



momentum
investments

moments

with our investment gurus

Update on fixed income

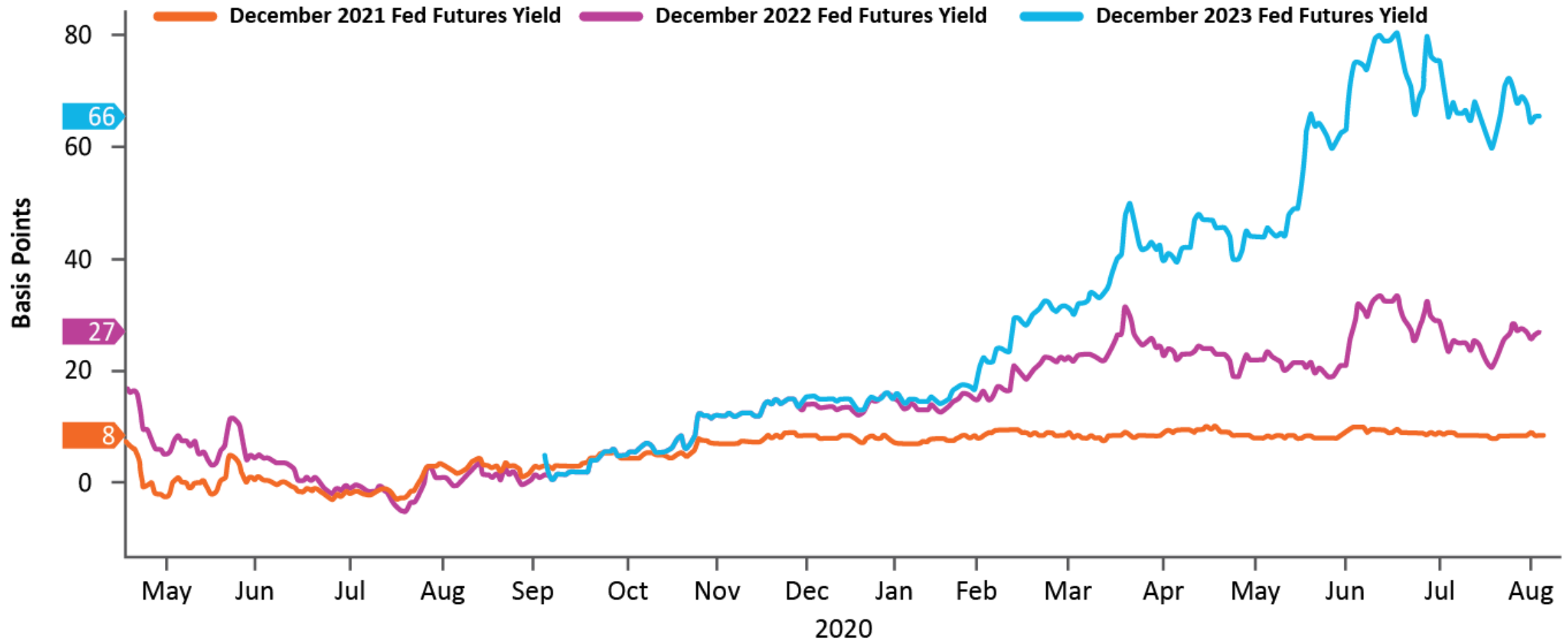
Ian Scott

November 2021

