



Market Update

Monday, 8 November 2021



Global Markets

Share markets were mixed on Monday as risk assets found support from the upbeat U.S. October payrolls report, but faced another test later in the week from a reading on U.S. inflation that could spook the rate horses. The congressional passage of a long-delayed U.S. \$1 trillion infrastructure bill cheered investors, though a broader social safety net plan remains elusive. Data out over the weekend also showed China's exports beat forecasts in October to deliver a record trade surplus, although a miss on imports added to evidence of a slowing in domestic demand.

Moves were modest with MSCI's broadest index of Asia-Pacific shares outside Japan off 0.2%. Japan's Nikkei lost early gains to dip 0.1%, short of a recent five-week peak. Chinese blue chips dithered either side of flat, stuck in a range that has held for almost four months. Nasdaq futures were off 0.4%, after 10 straight sessions of gains which left the index looking overextended. S&P 500 futures dipped 0.2%, while EUROSTOXX 50 futures eased 0.1% and FTSE futures were flat.

Friday's robust U.S. payrolls report included upward revisions to the previous couple of months and another strong reading on wages. Tightness in the labour market combined with dislocation in global supply chains should result in another high reading for U.S. consumer prices due on Wednesday, with any upside surprise likely to rekindle talk of an earlier Federal Reserve hike.

Analysts note an alternative measure of core trimmed mean inflation has already picked up markedly to an annual 3.6%. "Another acceleration in the monthly annualised trimmed CPI will reinforce our view that the Fed is behind the curve," said Kim Mundy, a senior economist & currency strategist at CBA. "The longer the FOMC waits to tighten monetary policy, the greater the risk the FOMC tightens more to bring inflation back under control."

No less than six Fed officials are speaking on Monday, with the most attention likely on Vice Chair Richard Clarida who is talking on Fed and ECB policy.

After some wild swings, Treasuries still managed to end last week with a rally, thanks partly to a huge drop in UK bond yields where short-dated debt enjoyed its best week since 2009 after the Bank of England skipped a chance to hike. That led the market to push out the likely timing and pace of tightening not just there, but in Europe and the United States too. Fed Funds now have a rate rise fully priced by September 2022, instead of July, a second not until February 2023 instead of December 2022.

Yields on 10-year Treasuries dived 10 basis points on the week and were last at 1.47%. The drop took a little steam out of the dollar, which had hit a more than one-year high after the payrolls data. The dollar index was holding at 94.331, from a top of 94.634. Still, the BoE's shock decision left sterling down 1.4% over last week and trading at \$1.3473, while the euro touched a 16-month trough before steadying at \$1.1556. The dollar was also trying to sustain its bull run on the Japanese yen at 113.54, above support around 113.25.

The retreat in bond yields was a boon for gold, which offers no fixed return, and lifted it to \$1,818 an ounce. Oil prices firmed after OPEC+ producers rebuffed a U.S. call to accelerate output increases even as demand nears pre-pandemic levels. Saudi Aramco also raised its official selling price of crude to all buyers across the globe. Brent rose another \$1.01 to \$83.75 a barrel, while U.S. crude gained \$1.07 to \$82.34.

Source: Thomson Reuters Refinitiv



Domestic Markets

The South African rand firmed on Friday along with other emerging market currencies after a volatile week with price swings driven by domestic politics and U.S. monetary policy. At 1513 GMT, the rand traded at 15.13 against the U.S. dollar, 0.49% stronger than its previous close.

The rand was supported by strong U.S. jobs data, which boosted optimism about the global economic recovery. Non-farm payrolls increased by 531,000 jobs last month as the surge in COVID-19 infections over the summer subsided, offering more evidence that U.S economic activity was regaining momentum early in the fourth quarter.

The rand's gains were capped, however, by a poor showing by the governing African National Congress (ANC) in municipal elections. The final count released late on Thursday showed the ANC took 46% of the vote, its worst result since taking power at the end of white minority rule in 1994.

