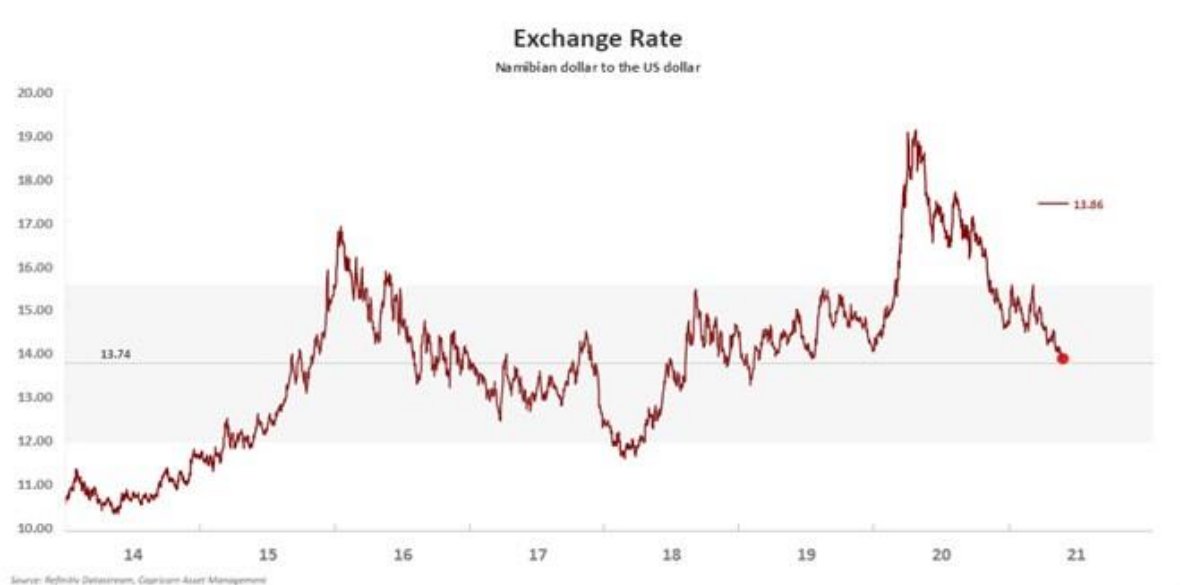




## Market Update

Wednesday, 26 May 2021



## Global Markets

Shares rose on Wednesday while the U.S. dollar stood near its lowest levels this year after U.S. Federal Reserve officials reaffirmed a dovish monetary policy stance, providing yet more assurance to investors worried about the inflation outlook.

Richard Clarida, the Fed's vice chair, said on Tuesday that the U.S. central bank would be able to curb an outbreak of inflation and engineer a "soft landing" without throwing the country's economic recovery off track. All the same, Clarida's comments reflect a shifting tone at the Fed. A month ago, Fed Chair Jerome Powell said it was "not yet" time to even contemplate discussion of policy tapering, but more recently policymakers have acknowledged they are closer to debating when to pull back some of their crisis support for the U.S. economy.

That uncertainty weighed on U.S. stocks overnight, with the Dow Jones Industrial Average down 0.24%, the S&P 500 off 0.21% and the Nasdaq Composite 0.03% lower. But in Asia, the soothing Fed comments helped to boost sentiment.

"The messages were not necessarily new but they reinforced the prevailing consensus still that the bulk of the surprise in April (CPI) can be traced to transitory elements," said Stefan Hofer, chief investment strategist at LGT in Hong Kong. "The proof is in the pudding so to speak over the coming

months, how much of the CPI increase is structural and how much of it is transitory. And the jury is I would say still out on that, but the Fed is sticking to its guns and markets seem to be by and large still comfortable with that."

U.S. consumer prices increased more than expected in April as booming demand amid a reopening economy pushed against supply constraints.

