Market Update — Friday, 5 November 2021

Global Markets

Chinese markets dragged on Asian shares on Friday as they failed to latch on to a global record-setting rally after a week in which central banks around the world refrained from any hawkish surprises in a boost to the dollar. The U.S. currency made solid strides against sterling, which took a beating after the Bank of England confounded markets by passing up a chance to raise interest rates on Thursday.

MSCI's index of Asia-Pacific shares outside Japan was down 0.26% while Japan's Nikkei slid 0.5%, albeit from a month high reached the day before. Hong Kong weighed on the regional index, falling 1.25%, pressured by index heavyweight HSBC as the rate sensitive bank's shares tumbled nearly 5%, hurt by the BoE's dovish call, as well as by property stocks.

Also in Hong Kong, trading in shares of Chinese developer Kaisa Group Holdings Ltd was suspended, a day after the company said a subsidiary had missed a payment on a wealth management product, the latest sign of a deepening liquidity crisis in the Chinese property sector. An index tracking Hong

Kong listed mainland Chinese developers slipped 1.5%, and spreads on Chinese high-yield dollar debt hovered near record highs. Shanghai shares lost 0.24% though Chinese blue chips edged up 0.1%.

In contrast, Australia's S&P/ASX 200 index was set to notch its best week since late-May, and was up 0.5% on the day. Share markets globally were strong, with MSCI's gauge of stocks across the world hitting a new all-time high on Thursday. It edged down 0.1% in early Asia. Overnight, the S&P 500 and Nasdaq extended their streaks of record high closes to six sessions, and the Dow Jones Industrial Average posted a slim loss, ending a string of record closes after bank shares weighed.

The gains came even after the U.S. Federal Reserve on Wednesday finally announced that it would begin tapering its massive asset purchase programme, though Fed Chair Jerome Powell said he was in no rush to hike borrowing costs. "Even though it transpired as expected, it is a significant milestone, the direction of travel is now clearly towards policy normalisation, though the Fed emphasised that tapering is not tightening," said Stefan Hofer, chief investment strategist for LGT in Asia Pacific. "It was really expert communication and very well handled". Hofer said U.S. jobs data would remain in focus in the coming months as that would influence upcoming decisions from the Fed. U.S. payroll data for October is due later on Friday.

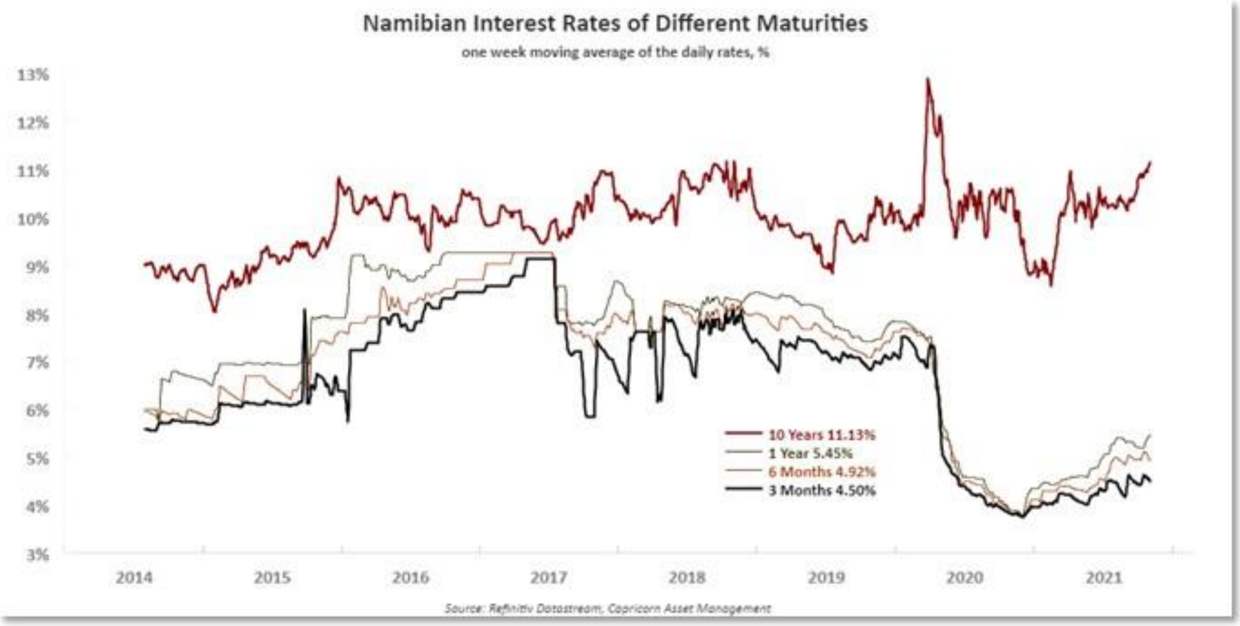
One of the bigger surprises this week came from Bank of England's shock decision on Thursday to defer an interest rate hike. That sent the pound tumbling 1.36% on Thursday while bond yields dropped both in Britain and Europe with Germany's 10-year government bond yield, the benchmark for the eurozone, falling 6 basis points, to a one-month low of -0.23%.

