

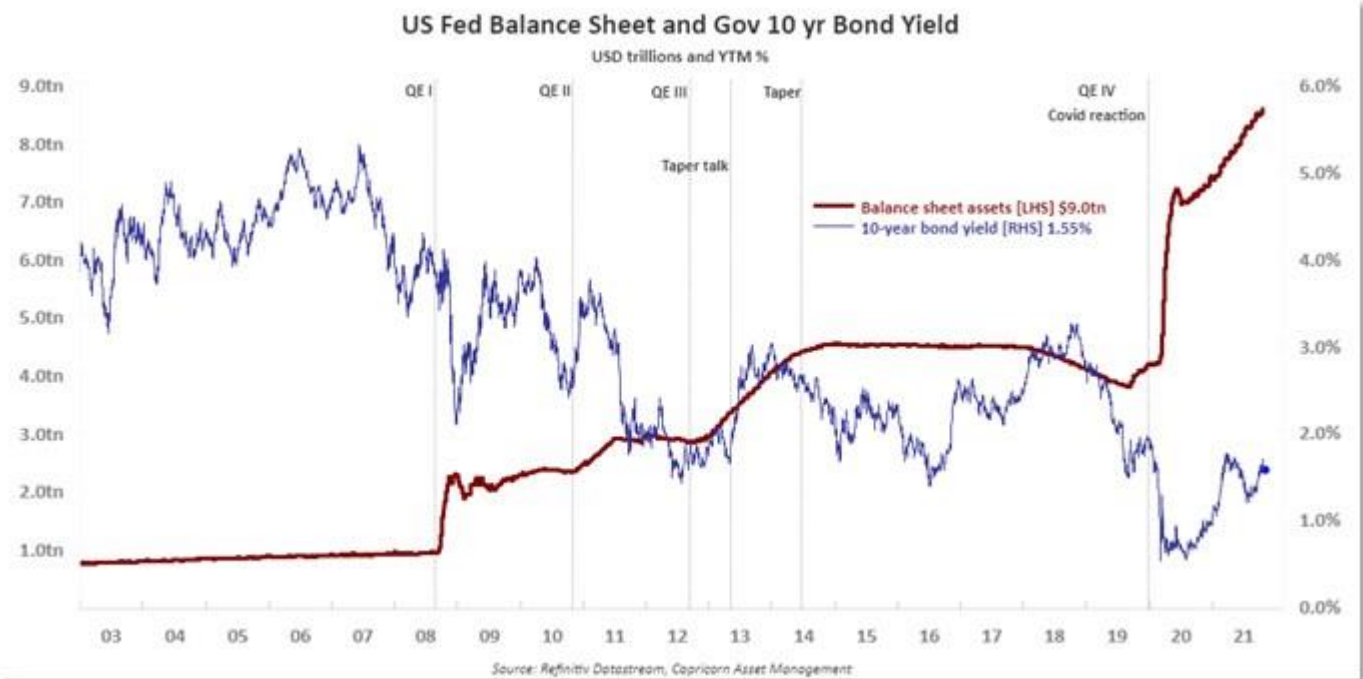


The Daily Brief

Capricorn Asset Management

Market Update

Wednesday, 3 November 2021



Global Markets

Global shares hovered at record highs while currency markets and U.S. Treasuries were steady on Wednesday, as investors looked to the expected winding down of pandemic-era monetary stimulus in the world's largest economy.

The Federal Reserve is expected to announce the tapering of its \$120 billion-a-month asset purchase programme in its policy statement at 1800 GMT. Ahead of the much-anticipated meeting, Asian shares failed to follow a strong lead from Wall Street.

Markets are almost certain the Fed will taper but are looking to see if policymakers will give any hints about the possibility of interest rate hikes next year. "While confidence remains that the Fed will begin its taper, there is scepticism around just how hawkish they will be on the rate hike front," said analysts at Westpac in a morning note to clients. Federal Reserve officials are trying to maintain a balance between raising rates to ensure inflation remains contained and giving the economy as much time as possible to restore the jobs lost since the pandemic.

MSCI's index of Asia-Pacific shares outside Japan lost 0.33% in early trading on Thursday. Japanese markets were closed for a public holiday. "The shape of markets in our region may be driven more by what happens to Treasury and dollar markets overnight than what happens locally," said Rob Carnell, ING's Asia Pacific head of research, in a note.

The Australian benchmark share index was the biggest gainer, rising 1.3%. But those gains were outweighed by falls in Hong Kong's Hang Seng off 1%, and South Korea's KOSPI down 1.2%, even as local fintech Kakao Pay Corp saw its shares double in value from their initial public offering price on their trading debut. Chinese shares were steady after data showed service sector activity expanded in October.

