



Market Update

Wednesday, 27 October 2021



Global Markets

Stocks slipped on Wednesday with new regulatory worries sparking the steepest sell-off in seven weeks for Chinese tech shares, while short-term Treasury yields spiked as investors wagered on inflation pulling forward interest rate rises.

MSCI's index of Asia-Pacific shares outside Japan fell 0.8% led by a 3.5% decline on the Hang Seng tech index after China's internet watchdog said it plans stricter registration rules for younger net users. Japan's Nikkei fell 0.6%. U.S. stock markets are at record highs but futures were listless amid creeping worries about central bankers' responses to inflation. FTSE futures were flat and European futures fell 0.3%.

The latest evidence of worldwide pressure on consumer prices came from Australia, where data showed core inflation hit a six-year high last quarter. The Aussie dollar rose and bonds dived to reflect bets the central bank cannot hold rates at record lows. Two-year U.S. Treasury yields surged to a 19-month high of 0.5010% ahead of next week's Federal Reserve meeting.

"There are a couple of things that are of concern to investors, and inflation news is everywhere," said Khoon Goh, head of Asia research at ANZ Bank in Singapore. "This is where expectations of when the Fed might start to lift interest rates is starting to come in to focus. The announcement of tapering next week is pretty much a done deal - markets have moved past tapering and are focused on tightening."

The Fed has all but confirmed it will soon start to whittle back its asset purchases, though has said that shouldn't signal rate hikes are imminent. Nevertheless, Fed funds futures are priced for a lift-off in the second half of next year. "We updated our Fed call to show a hike in Q4 2022 and four hikes in 2023," analysts at NatWest said in a note. "The inflation overshoot has been persistent," they said. "There is (only) so much the Fed can tolerate before reacting ... it feels inevitable that that conversation will be brought up more and more as we go into next year."

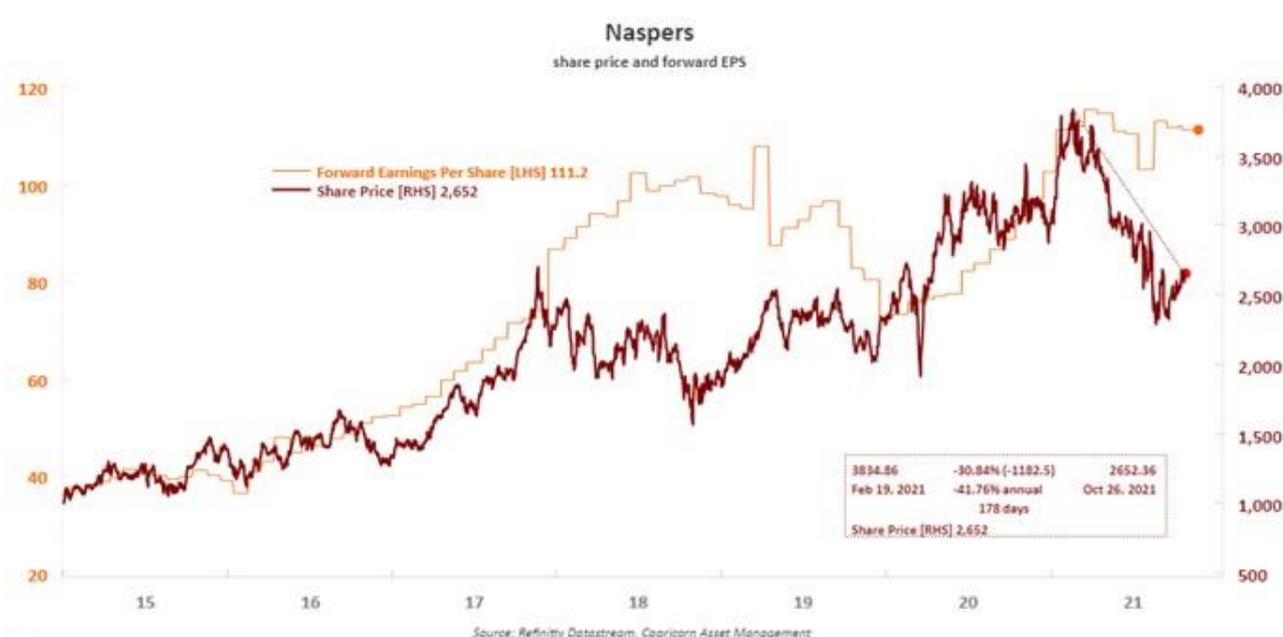
In China, besides a further tightening of rules over online access for the young, energy stocks suffered with new measures to curb zooming coal prices which also dropped 10% and have fallen 40% from record peaks. That seemed to cap gains in the Australian dollar, which settled around 0.3% higher at \$0.7526. Three year Australian government bond futures plunged about 19 basis points to their lowest since mid-2019.

