



Market Update

Thursday, 11 November 2021



Global Markets

Inflation fears pressured Asian stocks and buoyed the dollar on Thursday after data overnight showed U.S. consumer prices surged at the fastest pace since 1990 last month, boosting the case for faster Federal Reserve policy tightening.

Nominal U.S. Treasury yields shot higher, with that on the benchmark 10-year note leaping by the most since February, while real yields, which take inflation into account, dipped to record lows. Gold jumped to a five-month high and bitcoin hit a record as investors sought inflation hedges. Oil pulled back sharply from near seven-year highs after U.S. President Joe Biden said his administration was looking for ways to reduce energy costs.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.85%, led by a 1.19% slide in Australia's benchmark. Chinese blue chips slipped 0.09%. Japan's Nikkei bucked the trend by rising 0.24%, supported by the yen's weakness against a resurgent dollar and as U.S. stock futures ticked up slightly. Overnight though, the S&P 500 tumbled 0.82%, its worst day in more than a

month. That marked the first back-to-back declines in a month, after the index closed at a record peak to start the week.

The dollar index, which gauges the currency against six major peers including the yen and euro, hovered just below the high reached on Wednesday of 94.905, a level not seen since July of last year. The greenback added 0.13% to 114.04 yen, up from as low as 112.73 at the start of the week.

The U.S. consumer price index surged 6.2% on an annual basis, with gasoline leading a broad-based increase that added to signs that inflation could stay uncomfortably high well into 2022 amid snarled global supply chains. Inflationary pressures are also brewing in the labour market, with other data on Wednesday showing the number of Americans filing claims for unemployment benefits fell to a 20-month low.

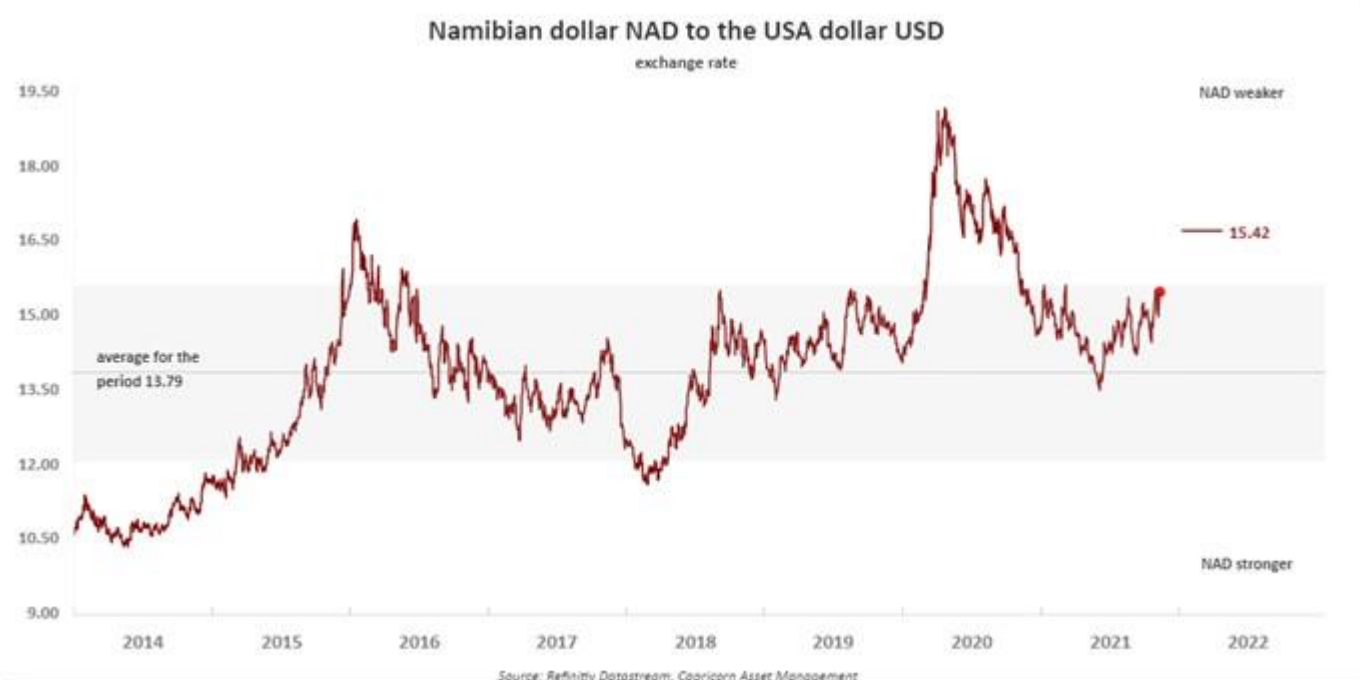
Both the White House and the Fed have maintained that prices will fall once supply bottlenecks start easing, with the central bank only last week reiterating that high inflation is "expected to be transitory" as policy makers urged patience. "The Fed's resolve is facing a testing time," Rodrigo Catril, a senior foreign-exchange strategist at National Australia Bank in Sydney, wrote in a client note. "Supply constraints may well turn out to be transitory, but the rise in core drivers increases the pressure on the Fed to trigger a monetary policy response."