On Tuesday, MSCI's all-country world index, which tracks equity performance in 50 nations, closed at a record high, helped by all three major U.S. stock indexes hitting intraday peaks during the session, and a record finish from Europe's STOXX 600 index. Strong earnings supported shares in both Europe and North America.

In contrast the Asian regional benchmark has been trending down since early this year, and is off more than 13% from its February peak, as it struggles to rebound from sweeping regulatory changes in China in the summer, which roiled sectors from property to technology.

Moves in currency markets were muted on Thursday. The dollar kept within sight of its recent highs against the yen and euro. The Aussie dollar was steady on Wednesday, having dropped 1.2% against the dollar on Tuesday after more dovish remarks from the Reserve Bank of Australia, even as it abandoned its short-term yield target. Also in central bank news, the Bank of England on Thursday could become the first of the world's biggest central banks to raise rates after the coronavirus crisis.

U.S. benchmark 10-year Treasury yields were steady at 1.5540%, a little off last month's recent top of 1.7%.

Oil prices fell on Wednesday as industry data pointed to a big build in oil stocks in the United States, the world's largest oil consumer, and as pressure mounted on OPEC to increase supply. Brent crude fell 1.2% to \$83.74 a barrel while U.S. crude tumbled 1.5% to \$82.65 a barrel. Spot gold slipped 0.2%.

Source: Thomson Reuters Refinitiv



Domestic Markets

South Africa's rand fell on Tuesday, as markets awaited initial results of Monday's municipal elections and ahead of several key global central bank meetings that could set the tone for risk appetite heading into next year. At 1441 GMT, the rand traded at 15.4375 against the dollar, 0.13% weaker than its previous close.

Vote counting in municipal elections was under way on Tuesday, with early tallies giving the ruling African National Congress (ANC) 46% of the vote with results in from just over a quarter of polling stations. The poll came while the ANC is facing mounting discontent over poor services and stark inequality 27 years after the end of white minority rule.

While global factors were weighing on the currency, concerns the ANC could record losses were likely also having an impact, Commerzbank said in a note. "This might further weaken the position of the party and of President Cyril Ramaphosa, which in turn might dampen the prospect of further reforms," it said, adding if this were to materialise it would weaken the ability of the rand to regain ground.

Globally, markets were worrying about the prospect that extraordinary pandemic-era stimulus could begin to be unwound. Immediate focus was on the Reserve Bank of Australia (RBA), which on Tuesday took a major step towards that by abandoning an ultra-low target for bond yields and opening the door for an early hike in cash rates. The U.S. Federal Reserve and Bank of England are also expected to announce policy decisions this week.

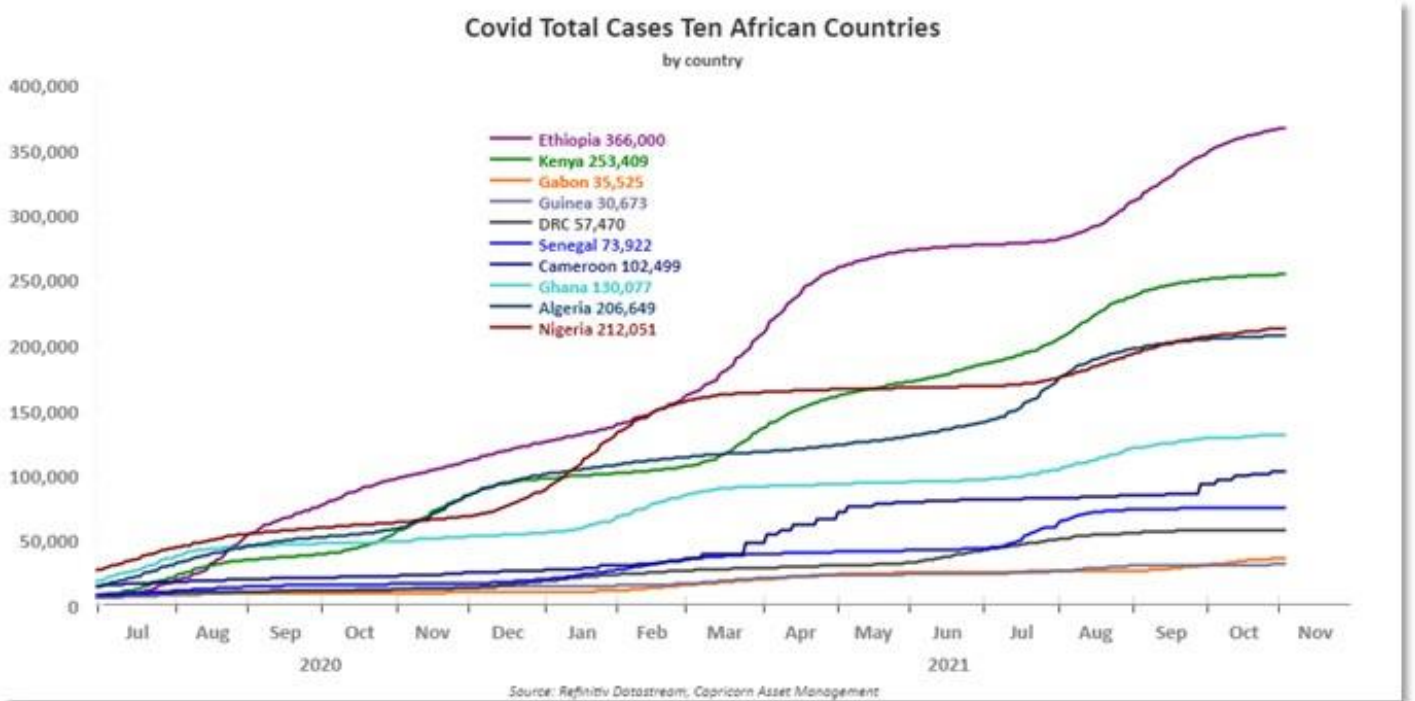
Higher rates in developed countries often drain capital away from higher yielding but riskier emerging markets such as South Africa, weighing on their currencies.