The dollar index last stood at 94.353 within sight October's 12-month highs. U.S. Treasury yields also fell and the U.S. yield curve steepened overnight. U.S. benchmark 10-year yields dropped to 1.509% their lowest level since mid-October on Thursday, but regained some ground and was last at 1.5367%.

Oil prices rebounded on Friday, regaining a little ground from month lows hit a day earlier, after a report that Saudi Arabia's oil output will soon surpass 10 million barrels per day for the first time since the outset of the COVID-19 pandemic. U.S. crude rose 1.03% to $79.62 a barrel, while Brent crude was up 1% at $81.18 per barrel.

Spot gold tacked on 0.17% as the falling yields provided support to the non-interest bearing asset.

Source: Thomson Reuters Refinitiv



Namibian Budget

Namibian Budget	2018/19	2019/20	2020/21 Outcome	Budget 2021/22 Nov	What if	MTEF 22/23 MTBS	What if	23/24 MTBS	What if	24/25 MTBS	What if	25/26 MTBS	What if
Total Revenue	55,882	58,425	**57,838**	53,601	53,616	53,853	53,884	60,616	60,673	63,149	63,222	66,000	66,067
%increase	-4.7	4.6	-1.0	-7.3	-7.3	0.5	0.5	12.6	12.6	4.2	4.2	4.5	4.5
% of GDP	31.4	32.7	32.5	28.8	28.9	27.5	27.2	29.2	28.5	28.7	27.5	28.3	27.0
Total Expenditure	65,108	67,343	**72,035**	69,676	69,658	68,203	68,195	68,347	68,331	69,714	69,698	71,000	70,953
%increase	-3.6	3.4	7.0	-3.3	-3.3	-2.1	-2.1	0.2	0.2	2.0	2.0	1.8	1.8
% of GDP	36.5	37.6	40.4	37.5	37.5	34.9	34.5	33.0	32.1	31.7	30.3	30.5	29.0
Deficit	-9,226	-8,918	**-14,197**	-16,075	-16,042	-14,350	-14,311	-7,731	-7,658	-6,565	-6,476	-5,000	-4,886
% of GDP	-5.2	-5.0	-8.0	-8.6	-8.6	-7.3	-7.2	-3.7	-3.6	-3.0	-2.8	-2.1	-2.0
"Projects & Redempt's"	0	0	-5,218	-14,162	-14,162	-3,046	-3,046	-6,836	-6,836	-6,767	-6,767	-6,500	-6,500
Total Funding Requirement	-9,226	-8,918	**-19,415**	-30,237	-30,204	-17,396	-17,357	-14,567	-14,494	-13,332	-13,243	-11,500	-11,386
% of GDP	-5.2	-5.0	-10.9	-16.3	-16.3	-8.9	-8.8	-7.0	-6.8	-6.1	-5.8	-4.9	-4.7
From Domestic Market	-9,226	-8,918	**-13,250**	-17,900	-17,900	-13,396	-11,416	-12,968	-11,957	-11,732	-11,732	-11,500	-11,500
% of GDP	-5.2	-5.0	-7.4	-9.6	-9.6	-6.8	-5.8	-6.3	-5.6	-5.3	-5.1	-4.9	-4.7
Debt	87,533	100,400	**110,608**	127,682	127,682	144,058	142,039	153,657	154,933	160,342	166,577	171,842	177,963
% of GDP	49.1	56.1	62.1	68.7	68.7	73.6	71.8	74.1	72.8	72.9	72.5	73.8	72.7
Guarantees	10,889	11,107	**12,700**	12,952	12,952	13,566	13,566	14,208	14,208	14,208	17,400	17,500	17,500
% of GDP	6.1	6.2	7.1	7.0	7.0	6.9	6.9	6.9	6.7	6.5	7.6	7.5	7.2
Debt & Guarantees	98,422	111,507	**123,308**	140,634	140,634	157,624	155,605	167,865	169,141	174,550	183,977	189,342	195,463
% of GDP	55.2	62.3	69.2	75.7	75.7	80.6	78.6	80.9	79.5	79.4	80.1	81.3	79.9
Nominal GDP	178,208	178,940	**178,123**	185,863	185,782	195,638	197,858	207,376	212,697	219,819	229,713	233,000	244,645
%increase	3.8	0.4	(0.5)	4.3	4.3	5.3	6.5	6.0	7.5	6.0	8.0	6.0	6.5
CPI FY ave	*4.5*	*2.4*	*2.4*	*2.3*	*4.0*	*3.5*	*4.5*	*4.4*	*4.5*	*3.9*	*4.5*	*3.9*	*4.0*
Real GDP	*(0.7)*	*(2.0)*	*(5.3)*	*2.0*	*1.0*	*1.8*	*2.0*	*1.6*	*3.0*	*2.1*	*3.5*	*2.1*	*2.5*

