



The Daily Brief

 Capricorn Asset Management

Market Update

Thursday, 25 November 2021

USA Inflation Measures

PPI, CPI, PCE, yoy % change



Source: Refinitiv Datastream, Capricorn Asset Management

Global Markets

Shares wobbled lower on Thursday, hurt by the U.S. dollar which continued to march higher as investors bet on interest rates rising more quickly in the United States than in other major economies such as Japan and the euro zone. MSCI's index of Asia-Pacific shares outside Japan slipped 0.18% to a six-week low, having posted a small decline in each of the past six trading sessions. Japan's Nikkei rose 0.8%. There were mild declines across the board. Australia shed 0.1%, Hong Kong lost 0.35%, and Chinese blue chips shed 0.3%.

Notably in Hong Kong, shares of Kaisa Group Holdings Ltd's rose as much as 24% on their return to trading, after the embattled Chinese developer said it was offering bondholders an option to exchange existing bonds with new bonds having an extended maturity, to improve financial stability.

In broad terms, "when it comes to regional equities allocation, we're watching the U.S. dollar which is making new highs and that is a headwind for emerging market equities," said Fook-Hien Yap, senior investment strategist at Standard Chartered Bank wealth management.

The dollar is trading near its highest in almost five years versus the Japanese currency at 115.3 yen, and nearly 18 months to the euro which was at \$1.1206. Supporting the greenback, several U.S. Federal Reserve policymakers said they would be open to speeding up the tapering of the central bank's bond-buying programme if the high rate of inflation held, and move more quickly to raise interest rates, minutes of the Fed's Nov. 2-3 policy meeting showed.

"The market is now pricing in more than two hikes next year, but we think that is overly aggressive. We are only looking for about one hike next year," said Yap. These expectations have pushed U.S. treasury yields higher, albeit inconsistently, with benchmark 10 year notes last yielding 1.6427% having risen as high as 1.6930% on Wednesday. U.S. Treasuries will not trade on Thursday because of the Thanksgiving holiday. U.S. stock markets will also be closed and will have a shortened session on Friday.

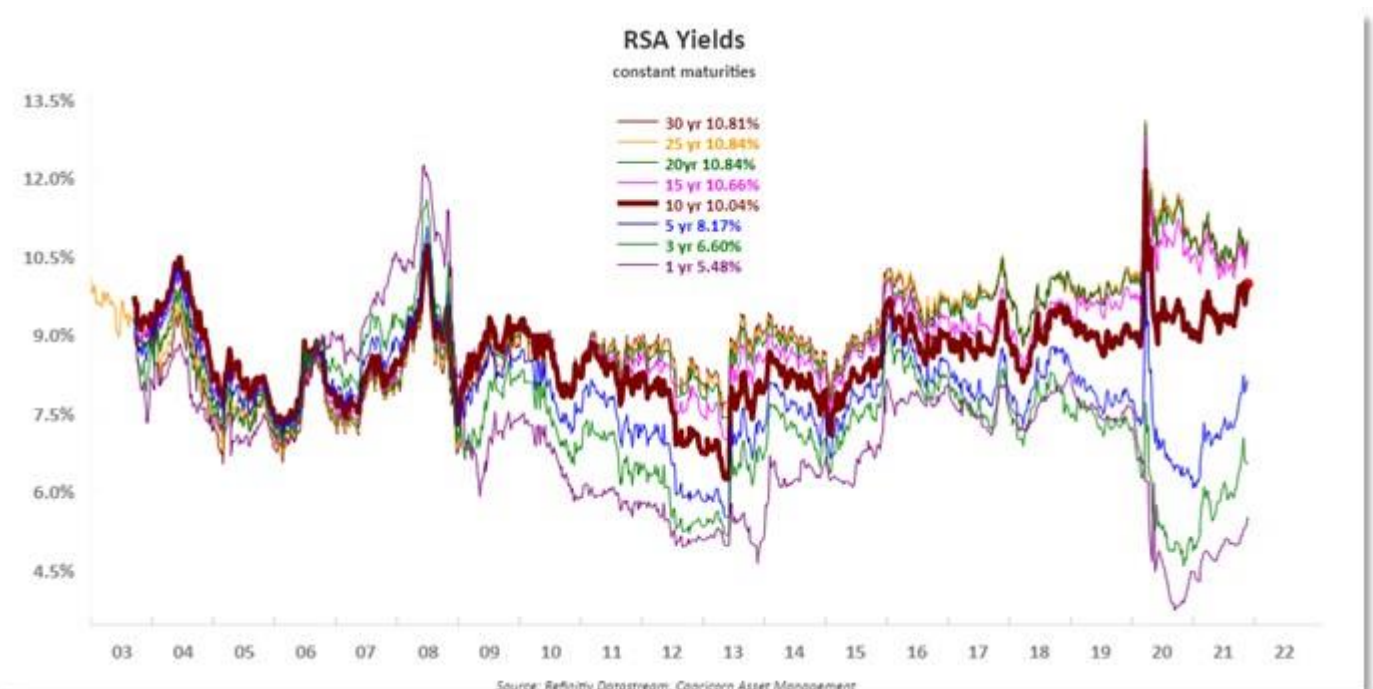
Overnight, Wall Street ended higher and is back testing record highs as tech stocks bounced back from a selloff earlier this week.

