



financial services group

## MONTHLY MARKET REPORT MARCH 2011

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### MARCH 2011 COMMENTARY

#### On geography, politics and economics (and combinations of all three)...

It's been more than three weeks since a magnitude 9.0 earthquake struck 72 kilometers off the east coast of the Oshika Peninsula, Japan. The resultant tsunami, Fukushima nuclear power plant failures and incredible loss of human life continue to move us. The ultimate human toll is expected to number in the tens of thousands and estimates of economic damage extend into the tens of billions in USD (see Note 1); though the national and individual psychological as well as the global economic impacts are likely to be incalculable.

Further, it's been more than two months since the Egyptian uprising began on the 25<sup>th</sup> of January (alternatively known as the Rage Revolution or the Revolution of the Youth, though by whom we're uncertain), resulting in the fall from power of erstwhile Egyptian President Mubarak on the 11<sup>th</sup> of February. The continued plight of the people moves us. Though political commentary is beyond the scope of this Report we do note with some alarm that on the 23<sup>rd</sup> of March the Egyptian Cabinet ordered a reform criminalizing protests and strikes. We leave that last thought with you from which to draw your own conclusions; ours revolve around the consolidation of the ruling military elite's power.

Though Egypt dominated headlines for much of February it was just one of a series of nations across the Middle East and North Africa (inexplicably known by the, now common-as-dirt, acronym MENA) experiencing popular uprisings. Among them the most prominent being Tunisia, Libya and Bahrain with the last being the most important, purely economically speaking, for its links with Saudi oil. These links being of the Shiite, Sunni tribal kind; a complete exploration of which is beyond us. In which regard we point you to Stratfor ([www.stratfor.com](http://www.stratfor.com)) for in-depth geopolitical intelligence. Saudi oil is important for obvious reasons, so too is the rise in the price of Brent crude to almost \$120 a barrel (see chart alongside) for 2009's Credit Crisis and ensuing Great Recession occurred at a time when oil prices were around \$150 a barrel.

Though it is slightly disingenuous of us to simply compare oil prices at \$120 and \$150 with each other and allow you to possibly draw the conclusion that potential economic conditions must be similar. An argument can be made that oil prices should be *liquidity adjusted*; i.e. that oil at \$120 a barrel when QE2 is still sloshing around the system and when interest rates have been slashed right up to the zero-bound is not the same as oil at \$120 when these conditions are not present.

Brent Crude Spot Price  
Daily, Dec 09 - Mar 11



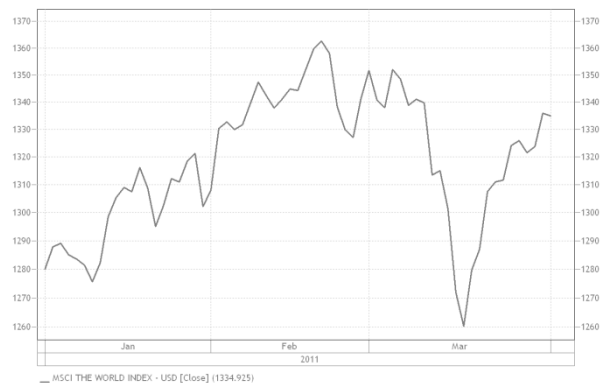
**On geography, politics and economics (and combinations of all three), continued...**

Moving on and again on the political commentary front, indulge us one last time in this Report: we're loathe to call these popular uprisings ones in favour of democracy as that isn't necessarily true and is often put forward by western press eager for a simple motivating factor when the reality is likely to be far more complicated and often beyond the comprehension of those who seek understanding through English-speaking mediums alone.

All of which has made for an eventful month of March, which we'd love to encapsulate in a single graph. Instead we offer you the humble chart alongside of the performance of the MSCI World Index for the first quarter of 2011 from which we allow you to make your own deductions, ours revolve around two (though the ability of one object to revolve around two others probably implies that one of the two is more central than the other, in this regard we freely admit to not being nuclear physicists): the first, and most obvious, being the drop in late-February, early-March and the second being that despite said drop the market appears to be on the same trajectory. The latter, to us, appears to be the more central of the two.

Note 1: source [www.wikipedia.org/wiki/japanese\\_tsunami\\_2011](http://www.wikipedia.org/wiki/japanese_tsunami_2011)

**MSCI World Index USD  
Daily, Dec 10 - Mar 11**



**MARCH 2011 DATABANK**

	Index Value	Last Month	Year-to-Date	1 Year
SA Repo Rate	5.50%	0.00%	0.00%	-1.00%
JSE ALSI	32,204	-0.21%	0.27%	12.02%
ALBI	338.35	0.49%	-1.57%	8.34%
R157	7.82%	7.77%	7.31%	7.95%
USDZAR	6.75	-3.01%	2.02%	-7.37%

All charts and data are sourced from I-Net Bridge.