



Market Update

Monday, 17 May 2021



Global Markets

Share markets turned mixed on Monday as Chinese retail sales missed expectations and Singapore moved to close schools to fight a coronavirus outbreak, while more evidence of global inflation pressures helped gold to a three-month peak.

Chinese retail sales rose 17.7% in April on a year ago, short of forecasts for a jump of 24.9%, while industrial output matched expectations with a rise of 9.8%. "Industrial activity remains robust, supported by strong external demand for Chinese goods as vaccinations accelerate in developed countries," CommSec economist Ryan Felsman said. "But continuing global supply chain disruptions - including a semiconductor shortage - and surging commodity prices have sapped some momentum as production costs increase."

The spread of the coronavirus was also a drag with Singapore to shut most schools from Wednesday after reporting the highest number of local infections in months. Taiwan's government on Monday had to reassure investors it would stabilise stock and foreign exchange markets if needed amid a spike in COVID-19 cases. Yet, stocks there were still down 3.6%.

MSCI's broadest index of Asia-Pacific shares outside Japan dithered either side of flat, just above a four-month trough hit last week. Chinese blue chips proved more resilient with a gain of

1.8%. Japan's Nikkei lost 0.8%, having also touched its lowest since early January last week. Data suggested inflation was a global phenomenon with Japan's wholesale prices jumping in April as rising energy and commodities costs ate into corporate margins.

S&P 500 futures and Nasdaq futures both eased 0.1%, following Friday's rally. EUROSTOXX 50 futures added 0.3% while FTSE futures were little changed. The U.S. data calendar is light this week, putting the focus on minutes of the Federal Reserve's last policy meeting for any clue when officials there might start to talk about tapering. So far, most Fed members have been doggedly dovish on policy, arguing a spike in inflation was transitory, though there was a risk it could get baked into expectations.

The University of Michigan consumer survey last week showed the highest expected year-ahead inflation rate as well as the highest long-term inflation rate in the past decade. BofA's U.S. economist Michelle Meyer sees outsized price pressures from shortages of goods and rebounds in travel.

"Inventory-to-sales ratios are at historic lows, record numbers of small businesses complain of tight inventories, ports are congested, and shortages of semiconductor chips and new/used cars are driving prices higher," Meyer says. "We expect goods inflation to soften by year end as demand levels off and production rebounds, but wages may continue to climb," she added.

The inflation scare initially saw 10-year Treasury yields reach a six-week peak just above 1.70%, but the Fed's patience soothed the mood and yields were back to 1.62% on Monday. The dollar pretty much tracked the move in yields, bouncing to 90.909 on a basket of currencies before steadying at its current 90.407. The euro was last at \$1.2130, having climbed 0.5% on Friday as yields eased, while the dollar was steady on the yen at 109.37.

Bitcoin fell a further 7% to its lowest since February after tweets from Elon Musk hinted that Tesla may have sold, or will sell, its holdings. The dip in the dollar combined with inflation concerns on Monday to lift gold to a three-month top at \$1,853 an ounce and cracking tough resistance at \$1,845. Oil prices marked time after see sawing last week as the Colonial Pipeline restarted from a hacker shutdown. Brent dipped 8 cents to \$68.63 a barrel, while U.S. crude lost 2 cents to \$65.35 per barrel.



Domestic Markets

South Africa's rand firmed on Friday as global risk demand was aided by signs the United States central bank would keep lending rates low despite rising inflation. A Federal Reserve official this

week said the surprise jump in consumer inflation had not dented its plans to keep its support for the economy.

At 1440 GMT the rand was 0.02% firmer at 14.1350 per dollar, compared to an overnight close of 14.1375. The rand, which hit a 16-month high on Tuesday, has had a strong run since March, prompted by lower rates in the developed world, a surge in global commodity prices and signs the local economy is on track for a better-than-expected recovery.

But rising bonds yields in the United States have put a lid on those gains, while traders have pointed to seasonal factors that often see the rand lose ground to the dollar around this time of year. "The sharp although short-lived pull-back in many asset prices, including the rand, after the much-higher-than-expected U.S. inflation print is a reminder of what could happen if the Fed takes a more proactive stance to combat U.S. inflation," said Walter de Wet, an analyst at Nedbank.