The money market now prices a first Fed interest rate increase by July. Benchmark 10-year Treasury yields jumped the most in seven weeks to as high as 1.592% on Wednesday. The Treasury market is closed globally Thursday for a U.S. holiday. Meanwhile, the yield on 10-year Treasury Inflation-Protected Securities (TIPS) dipped sharply to as low as an unprecedented -1.243% before drifting higher over the course of the session. Inflation expectations soared, with the five-year breakeven inflation rate soaring to a record 3.113%.

The volatility spilled into other markets, with the CBOE Volatility index, Wall Street's so-called fear gauge, touching its highest level in nearly one month. Spot gold traded around \$1,850 after surging as high as \$1,868.20 overnight for the first time since mid-June. Bitcoin initially leapt to a new record high of \$69,000 before retreating to last trade just below \$65,000.

U.S. West Texas Intermediate (WTI) crude gained 25 cents to \$81.59 per barrel, but well off the overnight high of \$84.97 and seven-year peak of \$85.41 reached late last month. Brent crude futures rose 30 cents to \$82.94 a barrel, but down from as high as \$85.50 on Wednesday and October's three-year peak of \$86.70.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand fell on Wednesday as the dollar firmed after U.S. inflation data and domestic power cuts weighed on investor sentiment. At 1700 GMT, the rand traded at 15.2250 against the dollar, 1.2% weaker than its previous close.

The dollar rose after data showing U.S. consumer prices increased more than expected in October and fuelled fears inflation could prove stickier than currently envisaged by the Federal Reserve.

At home, Eskom, which is currently implementing scheduled electricity cuts because of multiple faults in its coal fleet, said on Tuesday the risk of outages would remain until another 4,000 to 6,000 megawatts of capacity is added to the grid. That could take years if the current sluggish pace of power procurement continues.

Africa's most industrialised nation has experienced recurring power cuts for more than a decade that have constrained economic growth. "Eskom's failure to resolve the growing power supply problems and the impact on the South African economy is beginning to take its toll on the currency," Andre Cilliers, currency strategist at TreasuryONE, said in a note.

