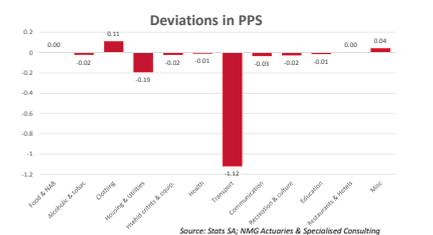
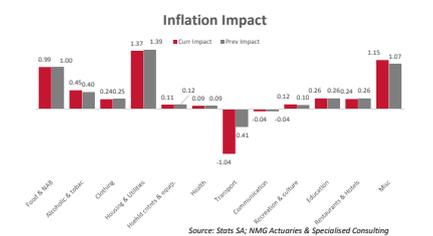


TOPICAL NEWS



SOUTH AFRICA'S INFLATION

Consumer inflation slowed to a four year low in February, moving to 3.9% on a year-on-year basis. February was the sixth consecutive month to experience declines in inflation, with decreases in the petrol price and a moderation in food prices being the main drivers. CPI is not expected to move any lower this year, with estimates for March sitting at 4.2%. Petrol price increases and the fuel levy is expected to push inflation above the 4.0% mark during this month. There are a number of other factors including the likes of maize shortages, steep electricity hikes and higher food prices that are projected to move inflation up during the course of 2015. Higher inflation figures over the rest of the year could support the case for the South African Reserve Bank to hike interest rates. However inflation data is not the only supporting factor in the SARB's decision to change interest rates – a weak economic environment and increases in US interest rates will also contribute towards the SARB's decision.

THE WEEK AHEAD

- Interest Rates Decision** – Interests are expected to remain unchanged, as inflation moved to 3.9% for February 2015.
- Tourist Accommodation, January 2015** - During December, total income from tourist accommodation increased by 4.6%.
- Land transport survey, January 2015** - The volume of goods transported increased by 4.9% in December.
- Food and beverages, January 2015** - Total income generated by this sector increased by 7.4% during the previous month.
- Statistics of Liquidations and Insolvencies, February 2015** - The number of liquidations increased by 3.0% in January 2015.
- Producer Price Index (PPI), February 2015** - The change in the PPI for final manufactured goods was 3.5% in January 2015. Inflation is expected to slow to 2.6% for February.

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LOCAL ECONOMY

The current account deficit narrowed to 5.1% of GDP for the fourth quarter of 2014, whilst economists had expected a gap of 5.8%. Exports gained during the last three months of the year, as a result of a decreased number of strikes and normal trading activity. On a year-on-year basis, the deficit narrowed to 5.4% in 2014, from 5.8% in the previous year. Retail trade sales slowed in January 2015, with numbers expected to fall further as consumers face petrol and electricity hikes. Retail sales grew by only 1.7%, after gaining 2.0% during the last month of 2014. The power utility, Eskom, took another hit last week as the Standard & Poors rating agency downgraded them to BB- following the suspension of management. The local currency fell after the announcement, however it is expected to gain some ground this week.

GLOBAL ECONOMY

The Fed ended an era of clear guidance on the policy path when they dropped the word 'patient' in their policy statement last week. However the Fed indicated that they will manoeuvre slowly when they enter the rate rising cycle. This will be the first rate hike in nine years. The Fed outlined that it needs to watch some indicators more closely such as unemployment rate, core inflation, wage growth and inflation expectations for signals to raise the rates. Of these indicators, only unemployment rate is positive for the rate hike. The Fed also revised down the US inflation expectations. Standard & Poor's downgraded Nigeria credit rating to B+ because of rising political risks and falling oil prices. However, there are some positive elements in Nigeria as the markets witnessed the Nigeria's Eurobonds yields dropping by 9 basis points, from 7.7% to 6.8%. Standard & Poor's forecasts average growth in GDP to be 5% from 2015 to 2018.