Broader currency markets were quiet as traders look to central bank meetings over the next week or so for guidance, with Canada first up at 1400 GMT. The Canadian dollar hovered just below last week's four month high. The European Central Bank meets on Thursday, when Bank of Japan also concludes its two-day meeting. No changes are expected from Tokyo, but traders are expecting the ECB to push back on market inflation forecasts and are looking for hawkish clues from the Bank of Canada as prices put pressure on rates.

Earnings reports from Ford, Coca-Cola, McDonald's and Boeing are due later in the day. Solid results have helped Wall Street to fresh records this week, though on Tuesday Facebook shares fell after the company warned of a hit from changes to Apple's privacy rules. "Earnings are enough to hold the big three indexes at record highs, but not enough to reinvigorate the rally onto new highs," said Jeffrey Halley, senior analyst at broker OANDA.

Oil prices eased from overnight peaks, with Brent crude futures down 0.5% at \$85.92 a barrel and U.S. crude down 0.7% to \$84.05 a barrel. Gold was steady at \$1,788 an ounce and bitcoin held above \$60,000 after a late-session drop on Tuesday.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand weakened on Tuesday as precious metals prices fell and power utility Eskom extended scheduled power cuts because of a shortage of generation capacity.

At 1500 GMT, the rand traded at 14.8400 against the dollar, 0.76% weaker than its previous close.

With the local economy remaining weak and facing power cuts, the rand had rallied on Monday mainly on the back of global factors, including higher commodity prices which benefit resource-rich South Africa. But gold, platinum and palladium all fell back on Tuesday.

Eskom, which regularly enforces outages over faults at its coal-fired power stations that hold back economic growth in Africa's most industrialised nation, said it would extend rolling blackouts to Saturday.

In fixed income, the yield on the benchmark 2030 government bond was down 4.5 basis points to 9.51%.

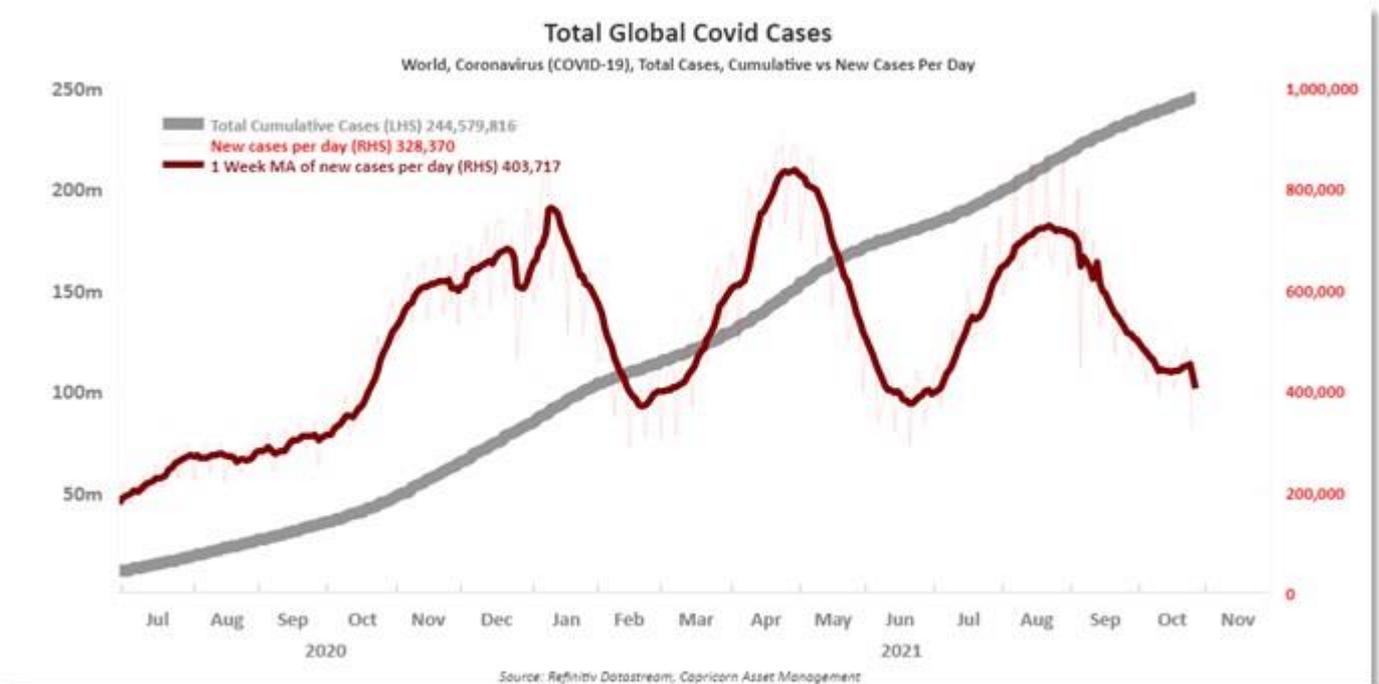
Stocks rose, led by technology stocks and companies that derive much of their income abroad and benefit from weakness in the local currency. Luxury goods maker Richemont, Sibanye Stillwater and tech investor Naspers were the three biggest climbers on the Johannesburg Top-40 index, gaining 2.69%, 2.57% and 2.26% respectively. The Johannesburg All-Share index climbed 0.95% while the Top-40 rose 0.96%.