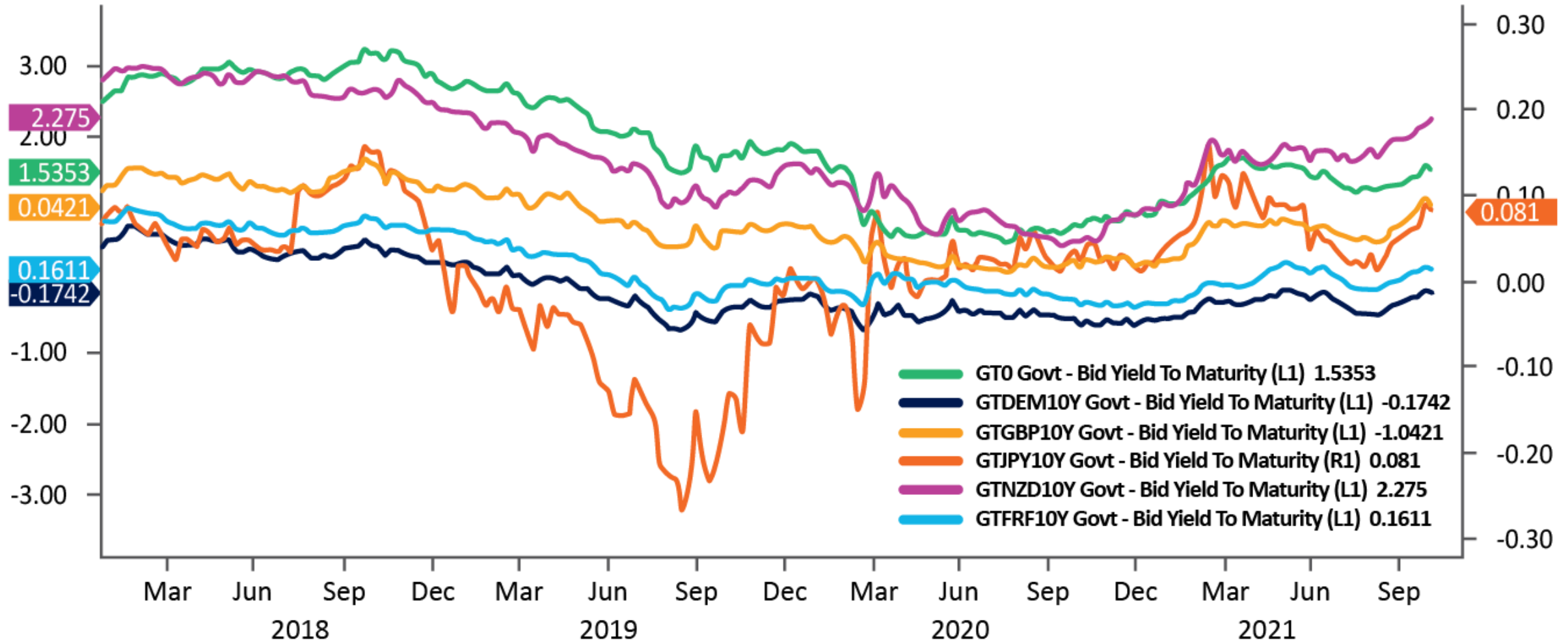
Market expectations around Fed actions



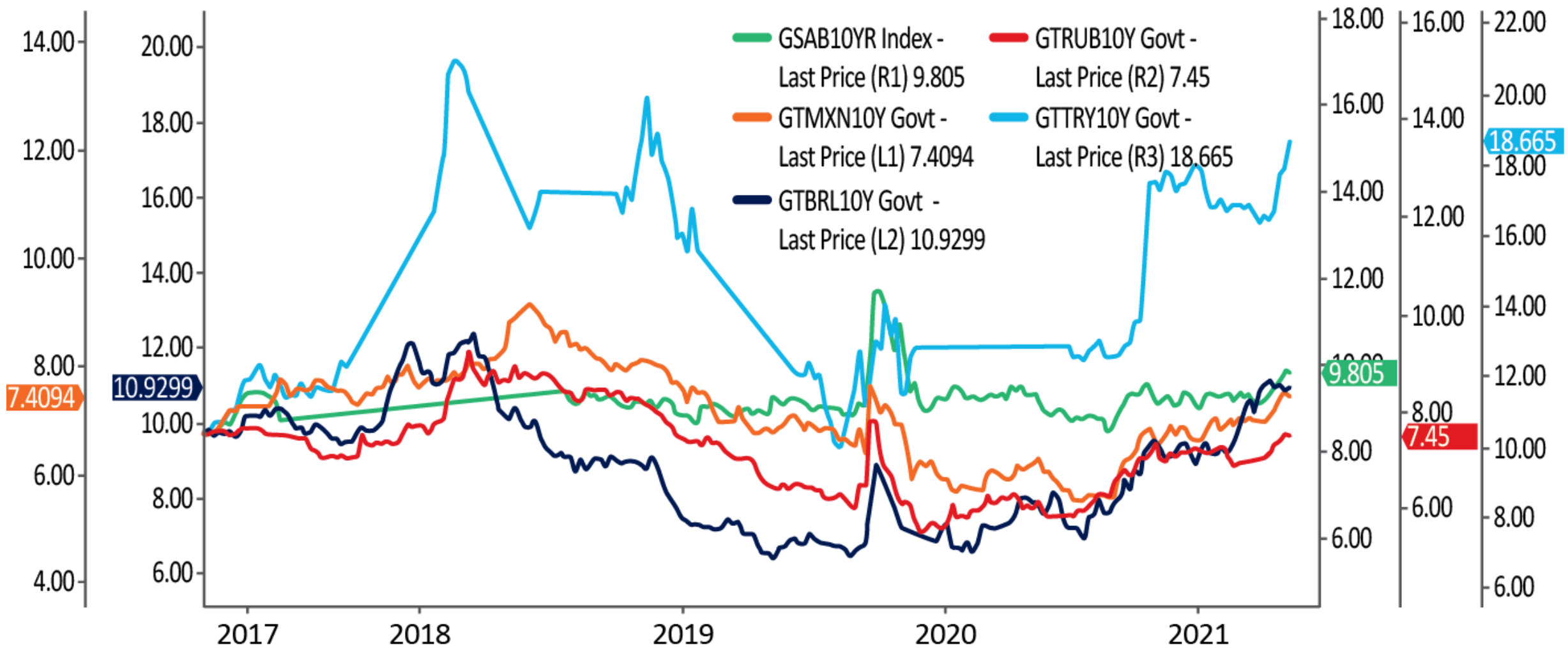