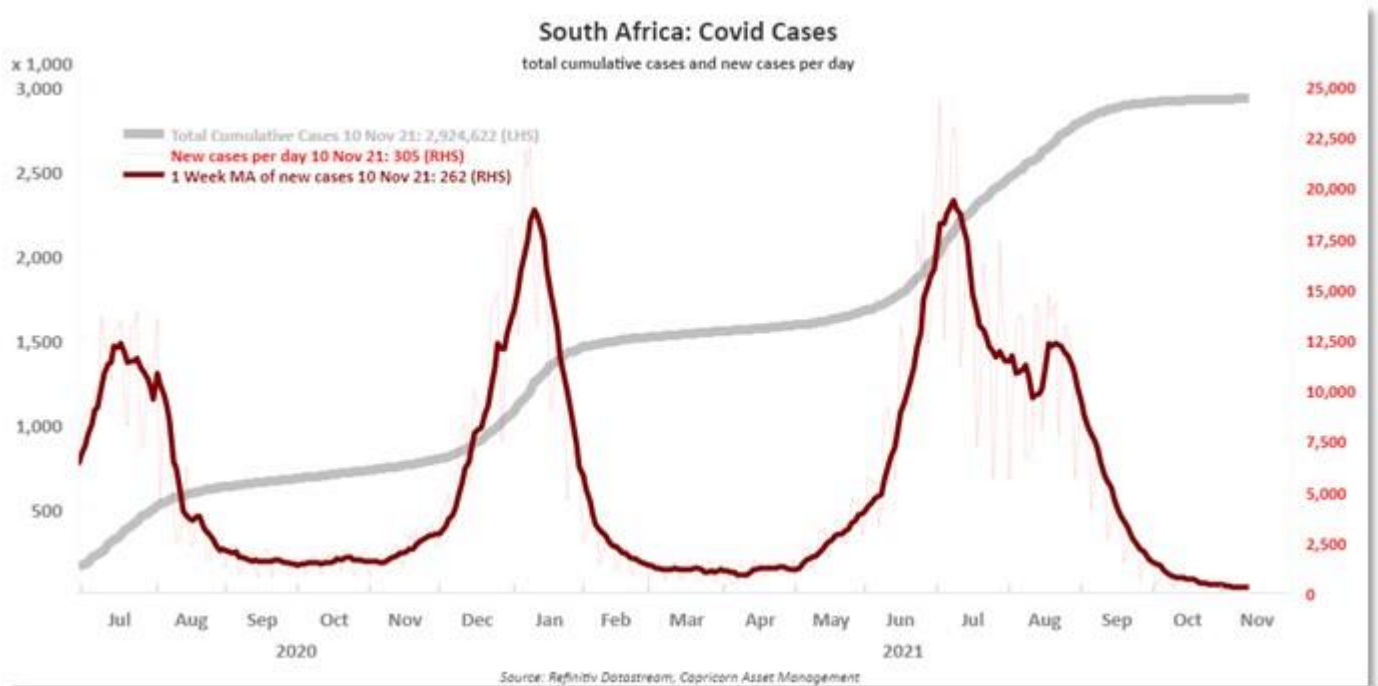
Investors were also cautious ahead of South Africa's mid-term budget on Thursday. Economists polled by Reuters are expecting the National Treasury to announce that this year's consolidated budget deficit will roughly halve following healthy corporate tax collections.

The government's benchmark 2030 bond weakened, with the yield rising 9 basis point to 9.375%.

Stocks however rose, with the Johannesburg Stock Exchange's Top-40 Index rising 0.48% to 61,534 points and the broader All-Share Index climbing 0.44% to 68,278 points. Gold miners were the biggest winners of the day after the price of gold turned sharply higher on the U.S. inflation data. Shares in AngloGold Ashanti enjoyed a 10% increase, followed by a 7.8% climb and almost 6% climb in the stock of Gold Fields and Anglo American Platinum respectively.

Corona Tracker

GLOBAL CASES		11-Nov-2021		6:11
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	
GLOBAL	251,291,243	306,455	5,323,230	



Source: Thomson Reuters Refinitiv

You pray for rain, you gotta deal with the mud too.
 That's a part of it.
Denzel Washington

