

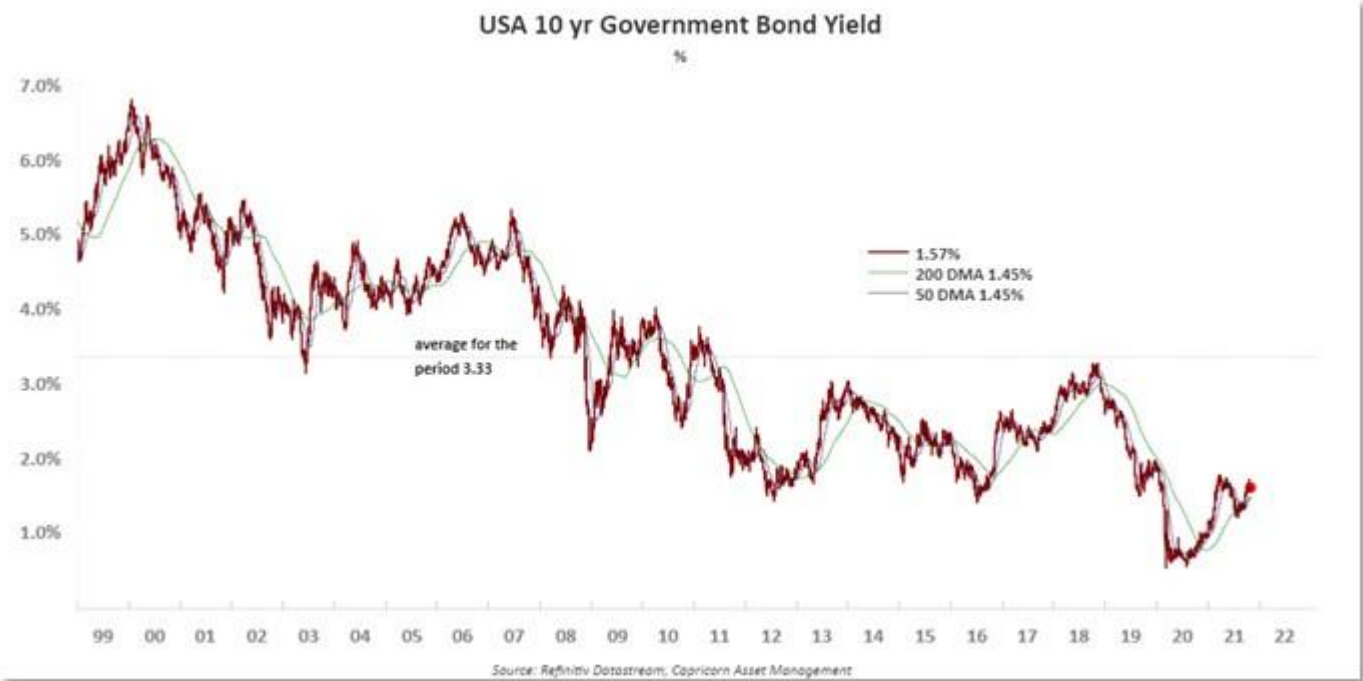


The Daily Brief

Capricorn Asset Management

Market Update

Friday, 29 October 2021



Global Markets

Shares and U.S. stock futures slipped on Friday, as Amazon and Apple quarterly earnings bucked a recent strong trend and growth and inflation fears continued to weigh. Investors, particularly in bond and currency markets, are also worried about varied responses by central banks worldwide to rising inflation.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.3% in early trading and was on track for a weekly loss of 1.3%, snapping three weeks of gains. Japan's Nikkei reversed early losses to trade flat. Asian shares were weighed by a fall in Nasdaq futures, which lost 0.73% as Apple Inc and Amazon Inc posted results after the close that missed expectations. S&P 500 futures lost 0.4%.

"The background noise hasn't changed for the last few weeks, people are still concerned around stagflation, slowing growth numbers and rising inflation, but that's been priced more in the bond market than the equity market right now," said Kerry Craig, global market strategist at JPMorgan

Asset Management. Strong profit outlooks earnings have been keeping equity markets afloat and inflation is more worrying for bond investors than equity investors, Craig said. "At the same time, you're having not exactly clear messaging from the central bank responses around the world."