In early regional trade, MSCI's broadest index of Asia-Pacific shares outside Japan was up 0.28% near more than two-week highs, while Tokyo's Nikkei added 0.27%. Australian shares were 0.27% higher and Seoul's Kospi tacked on 0.16%. Chinese blue-chips were up 0.13% after posting their biggest daily gain in nearly 11 months on Tuesday on easing inflation fears and a strong yuan.

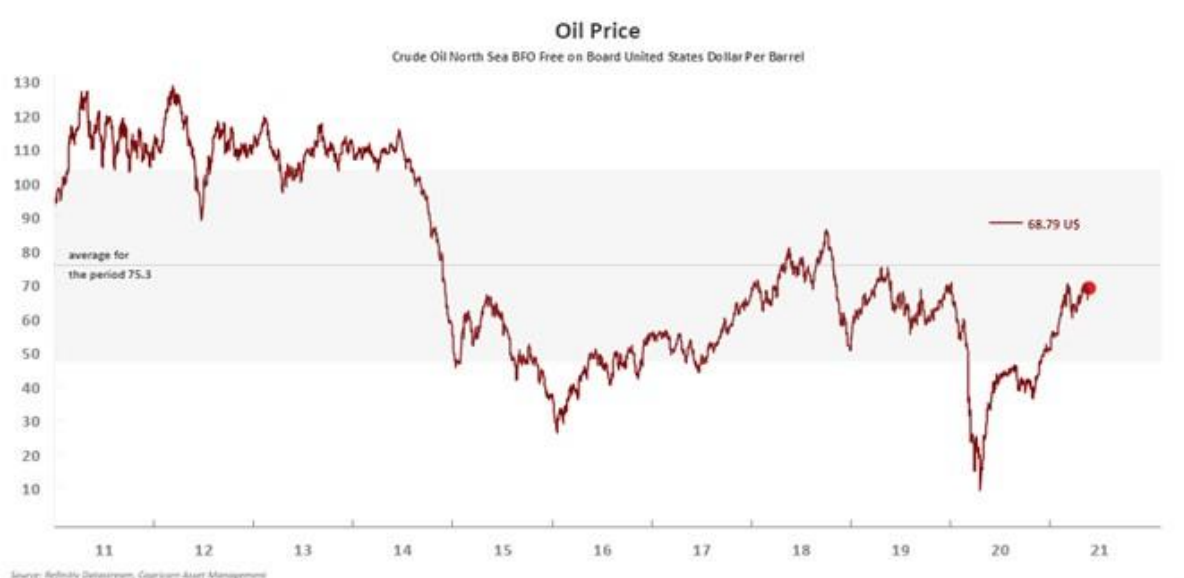
On Wednesday, China's central bank set the yuan's daily midpoint fixing at its strongest level since June 2018 after the currency tested a key level against the dollar a day earlier, prompting state banks to step into curb the rally. The dollar index was steady at 89.696 after touching its lowest level since Jan. 7 on Tuesday. The greenback was unchanged against the yen at 108.76 and the euro was off a touch by 0.07% to \$1.2242.

Analysts at Jefferies said regional equity markets could benefit, especially given a weak dollar could help boost global trade and emerging markets by lowering global prices of goods and services. "A weak dollar should underwrite emerging market performance despite very mixed vaccine roll-outs to date," they said in a note. "Until the U.S. government declares the pandemic is over and job growth is running at one million plus per month, tapering is unlikely to happen...In the meantime, real rates will be heavily negative. Moreover, based on the dollar's Real Effective Exchange Rate, the greenback cannot be described as being 'cheap'."

The benchmark U.S. Treasury yield edged higher after falling to multi-week lows on Thursday on easing inflation concerns and a strong auction of 2-year notes. The 10-year yield rose to 1.5706%, from a close of 1.564% on Tuesday, but the two-year yield dipped to 0.1485%, from a close of 0.152%.

Oil was little changed as traders weighed expectations of improving demand in the U.S. against the possibility of new supply from Iran. Global benchmark Brent crude was up 3 cents at \$68.68 and U.S. crude fell 7 cents to \$66 per barrel.