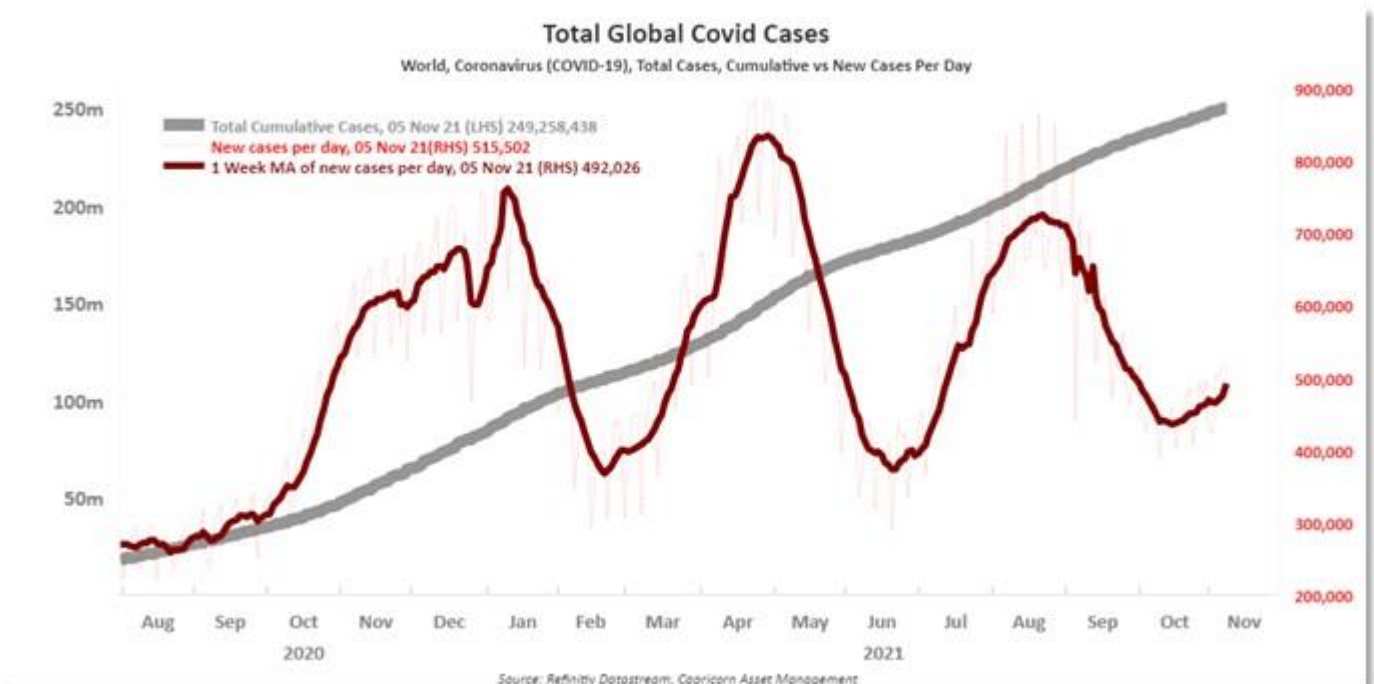
ANC's support dropping below 50% raised the possibility - albeit still remote - that South Africa could be governed by a different party in the not too distant future. "Investors are likely happy with the poll results themselves, but not with a coalition prospect of the ANC and EFF (Economic Freedom Fighters) as this would herald a swing towards the extreme left, with the EFF already stating it requires the ANC to join on it on its extreme total land confiscation aims," said Annabel Bishop, Investec's chief economist.

Technology stocks, meanwhile, weighed on the Johannesburg Stock Exchange's Top-40 Index. It fell 0.48% and the broader All-Share Index closed down 0.49%. The tech index fell 3.24%, led by market heavyweights Naspers and its subsidiary Prosus which both fell more than 3%. Bucking the downward trend was MTN, which jumped 13.15% after Africa's biggest mobile operator by subscribers got in-principle approval to operate its mobile money service MoMo in Nigeria.

In fixed income, the yield on the benchmark 2030 government bond was down 6 basis points to 9.45%.

Corona Tracker

| GLOBAL CASES | | 07-Nov-2021 | | 22:58 | |
|------------------|--|-----------------|-----------|--------------|--|
| SOURCE - REUTERS | | | | | |
| | | Confirmed Cases | New Cases | Total Deaths | |
| GLOBAL | | 249,943,860 | 277,044 | 5,302,620 | |



Source: Thomson Reuters Refinitiv

Only two things are infinite, the universe and human stupidity, and I'm not sure about the former.

