

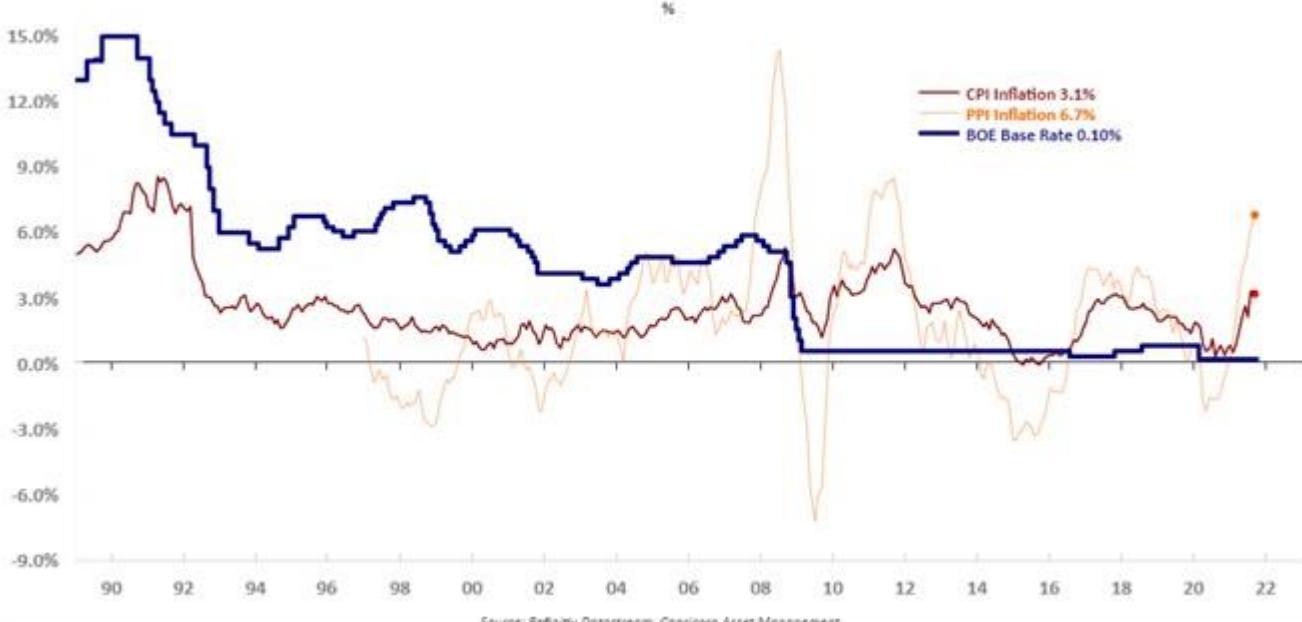
The Daily Brief



Market Update

Thursday, 4 November 2021

UK Central Bank (BOE) Base Rate vs. Inflation



Global Markets

Share markets firmed on Thursday after the U.S. Federal Reserve engineered an orderly start to unwinding its massive stimulus programme, though doubts about the inflation outlook did push up longer-dated bond yields.

"Remember that tapering is not tightening," said Kerry Craig, global market strategist at J.P. Morgan Asset Management, noting the Fed's balance sheet would still expand by around \$400 billion over the next eight months. "This is still a very accommodative policy environment and one that will support the growth outlook in the quarters ahead and the performance of risk assets like equities and credit."

Anxious eyes now turn to the Bank of England, which may kick off a rate hike cycle later in the day with uncertain implications for debt markets globally.

For now, equity investors were content that the Fed was in no rush to remove the policy punch bowl and Nasdaq futures rose 0.2% to another record high. If sustained, it would be the ninth straight session of gains. S&P 500 futures held steady, while EUROSTOXX 50 futures rose 0.5% and FTSE futures 0.4%. Japan's Nikkei climbed 0.8% and touched its highest in a month, while MSCI's broadest index of Asia-Pacific shares outside Japan crept up 0.4%. The Asian index has been burdened by a spike in new coronavirus cases in China, which threatens to curb consumer spending in an already slowing economy.