In other central bank news, the Bank of Korea raised its policy interest rate by 25 basis points on Thursday, as widely expected, as concern about rising household debt and inflation offset uncertainty around a resurgence in COVID-19 cases.

Oil prices rose slightly after a turbulent few days in which the United States said it would release millions of barrels of oil from strategic reserves in coordination with China, India, South Korea, Japan and Britain to try to cool oil prices after calls to OPEC+ to pump more went unheeded. However, investors questioned the programme's effectiveness, leading to price gains. Brent crude was last at \$82.53 a barrel, up 0.33%, while U.S. crude was at \$78.56, up 0.2%.

Spot gold edged 0.17% higher to 1,791 dollars an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand fell to a 12-month low on Wednesday as the U.S. dollar strengthened and contagion from under-pressure Turkish lira lingered. At 1500 GMT, the rand traded at 15.9175 against the dollar, 0.5% weaker than its previous close.

The U.S. dollar continued its upward trend on renewed bets the Federal Reserve will hike rates to tame inflation. With no major domestic market moving news, analysts are expecting the rand to keep tracking global drivers.

"The contagion spillover effect from Turkey and rampant dollar remain the key drivers," Andre Cilliers, currency strategist at TreasuryONE, wrote in a research note. The Turkish lira, which slid to 13.45 a dollar for the first time on Tuesday, rose on Wednesday, although the currency was still in record-low territory.

A sharp drop in one emerging market currency can hurt highly liquid peers such as the rand as investors dump assets of a similar risk profile.

The South African government's 2030 bond was up 7 basis points to 9.755%, reflecting weaker bond prices.

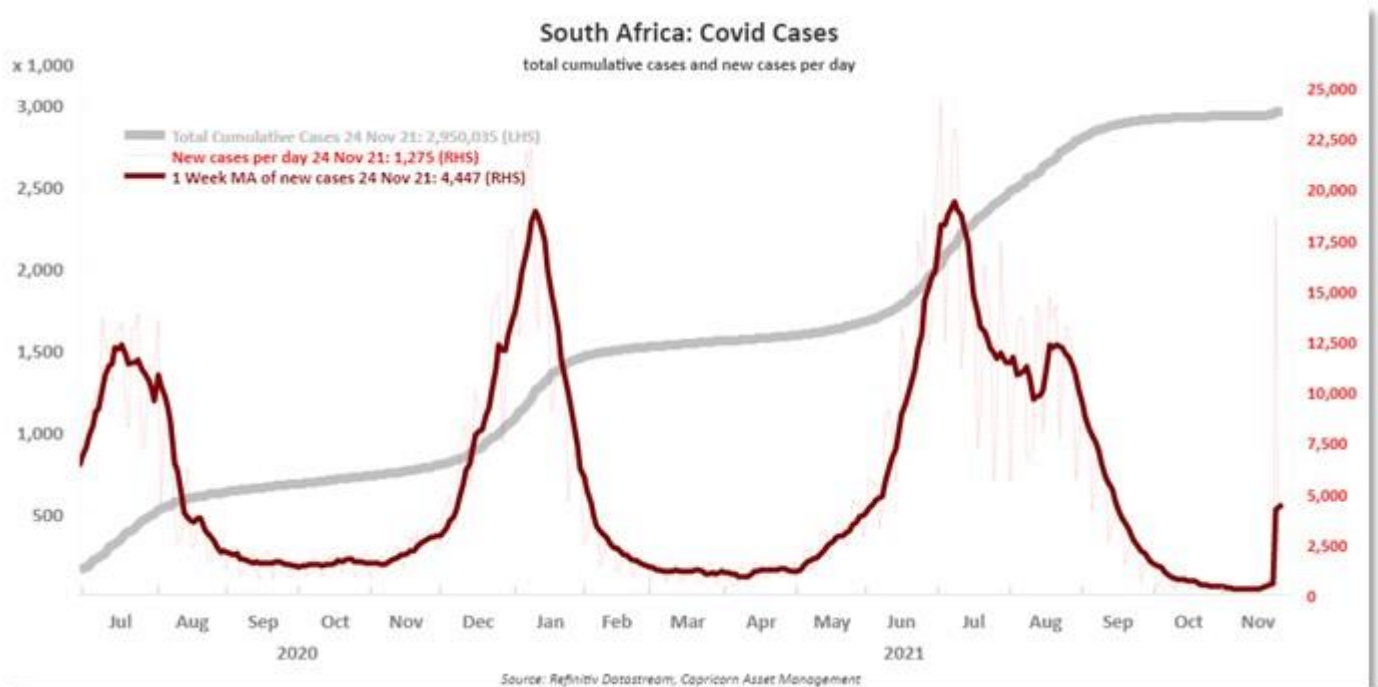
Stocks fell, dragged by gold shares tracking a fall in prices of the yellow metal on the stronger dollar. Spot gold fell 0.43% to \$1,781.97 per ounce by 1525 GMT, while U.S. gold futures were down 0.21% at \$1,780.10. The mining index fell 1.46%, with gold mining companies the main drag. Sibanye Stillwater Ltd, Harmony Gold, DRD Gold, Gold Fields and AngloGold Ashanti all dropped between 1.1% and 1.8%.