In a poll by Reuters this week, all 25 of economists surveyed see the Monetary Policy Committee (MPC) of South Africa's Reserve Bank (SARB) keeping its repo rate unchanged for a fifth straight meeting at a record low 3.5% next week. "While we expect the MPC to keep the repo rate unchanged, we also expect it to maintain a hawkish tone (unlike the Fed) despite the current muted domestic inflationary pressures," de Wet added in the note.

Investors on the Johannesburg Stock Exchange (JSE) calmed on Friday and picked up shares in a range of locally sensitive stocks such as banks, financials, real estate and retail. "The only question that asset managers worldwide have got to get right is inflation over the next year or two," he said, adding that the fears around inflation have temporarily subsided and that is what boosted the JSE on Friday.

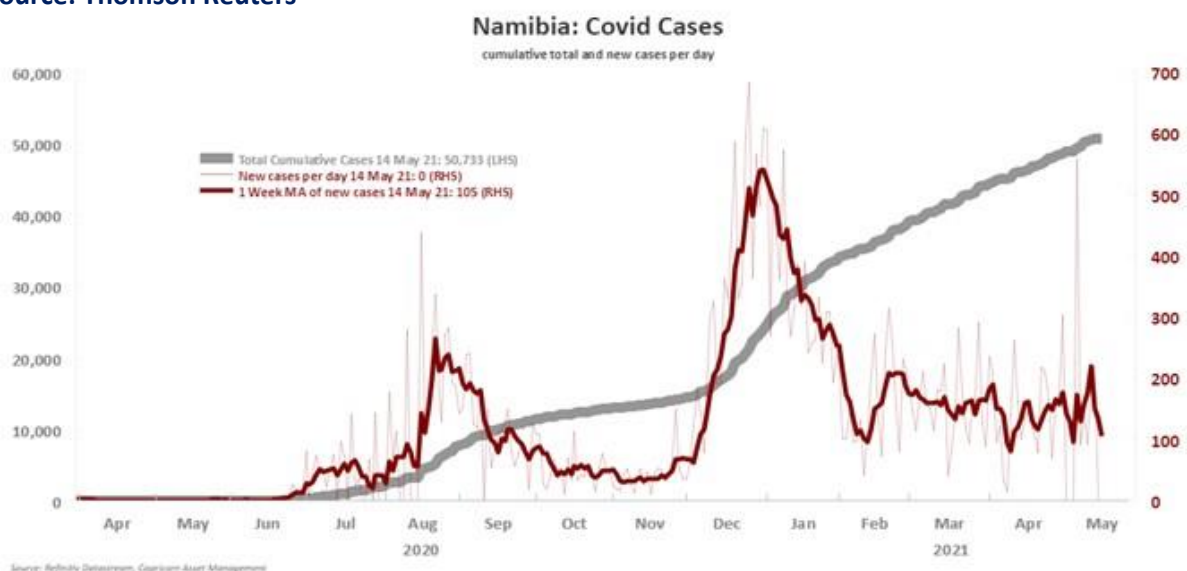
The benchmark all-share index closed up 0.65% at 66,598 points while the blue-chip index of top 40 companies ended up 0.6% at 60,573 points. Bonds firmed, with the yield on the benchmark 2030 paper down 7 basis point at 9.10%.

Corona Tracker

GLOBAL CASES		17-May-2021		3:34
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
GLOBAL	162,748,441	444,077	3,513,003	111,986,021

The number of new cases is distorted by cut-off times.

