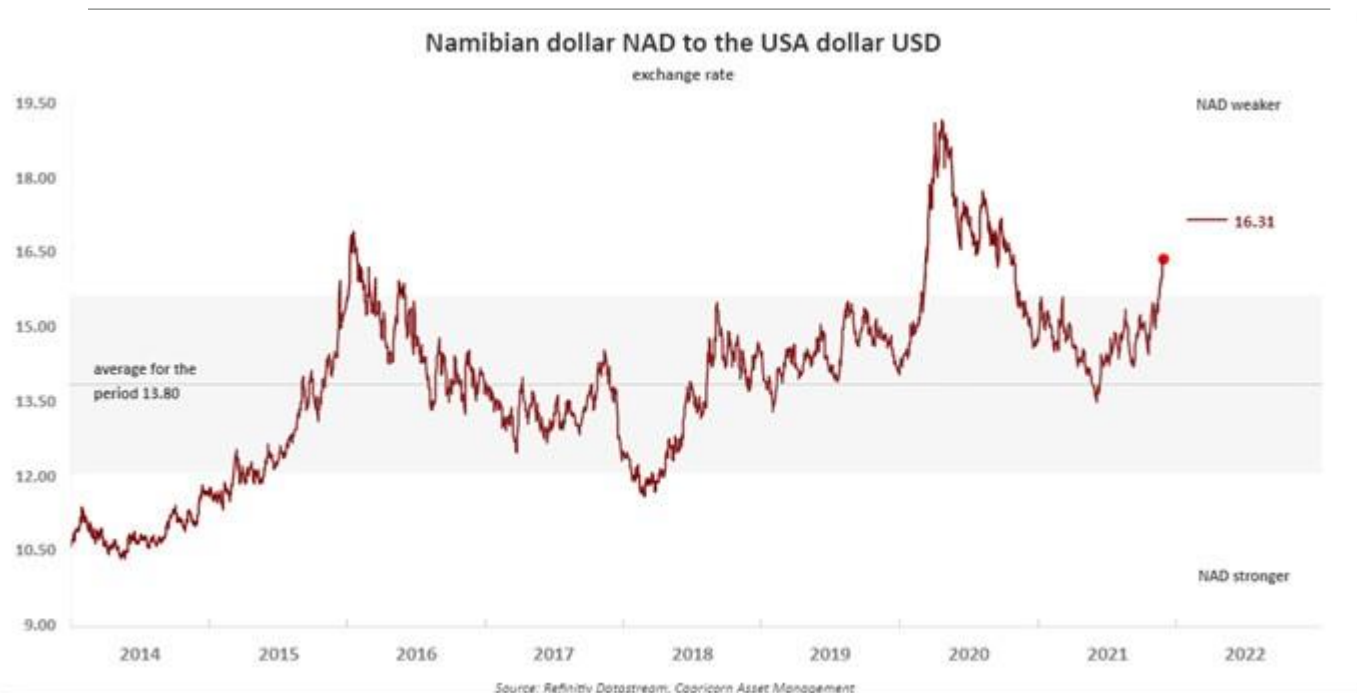




## Market Update

Monday, 29 November 2021



## Global Markets

U.S. stock futures led a market rebound on Monday as investors prepared to wait a few weeks to see if the Omicron coronavirus variant would really derail economic recoveries and the tightening plans of some central banks. Oil prices bounced more than \$3 a barrel to recoup a chunk of Friday's shellacking, while safe haven bonds and the yen lost ground as markets latched onto hopes the new variant of concern would prove to be "mild".

While Omicron was already as far afield as Canada and Australia, a South African doctor who had treated cases said symptoms of virus were so far mild. "Another key difference is there are far higher vaccination take up rates globally now compared with when Delta emerged," said Craig James, chief economist at asset manager CommSec. "What the news on Omicron does highlight is the need for central banks and governments to take a cautious approach to removal of economic support and stimulus."

Trading was erratic on Monday but there were signs of resilience as S&P 500 futures added 1.0% and Nasdaq futures 1.2%. Both indices suffered their sharpest fall in months on Friday with travel and airline stocks hit hard. EUROSTOXX 50 futures rallied 1.6%, while FTSE futures firmed 1.3%. MSCI's broadest index of Asia-Pacific shares outside Japan eased 0.1% but found support ahead of its 2021 low. Japan's Nikkei fell 0.8% as the country moved to bar foreigners to head off the Omicron strain.