Chinese shares fell less than most other markets, with local blue chips trading flat, though the Hong Kong benchmark lost 0.83%, once again weighed by mainland Chinese property stocks. However, China Evergrande Group's shares opened up 1.2% following news that the cash-strapped developer had made payments for an offshore bond coupon ahead of Friday's expiry of a grace period, meeting its second dollar-bond repayment obligation this month.

Overnight the S&P 500 and Nasdaq finished at record closing levels, while the Dow Jones Industrial Average closed just shy of its highest close.

As inflation concerns grow, central banks' rate policies remain in focus. Speculation is rising that the Reserve Bank of Australia will not be able to stick with its guidance that it likely will not raise its 0.1% cash rate until 2024, after the Reserve Bank of Australia again on Friday declined to buy bonds to defend its 0.1% target for the 2024 bond yield. That target is central to the RBA's case, and as uncertainty around its prospects grow, Aussie bonds have sold off sharply. Yields on three-year bonds have surged 33 basis points this week alone to 1.08%, the largest rise since 2009. A month ago, they were trading at 0.30%.

Eurozone bond yields jumped on Thursday after European Central Bank President Christine Lagarde disappointed investors' hopes she would calm their concerns over surging inflation and rate hikes. This sent the euro higher, gains it held in Asian hours on Friday at \$1.1676. "The European Central Bank has finally shifted its official communication on inflation from the broad denial of the summer months towards a much more balanced assessment," said ING analysts.

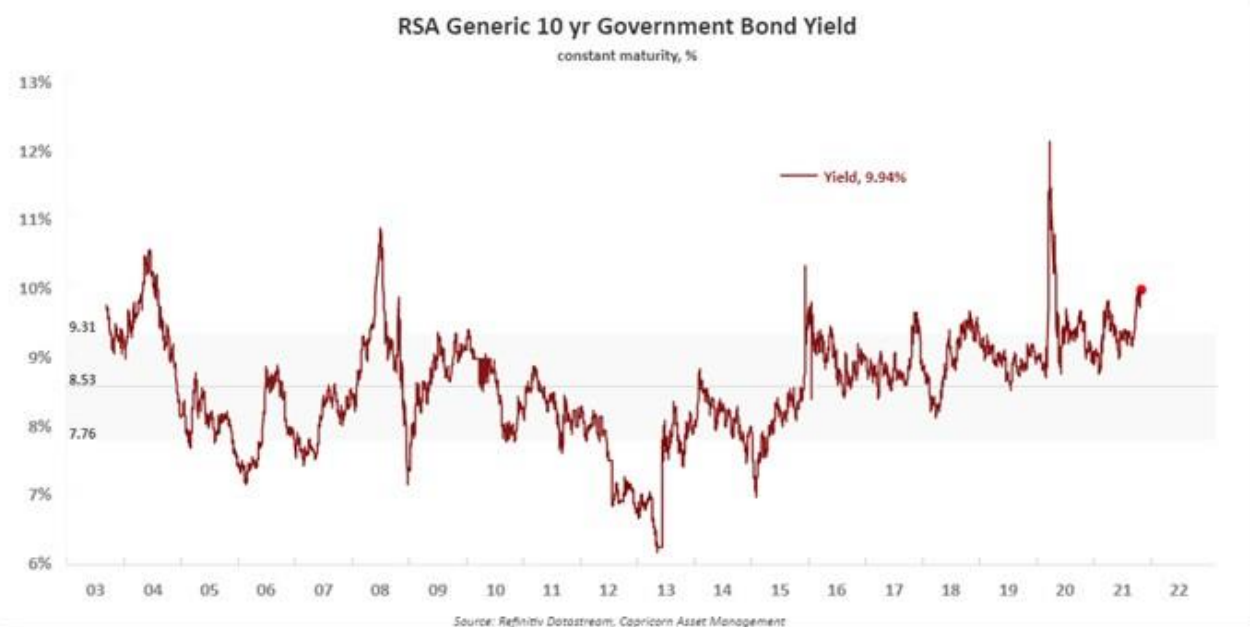
Now all eyes are turning to the Federal Reserve, whose policy committee meets next week.

The dollar was weaker, largely on losses against the euro, with the dollar index, which measures the U.S. currency against other majors, at 93.381, just off its lowest level this month hit overnight.

Benchmark U.S. 10-year yields were steady at 1.5677% US10YT=RR. The gap between 5-year and 30-year yields was 79.2 basis points, having narrowed to as little as 73.4 basis points overnight, its tightest since March 2020, due to heightened expectation of a rate hike by the Federal Reserve next year.