Bitcoin was up 0.88% at \$38,736.99 despite China's northern region of Inner Mongolia escalating a campaign against cryptocurrency mining on Tuesday, days after Beijing vowed to crack down on bitcoin mining and trading. Spot gold added 0.17% to \$1,902.58 an ounce.



## Domestic Markets

South Africa's rand hit its firmest in 22 months on Tuesday, as the U.S. dollar drifted weaker after Federal Reserve officials calmed investor concerns about inflation forcing interest rates higher.

At 1500 GMT, the rand traded at 13.8575 against the dollar, 0.52% firmer than its previous close. It hit a session-best 13.8175 earlier, its strongest since July 2019, as emerging markets rallied on easing fears of Fed rate hikes.

The U.S. dollar softened after dovish comments from Fed speakers supported the view that policy tightening in the United States was unlikely to happen any time soon.

The rand was also boosted by news that ailing state power firm Eskom had reduced its mammoth 484 billion rand (\$34.95 billion) debt by up to 20%. More broadly, a rally in global commodities prices has also kept the rand supported.

"The Rand continues to grind its way lower as the steady supply of exporter Dollars bears down on the market almost on a daily basis. Sure there are days where minor risk aversion hits the ticker tape, but overall its path to least resistance is for more strength," said Standard Bank's Warrick Butler. "Consistent and persistent inflation data will change that, but for now, don't hold your breath."

In bonds, the yield on the benchmark government bond due in 2030 was down 10 basis points to 8.86%, reflecting stronger prices.

Stocks rose slightly, with financial firms in particular boosted by the stronger rand. The Johannesburg Stock Exchange's Top-40 Index closed 0.08% higher at 60,106 points and the broader All-Share Index up 0.03% to 66,077 points.

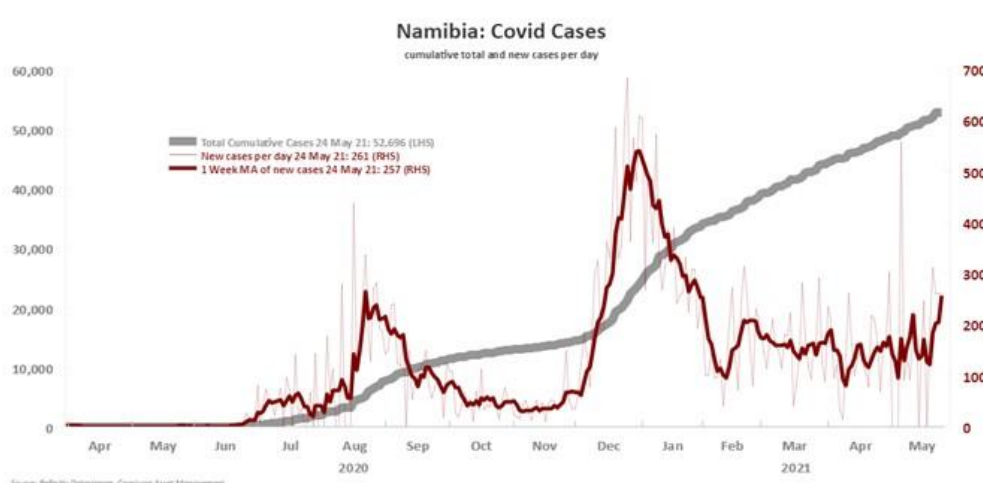
Insurer Old Mutual led the blue-chip index higher, closing up 5.65%, with lenders Absa, FirstRand and Standard Bank all up between 2.5% and 3.7%. Retailer SPAR Group closed just 0.3% higher even after reporting a 34.4% rise in half-year profit.

