



# The Daily Brief

Capricorn Asset Management

Market Update

Tuesday, 9 November 2021

USA Inflation Measures  
PPI, CPI, PCE, yoy % change



## Global Markets

Shares followed Wall Street higher in early trade on Tuesday as the passage of a U.S. infrastructure bill boosted sentiment while oil prices gained on the outlook for energy demand in an expansive global economy. The congressional passage of a long-delayed U.S. \$1 trillion infrastructure bill over the weekend has cheered investors, who however face another test later in the week from a reading on U.S. inflation that may influence plans for tightening monetary policy.

Early in the Asian trading day, MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.3%. Japan's Nikkei stock index rose 0.06% while Australian shares were down 0.12%. China's blue-chip CSI300 index was 0.33% higher in early trade. Hong Kong's Hang Seng index opened up 0.65%. On Monday, Wall Street's benchmark S&P 500 index and the Nasdaq extended their run of all-time closing highs to eight straight sessions, while the blue-chip Dow notched its second consecutive record closing high.

A 4.9% decline in Tesla Inc shares however weighed on the S&P 500. Tesla fell after Chief Executive Elon Musk's Twitter poll on whether he should sell about 10% of his stock in the electric automaker. The poll garnered more than 3.5 million votes, with 57.9% voting "Yes".

World shares also rose on Monday after hitting a record high last week as relatively dovish central bank messages and strong U.S. labour data on Friday added to optimism generated by a healthy earnings season on both sides of the Atlantic.

But a tight U.S. labour market and the dislocation in global supply chains could result in a high reading for consumer prices on Wednesday. Strong inflation likely would rekindle talk of Federal Reserve raising interest rates earlier than expected. "Although Chair Powell maintains the Fed can be patient with regards to rate hikes, with measures of underlying inflation and wages intensifying and broadening, the clock is ticking on how long the it can hold that line," ANZ analysts said in a note.

Traders also sent most U.S. Treasury yields higher on Monday after Congress passed the infrastructure bill on Saturday. The yield on benchmark 10-year Treasury notes touched 1.4862% compared with its U.S. close of 1.497% on Monday. The dollar index, which tracks the greenback against a basket of six currencies, was up at 94.075.

Oil prices firmed as the passage of the U.S. infrastructure bill and China's export growth supported the outlook for energy demand. Saudi Arabia's state-owned producer Aramco also raised the official selling price for its crude. U.S. crude ticked up 0.15% to \$82.05 a barrel. Brent crude rose to \$83.59 per barrel.

Spot gold was slightly lower, trading at \$1,823.3 per ounce.

**Source: Thomson Reuters Refinitiv**



## Domestic Markets

The South African rand firmed in early trade on Monday, as investors' risk appetite improved ahead of Finance Minister Enoch Godongwana's maiden medium-term budget speech this week. At 0637 GMT, the rand traded at 14.90 against the dollar.

"Risk appetite has grown, and emerging market currencies are on the front foot," TreasuryONE Currency Strategist Andre Cilliers said in a note. "A sustained break of the 15.00 rand (to the dollar) level will bring the 14.85 rand target into play."

The rand has been volatile in recent sessions with price swings driven by domestic politics and U.S. monetary policy. While global market focus was on Wednesday's U.S. inflation data, South African-focused investors are also awaiting the Medium Term Budget Policy Statement as well as mining and manufacturing, all due on Thursday.

Government bonds also firmed in early deals, and the yield on the 2030 maturity dipped 8 basis points to 9.37%.