Source: Thomson Reuters



Market Overview

MARKET INDICATORS (Thomson Reuters)				17 May 2021	
Money Market TB Rates %		Last close	Difference	Prev close	Current Spot
3 months	🔴	4.03	-0.050	4.08	4.03
6 months	🔴	4.34	-0.030	4.37	4.34
9 months	🔴	4.50	-0.030	4.53	4.50
12 months	🔴	4.62	-0.020	4.64	4.62
Nominal Bond Yields %		Last close	Difference	Prev close	Current Spot
GC21 (Coupon 7.75%, BMK R208)	🟢	4.53	0.045	4.49	4.53
GC22 (Coupon 8.75%, BMK R2023)	🟢	5.45	0.030	5.42	5.48
GC23 (Coupon 8.85%, BMK R2023)	🟢	5.35	0.030	5.32	5.38
GC24 (Coupon 10.50%, BMK R186)	🔴	7.70	-0.050	7.75	7.70
GC25 (Coupon 8.50%, BMK R186)	🔴	7.71	-0.050	7.76	7.71
GC26 (Coupon 8.50%, BMK R186)	🔴	7.71	-0.050	7.76	7.71
GC27 (Coupon 8.00%, BMK R186)	🔴	8.00	-0.050	8.05	8.00
GC30 (Coupon 8.00%, BMK R2030)	🔴	9.41	-0.035	9.44	9.41
GC32 (Coupon 9.00%, BMK R213)	🔴	10.45	-0.040	10.49	10.46
GC35 (Coupon 9.50%, BMK R209)	🔴	11.39	-0.030	11.42	11.39
GC37 (Coupon 9.50%, BMK R2037)	🔴	11.87	-0.025	11.90	11.87
GC40 (Coupon 9.80%, BMK R214)	🔴	12.67	-0.025	12.69	12.65
GC43 (Coupon 10.00%, BMK R2044)	🔴	12.96	-0.025	12.98	12.98
GC45 (Coupon 9.85%, BMK R2044)	🔴	13.24	-0.025	13.26	13.26
GC50 (Coupon 10.25%, BMK: R2048)	🔴	13.26	-0.035	13.29	13.28
Inflation-Linked Bond Yields %		Last close	Difference	Prev close	Current Spot
GI22 (Coupon 3.55%, BMK NCPI)	🟡	3.89	0.000	3.89	3.89
GI25 (Coupon 3.80%, BMK NCPI)	🟡	4.00	0.000	4.00	4.00
GI29 (Coupon 4.50%, BMK NCPI)	🟡	5.65	0.000	5.65	5.65
GI33 (Coupon 4.50%, BMK NCPI)	🟡	6.80	0.000	6.80	6.80
GI36 (Coupon 4.80%, BMK NCPI)	🟡	7.35	0.000	7.35	7.35
Commodities		Last close	Change	Prev close	Current Spot
Gold	🟢	1,842	0.86%	1,827	1,855
Platinum	🟢	1,225	1.57%	1,206	1,231
Brent Crude	🟢	68.7	2.48%	67.1	68.5
Main Indices		Last close	Change	Prev close	Current Spot
NSX Overall Index	🟢	1,421	0.20%	1,419	1,421
JSE All Share	🟢	66,598	0.65%	66,169	66,598
SP500	🟢	4,174	1.49%	4,113	4,174
FTSE 100	🟢	7,044	1.15%	6,963	7,044
Hangseng	🟢	28,028	1.11%	27,719	28,192
DAX	🟢	15,417	1.43%	15,200	15,417
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	🟢	12,685	1.49%	12,499	12,685
Resources	🔴	69,386	-0.13%	69,474	69,386
Industrials	🟢	83,277	0.93%	82,513	83,277
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	🟢	14.12	0.17%	14.09	14.14
N\$/Pound	🟢	19.90	0.50%	19.80	19.93
N\$/Euro	🟢	17.14	0.68%	17.02	17.15
US dollar/ Euro	🟢	1.214	0.51%	1.208	1.213
		Namibia		RSA	
Interest Rates & Inflation		Apr 21	Mar 21	Apr 21	Mar 21
Central Bank Rate	🟡	3.75	3.75	3.50	3.50
Prime Rate	🟡	7.50	7.50	7.00	7.00
		Apr 21	Mar 21	Mar 21	Feb 21
Inflation	🟢	3.9	3.1	3.2	2.9

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 a Bloomberg calculated Index

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.

Source: Thomson Reuters



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