Fed hike(s) priced in for 2023



Developed market 10-year bond yields



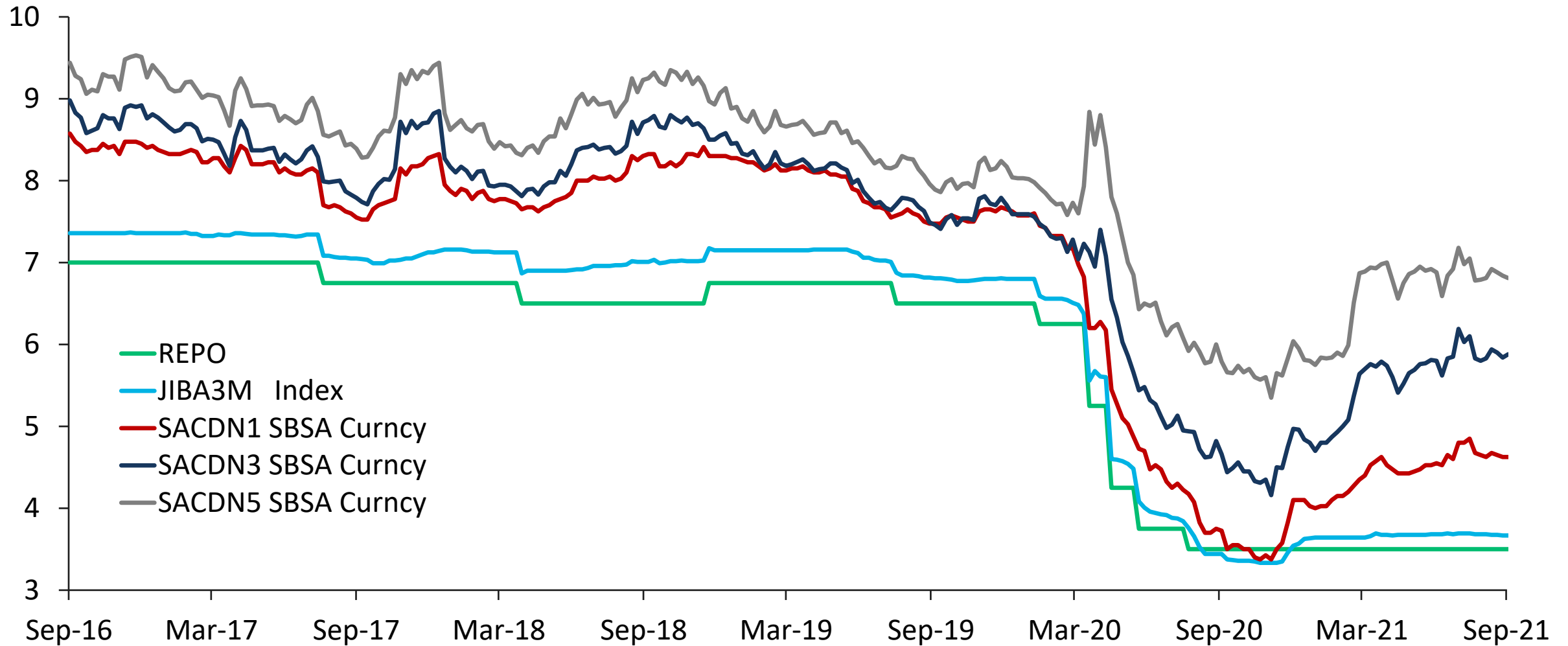
Emerging market high yield 10-year yields