Strong readings on U.S. services and employment underpinned the better mood, elsewhere. As expected, the Fed announced it would trim its bond buying by \$15 billion a week from this month, while leaving open the option to quicken or slow the pace as needed. Fed Chair Jerome Powell did sound slightly less sure inflationary forces would prove to be fleeting, enough to hit longer-term bonds and bear steepen the yield curve.

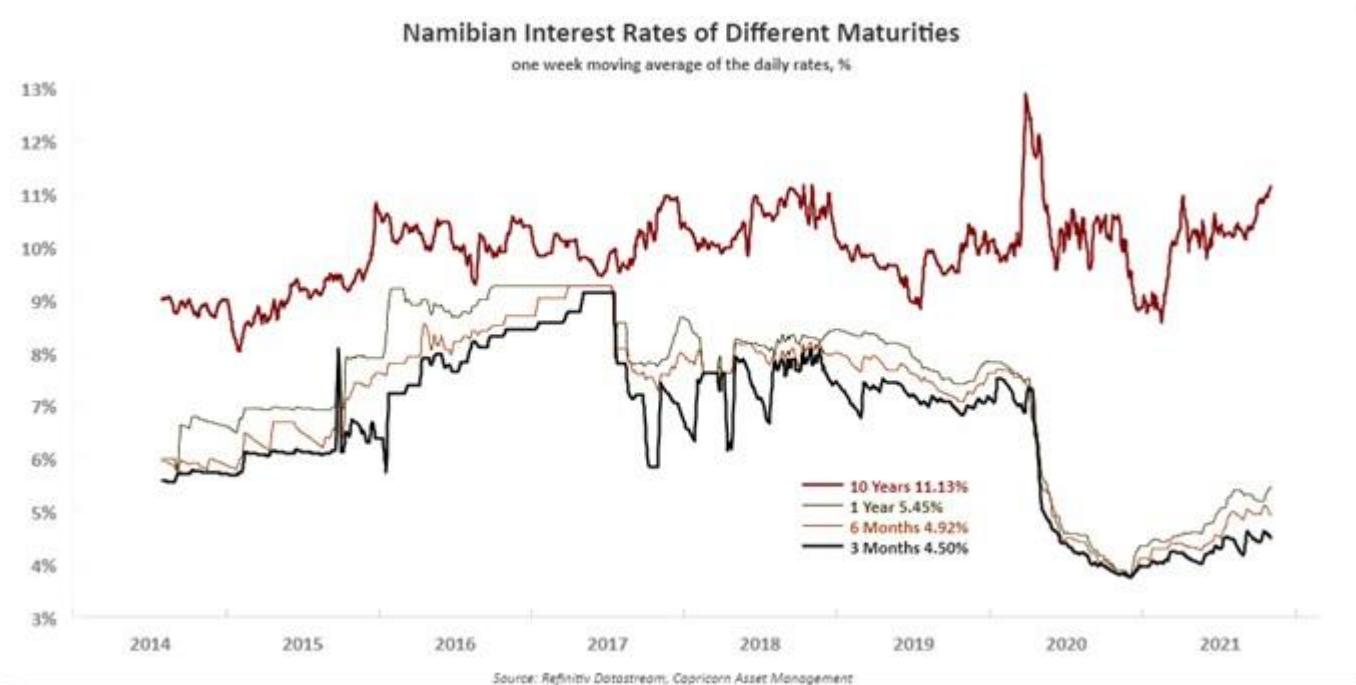
"Overall, we didn't get anything that should imply higher market pricing of hikes than what we have now," said Jan Nevrzui, an analyst at NatWest Markets. Fed futures imply a first hike to 0.25% by June with another to 0.5% by the end of 2022. "While not an ultra-dovish meeting, the result was still a far cry from some of the more stunning hawkish surprises seen recently from the likes of the Bank of Canada," added Nevrzui.

The Canadian and Australian central banks have caused turmoil in their bond markets in the last couple of weeks by abruptly changing tack on policy. Poland's central bank surprised with an aggressive hike overnight, heightening tensions for the BoE's meeting where the decision could be nail-bitingly close.

The uncertainty kept sterling on edge at \$1.3659, having been as low as \$1.3605 overnight. The dollar idled at 93.955 as speculators booked profits on long positions, though the uptrend of the past five months was still in place. It firmed on the yen to 114.15, aiming for the recent top of 114.69. The euro pared overnight gains to \$1.1595, hampered by expectations the European Central Bank will trail the Fed in tightening by some margin.