Oil was steady with Brent crude flat at \$82.72 a barrel, though on track for its first weekly fall in eight weeks. Spot gold was also flat at \$1,797 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand extended its losses on Thursday, as continued power cuts weighed on market sentiment, while traders also turned cautious ahead of local elections and a medium-term budget statement.

At 1525 GMT, the rand traded at 15.1000 against the dollar, 0.13% lower than its previous close, after dropping to 15.1875 in the session - its weakest since Oct. 6.

"Spooking markets recently was the announcement this week that the MTBPS (medium term budget policy statement) was being pushed forward by a week and the implementation of load-shedding (power cuts)," RMB analyst Siobhan Redford said in a note.

"Despite deep and liquid markets, it seems that rand trade is particularly thin right now, possibly as participants wait for the numerous events that are scheduled to occur in November, including Monday's local elections, a switch auction, MTBPS and a monetary policy committee decision."

The National Treasury postponed the release of the MTBPS to Nov. 11 from Nov. 4, due to local elections on Monday, Nov. 1.

On the other hand, utility Eskom continued to implement scheduled power cuts, which were ramped up on Wednesday after faults at its ailing coal fleet.

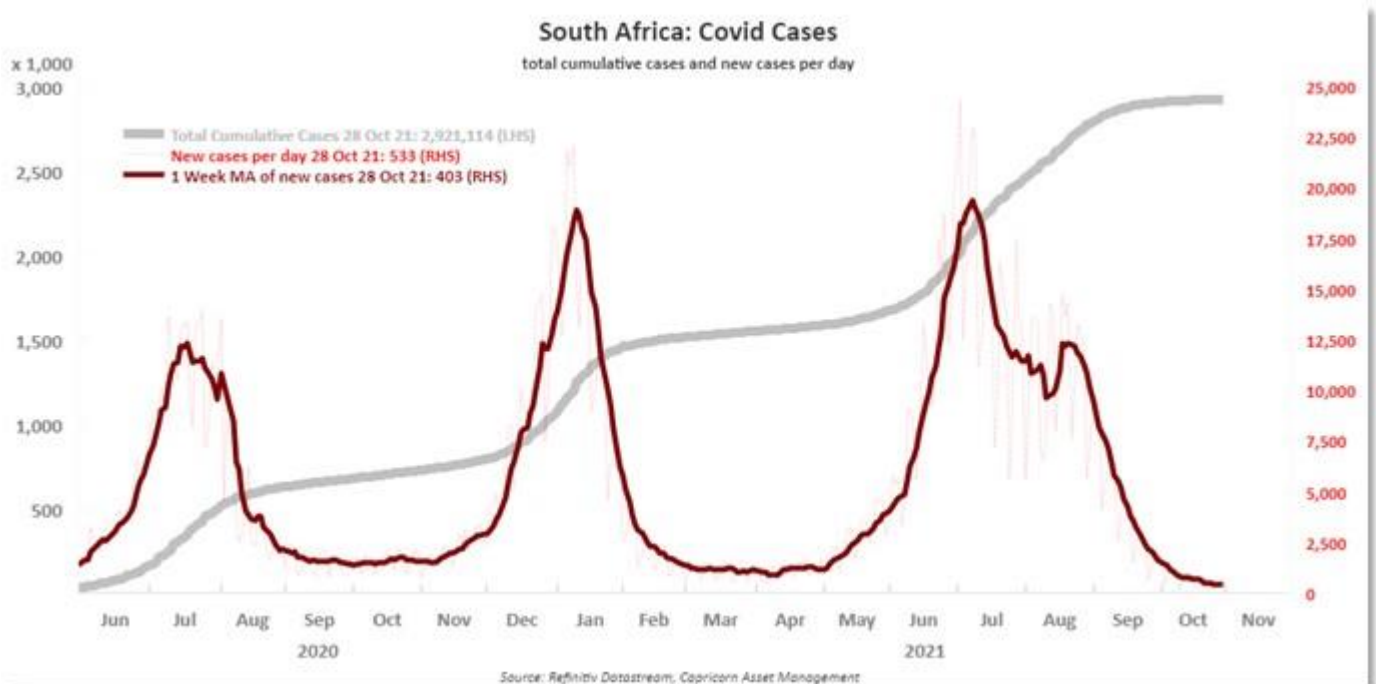
Shares on the Johannesburg Stock Exchange (JSE) continued to climb for a third day following an upbeat mood around rising precious metals prices and as Wall Street shrugged off fears of slowing U.S. growth. Constant power cuts in Africa's most industrialised economy seemed to have no effect on investors' sentiment, analysts said, as over 50% of the markets are linked to the performance of the U.S.

