Market Update Monday, 15 November 2021

Global Markets

Shares crept higher on Monday as Chinese economic data surprised on the high side, challenging assumptions the giant economy was locked into in a downturn although falling mainland house prices remained a nagging worry. Annual growth in retail sales and industrial output both handily beat forecasts, with the bounce in consumption a positive given pandemic restrictions. On a negative note for the stressed housing market, new home prices in China fell 0.2% month-on-month in October, the biggest decline since February 2015.

Economists at CBA argued there was a chance the People's Bank of China would cut bank reserve requirements (RRR) this week to support activity. "We estimate a 50 basis point cut to the RRR can release CNY 1 billion of liquidity," they said in a note "In our view, mild easing measures can help meet funding requirements for property developers and offset downside risks to the economy."

Chinese blue chips were a fraction lower after the data, while MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.3%. Japan's Nikkei gained 0.5% as data showing economic activity shrank by more than expected in the third quarter only reinforced the case for aggressive fiscal stimulus. S&P 500 futures firmed 0.1%, while Nasdaq futures added 0.2%. EUROSTOXX 50 futures and FTSE futures were both were off 0.1%.

Elsewhere, the U.N. climate conference in Scotland managed to hammer out a deal on emissions, but only by watering down a commitment to phase out coal. Wall Street eased last week to break a string of gains, though the major indices were only a shade off all-time highs.

A key release this week will be U.S. retail sales on Tuesday for any impact from the drop in consumer sentiment to a decade low reported for November as people fretted over higher prices, particularly for petrol. There are also doubts about whether firms have the pricing power to maintain margins in the face of rising costs. Analysts at BofA noted 75% of U.S. companies had beaten earnings estimates in the latest reporting season but forecasts for the fourth quarter were only flat, breaking more than a year of rising expectations.

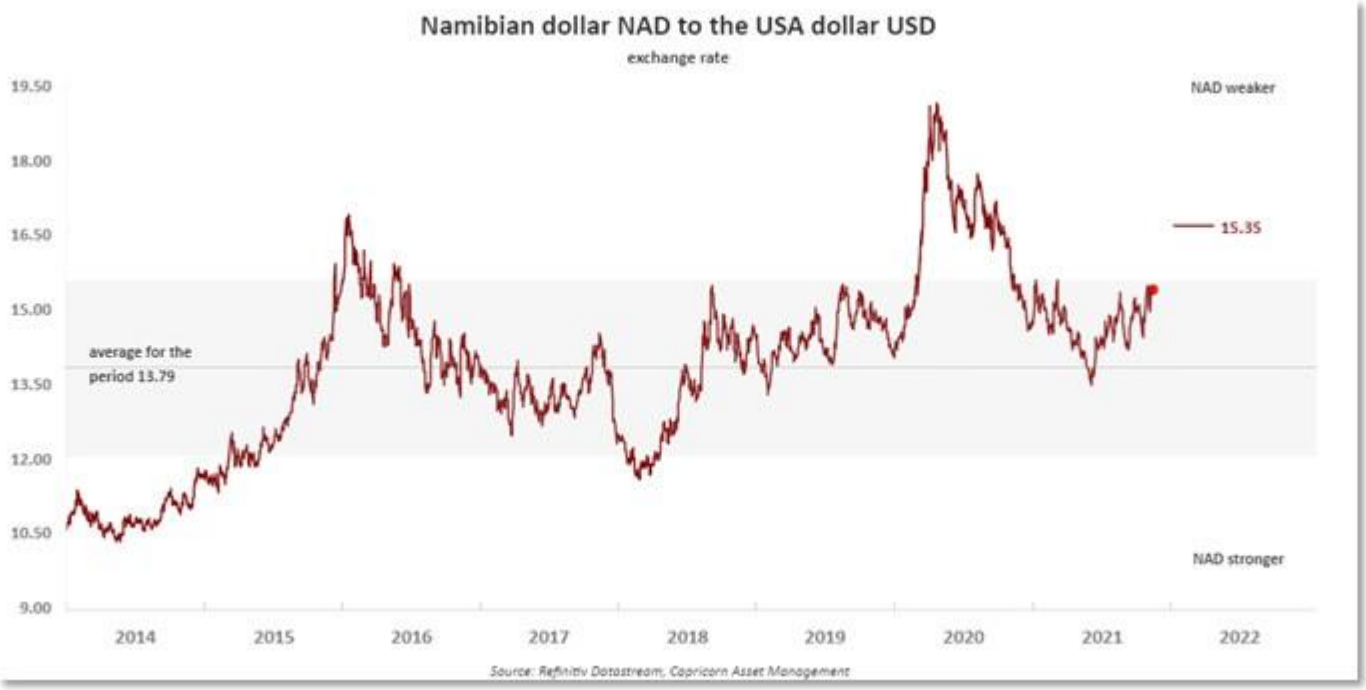
The grim survey helped Treasuries steady a little, but yields were still up a hefty 11 basis points for the week as the market priced in a greater risk of an early tightening by the Federal Reserve. BofA economist Ethan Harris suspects the market still has not priced in enough given the high starting level of inflation means rates need to rise more to reach neutral. "If inflation stays high and comes in above the planned overshoot, the Fed will need to become much more hawkish and either accept a market correction or deliberately induce such a correction," warns Harris.