Market Overview

MARKET INDICATORS (Thomson Reuters)				11 November 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↑	4.41	0.006	4.41	4.41
6 months	↓	4.87	-0.017	4.89	4.87
9 months	↓	5.32	-0.020	5.34	5.32
12 months	↓	5.48	-0.008	5.49	5.48
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	↑	4.72	0.100	4.62	4.72
GC23 (Coupon 8.85%, BMK R2023)	↑	6.60	0.100	6.50	6.60
GC24 (Coupon 10.50%, BMK R186)	↑	7.61	0.145	7.46	7.62
GC25 (Coupon 8.50%, BMK R186)	↑	7.84	0.145	7.69	7.85
GC26 (Coupon 8.50%, BMK R186)	↑	8.81	0.145	8.66	8.82
GC27 (Coupon 8.00%, BMK R186)	↑	9.04	0.145	8.90	9.06
GC30 (Coupon 8.00%, BMK R2030)	↑	10.29	0.120	10.17	10.30
GC32 (Coupon 9.00%, BMK R213)	↑	11.04	0.100	10.94	11.05
GC35 (Coupon 9.50%, BMK R209)	↑	11.57	0.090	11.48	11.58
GC37 (Coupon 9.50%, BMK R2037)	↑	12.23	0.100	12.13	12.24
GC40 (Coupon 9.80%, BMK R214)	↑	13.07	0.120	12.95	13.08
GC43 (Coupon 10.00%, BMK R2044)	↑	13.30	0.100	13.20	13.31
GC45 (Coupon 9.85%, BMK R2044)	↑	13.28	0.100	13.18	13.29
GC48 (Coupon 10.00%, BMK R2048)	↑	13.29	0.080	13.21	13.29
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.52	0.080	13.44	13.52
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	⇒	3.95	0.000	3.95	3.95
GI25 (Coupon 3.80%, BMK NCPI)	⇒	3.94	0.000	3.94	3.94
GI27 (Coupon 4.00%, BMK NCPI)	⇒	4.99	0.000	4.99	4.99
GI29 (Coupon 4.50%, BMK NCPI)	⇒	6.20	0.000	6.20	6.20
GI33 (Coupon 4.50%, BMK NCPI)	⇒	7.96	0.000	7.96	7.96
GI36 (Coupon 4.80%, BMK NCPI)	⇒	8.18	0.000	8.18	8.18
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,850	0.99%	1,831	1,847
Platinum	↑	1,067	0.76%	1,059	1,067
Brent Crude	↓	82.6	-2.52%	84.8	82.8
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,449	-0.01%	1,449	1,449
JSE All Share	↑	68,279	0.44%	67,983	68,279
SP500	↓	4,647	-0.82%	4,685	4,647
FTSE 100	↑	7,340	0.91%	7,274	7,340
Hangseng	↑	24,996	0.74%	24,813	24,958
DAX	↑	16,068	0.17%	16,040	16,068
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	14,135	-0.26%	14,172	14,135
Resources	↑	62,451	1.97%	61,246	62,451
Industrials	↓	89,852	-0.30%	90,126	89,852
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.20	1.15%	15.03	15.45
N\$/Pound	↑	20.37	0.01%	20.37	20.71
N\$/Euro	↑	17.45	0.17%	17.42	17.73
US dollar/ Euro	↓	1.148	-0.97%	1.159	1.147
		Namibia		RSA	
Interest Rates & Inflation		Sep 21	Aug 21	Sep 21	Aug 21
Central Bank Rate	⇒	3.75	3.75	3.50	3.50
Prime Rate	⇒	7.50	7.50	7.00	7.00
		Sep 21	Aug 21	Sep 21	Aug 21
Inflation	↑	3.5	3.4	5.0	4.9

Notes to the table:

- The money market rates are TB rates
- “BMK” = Benchmark
- “NCPI” = Namibian inflation rate
- “Difference” = change in basis points
- Current spot = value at the time of writing
- NSX is the Overall Index, including dual listed

Source: Thomson Reuters Refinitiv

Important note: This is not a solicitation to trade and CAM will not necessarily trade at the yields and/or prices quoted above. The information is sourced from the data vendor as indicated. The levels of and changes in the yields need to be interpreted with caution due to the illiquid nature of the domestic bond market.



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