

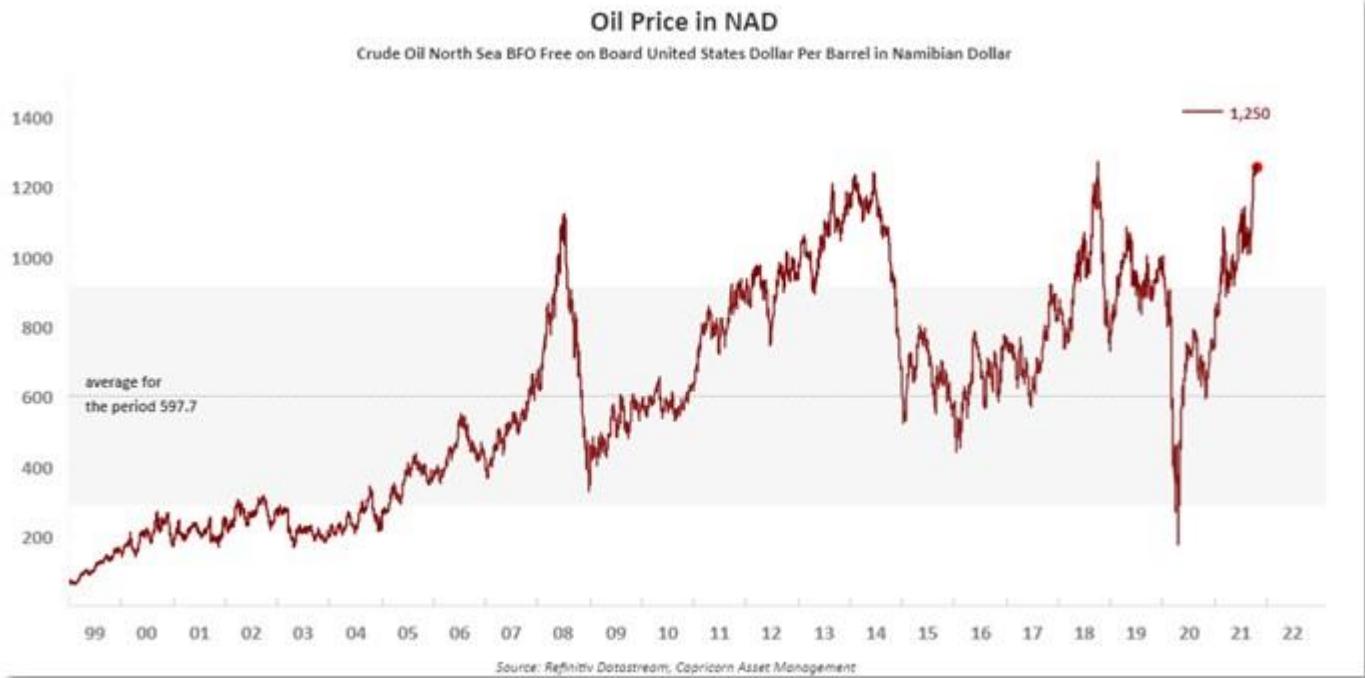
# The Daily Brief



Capricorn Asset Management

## Market Update

Tuesday, 26 October 2021



## Global Markets

Shares made slim gains around the world on Tuesday, with upbeat corporate earnings buoying European shares and outweighing recurring worries about China's property sector.

The broad Euro STOXX 600 hit its highest in seven weeks, adding 0.5%, with German stocks gaining 0.9%. After a stellar quarter for U.S. and British banks, Switzerland's UBS rose over 2% on its highest quarterly profit since 2015, helping the financial services sector climb about 1%. Wall Street futures were up 0.3%, with the earnings season reaching its peak and tech heavyweights including Apple Inc and Alphabet due to report later.

Still, some analysts voiced caution over the impact of the COVID-19 pandemic on supply chains. "Even though this has been a good earnings season in aggregate we are starting to see more companies with supply backlogs, hiring difficulties, and rising input prices that are eating into profits," Deutsche Bank analysts wrote.

The MSCI world equity index, which tracks shares in 50 countries, added 0.1%. Asian stocks had earlier followed Wall Street's record highs overnight, before giving up their gains. Electric car maker Tesla Inc had boosted Wall Street after it joined the \$1 trillion market capitalisation club. MSCI's gauge of Asia-Pacific stocks outside Japan was flat after briefly touching its highest in six weeks, following gains throughout October.

Weighing on the market were Chinese property stocks, which extended losses as another developer, Modern Land, defaulted on a payment, adding to worries about the effects of the debt crisis at China Evergrande Group. Hong Kong-listed mainland property firms dropped 5% while the mainland CSI 300 Real Estate Index fell 2.8%.