"The big thing is the rand that's weakening a bit that's good for commodities and as well as the earnings season in America that's given a boost to markets and that is overflowing into our markets as well," BP Bernstein portfolio manager Gerhard Parkin said. A weaker rand helps mining companies who export in dollars.

Some stellar earnings reports have helped drive the Dow and the S&P 500 to record highs, lifting investor sentiment in October after concerns around inflation, the U.S. Fed's tapering and China Evergrande Group's crisis rattled markets last month.

Corona Tracker

GLOBAL CASES		27-Oct-2021	4:37
SOURCE - REUTERS			
	Confirmed Cases	New Cases	Total Deaths
GLOBAL	244,579,816	328,370	5,194,820



Source: Thomson Reuters Refinitiv

I long to accomplish a great and noble task, but it is my chief duty to accomplish small tasks as if they were great and noble.

Helen Keller

Market Overview

MARKET INDICATORS (Thomson Reuters)		27 October 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	↓	4.52	-0.056	4.57	4.52
6 months	↓	4.93	-0.140	5.07	4.93
9 months	↓	5.32	-0.015	5.33	5.32
12 months	↑	5.44	0.115	5.32	5.44
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	↓	4.74	-0.010	4.75	4.74
GC23 (Coupon 8.85%, BMK R2023)	↓	6.20	-0.010	6.21	6.20
GC24 (Coupon 10.50%, BMK R186)	↓	7.53	-0.030	7.56	7.52
GC25 (Coupon 8.50%, BMK R186)	↓	7.76	-0.030	7.79	7.75
GC26 (Coupon 8.50%, BMK R186)	↓	8.73	-0.030	8.76	8.72
GC27 (Coupon 8.00%, BMK R186)	↓	8.73	-0.030	8.76	8.72
GC30 (Coupon 8.00%, BMK R2030)	↓	10.41	-0.045	10.45	10.40
GC32 (Coupon 9.00%, BMK R213)	↓	11.23	-0.050	11.28	11.23
GC35 (Coupon 9.50%, BMK R209)	↓	12.19	-0.055	12.25	12.18
GC37 (Coupon 9.50%, BMK R2037)	↓	12.55	-0.050	12.60	12.54
GC40 (Coupon 9.80%, BMK R214)	↓	13.45	-0.030	13.48	13.44
GC43 (Coupon 10.00%, BMK R2044)	↓	13.50	-0.055	13.55	13.48
GC45 (Coupon 9.85%, BMK R2044)	↓	13.55	-0.055	13.60	13.53
GC48 (Coupon 10.00%, BMK R2048)	↓	13.00	-0.055	13.06	12.99
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.83	-0.055	13.89	13.82
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	↓	1,793	-0.82%	1,807	1,789
Platinum	↓	1,028	-2.84%	1,058	1,020
Brent Crude	↑	86.4	0.48%	86.0	85.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,465	0.50%	1,458	1,465
JSE All Share	↑	67,615	0.95%	66,980	67,615
SP500	↑	4,575	0.18%	4,566	4,575
FTSE 100	↑	7,278	0.76%	7,223	7,278
Hangseng	↓	26,038	-0.36%	26,132	25,573
DAX	↑	15,757	1.01%	15,599	15,757
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	14,027	0.91%	13,901	14,027
Resources	↑	63,620	0.26%	63,455	63,620
Industrials	↑	87,147	1.54%	85,827	87,147
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.79	0.71%	14.69	14.84
N\$/Pound	↑	20.36	0.69%	20.22	20.43
N\$/Euro	↑	17.15	0.60%	17.05	17.22
US dollar/ Euro	↓	1.160	-0.09%	1.161	1.160
		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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