In commodities, the rise in bond yields saw gold dither around \$1,774 an ounce. Oil prices slid as U.S. inventories grew and Iran announced the resumption of talks on a nuclear accord. Pressure is also mounting for OPEC+ to expand production at a meeting later on Thursday, though signs are the group will stick with its current plans. Brent fell 63 cents to \$81.36 a barrel, after shedding more than 4% overnight, while U.S. crude lost another 83 cents to \$80.03.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand on Wednesday fell further back towards an eight-month low hit in the previous session, as the country's ruling party headed for its poorest ever electoral showing in a municipal poll held on Monday.

At 1448 GMT, the rand traded at 15.4650 against the dollar, 0.1% weaker than its previous close, losing some ground it had gained earlier in the day. The currency fell to 15.4925 on Tuesday, its weakest since early March.

Partial results from Monday's municipal elections showed the ruling African National Congress (ANC) on 46% of the vote with three quarters of results in, meaning it looked almost certain to get less than 50% of votes for the first time in any election since it ended white minority rule in 1994. Such a result could weaken the hand of President Cyril Ramaphosa and dent his efforts to drive reforms.

The rand was, as always, also being moved by global factors. Internationally, markets are watching a meeting of the U.S. Federal Reserve later on Wednesday, when it is expected to approve plans to scale back pandemic-era stimulus. "Ahead of this, the local unit is likely to trade cautiously, as has been the case of late," Nedbank analysts said of the rand in a note.

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

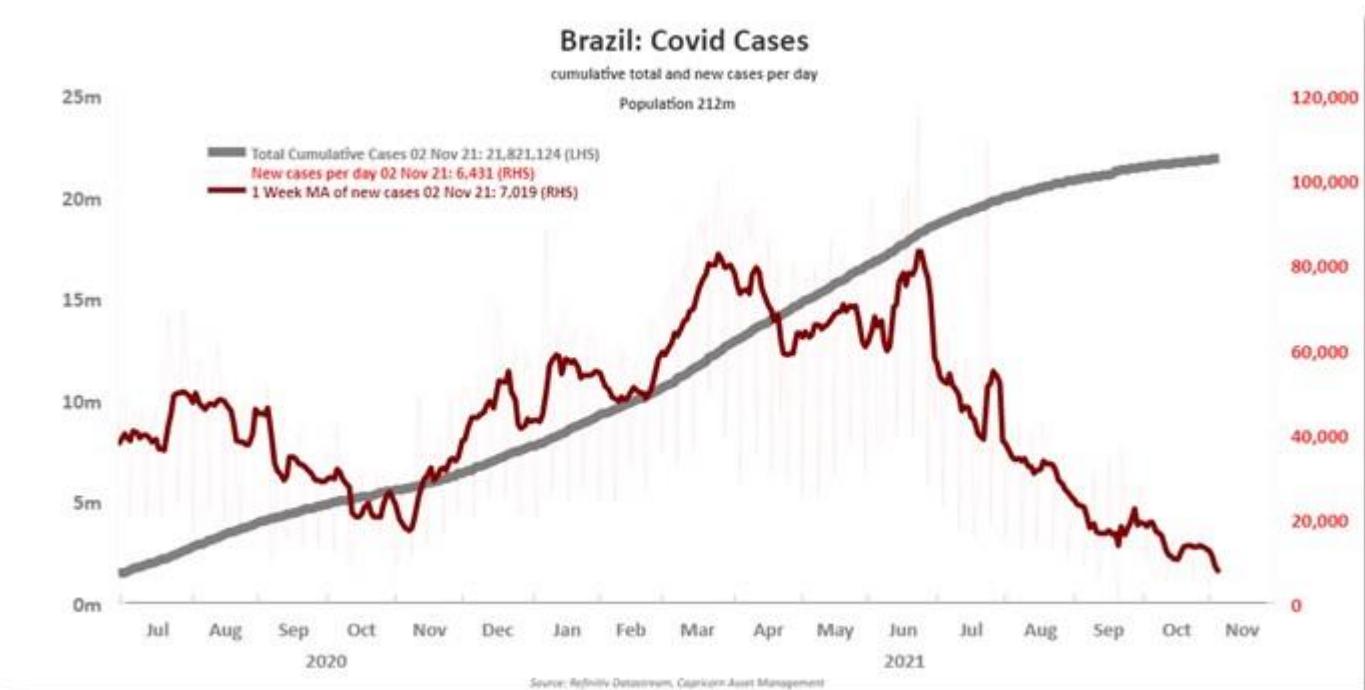
Stocks, however, rose, with the Johannesburg Stock Exchange's Top-40 Index climbing 1.18% to 61,877 points and the broader All-Share Index closing up 1.19% to 68,587 points. Shares in pharmacist Dis-Chem ended the day 5.56% higher after its half-year results showed a 35.5% jump in earnings.