China has said it will roll out a pilot real estate tax in some regions, adding to existing concerns about real estate. Some analysts voiced concern at the drag on global growth from a slowdown in the world's second biggest economy. Citi strategist Robert Buckland said the bank had cut its 2022 global real GDP growth forecast to 4.2% from 4.4%.

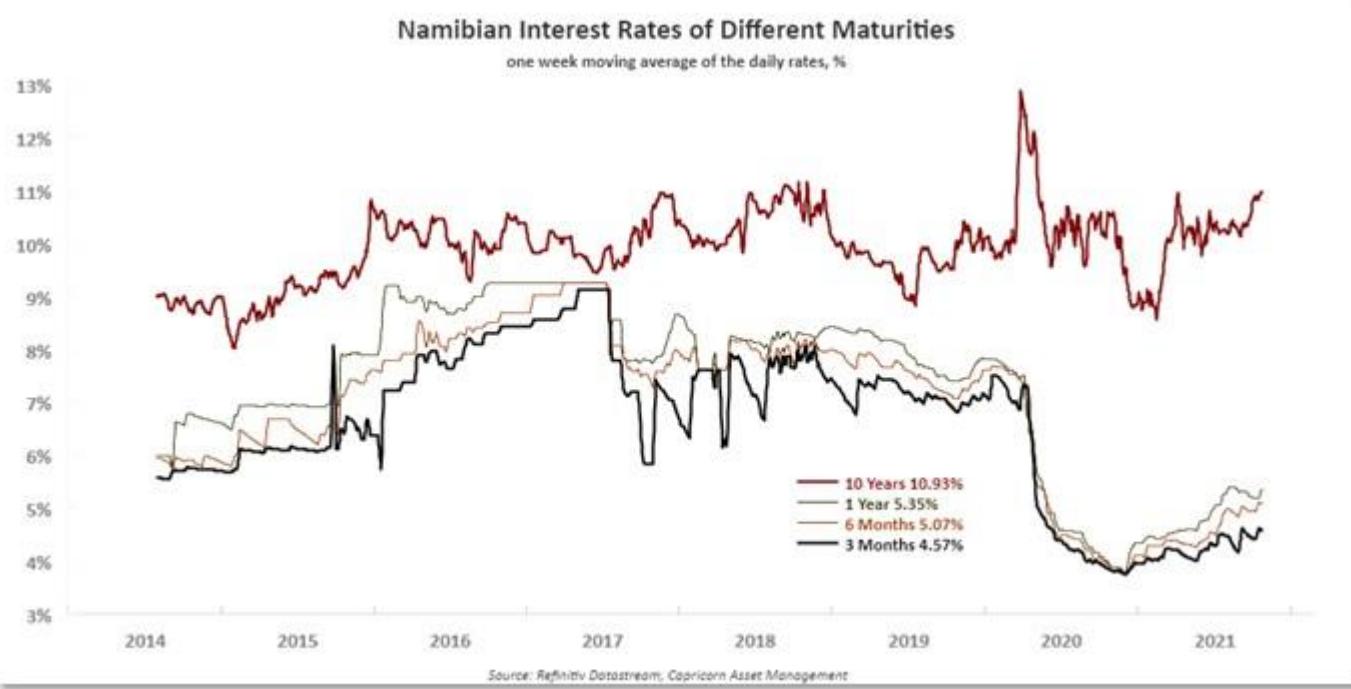
"The impact of the China slowdown is becoming increasingly evident in other Asian economies, but also in Europe where the Germany growth forecast has been cut from 5.2% to 3.5%," he wrote, warning of "a deeper and longer Chinese slowdown".

The U.S. dollar index held at 93.932 - in between a one-year high of 94.563 hit earlier in the month and a one-month low of 93.483 on Monday. Analysts expect it might stay there through a slew of central bank meetings in coming days.

The European Central Bank and Bank of Japan are both set to hold monetary policy meetings on Thursday, though neither is expected to take major action on interest rates. Euro zone inflation expectations among bond investors opened at a new seven-year high, shooting past the ECB's target, leading to speculation that the ECB's pandemic-era stimulus was unsustainable.

Benchmark 10-year U.S. Treasury notes were steady at 1.6388% off last week's five-month top of 1.7% as uncertainty about when the Federal Reserve would raise rates to curb rising inflation weighed on market sentiment. Already nudging multi-year highs, oil prices rose marginally in a market gripped by tight global supply and strengthening fuel demand in the United States and beyond. Brent crude futures fell 0.4% to \$85.68 a barrel, while the U.S. West Texas Intermediate (WTI) crude futures edged 0.01% higher to \$83.76 a barrel.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand firmed on Monday, supported by higher precious metals prices, while stocks slightly edged lower.

At 1500 GMT, the rand traded at 14.7275 against the dollar, around 0.67% firmer than its previous close.