The Namibian Minister of Finance tabled the interim Budget on the 3rd of November. The following are summary notes:

Namibia MTBPS 1. Revisiting FY21, shows surprising resilience. Initially (May 2020 as Covid struck) it was feared that the deficit will balloon to 12.5% of GDP due to a sharp fall in Revenue to 51.4bn and Spending rising sharply to 72.8bn. In the end (by November 2021) looking back, the deficit is 8.0% of GDP with Revenue at 57.8bn and Spending at 72bn.

Namibia MTBPS 2. Estimates for FY22 (the current fiscal year ending March 2022) shows better-than-initially-budgeted Revenue, but higher-than-initially budgeted Spending, which results in the deficit of 16bn remaining largely unchanged at 8.6% of GDP. With offshore debt and interest (e.g. Eurobond) of 9bn being "replaced" with other offshore debt (AfDB and IMF) of 7bn, means a borrowing requirement from the domestic market of 18bn for FY22. With an estimated 13bn raised, it means about 5bn is left to do up to March.

Namibia MTBPS 3. With 50% of the MTC listing proceeds being earmarked for deficit funding = 1.5bn of the 3.0bn total, it means that there is a real probability that the funding requirement from the domestic market will fall sharply to under 12bn in FY23 (the upcoming Budget year) and remain of the same order of magnitude for the next two years, or even lower. For the first time in a long time a deficit of 3% of GDP comes into view, that is by FY25, amounting to 6.5bn. The difference between the deficit and the funding requirement is the need to make provision for redemptions, amongst others for the next Eurobond of $750m coming due in four years' time. If it is rolled or replaced by, say, more IMF funding, the demands from the domestic market will be very small. This is very bond-positive.

Namibia MTBPS 4. It is imperative that the MoF maintains Spending discipline over the next four years, while the economy crawls out of the turbulent times and Revenue recovers. This is so that the deficit can shrink and the debt ratio can stabilise as is now envisaged by the MoF. This might draw happy commentary from credit rating agencies and help to lower the cost of capital for the economy as a whole. This, in and of itself, might be the best contribution that Fiscal Policy can make at the current juncture to assist the economy, given the extreme limitations on manoeuvrability.

Domestic Markets

The South African rand weakened early on Thursday ahead of the announcement of municipal elections results later in the day, with the outcome expected to show the country's ruling party recorded its poorest ever electoral showing.

At 0640 GMT, the rand traded 0.44% weaker at 15.3200 against the dollar, giving up some overnight gains that were spurred by a weaker dollar after the U.S. Federal Reserve said it would not rush to raise interest rates. The dollar was quoted at ZAR15.18 on Thursday evening, down from ZAR15.47 late Wednesday. The euro was quoted at ZAR17.52, lower from ZAR17.91 on Wednesday. The pound stood at ZAR20.50, up from ZAR21.13 Wednesday late afternoon.