Higher U.S. yields have combined with general risk aversion to benefit the dollar, which boasted its best week in almost three months. Against a basket of currencies, the dollar was firm at 95.017 and just off its highest since July 2020. It was holding at 113.85 yen, preparing for another challenge of the October top at 114.69. The euro looked vulnerable at $1.1455, having broken decisively lower last week.

"COVID infection curves moving in the wrong direction are part of the reason, while renewed restrictions are being imposed in Austria and the Netherlands," said Ray Attrill, head of FX strategy at NAB. "The implications or both growth and ECB policy are not being lost on currency markets." European Central Bank President Christine Lagarde will appear before European Parliament later on Monday.

Inflation concerns kept gold in demand at $1,857 an ounce, after notching its biggest weekly gain since May. Oil prices had a tougher week, hit by a strengthening dollar and speculation that President Joe Biden's administration might release oil from the U.S. Strategic Petroleum Reserve. Brent reversed early gains on Monday to lose another 75 cents to $81.42 a barrel, while U.S. crude fell 68 cents to $80.11.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand strengthened on Friday, building on gains made the previous day after the government pledged to cut the budget deficit and curb debt in its mid-term budget. At 1429 GMT, the rand traded largely flat at 15.2575 against the dollar, 0.47% stronger than its previous close, after rallying more than 1.5% on Thursday.

The National Treasury said on Thursday it would not commit to new long-term spending despite a windfall from high commodities prices, as it promised to lower the deficit and debt. The budget was Finance Minister Enoch Godongwana's maiden medium-term budget policy statement (MTBPS) after his appointment in August. "The MTBPS was widely seen as being positive," TreasuryONE currency strategist Andre Cilliers said in a note.

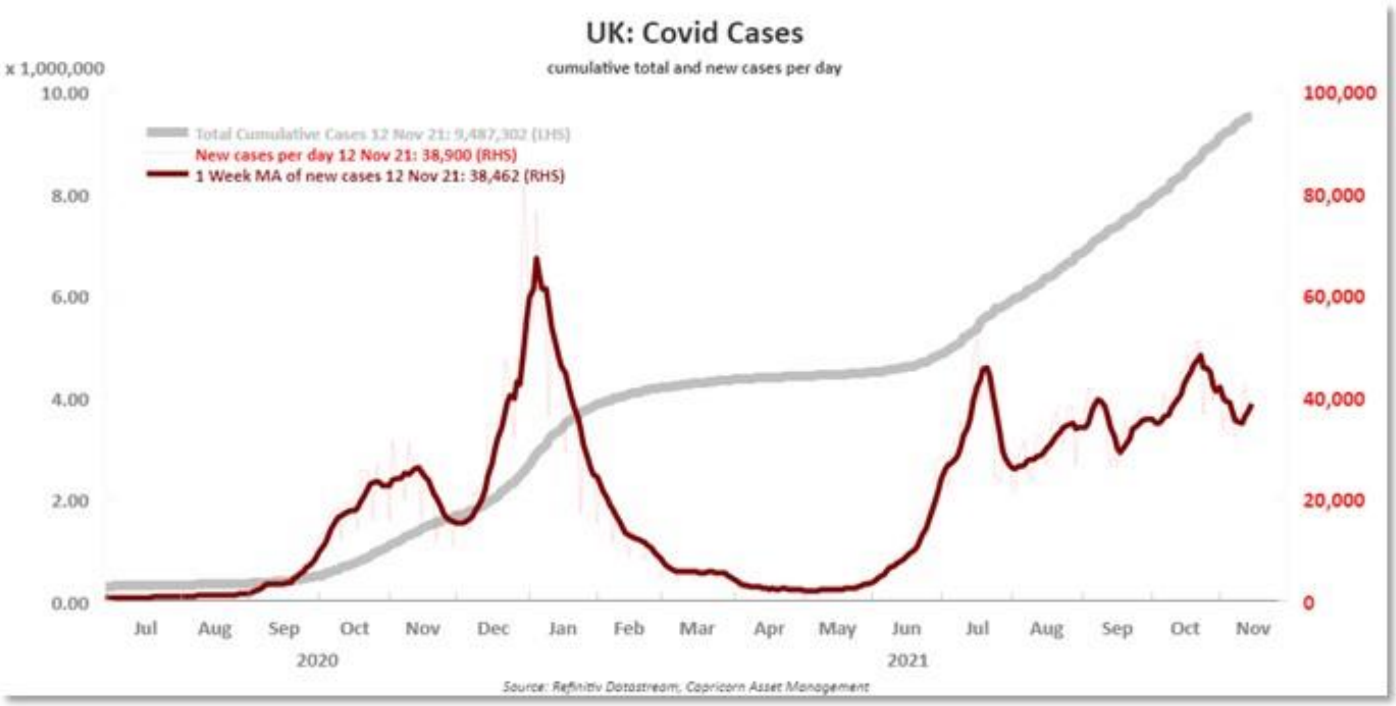
The rand also shook off a stronger dollar, with the greenback headed for its biggest weekly rise in almost five months amid bets for earlier Federal Reserve interest rate hikes after data this week showed the fastest U.S. inflation in three decades.