The money market environment



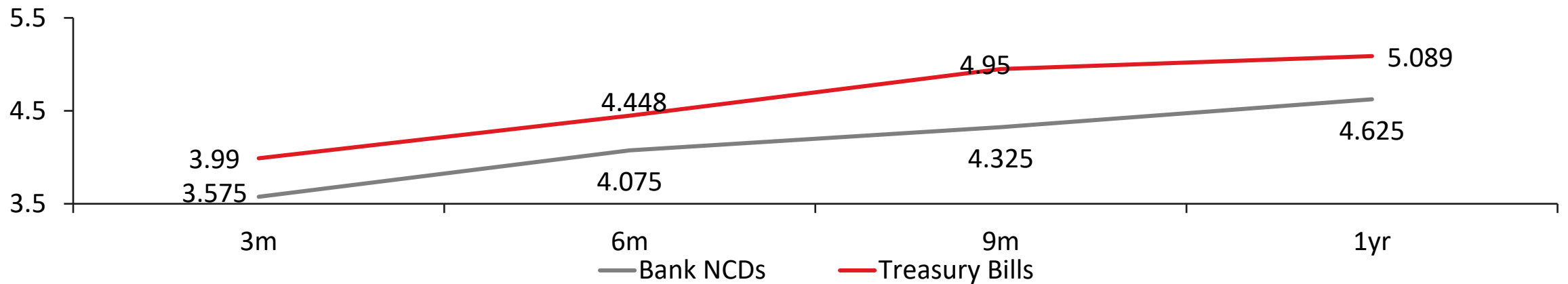
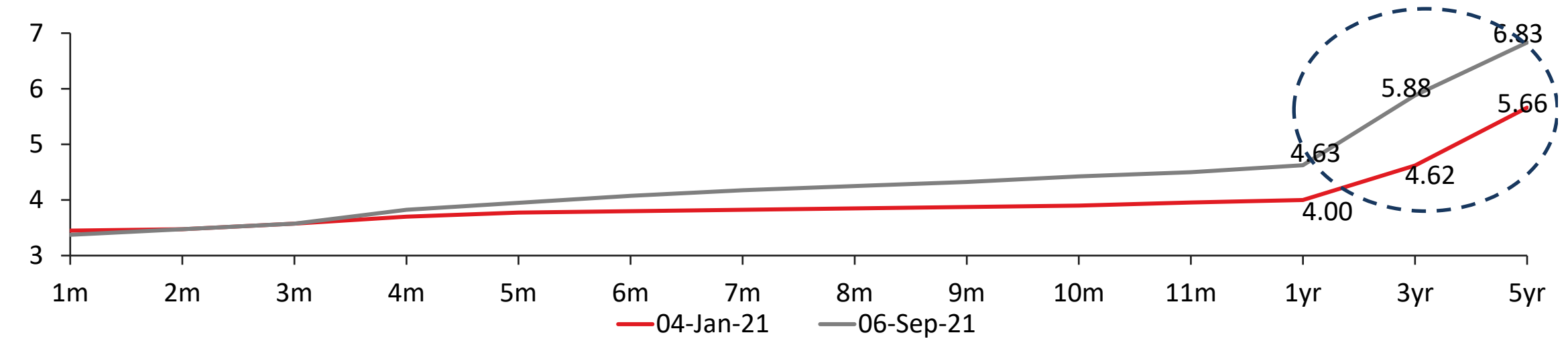
The shape of the money market curve