In fixed income, the yield on the benchmark 2030 government bond was up 4 basis points to 9.670%.

Source: Republiekin

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		03-Nov-2021	23:53
	Confirmed Cases	New Cases	Total Deaths
GLOBAL	248,050,068	322,899	5,252,633



Source: Thomson Reuters Refinitiv

There are two kinds of pride, both good and bad. 'Good pride' represents our dignity and self-respect. 'Bad pride' is the deadly sin of superiority that reeks of conceit and arrogance.

John C. Maxwell

Market Overview

MARKET INDICATORS (Thomson Reuters)		04 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	⬆	4.93	0.016	4.92	4.93
9 months	⬆	5.40	0.025	5.37	5.40
12 months	⬆	5.48	0.025	5.45	5.48
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC22 (Coupon 8.75%, BMK R2023)	⬇	4.82	-0.105	4.93	4.84
GC23 (Coupon 8.85%, BMK R2023)	⬇	6.28	-0.105	6.39	6.30
GC24 (Coupon 10.50%, BMK R186)	⬆	7.84	0.015	7.82	7.78
GC25 (Coupon 8.50%, BMK R186)	⬆	8.07	0.015	8.05	8.01
GC26 (Coupon 8.50%, BMK R186)	⬆	9.04	0.015	9.02	8.98
GC27 (Coupon 8.00%, BMK R186)	⬆	9.04	0.015	9.02	8.98
GC30 (Coupon 8.00%, BMK R2030)	⬆	10.56	0.035	10.53	10.52
GC32 (Coupon 9.00%, BMK R213)	⬆	11.38	0.030	11.35	11.33
GC35 (Coupon 9.50%, BMK R209)	⬆	12.21	0.035	12.18	12.20
GC37 (Coupon 9.50%, BMK R2037)	⬆	12.56	0.030	12.53	12.55
GC40 (Coupon 9.80%, BMK R214)	⬆	13.45	0.040	13.41	13.44
GC43 (Coupon 10.00%, BMK R2044)	⬆	13.49	0.045	13.44	13.48
GC45 (Coupon 9.85%, BMK R2044)	⬆	13.54	0.045	13.49	13.53
GC48 (Coupon 10.00%, BMK R2048)	⬆	12.99	0.045	12.94	12.97
GC50 (Coupon 10.25%, BMK R2048)	⬆	13.82	0.045	13.77	13.80
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	⬇	1,770	-0.99%	1,787	1,773
Platinum	⬇	1,029	-0.88%	1,038	1,036
Brent Crude	⬇	82.0	-3.22%	84.7	81.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	⬆	1,489	1.12%	1,473	1,489
JSE All Share	⬆	68,587	1.19%	67,782	68,587
SP500	⬆	4,661	0.65%	4,631	4,661
FTSE 100	⬇	7,249	-0.36%	7,275	7,249
Hangseng	⬇	25,025	-0.30%	25,100	25,063
DAX	⬆	15,960	0.03%	15,954	15,960
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	⬇	14,242	-0.07%	14,252	14,242
Resources	⬆	63,352	1.43%	62,458	63,352
Industrials	⬆	89,792	1.39%	88,565	89,792
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	⬇	15.24	-1.17%	15.42	15.29
N\$/Pound	⬇	20.86	-0.66%	20.99	20.88
N\$/Euro	⬇	17.69	-0.89%	17.85	17.71
US dollar/ Euro	⬆	1.161	0.29%	1.158	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 listeds

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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A member of The logo consists of a red circle containing a stylized white 'W' shape.