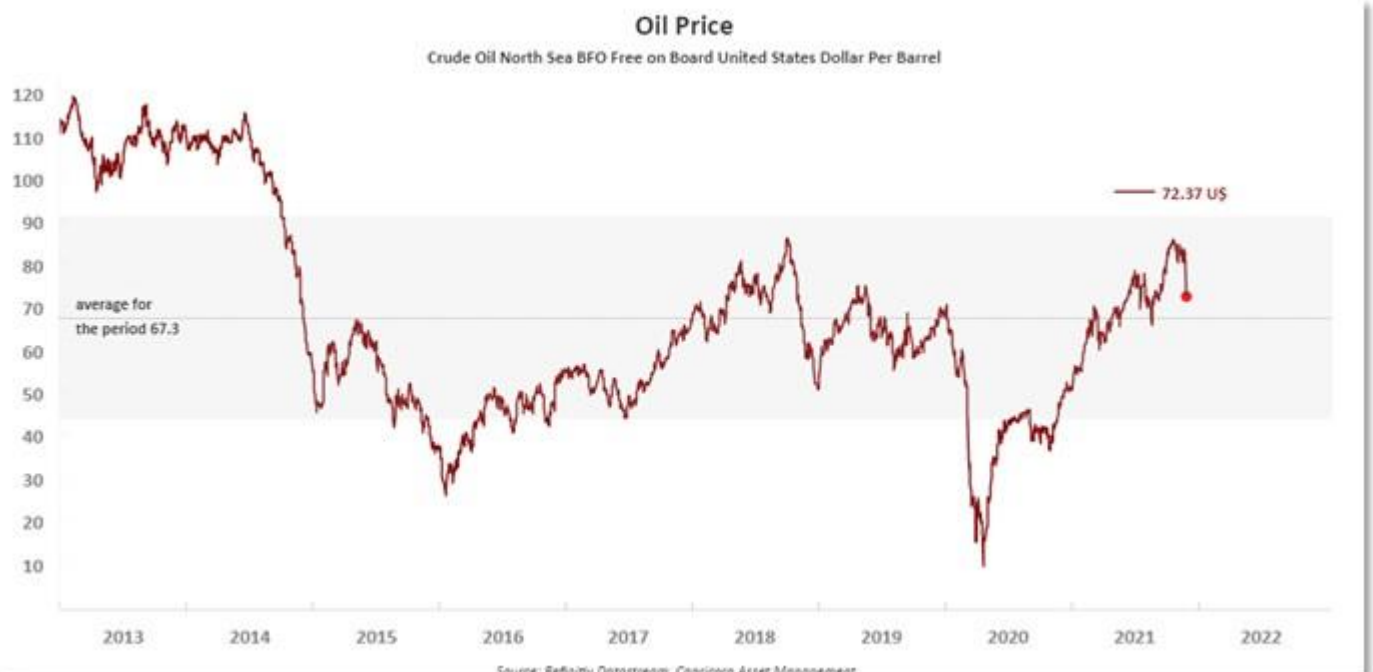
Bonds gave back some of their hefty gains, with Treasury futures down 13 ticks. The market had rallied sharply as investors priced in the risk of a slower start to rate hikes from the U.S. Federal Reserve, and less tightening by some other central banks. Two-year Treasury yields edged up to 0.56%, after falling 14 basis points on Friday in the biggest drop since March last year. Fed fund futures had pushed the first rate rise out by a month or so.

The shift in expectations undermined the U.S. dollar, to the benefit of the safe haven Japanese yen and Swiss franc. On Monday the dollar had steadied somewhat at 113.65 yen, after sliding 1.7% on Friday. The dollar index held at 96.190, after Friday's 0.7% drop. The euro was struggling again at \$1.1276, following its rally from \$1.1203 late last week.

European Central Bank President Christine Lagarde put a brave face on the latest virus scare, saying the euro zone was better equipped to face the economic impact of a new wave of COVID-19 infections or the Omicron variant. The economic diary is also busy this week with China's manufacturing PMIs on Tuesday to offer another update on the health of the Asian giant. The U.S. ISM survey of factories is out on Wednesday, ahead of payrolls on Friday. Fed Chair Jerome Powell and Treasury Secretary Janet Yellen speak before Congress on Tuesday and Wednesday.

In commodity markets, oil prices bounced after suffering their largest one-day drop since April 2020 on Friday. "The move all but guarantees the OPEC+ alliance will suspend its scheduled increase for January at its meeting on 2 December," wrote analyst at ANZ in a note. "Such headwinds are the reason it's been only gradually raising output in recent months, despite demand rebounding strongly." Brent rebounded 4.2% to \$75.80 a barrel, while U.S. crude rose 5.1% to \$71.61. Gold has so far found little in the way of safe haven demand, leaving it stuck at \$1,792 an ounce.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand sank to its lowest since October 2020, government bond yields briefly hit 10% and stocks shed more than 2% after the discovery in the country of a COVID-19 variant described as the most concerning yet sent investors scrambling for safety.