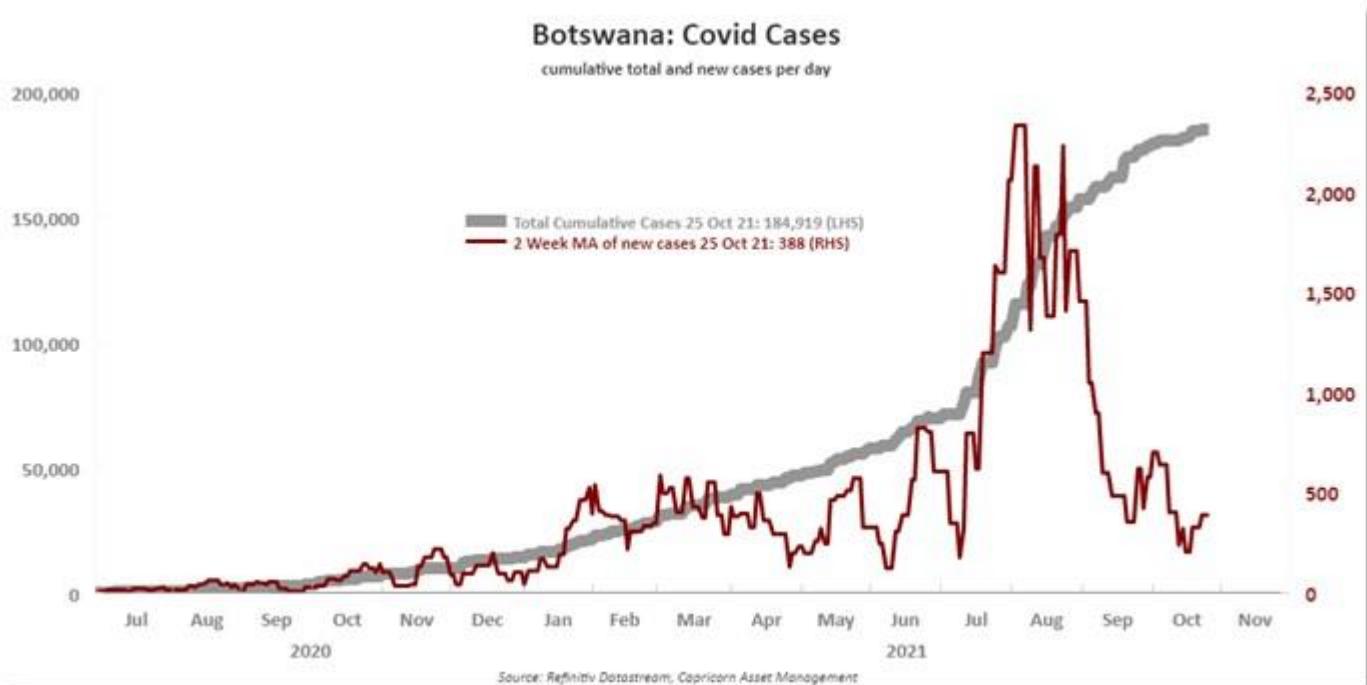
"South Africa's is a major exporter of minerals, precious and base metals, lending itself to rand sensitivity relative to these commodity prices, and today these prices are supportive of the domestic currency," IG senior market analyst Shaun Murison said.

Gold prices rose about 1% on Monday, as a retreat in U.S. bond yields and persisting worries about inflation lifted the safe-haven asset. Platinum and Palladium also edged higher.

Higher precious metals prices have helped cushion the economic shock from the COVID-19 pandemic by providing South Africa with bumper tax receipts.

The yield on the government's 2030 bond was down 3 basis points at 9.555%. On the stock market, the Top-40 index was down 0.13% to 60,445.78 while the broader all-share closed 0.1% lower at 66,980.45. Shares in miner Sibanye Stillwater fell 5% after the company said it was in talks to buy Santa Rita nickel and Serrote copper mines in Brazil.

## Corona Tracker



Source: Thomson Reuters Refinitiv

Everything has its wonders, even darkness and silence, and I learn, whatever state I may be in, therein to be content.