South Africa's electoral commission is due to announce final results in Monday's local government polls at 6 p.m. (1600 GMT), according to a statement from the presidency. On Wednesday, with results in from over 80% of more than 23,000 polling stations, the ruling African National Congress had 46% of the national vote, down from 54% in 2016, itself the worst result yet. Party officials acknowledged public anger over poor services and corruption. Such a result could weaken the hand of President Cyril Ramaphosa and dent his efforts to drive reforms.

In fixed income, the yield on the benchmark 2030 government bond was down 6.5 basis points to 9.64%.

The Top 40 index closed down 467.04 points, or 0.8%, at 61,409.93 on Thursday. At midday, the blue chips were seen 0.3% higher. The Mid Cap index lost 0.2% at 79,519.56. The All Share index closed 0.6% lower at 68,156.21.

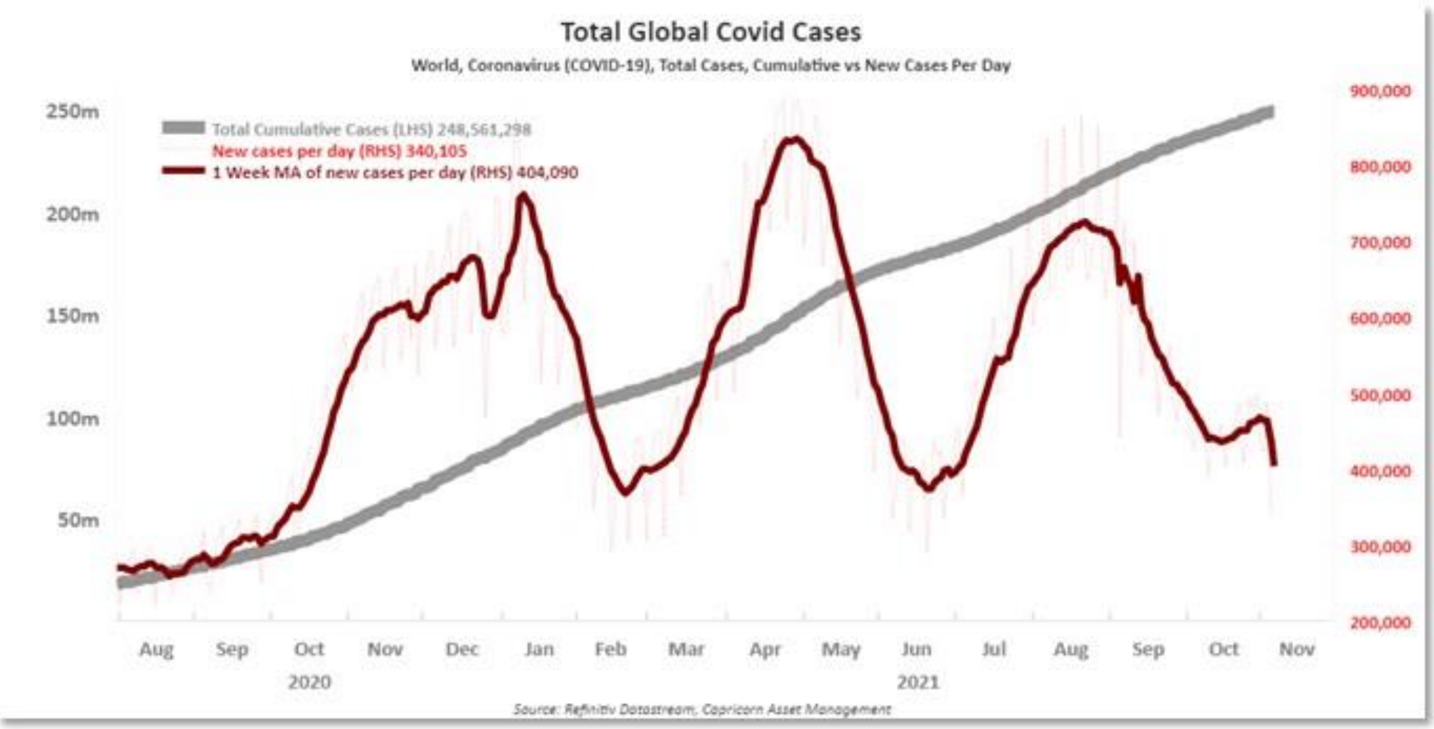
MTN gained 6.7%. The telecommunications firm said third quarter service revenue dipped ever-so-slightly, though it remains in growth on a year-to-date basis. MTN also cautioned that a decline in its Nigerian arm led to a slowdown in subscriber additions.