Leading the decline were hospitality shares, which fell sharply as Britain and some other countries banned flights from South Africa and its neighbouring countries, and placed restrictions on their citizens travelling there.

South African scientists said they had detected a new variant that had a "very unusual constellation" of mutations which were concerning because these could help it evade the body's immune response and make it more transmissible.

"This is devastating for the tourism sector which was hoping for a bumper December as borders had opened up. We expect that a wave of cancellations from travellers from the UK will be received over the next day or two," said Lloyd Miller, research analyst at ETM Analytics in South Africa. "Granted this is not just a local issue, emerging markets are selling off hard in the Asian session but the news does render the rand and by extension other regional FX pairs more vulnerable as a result," Miller added.

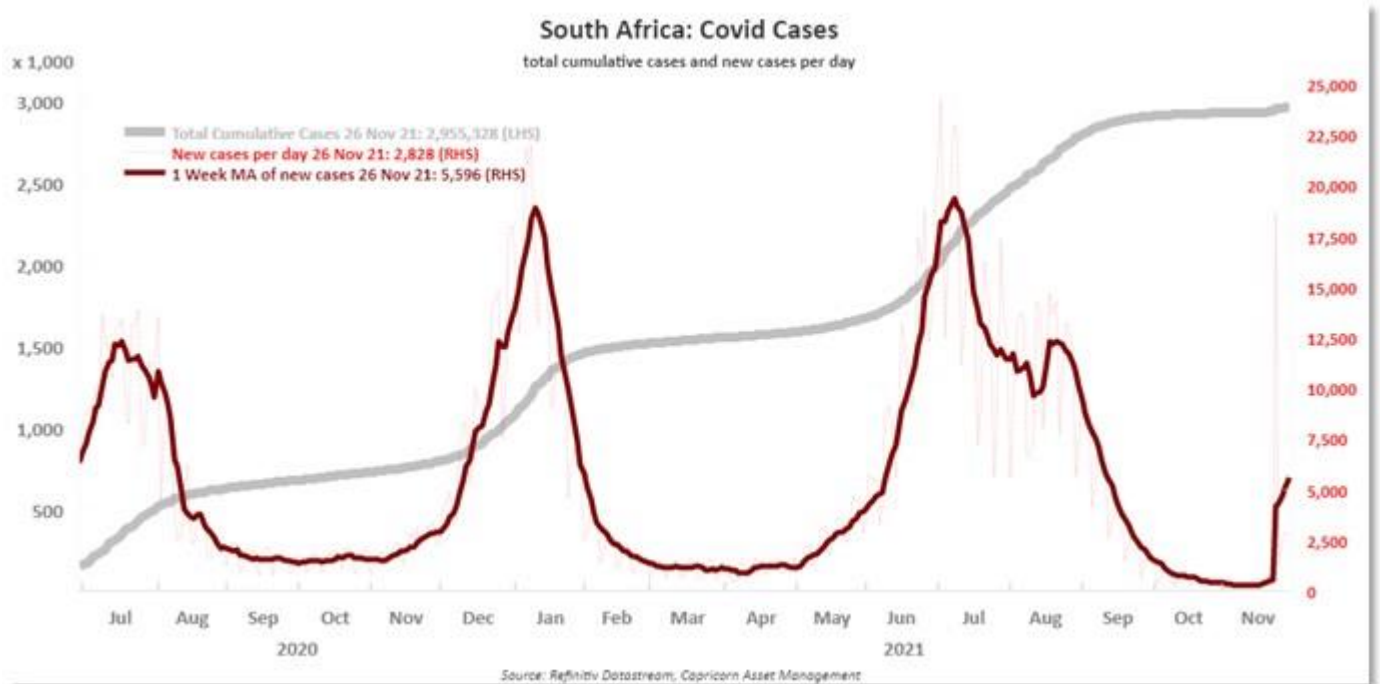
News of the variant triggered a wave of selling of risk assets in both emerging and developed markets. Traders sought safety in U.S. and euro zone government bonds and the Japanese yen. The rand dropped to as low as 16.368 against the dollar -- levels last seen before the news of vaccine breakthroughs in November 2020. The rand was last at 16.258, down 1.8%.