Stock markets were up, with the Johannesburg Stock Exchange's Top-40 Index rising 0.58% to 61,158 points and the broader All-Share Index closing 0.46% higher at 67,782 points. Shares in retailer Massmart, majority owned by Walmart, enjoyed an 8.56% boost after it reported higher nine-month comparable sales and cost savings.

Bonds also rose, with the yield on the benchmark government bond due in 2030 down 0.5 basis points to 9.635%.

Source: Republikein

Corona Tracker



Source: Thomson Reuters Refinitiv

Market Overview

MARKET INDICATORS (Thomson Reuters)		03 November 2021			
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	→	4.49	0.000	4.49	4.49
6 months	↑	4.92	0.017	4.90	4.92
9 months	↑	5.37	0.058	5.32	5.37
12 months	↑	5.45	0.075	5.38	5.45
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	↑	4.93	0.005	4.92	4.93
GC23 (Coupon 8.85%, BMK R2023)	↑	6.39	0.005	6.38	6.39
GC24 (Coupon 10.50%, BMK R186)	↑	7.82	0.065	7.76	7.82
GC25 (Coupon 8.50%, BMK R186)	↑	8.05	0.065	7.99	8.05
GC26 (Coupon 8.50%, BMK R186)	↑	9.02	0.065	8.96	9.02
GC27 (Coupon 8.00%, BMK R186)	↑	9.02	0.065	8.96	9.02
GC30 (Coupon 8.00%, BMK R2030)	↓	10.53	-0.010	10.54	10.53
GC32 (Coupon 9.00%, BMK R213)	↓	11.35	-0.010	11.36	11.35
GC35 (Coupon 9.50%, BMK R209)	↑	12.18	0.015	12.16	12.18
GC37 (Coupon 9.50%, BMK R2037)	↑	12.53	0.015	12.52	12.53
GC40 (Coupon 9.80%, BMK R214)	↓	13.41	-0.005	13.41	13.39
GC43 (Coupon 10.00%, BMK R2044)	→	13.44	0.000	13.44	13.44
GC45 (Coupon 9.85%, BMK R2044)	→	13.49	0.000	13.49	13.49
GC48 (Coupon 10.00%, BMK R2048)	↓	12.94	-0.005	12.95	12.94
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.77	-0.005	13.78	13.77
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
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)	→	6.20	0.000	6.20	6.20
GI33 (Coupon 4.50%, BMK NCPI)	→	7.96	0.000	7.96	7.96
GI36 (Coupon 4.80%, BMK NCPI)	→	8.18	0.000	8.18	8.18
Commodities		Last close	Change	Prev close	Current Spot
Gold	↓	1,787	-0.32%	1,793	1,781
Platinum	↓	1,038	-2.45%	1,064	1,035
Brent Crude	↑	84.7	0.01%	84.7	84.1
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	↑	1,473	0.82%	1,461	1,473
JSE All Share	↑	67,782	0.47%	67,465	67,782
SP500	↑	4,631	0.37%	4,614	4,631
FTSE 100	↓	7,275	-0.19%	7,289	7,275
Hangseng	↓	25,100	-0.22%	25,154	24,866
DAX	↑	15,954	0.94%	15,806	15,954
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	14,252	2.12%	13,956	14,252
Resources	↓	62,458	-0.84%	62,990	62,458
Industrials	↑	88,565	1.23%	87,490	88,565
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	15.42	0.03%	15.42	15.39
N\$/Pound	↓	20.99	-0.33%	21.06	20.98
N\$/Euro	↓	17.85	-0.21%	17.89	17.83
US dollar/ Euro	↓	1.158	-0.25%	1.161	1.158
		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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