel on Climate Change, a worldwide UN-sponsored committee of hundreds of scientists, has produced a report expressing virtual certainty that human activity is the main cause of climatic changes such as warming of the atmosphere and the ocean, global sea level rise, and changes in some climate extremes. The panel estimated that no more than one trillion metric tons of carbon could be burned if planetary warming is to be kept below 2 degrees Celsius above the level of pre-industrial times, a target above which the most dangerous effects of climate change would begin to occur. Just over a half-trillion tons have been burned since the beginning of the Industrial Revolution, and at the rate energy consumption is growing, the trillionth ton will be burned sometime around 2040. More than three trillion tons of carbon is still left in the ground as fossil fuels.

1-0 RUSSIA TO USA

Despite clear-cut evidence that the Syrian government had used chemical weapons to kill 1 400 civilians, the UN has been paralysed by Russia and China's refusal to consider military action against the regime of President Bashar al-Assad. This left other major powers on their own.

The British parliament was the first to vote against military involvement. This forced US President, Barack Obama, to reconsider and defer the decision to Congress, before suspending the vote altogether. This in turn gave Russian President, Vladimir Putin, an opening to take the lead in driving the Syrian agenda by suggesting a negotiated solution. Putin wrote an article in The New York Times addressed to the American public, arguing that a military strike risks "spreading the conflict far beyond Syria's borders" and would violate international law. Putin's motivations are interpreted as his hate of Americans' militancy in toppling regimes it disagrees with. He personally has silenced his opposition, passed anti-gay legislation, locked up illegal immigrants in a city camp and continued to provide arms to Syria.

The final plan agreed upon by Russia and the US envisions international monitors taking control of Syria's chemical weapons until they can be destroyed or removed from the country by mid-2014. The agreement calls for all production and mixing equipment to be destroyed by November. Syria was given a week to provide an inventory of the weapons. The problem is that no one is sure of the size of Assad's arsenal, or where it is located. In addition, the two powers still disagree over authorising the use of force if Assad fails to comply with the agreement.

WHO IS JANET YELLEN?

Janet Yellen is an economist and the current Vice Chairwoman of the Board of Governors of the US Fed. Prior to her current post she was the President of the Federal Reserve Bank of San Francisco, Chair of the White House Council of Economic Advisers under President Bill Clinton, and Professor Emerita at the University of California, Berkeley's Haas School of Business. She has also taught at Harvard and the London School of Economics, and is a recipient of numerous awards for her work.

Yellen has fought for more than a decade to put combating joblessness on equal ground with controlling inflation at the core of US Fed policy. Her confidence in government's ability to smooth over the ruts of market economies and support for quantitative easing have been seen as the driving force behind Bernanke, the most activist US central bank chief in its 100-year history.

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SYGNIA ASSET MANAGEMENT Registration No. 2003/009329/07

Directors: N. Govender | S Mkhwanazi | S. Peile | W. van der Merwe | M. Wierzycka

CAPE TOWN I 7th Floor I The Foundry I Cardiff Street I Green Point I 8001
T +21 446 4940 I F +21 446 4950 I W www.sygnia.co.za I E info@sygnia.co.za

JOHANNESBURG I 9th Floor I 15 Alice Lane I Sandton I 2196
T +11 290 9360 I F +11 290 9365 I W www.sygnia.co.za I E info@sygnia.co.za