In fixed income, the yield on the local benchmark 2030 government bond jumped above 10%, its highest since early May 2020. The yields later retreated back to 9.9%, up 17.5 basis points.

The country's dollar-denominated bonds came under pressure with the 2041 issue dropping 2.3 cents to trade at 100.274 cents, Tradweb data showed. Five-year credit default swaps -- the cost of insuring the country's bonds against default -- rose 21 basis points from Thursday's close to 244 bps, IHS Markit data showed.

The South African Reserve Bank raised interest rates last week for the first time in three years and is expected to continue tightening into 2022 to curb inflation. But JP Morgan economist Sonja Keller said "the downside risk to near-term growth" may limit more aggressive tightening than a 25 basis points hike per meeting.

# Corona Tracker



Source: Thomson Reuters Refinitiv

Falsehood has an infinity of combinations, but truth has only one mode of being.  
Jean-Jacques Rousseau



## Market Overview

MARKET INDICATORS (Thomson Reuters)		29 November 2021			
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↓	4.38	-0.009	4.39	4.38
6 months	↓	5.11	-0.005	5.11	5.11
9 months	↑	5.61	0.056	5.55	5.61
12 months	↑	5.73	0.074	5.66	5.73
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC22 (Coupon 8.75%, BMK R2023)	↓	4.63	-0.035	4.66	4.52
GC23 (Coupon 8.85%, BMK R2023)	↓	6.51	-0.035	6.54	6.40
GC24 (Coupon 10.50%, BMK R186)	↑	7.74	0.010	7.73	7.70
GC25 (Coupon 8.50%, BMK R186)	↑	7.97	0.010	7.96	7.93
GC26 (Coupon 8.50%, BMK R186)	↑	8.94	0.010	8.93	8.90
GC27 (Coupon 8.00%, BMK R186)	↑	9.18	0.010	9.17	9.14
GC30 (Coupon 8.00%, BMK R2030)	↑	10.80	0.175	10.62	10.75
GC32 (Coupon 9.00%, BMK R213)	↑	11.55	0.160	11.39	11.52
GC35 (Coupon 9.50%, BMK R209)	↑	12.11	0.205	11.91	12.09
GC37 (Coupon 9.50%, BMK R2037)	↑	12.74	0.200	12.54	12.72
GC40 (Coupon 9.80%, BMK R214)	↑	13.55	0.240	13.31	13.51
GC43 (Coupon 10.00%, BMK R2044)	↑	13.74	0.190	13.55	13.73
GC45 (Coupon 9.85%, BMK R2044)	↑	13.72	0.190	13.53	13.71
GC48 (Coupon 10.00%, BMK R2048)	↑	13.74	0.190	13.55	13.73
GC50 (Coupon 10.25%, BMK: R2048)	↑	13.97	0.190	13.78	13.96
<b>Inflation-Linked Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
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)	↓	5.99	-0.211	6.20	5.99
GI33 (Coupon 4.50%, BMK NCPI)	↓	7.82	-0.149	7.96	7.82
GI36 (Coupon 4.80%, BMK NCPI)	↓	8.01	-0.168	8.18	8.01
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,792	0.19%	1,788	1,796
Platinum	↓	954	-4.18%	995	971
Brent Crude	↓	72.7	-11.55%	82.2	75.4
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↓	1,403	-5.67%	1,487	1,403
JSE All Share	↓	68,615	-2.75%	70,555	68,615
SP500	↓	4,595	-2.27%	4,701	4,595
FTSE 100	↓	7,044	-3.64%	7,310	7,044
Hangseng	↓	24,081	-2.67%	24,740	23,787
DAX	↓	15,257	-4.15%	15,918	15,257
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↓	12,995	-6.75%	13,936	12,995
Resources	↓	64,074	-2.53%	65,733	64,074
Industrials	↓	92,909	-1.30%	94,130	92,909
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↑	16.20	1.56%	15.95	16.30
N\$/Pound	↑	21.61	1.68%	21.25	21.74
N\$/Euro	↑	18.34	2.57%	17.88	18.39
US dollar/ Euro	↑	1.132	0.99%	1.121	1.128
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Nov 21</b>	<b>Oct 21</b>	<b>Nov 21</b>	<b>Oct 21</b>
Central Bank Rate	↔	3.75	3.75	3.75	3.50
Prime Rate	↔	7.50	7.50	7.25	7.00
		<b>Oct 21</b>	<b>Sep 21</b>	<b>Oct 21</b>	<b>Sep 21</b>
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.*



---

**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

---

***Disclaimer***

*The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer’s judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.*

A member of  **Capricorn Group**

---