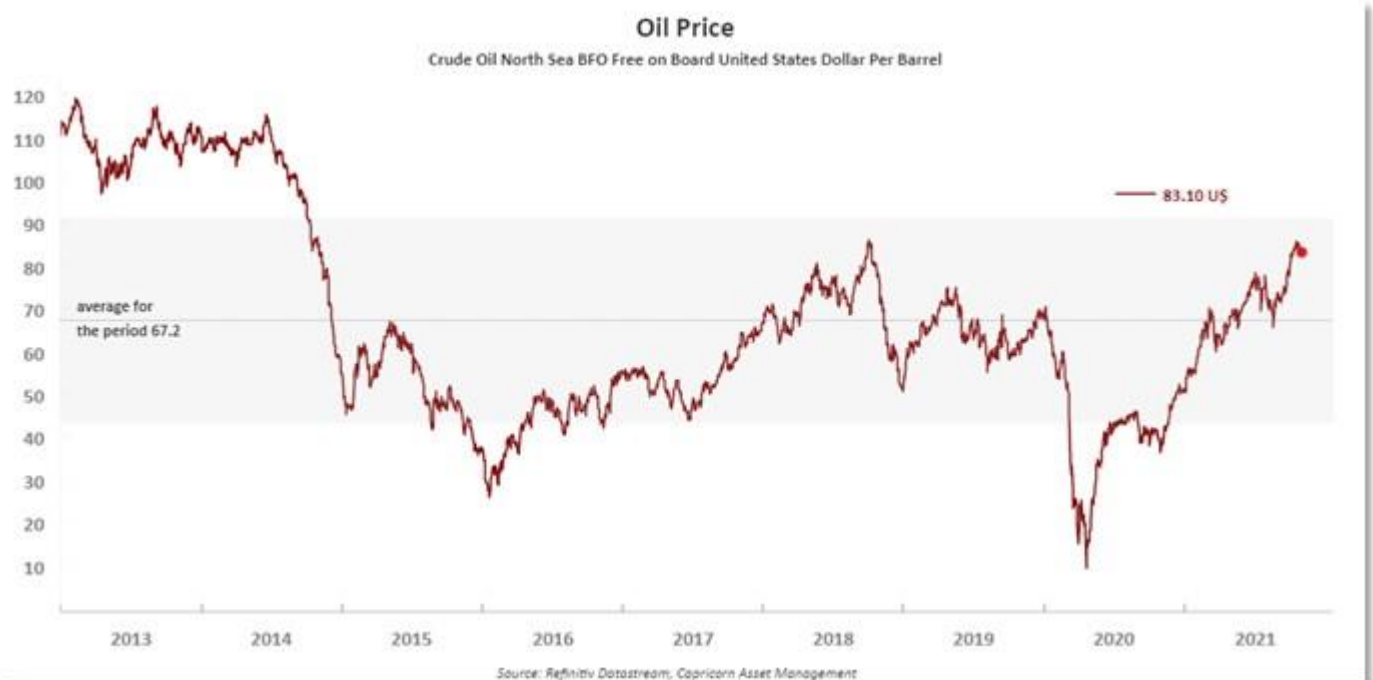




Market Update

Monday, 1 November 2021



Global Markets

Stocks edged higher on Monday, led by a post-election jump in Japan's Nikkei, though bonds wobbled and the dollar firmed as traders braced for central bank meetings in Britain, Australia and the United States to define the rates policy outlook.

Japan's Nikkei rose 2.3% to a one-month high after Prime Minister Fumio Kishida's Liberal Democratic Party did better than expected at Sunday's election, with exit polls showing the party easily retaining a majority. Trade elsewhere was more muted, with MSCI's index of Asia-Pacific shares outside Japan up marginally. Weekend data showing a sharper-than-expected contraction of Chinese factory activity weighed on the mood. S&P 500 futures rose 0.3%.

The Fed is the highlight of a week full of central bank meetings likely to move markets, with policy adjustments possible at the Bank of England and Reserve Bank of Australia, as inflation puts upward pressure on the rates outlook.

The Fed, which concludes a two-day meeting on Wednesday, is expected to say it will start to taper bond purchases, though markets' focus is on clues about rates lift-off. Fed funds futures are pricing hikes beginning early in the second half of 2022 and Goldman Sachs on Friday pulled forward its hike forecast to July from Q3 2023.

"While maintaining the view that most of the inflation we are seeing will prove transitory, a risk management mindset has taken over, and developed market central banks are now changing tack," analysts at Goldman Sachs said in a late-Friday note. "The Bank of England looks likely to raise rates (and) the Reserve Bank of Australia appears to have abandoned its yield curve peg ... our U.S. economists now expect the Federal Reserve to start raising rates in July 2022, compared to Q3 2023 previously."