## Corona Tracker

GLOBAL CASES		25-May-2021		23:49
SOURCE - REUTERS				
	Confirmed Cases	New Cases	Total Deaths	Total Recovered
<b>GLOBAL</b>	167,935,316	313,446	3,628,281	117,962,000

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

Source: Thomson Reuters



## Market Overview

MARKET INDICATORS (Thomson Reuters)				26 May 2021	
<b>Money Market TB Rates %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
3 months	↑	4.00	0.008	3.99	4.00
6 months	→	4.27	0.000	4.27	4.27
9 months	→	4.47	0.000	4.47	4.47
12 months	→	4.56	0.000	4.56	4.56
<b>Nominal Bond Yields %</b>		<b>Last close</b>	<b>Difference</b>	<b>Prev close</b>	<b>Current Spot</b>
GC21 (Coupon 7.75%, BMK R208)	↑	4.61	0.020	4.59	4.59
GC22 (Coupon 8.75%, BMK R2023)	↑	5.57	0.050	5.52	5.56
GC23 (Coupon 8.85%, BMK R2023)	↑	5.47	0.050	5.42	5.46
GC24 (Coupon 10.50%, BMK R186)	↑	7.58	0.010	7.57	7.59
GC25 (Coupon 8.50%, BMK R186)	↑	7.59	0.010	7.58	7.60
GC26 (Coupon 8.50%, BMK R186)	↑	7.59	0.010	7.58	7.60
GC27 (Coupon 8.00%, BMK R186)	↑	7.88	0.010	7.87	7.89
GC30 (Coupon 8.00%, BMK R2030)	↓	9.16	-0.100	9.26	9.18
GC32 (Coupon 9.00%, BMK R213)	↓	10.19	-0.105	10.29	10.20
GC35 (Coupon 9.50%, BMK R209)	↓	11.14	-0.110	11.25	11.15
GC37 (Coupon 9.50%, BMK R2037)	↓	11.64	-0.100	11.74	11.65
GC40 (Coupon 9.80%, BMK R214)	↓	12.46	-0.115	12.57	12.47
GC43 (Coupon 10.00%, BMK R2044)	↓	12.75	-0.120	12.87	12.76
GC45 (Coupon 9.85%, BMK R2044)	↓	13.03	-0.120	13.15	13.04
GC50 (Coupon 10.25%, BMK: R2048)	↓	13.04	-0.120	13.16	13.05
<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)	→	3.96	0.000	3.96	3.96
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
<b>Commodities</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Gold	↑	1,899	0.97%	1,881	1,901
Platinum	↑	1,192	1.50%	1,174	1,201
Brent Crude	↑	68.7	0.28%	68.5	68.8
<b>Main Indices</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
NSX Overall Index	↑	1,394	0.09%	1,393	1,394
JSE All Share	↑	66,077	0.03%	66,055	66,077
SP500	↓	4,188	-0.21%	4,197	4,188
FTSE 100	↓	7,030	-0.31%	7,052	7,030
Hangseng	↑	28,911	1.75%	28,412	29,129
DAX	↑	15,465	0.18%	15,438	15,465
<b>JSE Sectors</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
Financials	↑	12,993	1.79%	12,764	12,993
Resources	↓	65,445	-1.46%	66,414	65,445
Industrials	↑	85,060	0.66%	84,504	85,060
<b>Forex</b>		<b>Last close</b>	<b>Change</b>	<b>Prev close</b>	<b>Current Spot</b>
N\$/US dollar	↓	13.85	-0.48%	13.92	13.82
N\$/Pound	↓	19.60	-0.51%	19.70	19.55
N\$/Euro	↓	16.97	-0.16%	17.00	16.92
US dollar/ Euro	↑	1.225	0.29%	1.222	1.225
		<b>Namibia</b>		<b>RSA</b>	
<b>Interest Rates &amp; Inflation</b>		<b>Apr 21</b>	<b>Mar 21</b>	<b>Apr 21</b>	<b>Mar 21</b>
Central Bank Rate	→	3.75	3.75	3.50	3.50
Prime Rate	→	7.50	7.50	7.00	7.00
		<b>Apr 21</b>	<b>Mar 21</b>	<b>Apr 21</b>	<b>Mar 21</b>
Inflation	↑	3.9	3.1	4.4	3.2

**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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