The money market yield curve



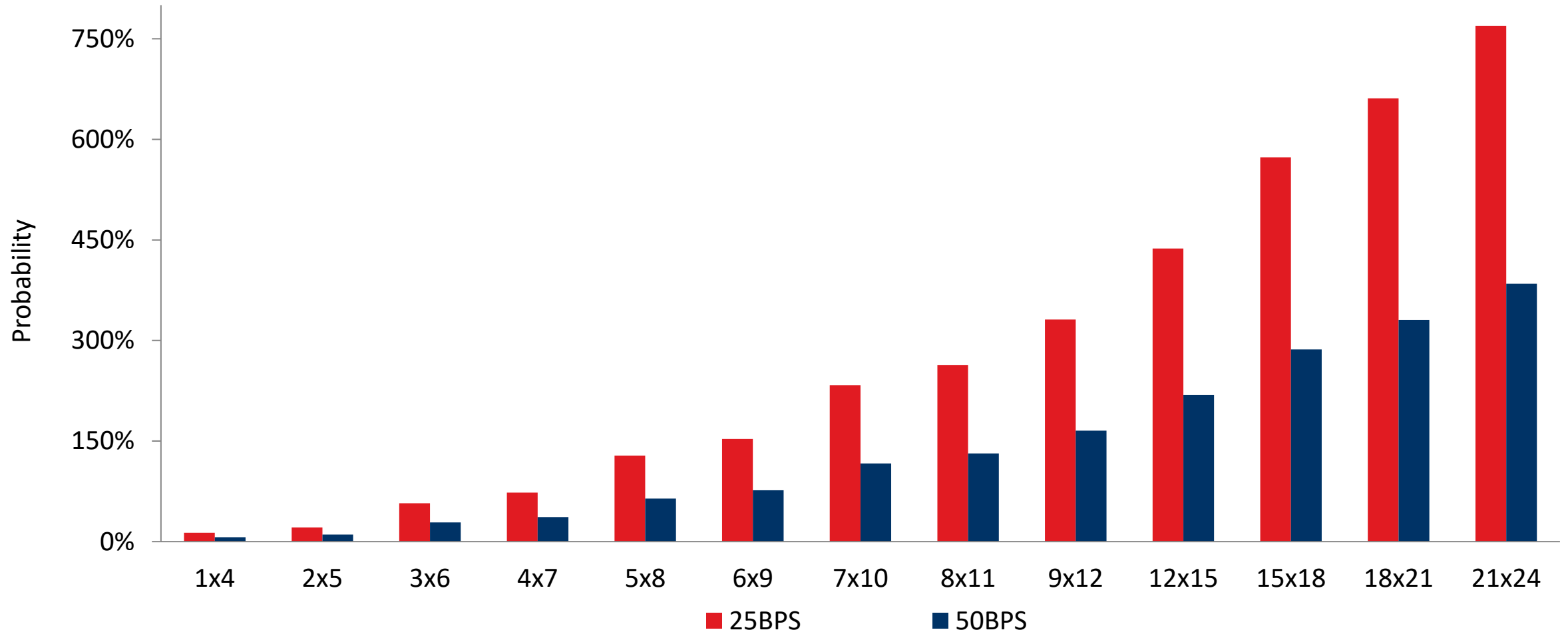
NCD curve for the year to date



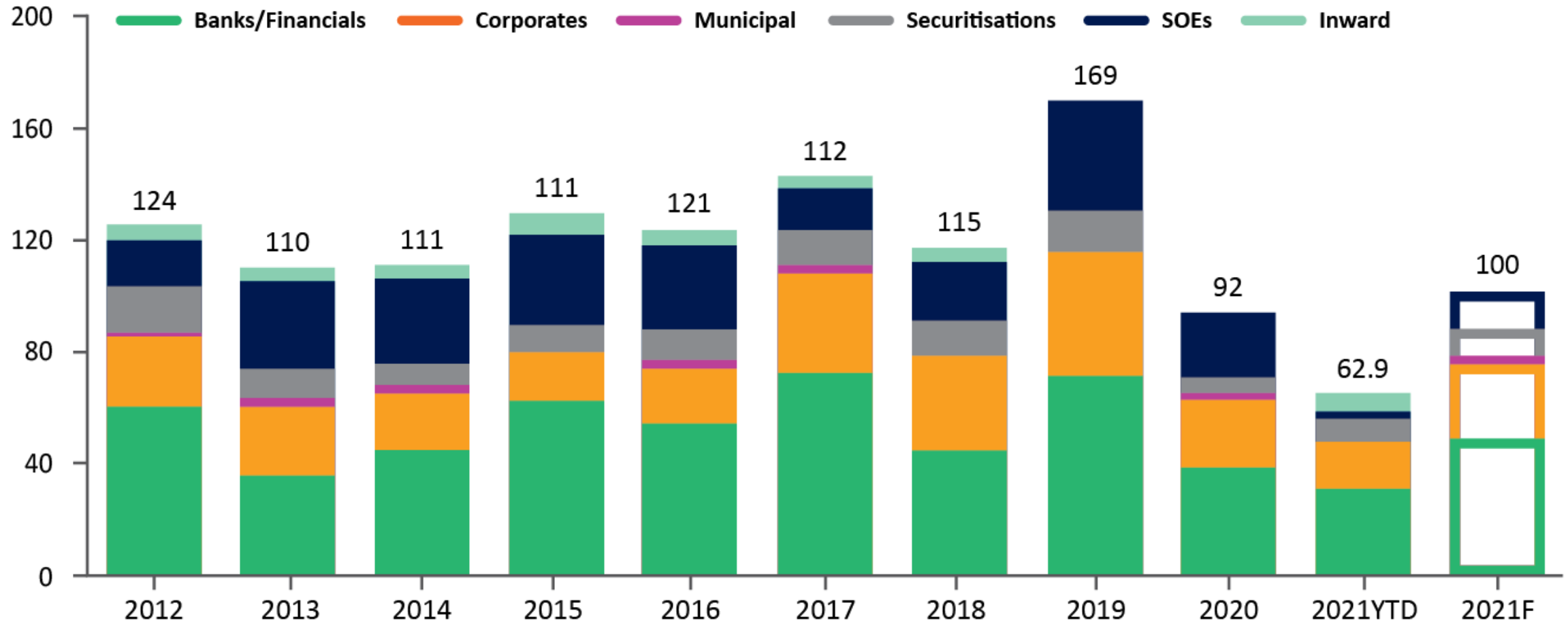