"The yellow metal had benefited greatly from a combination of higher inflation and central bank push back but the readjustment in interest rate expectations in the markets has brought it back down to earth with a bang," Craig Erlam, Senior Market Analyst for UK & EMEA regions at OANDA, said.

Food producer and fashion retailer AVI Ltd was the second biggest decliner on the All-share index, falling 6.90% after it revealed it had progressed discussions with Mondelez International LLC regarding the potential acquisition of its Snackworks division.

Overall, the Johannesburg all-share index fell 0.64%, while the Top-40 index closed 0.62% lower.

Corona Tracker



Source: Thomson Reuters Refinitiv

You can always tell when a man's well informed. His views are pretty much like your own.

H. Jackson Brown, Jr.

Market Overview

MARKET INDICATORS (Thomson Reuters)		25 November 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.36	-0.018	4.38	4.36
6 months	↑	5.08	0.045	5.04	5.08
9 months	↑	5.46	0.022	5.44	5.46
12 months	↑	5.59	0.049	5.54	5.59
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	↓	4.62	-0.010	4.63	4.62
GC23 (Coupon 8.85%, BMK R2023)	↓	6.50	-0.010	6.51	6.50
GC24 (Coupon 10.50%, BMK R186)	↑	7.74	0.080	7.66	7.74
GC25 (Coupon 8.50%, BMK R186)	↑	7.97	0.080	7.89	7.97
GC26 (Coupon 8.50%, BMK R186)	↑	8.94	0.080	8.86	8.94
GC27 (Coupon 8.00%, BMK R186)	↑	9.18	0.080	9.10	9.18
GC30 (Coupon 8.00%, BMK R2030)	↑	10.65	0.090	10.56	10.65
GC32 (Coupon 9.00%, BMK R213)	↑	11.43	0.095	11.33	11.43
GC35 (Coupon 9.50%, BMK R209)	↑	11.95	0.060	11.89	11.95
GC37 (Coupon 9.50%, BMK R2037)	↑	12.60	0.060	12.54	12.60
GC40 (Coupon 9.80%, BMK R214)	↑	13.34	0.060	13.28	13.34
GC43 (Coupon 10.00%, BMK R2044)	↑	13.58	0.050	13.53	13.58
GC45 (Coupon 9.85%, BMK R2044)	↑	13.56	0.050	13.51	13.56
GC48 (Coupon 10.00%, BMK R2048)	↑	13.59	0.060	13.53	13.59
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.82	0.060	13.76	13.82
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	↓	1,789	-0.07%	1,790	1,792
Platinum	↑	975	0.56%	969	992
Brent Crude	↓	82.3	-0.07%	82.3	82.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↓	1,491	-1.34%	1,511	1,491
JSE All Share	↓	70,559	-0.64%	71,015	70,559
SP500	↑	4,701	0.23%	4,691	4,701
FTSE 100	↑	7,286	0.27%	7,267	7,286
Hangseng	↑	24,686	0.14%	24,652	24,749
DAX	↓	15,878	-0.37%	15,937	15,878
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	13,799	-1.92%	14,068	13,799
Resources	↑	66,875	0.32%	66,659	66,875
Industrials	↓	93,463	-0.95%	94,355	93,463
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.87	0.30%	15.82	15.86
N\$/Pound	↓	21.15	-0.07%	21.16	21.16
N\$/Euro	↓	17.77	-0.15%	17.79	17.78
US dollar/ Euro	↓	1.120	-0.44%	1.125	1.121
		Namibia		RSA	
Interest Rates & Inflation		Nov 21	Oct 21	Nov 21	Oct 21
Central Bank Rate	⇒	3.75	3.75	3.75	3.50
Prime Rate	⇒	7.50	7.50	7.25	7.00
		Oct 21	Sep 21	Oct 21	Sep 21
Inflation	↑	3.6	3.5	5.0	5.0

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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