Helen Keller

## Market Overview

| MARKET INDICATORS (Thomson Reuters) |    | 26 October 2021 |            |            |              |
|-------------------------------------|----|-----------------|------------|------------|--------------|
| Money Market TB Rates %             |    | Last close      | Difference | Prev close | Current Spot |
| 3 months                            | ⬇️ | 4.57            | -0.005     | 4.57       | 4.57         |
| 6 months                            | ⬇️ | 5.07            | -0.005     | 5.07       | 5.07         |
| 9 months                            | ⬆️ | 5.35            | 0.014      | 5.33       | 5.31         |
| 12 months                           | ⬆️ | 5.35            | 0.022      | 5.32       | 5.32         |
| Nominal Bond Yields %               |    | Last close      | Difference | Prev close | Current Spot |
| GC22 (Coupon 8.75%, BMK R2023)      | ⬇️ | 4.75            | -0.060     | 4.81       | 4.75         |
| GC23 (Coupon 8.85%, BMK R2023)      | ⬇️ | 6.21            | -0.060     | 6.27       | 6.21         |
| GC24 (Coupon 10.50%, BMK R186)      | ⬇️ | 7.56            | -0.080     | 7.64       | 7.51         |
| GC25 (Coupon 8.50%, BMK R186)       | ⬇️ | 7.79            | -0.080     | 7.87       | 7.74         |
| GC26 (Coupon 8.50%, BMK R186)       | ⬇️ | 8.76            | -0.080     | 8.84       | 8.71         |
| GC27 (Coupon 8.00%, BMK R186)       | ⬇️ | 8.76            | -0.080     | 8.84       | 8.71         |
| GC30 (Coupon 8.00%, BMK R2030)      | ⬇️ | 10.45           | -0.030     | 10.48      | 10.39        |
| GC32 (Coupon 9.00%, BMK R213)       | ⬇️ | 11.28           | -0.030     | 11.31      | 11.22        |
| GC35 (Coupon 9.50%, BMK R209)       | ⬇️ | 12.25           | -0.025     | 12.27      | 12.19        |
| GC37 (Coupon 9.50%, BMK R2037)      | ⬇️ | 12.60           | -0.020     | 12.62      | 12.53        |
| GC40 (Coupon 9.80%, BMK R214)       | ⬇️ | 13.48           | -0.045     | 13.52      | 13.44        |
| GC43 (Coupon 10.00%, BMK R2044)     | ⬇️ | 13.55           | -0.030     | 13.58      | 13.50        |
| GC45 (Coupon 9.85%, BMK R2044)      | ⬇️ | 13.60           | -0.030     | 13.63      | 13.55        |
| GC48 (Coupon 10.00%, BMK R2048)     | ⬇️ | 13.06           | -0.025     | 13.08      | 13.00        |
| GC50 (Coupon 10.25%, BMK: R2048)    | ⬇️ | 13.89           | -0.025     | 13.91      | 13.83        |
| Inflation-Linked Bond Yields %      |    | Last close      | Difference | Prev close | Current Spot |
| GI22 (Coupon 3.55%, BMK NCPI)       | ➡️ | 3.89            | 0.000      | 3.89       | 3.89         |
| 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       | 6.03         |
| GI33 (Coupon 4.50%, BMK NCPI)       | ➡️ | 7.84            | 0.000      | 7.84       | 7.84         |
| GI36 (Coupon 4.80%, BMK NCPI)       | ➡️ | 8.05            | 0.000      | 8.05       | 8.05         |
| Commodities                         |    | Last close      | Change     | Prev close | Current Spot |
| Gold                                | ⬆️ | 1,807           | 0.84%      | 1,792      | 1,802        |
| Platinum                            | ⬆️ | 1,058           | 1.64%      | 1,041      | 1,049        |
| Brent Crude                         | ⬆️ | 86.0            | 0.54%      | 85.5       | 85.7         |
| Main Indices                        |    | Last close      | Change     | Prev close | Current Spot |
| NSX Overall Index                   | ⬆️ | 1,458           | 1.02%      | 1,443      | 1,457        |
| JSE All Share                       | ⬇️ | 66,980          | -0.10%     | 67,051     | 67,583       |
| SP500                               | ⬆️ | 4,566           | 0.47%      | 4,545      | 4,566        |
| FTSE 100                            | ⬆️ | 7,223           | 0.25%      | 7,205      | 7,273        |
| Hangseng                            | ⬆️ | 26,132          | 0.02%      | 26,127     | 26,038       |
| DAX                                 | ⬆️ | 15,599          | 0.36%      | 15,543     | 15,751       |
| JSE Sectors                         |    | Last close      | Change     | Prev close | Current Spot |
| Financials                          | ⬆️ | 13,901          | 0.38%      | 13,849     | 13,961       |
| Resources                           | ⬆️ | 63,455          | 0.77%      | 62,969     | 64,081       |
| Industrials                         | ⬇️ | 85,827          | -0.96%     | 86,659     | 86,804       |
| Forex                               |    | Last close      | Change     | Prev close | Current Spot |
| N\$/US dollar                       | ⬇️ | 14.69           | -0.35%     | 14.74      | 14.74        |
| N\$/Pound                           | ⬇️ | 20.22           | -0.22%     | 20.27      | 20.36        |
| N\$/Euro                            | ⬇️ | 17.05           | -0.70%     | 17.17      | 17.12        |
| US dollar/ Euro                     | ⬇️ | 1.161           | -0.35%     | 1.165      | 1.162        |
|                                     |    | 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 listeds

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**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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