Short-term interest rate expectations



Change in policy rate discounted by FRAs



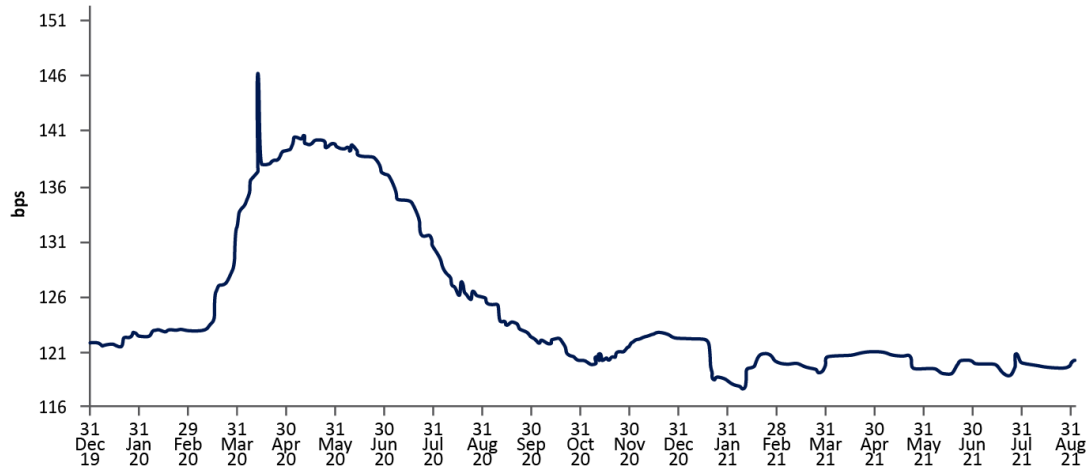
Annual issuances: Actual and 2021 estimate