The currency has also been affected this week by deep power cuts implemented by the country's struggling power utility Eskom. The state-firm's CEO Andre de Ruyter said on Friday a plan to restructure Eskom was on track to reach a key milestone by the end of the year.

Government bonds meanwhile reversed course, with the yield on the benchmark instrument due in 2030 rising from 9.2% in early trade to 9.39%.

Stocks rose, with the Johannesburg Stock Exchange's Top-40 Index rising 1.4% to 63,263 points and the broader All-Share Index climbing 1.1% to 69,921 points. Companies that tend to benefit from a stronger rand enjoyed the biggest increases, while mining companies slipped back after two days of gains as a rally in the gold price dropped off. Petrochemicals firm Sasol fell 2.7% as oil prices came under pressure.

Corona Tracker



Source: Thomson Reuters Refinitiv

Talent without discipline is like an octopus on roller skates. There's plenty of movement, but you never know if it's going to be forward, backwards, or sideways.

H. Jackson Brown, Jr.

Market Overview

MARKET INDICATORS (Thomson Reuters)				15 November 2021
Money Market TB Rates %	**Last close**	**Difference**	**Prev close**	**Current Spot**
3 months	4.39	-0.021	4.41	4.39
6 months	4.86	-0.033	4.90	4.86
9 months	5.36	0.004	5.35	5.36
12 months	5.50	-0.032	5.53	5.50
Nominal Bond Yields %	**Last close**	**Difference**	**Prev close**	**Current Spot**
GC22 (Coupon 8.75%, BMK R2023)	4.62	0.000	4.62	4.62
GC23 (Coupon 8.85%, BMK R2023)	6.50	0.000	6.50	6.50
GC24 (Coupon 10.50%, BMK R186)	7.59	0.080	7.51	7.60
GC25 (Coupon 8.50%, BMK R186)	7.82	0.080	7.74	7.83
GC26 (Coupon 8.50%, BMK R186)	8.79	0.080	8.71	8.80
GC27 (Coupon 8.00%, BMK R186)	9.03	0.080	8.95	9.04
GC30 (Coupon 8.00%, BMK R2030)	10.30	0.155	10.14	10.29
GC32 (Coupon 9.00%, BMK R213)	11.06	0.160	10.90	11.05
GC35 (Coupon 9.50%, BMK R209)	11.54	0.140	11.40	11.55
GC37 (Coupon 9.50%, BMK R2037)	12.19	0.135	12.05	12.21
GC40 (Coupon 9.80%, BMK R214)	13.00	0.125	12.87	13.01
GC43 (Coupon 10.00%, BMK R2044)	13.24	0.135	13.10	13.23
GC45 (Coupon 9.85%, BMK R2044)	13.21	0.135	13.08	13.21
GC48 (Coupon 10.00%, BMK R2048)	13.24	0.130	13.11	13.24
GC50 (Coupon 10.25%, BMK: R2048)	13.47	0.130	13.34	13.47
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	1,864	0.14%	1,862	1,857
Platinum	1,083	-0.30%	1,086	1,068
Brent Crude	82.2	-0.84%	82.9	81.8
Main Indices	**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index	1,476	-0.47%	1,483	1,476
JSE All Share	69,921	1.14%	69,132	69,921
SP500	4,683	0.72%	4,649	4,683
FTSE 100	7,348	-0.49%	7,384	7,348
Hangseng	25,328	0.32%	25,248	25,295
DAX	16,094	0.07%	16,083	16,094
JSE Sectors	**Last close**	**Change**	**Prev close**	**Current Spot**
Financials	13,959	-1.13%	14,118	13,959
Resources	64,694	-0.68%	65,140	64,694
Industrials	92,953	3.71%	89,627	92,953
Forex	**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar	15.28	0.05%	15.27	15.32
N$/Pound	20.49	0.36%	20.42	20.57
N$/Euro	17.49	0.05%	17.48	17.54
US dollar/ Euro	1.145	0.00%	1.145	1.146
	Namibia		**RSA**	
Interest Rates & Inflation	**Oct 21**	**Sep 21**	**Oct 21**	**Sep 21**
Central Bank Rate	3.75	3.75	3.50	3.50
Prime Rate	7.50	7.50	7.00	7.00
	Oct 21	**Sep 21**	**Sep 21**	**Aug 21**
Inflation	3.6	3.5	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 listeds

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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