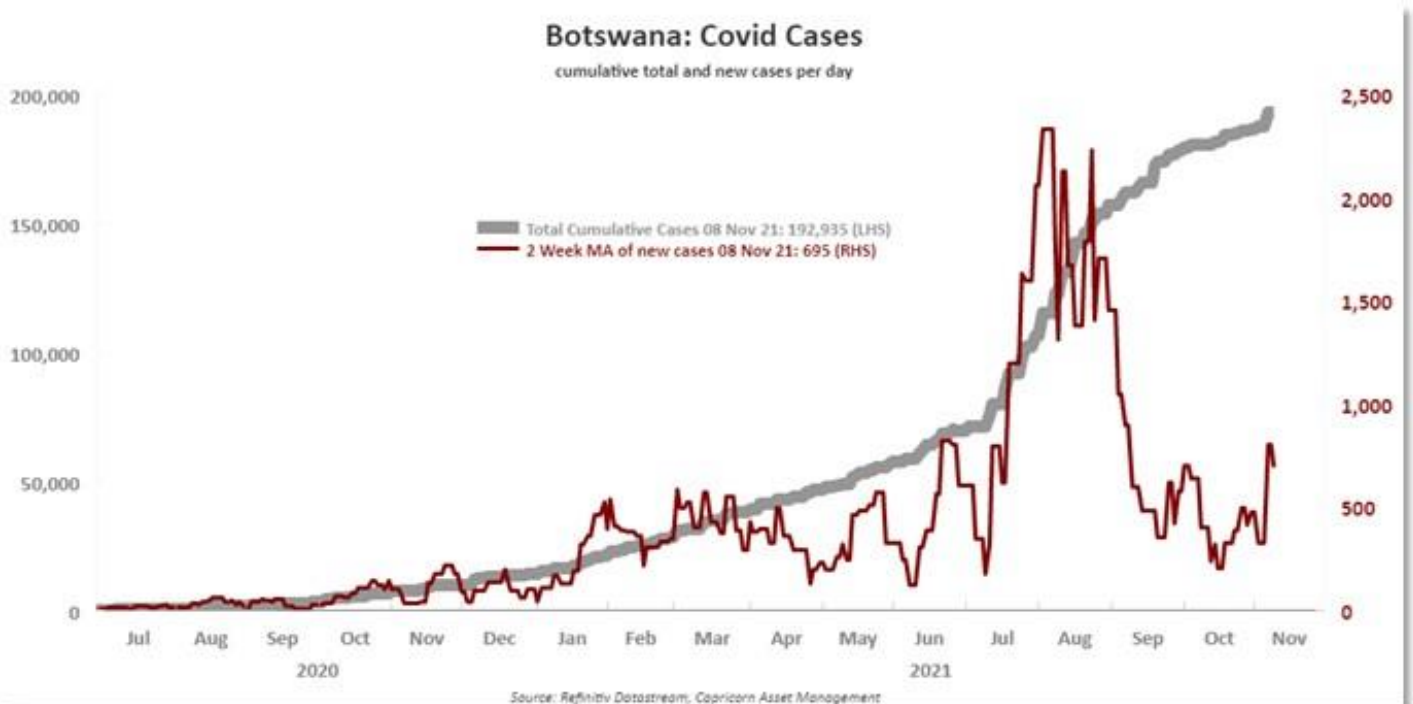
The Top 40 index closed up 201.96 points, or 0.3%, at 61,317.75 on Monday. The Mid Cap index closed down 0.3% at 78,517.41 and the All Share index was up 0.3% at 68,049.34.

A volley of local corporate news sent stocks in all directions on Monday. Most notably was **Redefine Properties** in the mid-caps, which ended 14% higher after reporting a sharp swing to profit for its recently ended financial year. For the year ended August 31, the Johannesburg-based real estate investment trust posted a pre-tax profit of ZAR3.66 billion, returning from a loss of ZAR16.24 billion.

In addition to the swing to profit, Poland-focused retail property investor **EPP** confirmed that Redefine - which already holds a 45% interest in EPP - has made a non-binding proposal to acquire EPP as an unlisted subsidiary. EPP added 10%. Similarly to Redefine, **Delta Property** returned to profit in its first half, sending the real estate firm 19% higher in the small caps.

In the red, **MultiChoice** lost 1.7%. The media and entertainment group said it expects interim earnings to sink, with core headline earnings per share seen between 24% and 28% lower from 627 cents a year before. Basic earnings per share are set to be between 42% and 47% lower than 573 cents a year prior.

## Corona Tracker



Source: Thomson Reuters Refinitiv

When one door closes, another opens; but we often look so long and so regretfully upon the closed door that we do not see the one which has opened for us.