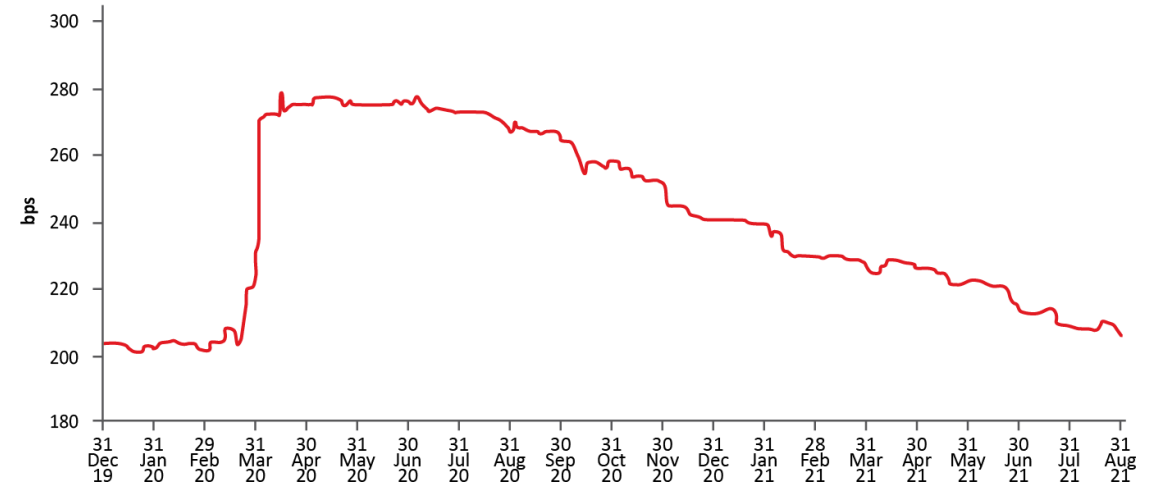
Spread movements (floating) in banks



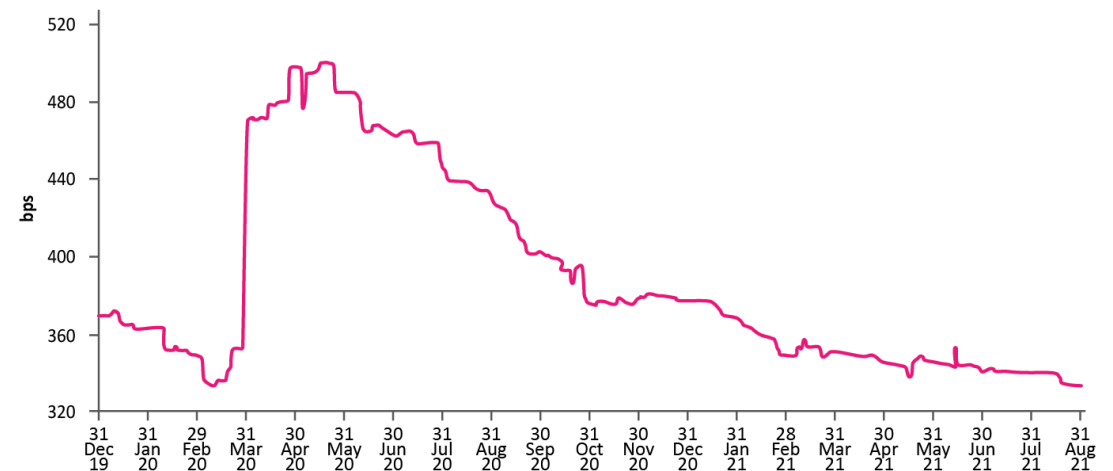
Bank senior (big five)