The prospect of higher rates sooner has roiled short-dated bonds around the world, straining liquidity in recent weeks, though Monday trade was a little calmer. Two-year U.S. Treasury yields rose 2 basis points in Asia trade to 0.5227%. Benchmark 10-year yields rose 1.2 basis points to 1.5732%. October was the worst month in more than three-years for two-year Treasuries.

A bid crept back into Australia's battered bond market despite the central bank again declining to defend its yield target. Three-year Australian government bond futures were last up 12.5 ticks at 98.720. The RBA meets on Tuesday and will likely make some sort of guidance adjustment given it has allowed the yield on the April 2024 bond it had targeted at 0.1% was as high as 0.818% on Monday.

In currency markets the dollar held sharp Friday gains and inched a little higher on the risk-sensitive Australian and New Zealand dollars. It rose as far as 114.26 yen and climbed 0.1% to \$1.1554 per euro. Sterling slipped to a two-week low of \$1.3663 as traders reckon a small rate hike on Thursday might come with a dovish outlook.

"The guidance on whether more hikes are to come is obviously key and many expect another hike in February. However, like the RBA and Fed, the BoE will want to push back on market pricing," said Chris Weston, head of research at broker Pepperstone in Melbourne.

Commodity prices eased a tad with benchmark Brent crude futures down 0.2% at \$83.45 a barrel in early trade and U.S. crude futures down 0.6% to \$83.06 a barrel. The stronger dollar weighed on gold, which sat at \$1,781 an ounce.

Source: Thomson Reuters Refinitiv



Domestic Markets

The rand was soft on Friday with the dollar quoted at ZAR15.22, as the SA trade balance fell short of expectations in September coming in at R22.2bn from R42.3bn in August.

"The Fed's eagerly-anticipated meeting is going to be very important for the financial markets on Wednesday. My base case scenario is that the FOMC will announce that QE will be reduced, with the tapering of purchases to begin in December," said ThinkMarkets' Fawad Razaqada.

The benchmark R186 government bond yield was quoted at 8.166% at the Johannesburg equities close on Friday, versus 8.075% late Thursday.

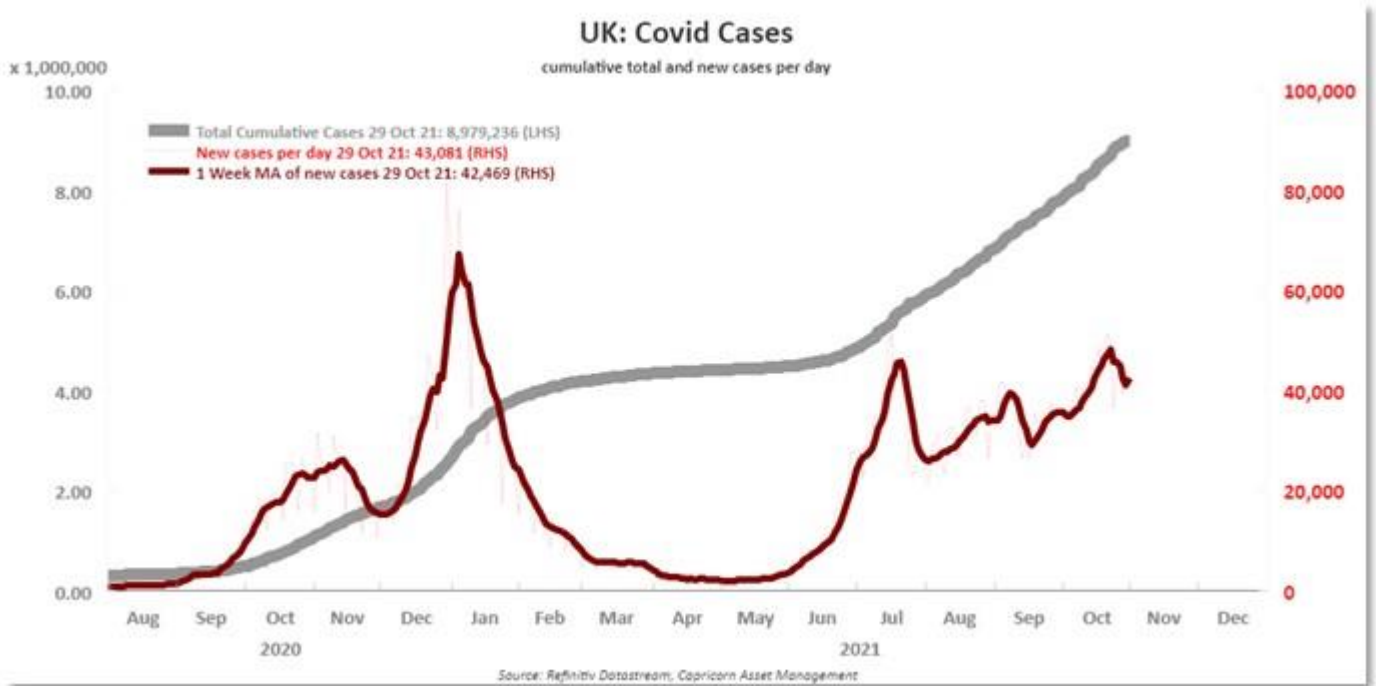
The JSE ended in the red on Friday, but posted a decent weekly advance despite inflationary fears, as investors eagerly await the latest US Federal Reserve interest rate decision next week. The Top 40 index closed down 285.54 points, or 0.5%, at 60,807.87 on Friday. On a weekly basis, the Top 40 was 2.1% higher, the mid-caps were up 1.2% and the All Share index gained 2.1%.