MARKET SNAPSHOT

	CLOSE PRICE	WEEKLY % CHANGE	YTD 20 MAR 2015		CLOSE PRICE	WEEKLY % CHANGE	YTD 20 MAR 2015
FTSE/JSE Indices				Currencies			
All Share Index	52631.8	-0.2%	5.7%	Rand/Dollar	12.00	-2.4%	4.8%
Top 40 Index	46592.8	-0.2%	6.0%	Rand/Pound	17.97	-0.9%	0.1%
Resources Index	23397.1	2.2%	1.9%	Rand/Euro	13.00	-0.8%	-7.1%
Industrials Index	74560.9	-0.8%	5.8%	Japanese Yen/Rand	9.99	2.7%	-3.4%
Financials 15 Index	17087.7	-0.5%	9.0%	Dollar/Pound	1.50	1.4%	-4.0%
Interest Bearing Indices				Commodities			
BEASSA All Bond Index	495.0	0.0%	2.9%	Gold (Rand)	14373.8	0.7%	3.8%
STePI 12 Month Index	333.2	0.1%	1.5%	Platinum (US\$)	1138.5	1.1%	-5.8%
Inflation-Linked Bond Index	604.6	-0.1%	0.0%	Brent Crude Oil (US\$)	55.3	2.3%	-3.5%
World Indices				Major Economies Indices			
MSCI World Index	1,774.6	3.2%	3.8%	S&P 500 (United States)	2,108.1	0.9%	2.4%
MSCI Europe Index	1,690.7	4.6%	5.1%	FTSE 100 (United Kingdom)	3,788.3	0.8%	7.2%
MSCI Emerging Index	969.5	3.2%	1.4%	Nikkei 225 (Japan)	19,560.2	0.4%	12.1%

LOCAL MARKETS

The JSE closed off the week in negative territory, with financials and industrials responsible for dragging the market into the red. Resources gained in afternoon trade, as the dollar declined, however this gain was insufficient to give markets the required boost. The Top 40 and the broader All Share index both declined by 0.2%, with broad based weakness being displayed throughout the day. Sasol shares added 4.1% after the price of Brent Crude Oil climbed by nearly \$1. On a weekly basis, the All Share fell by 0.2% whilst bonds were flat.

GLOBAL MARKETS

Global equities had the best weekly rally in nearly two years. The FTSE 100 Index closed at 7 022.5 for the first time. The Index has increased 7% YTD 2015. The NASDAQ composite index is left with seven points to fully recover from the dot-com bubble and the Stoxx Europe 600 is now short of 0.4% from its March 2000 high. The MSCI All country increased by 3.2% last week. The dollar slumped 3.1% against the Euro, the most since October 2011 after the Fed changed their tone for interest rate increases and expressed concern on the effect of the dollar on inflation and exports showing signs that its not in a hurry to raise interest rates. The Fed lowered their median for 2015 fund rates from 1.125% to 0.625%. This was positive to emerging markets currencies. The South African rand, Russian ruble and Hungary forint surged by 3.9%, 4.8% and 3.8%, respectively. UK bonds gained as the Fed boosted speculation that interest rates would remain lower. The Italian 10 year bond yield rose 5 basis points last week to 1.2% indicating that European countries are flooding their bonds so that they benefit from the European Central bank's (ECB) quantitative easing.

TOP PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 20 MAR 2015
AngloGold Ashanti Limited	119.90	14.2%	17.9%
Sasol Limited	425.00	7.9%	-1.4%
BHP Billiton Plc	272.83	6.6%	9.7%

WORST PERFORMERS (TOP 40)

NAME	CLOSE PRICE	WEEKLY % CHANGE	YTD 20 MAR 2015
Rand Merchant Insurance Holdings Ltd	44.50	-3.8%	8.9%
Discovery Ltd	124.50	-4.3%	11.8%
Tiger Brands Ltd	309.50	-8.8%	-15.9%

COMMODITIES

Russia's crude oil production expanded by 9.5% this quarter on a year on year basis. There are new fears that Russia might increase crude oil production by 250 000 barrels/day this year adding more to the global oil glut. Last year, Russia processed 800 000 barrels/day from its teapot refineries. US crude stock levels are currently at a record of 459 million barrels. Last week, the drillers idled 41 oil rigs, leaving only 825 oil rigs operating. This year oil producers have reduced the oil rigs by 44.9%. Although the oil rigs have significantly dropped, the US is estimated to pump 9.3 million barrels/day this year. Iron ore price dropped 5.2% this week to \$55.00/dry metric tonne. This year iron ore losses are at 23% after the metal lost 47% last year as iron ore majors expanded low cost output amid China's slowing demand growth. Australian exports are expected to increase by 10.5% to 792 million tonnes. European coal prices fell to \$56.60/tonne, the lowest since September 2007 as governments increase efforts to reduce greenhouse gas emissions. Rand price of white and yellow corn have increased by 27% and 13% YTD 2015 as the country braces itself to the worst drought since 1992. This is likely to increase food inflation – which is 15.4% of the inflation basket.

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