**Alexander Graham Bell**

## Market Overview

| MARKET INDICATORS (Thomson Reuters)   |   | 09 November 2021  |                   |                   |                     |
|---------------------------------------|---|-------------------|-------------------|-------------------|---------------------|
| <b>Money Market TB Rates %</b>        |   | <b>Last close</b> | <b>Difference</b> | <b>Prev close</b> | <b>Current Spot</b> |
| 3 months                              | ↓ | 4.41              | -0.011            | 4.42              | 4.41                |
| 6 months                              | ↓ | 4.89              | -0.004            | 4.89              | 4.89                |
| 9 months                              | ↓ | 5.34              | -0.005            | 5.34              | 5.34                |
| 12 months                             | ↓ | 5.49              | -0.001            | 5.49              | 5.49                |
| <b>Nominal Bond Yields %</b>          |   | <b>Last close</b> | <b>Difference</b> | <b>Prev close</b> | <b>Current Spot</b> |
| GC22 (Coupon 8.75%, BMK R2023)        | ↓ | 4.72              | -0.030            | 4.75              | 4.72                |
| GC23 (Coupon 8.85%, BMK R2023)        | ↓ | 6.60              | -0.030            | 6.63              | 6.60                |
| GC24 (Coupon 10.50%, BMK R186)        | ↓ | 7.54              | -0.080            | 7.62              | 7.54                |
| GC25 (Coupon 8.50%, BMK R186)         | ↓ | 7.77              | -0.080            | 7.85              | 7.77                |
| GC26 (Coupon 8.50%, BMK R186)         | ↓ | 8.74              | -0.080            | 8.82              | 8.74                |
| GC27 (Coupon 8.00%, BMK R186)         | ↓ | 8.98              | -0.080            | 9.06              | 8.97                |
| GC30 (Coupon 8.00%, BMK R2030)        | ↓ | 10.25             | -0.095            | 10.35             | 10.24               |
| GC32 (Coupon 9.00%, BMK R213)         | ↓ | 11.02             | -0.120            | 11.14             | 11.01               |
| GC35 (Coupon 9.50%, BMK R209)         | ↓ | 11.55             | -0.120            | 11.67             | 11.54               |
| GC37 (Coupon 9.50%, BMK R2037)        | ↓ | 12.20             | -0.125            | 12.33             | 12.19               |
| GC40 (Coupon 9.80%, BMK R214)         | ↓ | 13.02             | -0.105            | 13.12             | 13.01               |
| GC43 (Coupon 10.00%, BMK R2044)       | ↓ | 13.24             | -0.105            | 13.35             | 13.23               |
| GC45 (Coupon 9.85%, BMK R2044)        | ↓ | 13.22             | -0.105            | 13.32             | 13.21               |
| GC48 (Coupon 10.00%, BMK R2048)       | ↓ | 13.25             | -0.105            | 13.35             | 13.25               |
| GC50 (Coupon 10.25%, BMK: R2048)      | ↓ | 13.48             | -0.105            | 13.58             | 13.48               |
| <b>Inflation-Linked Bond Yields %</b> |   | <b>Last close</b> | <b>Difference</b> | <b>Prev close</b> | <b>Current Spot</b> |
| 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                |
| <b>Commodities</b>                    |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| Gold                                  | ↑ | 1,824             | 0.41%             | 1,817             | 1,824               |
| Platinum                              | ↑ | 1,056             | 2.08%             | 1,035             | 1,051               |
| Brent Crude                           | ↑ | 83.4              | 0.83%             | 82.7              | 83.5                |
| <b>Main Indices</b>                   |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| NSX Overall Index                     | ↑ | 1,449             | 0.08%             | 1,447             | 1,449               |
| JSE All Share                         | ↑ | 68,049            | 0.33%             | 67,825            | 68,049              |
| SP500                                 | ↑ | 4,702             | 0.09%             | 4,698             | 4,702               |
| FTSE 100                              | ↓ | 7,300             | -0.05%            | 7,304             | 7,300               |
| Hangseng                              | ↓ | 24,764            | -0.43%            | 24,871            | 24,773              |
| DAX                                   | ↓ | 16,047            | -0.05%            | 16,054            | 16,047              |
| <b>JSE Sectors</b>                    |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| Financials                            | ↓ | 14,143            | -0.35%            | 14,193            | 14,143              |
| Resources                             | ↑ | 62,014            | 1.05%             | 61,368            | 62,014              |
| Industrials                           | ↓ | 89,582            | -0.02%            | 89,604            | 89,582              |
| <b>Forex</b>                          |   | <b>Last close</b> | <b>Change</b>     | <b>Prev close</b> | <b>Current Spot</b> |
| N\$/US dollar                         | ↓ | 14.90             | -1.56%            | 15.14             | 14.88               |
| N\$/Pound                             | ↓ | 20.21             | -1.08%            | 20.43             | 20.20               |
| N\$/Euro                              | ↓ | 17.27             | -1.38%            | 17.51             | 17.26               |
| US dollar/ Euro                       | ↑ | 1.159             | 0.17%             | 1.157             | 1.160               |
|                                       |   | <b>Namibia</b>    |                   | <b>RSA</b>        |                     |
| <b>Interest Rates &amp; Inflation</b> |   | <b>Sep 21</b>     | <b>Aug 21</b>     | <b>Sep 21</b>     | <b>Aug 21</b>       |
| Central Bank Rate                     | ⇒ | 3.75              | 3.75              | 3.50              | 3.50                |
| Prime Rate                            | ⇒ | 7.50              | 7.50              | 7.00              | 7.00                |
|                                       |   | <b>Sep 21</b>     | <b>Aug 21</b>     | <b>Sep 21</b>     | <b>Aug 21</b>       |
| 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

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**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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**For enquiries concerning the Daily Brief please contact us at**

**[Daily.Brief@capricorn.com.na](mailto:Daily.Brief@capricorn.com.na)**

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