The FTSE/JSE benchmark all-share index closed up 0.42% to end the day at 67,760 points and the blue-chip index of top 40 companies ended 0.36% up to 61,093 points. The major drivers were precious metal companies, with the resources index closing up 0.65%. However, shares of country's

banks, often a barometer of the domestic economic mood, have been steadily declining for the last month, hinting that investors are concerned about the economic recovery.

The government's benchmark 2030 bond weakened, with the yield jumping 9 basis point to 9.605%.

Corona Tracker



Source: Thomson Reuters Refinitiv

Our most basic common link is that we all inhabit this planet. We all breathe the same air. We all cherish our children's future. And we are all mortal.

John F. Kennedy

Market Overview

MARKET INDICATORS (Thomson Reuters)		29 October 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	➡	4.52	0.000	4.52	4.52
6 months	⬆	4.95	0.013	4.93	4.95
9 months	⬆	5.32	0.014	5.31	5.32
12 months	⬆	5.44	0.006	5.44	5.44
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	⬆	4.89	0.090	4.80	4.92
GC23 (Coupon 8.85%, BMK R2023)	⬆	6.35	0.090	6.26	6.38
GC24 (Coupon 10.50%, BMK R186)	⬆	7.68	0.145	7.54	7.71
GC25 (Coupon 8.50%, BMK R186)	⬆	7.91	0.145	7.77	7.94
GC26 (Coupon 8.50%, BMK R186)	⬆	8.88	0.145	8.74	8.91
GC27 (Coupon 8.00%, BMK R186)	⬆	8.88	0.145	8.74	8.91
GC30 (Coupon 8.00%, BMK R2030)	⬆	10.53	0.115	10.41	10.50
GC32 (Coupon 9.00%, BMK R213)	⬆	11.35	0.105	11.24	11.33
GC35 (Coupon 9.50%, BMK R209)	⬆	12.27	0.080	12.19	12.23
GC37 (Coupon 9.50%, BMK R2037)	⬆	12.62	0.070	12.55	12.59
GC40 (Coupon 9.80%, BMK R214)	⬆	13.51	0.075	13.44	13.49
GC43 (Coupon 10.00%, BMK R2044)	⬆	13.57	0.080	13.49	13.54
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.62	0.080	13.54	13.59
GC48 (Coupon 10.00%, BMK R2048)	⬆	13.06	0.070	12.99	13.04
GC50 (Coupon 10.25%, BMK: R2048)	⬆	13.89	0.070	13.82	13.87
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	➡	3.89	0.000	3.89	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)	➡	6.03	0.000	6.03	6.20
GI33 (Coupon 4.50%, BMK NCPI)	➡	7.84	0.000	7.84	7.96
GI36 (Coupon 4.80%, BMK NCPI)	➡	8.05	0.000	8.05	8.18
Commodities		Last close	Change	Prev close	Current Spot
Gold	⬆	1,799	0.11%	1,797	1,796
Platinum	⬆	1,019	0.87%	1,010	1,014
Brent Crude	⬇	84.3	-0.31%	84.6	84.3
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆	1,458	0.08%	1,457	1,458
JSE All Share	⬆	67,760	0.42%	67,475	67,760
SP500	⬆	4,596	0.98%	4,552	4,596
FTSE 100	⬇	7,249	-0.05%	7,253	7,249
Hangseng	⬇	25,556	-0.28%	25,629	25,381
DAX	⬇	15,696	-0.06%	15,706	15,696
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	13,964	-0.64%	14,054	13,964
Resources	⬆	63,494	0.65%	63,082	63,494
Industrials	⬆	87,815	0.64%	87,253	87,815
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬆	15.11	0.91%	14.97	15.16
N\$/Pound	⬆	20.83	1.21%	20.58	20.90
N\$/Euro	⬆	17.65	1.57%	17.37	17.68
US dollar/ Euro	⬆	1.168	0.65%	1.160	1.167
		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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