Implats sunk 4.5% after the platinum miner reported a decline in production volumes for the first quarter of its financial year, as many of the group's operations were hindered by scheduled maintenance or market constraints.

The lead-up to the municipal election on Monday was dominated by intensified load-shedding this week. Several Eskom generation units broke down, necessitating stage 4 power-rationing for part of the week. From a data perspective, spurred on by high commodity prices and shipping costs, domestic producer inflation accelerated above consensus.

In terms of international data, the US economy expanded at a slower-than-expected pace in 2021Q3. Eurozone GDP performed much better. In the global economic calendar for next week, China's manufacturing PMI is out Monday while the US's is out on Tuesday; and the Fed will be making its interest rate decision on Wednesday and the Bank of England on Thursday. Locally, the Absa PMI is out on Monday and the municipal elections will be taking place.

Corona Tracker



Source: Thomson Reuters Refinitiv

Our progress as a nation can be no swifter than our progress in education. The human mind is our fundamental resource.

John F. Kennedy

Market Overview

MARKET INDICATORS (Thomson Reuters)				01 November 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.50	-0.017	4.52	4.50
6 months	↓	4.92	-0.025	4.95	4.92
9 months	↑	5.38	0.058	5.32	5.38
12 months	↑	5.45	0.010	5.44	5.45
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	↑	4.92	0.035	4.89	4.92
GC23 (Coupon 8.85%, BMK R2023)	↑	6.38	0.035	6.35	6.38
GC24 (Coupon 10.50%, BMK R186)	↑	7.76	0.075	7.68	7.77
GC25 (Coupon 8.50%, BMK R186)	↑	7.99	0.075	7.91	8.00
GC26 (Coupon 8.50%, BMK R186)	↑	8.96	0.075	8.88	8.97
GC27 (Coupon 8.00%, BMK R186)	↑	8.96	0.075	8.88	8.97
GC30 (Coupon 8.00%, BMK R2030)	↑	10.54	0.010	10.53	10.54
GC32 (Coupon 9.00%, BMK R213)	↑	11.36	0.015	11.35	11.35
GC35 (Coupon 9.50%, BMK R209)	↓	12.16	-0.105	12.27	12.18
GC37 (Coupon 9.50%, BMK R2037)	↓	12.52	-0.100	12.62	12.53
GC40 (Coupon 9.80%, BMK R214)	↓	13.41	-0.100	13.51	13.43
GC43 (Coupon 10.00%, BMK R2044)	↓	13.44	-0.125	13.57	13.46
GC45 (Coupon 9.85%, BMK R2044)	↓	13.49	-0.125	13.62	13.51
GC48 (Coupon 10.00%, BMK R2048)	↓	12.95	-0.115	13.06	12.95
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.78	-0.115	13.89	13.78
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	↑	3.95	0.060	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)	↑	6.20	0.172	6.03	6.20
GI33 (Coupon 4.50%, BMK NCPI)	↑	7.96	0.121	7.84	7.96
GI36 (Coupon 4.80%, BMK NCPI)	↑	8.18	0.133	8.05	8.18
Commodities		Last close	Change	Prev close	Current Spot
Gold		1,784		1,799	1,784
		Unit for: XAU=			
Platinum	↓	1,018	-0.13%	1,019	1,027
Brent Crude	↑	84.4	0.07%	84.3	83.4
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,461	0.18%	1,458	1,461
JSE All Share	↓	67,465	-0.44%	67,760	67,465
SP500	↑	4,605	0.19%	4,596	4,605
FTSE 100	↓	7,238	-0.16%	7,249	7,238
Hangseng	↓	25,377	-0.70%	25,556	25,123
DAX	↓	15,689	-0.05%	15,696	15,689
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↓	13,956	-0.05%	13,964	13,956
Resources	↓	62,990	-0.79%	63,494	62,990
Industrials	↓	87,490	-0.37%	87,815	87,490
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.21	0.65%	15.11	15.27
N\$/Pound	↓	20.82	-0.05%	20.83	20.87
N\$/Euro	↓	17.58	-0.37%	17.65	17.64
US dollar/ Euro	↓	1.156	-1.01%	1.168	1.156
		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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