Afrimat added 7.0% as the Cape Town-based building materials company said revenue in six months to August 31 rose 55% to ZAR2.42 billion from ZAR1.56 billion a year earlier.

Truworths International shed 3.5%. It warned of stock shortages "in certain product ranges", as the Covid-19 pandemic and supply chain issues are hurting the retailer in the run-up to a crucial trading period. The key Black Friday promotional period is later this month. It sees retailers both on the high street and online offer a flurry of discounts. Shortly after that is the lead-up to Christmas, another key trading stretch for the retail sector. Truworths said retail sales in the first quarter ended September 26 fell 1.2% year-on-year to ZAR3.9 billion.

Corona Tracker

GLOBAL CASES SOURCE - REUTERS		05-Nov-2021	6:00
	Confirmed Cases	New Cases	Total Deaths
GLOBAL	248,561,298	340,105	5,260,915



Source: Thomson Reuters Refinitiv

> We cannot solve our problems with the same thinking we used when we created them.
>
> **Albert Einstein**

Market Overview

MARKET INDICATORS (Thomson Reuters)					05 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		4.94	0.009	4.93	4.94
9 months		5.40	0.000	5.40	5.40
12 months		5.48	0.000	5.48	5.48
Nominal Bond Yields %		**Last close**	**Difference**	**Prev close**	**Current Spot**
GC22 (Coupon 8.75%, BMK R2023)		4.77	-0.050	4.82	4.78
GC23 (Coupon 8.85%, BMK R2023)		6.23	-0.050	6.28	6.24
GC24 (Coupon 10.50%, BMK R186)		7.71	-0.130	7.84	7.67
GC25 (Coupon 8.50%, BMK R186)		7.94	-0.130	8.07	7.90
GC26 (Coupon 8.50%, BMK R186)		8.91	-0.130	9.04	8.87
GC27 (Coupon 8.00%, BMK R186)		8.91	-0.130	9.04	8.87
GC30 (Coupon 8.00%, BMK R2030)		10.45	-0.115	10.56	10.42
GC32 (Coupon 9.00%, BMK R213)		11.25	-0.135	11.38	11.17
GC35 (Coupon 9.50%, BMK R209)		12.08	-0.130	12.21	12.04
GC37 (Coupon 9.50%, BMK R2037)		12.43	-0.135	12.56	12.39
GC40 (Coupon 9.80%, BMK R214)		13.32	-0.125	13.45	13.28
GC43 (Coupon 10.00%, BMK R2044)		13.38	-0.110	13.49	13.33
GC45 (Coupon 9.85%, BMK R2044)		13.43	-0.110	13.54	13.38
GC48 (Coupon 10.00%, BMK R2048)		12.87	-0.115	12.99	12.82
GC50 (Coupon 10.25%, BMK: R2048)		13.70	-0.115	13.82	13.65
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		1,792	1.25%	1,770	1,796
Platinum		1,026	-0.32%	1,029	1,030
Brent Crude		80.5	-1.77%	82.0	80.7
Main Indices		**Last close**	**Change**	**Prev close**	**Current Spot**
NSX Overall Index		1,470	-1.26%	1,489	1,470
JSE All Share		68,156	-0.63%	68,587	68,156
SP500		4,680	0.42%	4,661	4,680
FTSE 100		7,280	0.43%	7,249	7,280
Hangseng		25,225	0.80%	25,025	24,881
DAX		16,030	0.44%	15,960	16,030
JSE Sectors		**Last close**	**Change**	**Prev close**	**Current Spot**
Financials		14,288	0.32%	14,242	14,288
Resources		62,453	-1.42%	63,352	62,453
Industrials		89,103	-0.77%	89,792	89,103
Forex		**Last close**	**Change**	**Prev close**	**Current Spot**
N$/US dollar		15.20	-0.28%	15.24	15.25
N$/Pound		20.51	-1.64%	20.86	20.57
N$/Euro		17.56	-0.77%	17.69	17.61
US dollar/ Euro		1.155	-0.50%	1.161	1.155
		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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