Albert Einstein

Market Overview

| MARKET INDICATORS (Thomson Reuters) | | 08 November 2021 | | | |
|---------------------------------------|---|-------------------|-------------------|-------------------|---------------------|
| Money Market TB Rates % | | Last close | Difference | Prev close | Current Spot |
| 3 months | ↓ | 4.42 | -0.075 | 4.49 | 4.42 |
| 6 months | ↓ | 4.89 | -0.050 | 4.94 | 4.89 |
| 9 months | ↓ | 5.34 | -0.056 | 5.40 | 5.34 |
| 12 months | ↑ | 5.49 | 0.014 | 5.48 | 5.49 |
| Nominal Bond Yields % | | Last close | Difference | Prev close | Current Spot |
| GC22 (Coupon 8.75%, BMK R2023) | ↓ | 4.75 | -0.025 | 4.77 | 4.71 |
| GC23 (Coupon 8.85%, BMK R2023) | ↓ | 6.43 | -0.025 | 6.45 | 6.39 |
| GC24 (Coupon 10.50%, BMK R186) | ↓ | 7.62 | -0.085 | 7.71 | 7.58 |
| GC25 (Coupon 8.50%, BMK R186) | ↓ | 7.85 | -0.085 | 7.94 | 7.81 |
| GC26 (Coupon 8.50%, BMK R186) | ↓ | 8.82 | -0.085 | 8.91 | 8.78 |
| GC27 (Coupon 8.00%, BMK R186) | ↓ | 9.06 | -0.085 | 9.14 | 9.02 |
| GC30 (Coupon 8.00%, BMK R2030) | ↓ | 10.35 | -0.100 | 10.45 | 10.30 |
| GC32 (Coupon 9.00%, BMK R213) | ↓ | 11.14 | -0.105 | 11.25 | 11.09 |
| GC35 (Coupon 9.50%, BMK R209) | ↓ | 11.67 | -0.105 | 11.77 | 11.63 |
| GC37 (Coupon 9.50%, BMK R2037) | ↓ | 12.33 | -0.100 | 12.43 | 12.29 |
| GC40 (Coupon 9.80%, BMK R214) | ↓ | 13.12 | -0.105 | 13.23 | 13.08 |
| GC43 (Coupon 10.00%, BMK R2044) | ↓ | 13.35 | -0.105 | 13.45 | 13.31 |
| GC45 (Coupon 9.85%, BMK R2044) | ↓ | 13.32 | -0.105 | 13.43 | 13.28 |
| GC48 (Coupon 10.00%, BMK R2048) | ↓ | 13.35 | -0.105 | 13.46 | 13.31 |
| GC50 (Coupon 10.25%, BMK: R2048) | ↓ | 13.58 | -0.105 | 13.69 | 13.54 |
| 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 | ↑ | 1,817 | 1.40% | 1,792 | 1,820 |
| Platinum | ↑ | 1,035 | 0.87% | 1,026 | 1,041 |
| Brent Crude | ↑ | 82.7 | 2.73% | 80.5 | 83.6 |
| Main Indices | | Last close | Change | Prev close | Current Spot |
| NSX Overall Index | ↓ | 1,447 | -1.56% | 1,470 | 1,447 |
| JSE All Share | ↓ | 67,825 | -0.49% | 68,156 | 67,825 |
| SP500 | ↑ | 4,698 | 0.37% | 4,680 | 4,698 |
| FTSE 100 | ↑ | 7,304 | 0.33% | 7,280 | 7,304 |
| Hangseng | ↓ | 24,871 | -1.41% | 25,225 | 24,747 |
| DAX | ↑ | 16,054 | 0.15% | 16,030 | 16,054 |
| JSE Sectors | | Last close | Change | Prev close | Current Spot |
| Financials | ↓ | 14,193 | -0.66% | 14,288 | 14,193 |
| Resources | ↓ | 61,368 | -1.74% | 62,453 | 61,368 |
| Industrials | ↑ | 89,604 | 0.56% | 89,103 | 89,604 |
| Forex | | Last close | Change | Prev close | Current Spot |
| N\$/US dollar | ↓ | 15.14 | -0.39% | 15.20 | 14.98 |
| N\$/Pound | ↓ | 20.43 | -0.42% | 20.51 | 20.20 |
| N\$/Euro | ↓ | 17.51 | -0.28% | 17.56 | 17.32 |
| US dollar/ Euro | ↑ | 1.157 | 0.12% | 1.155 | 1.157 |
| | | 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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