Bank AT1 (big five)



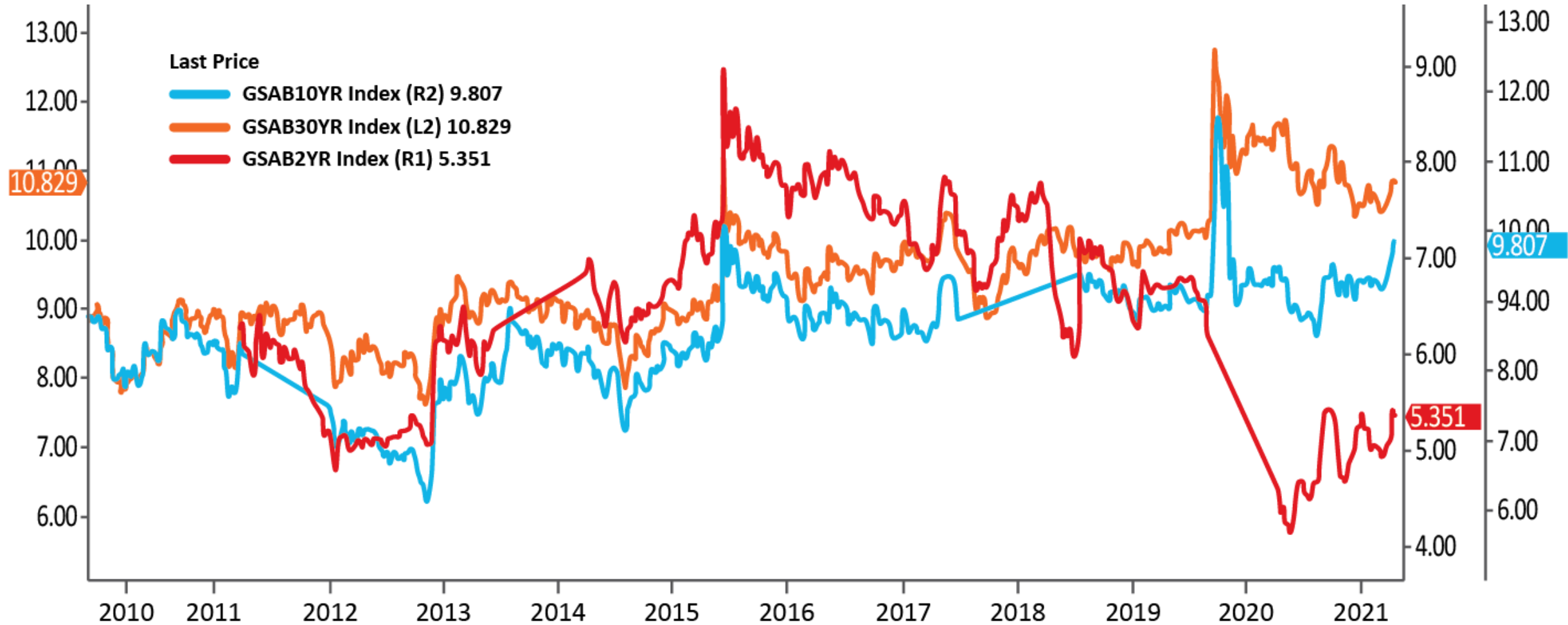
Bank new-style T2 (big five)



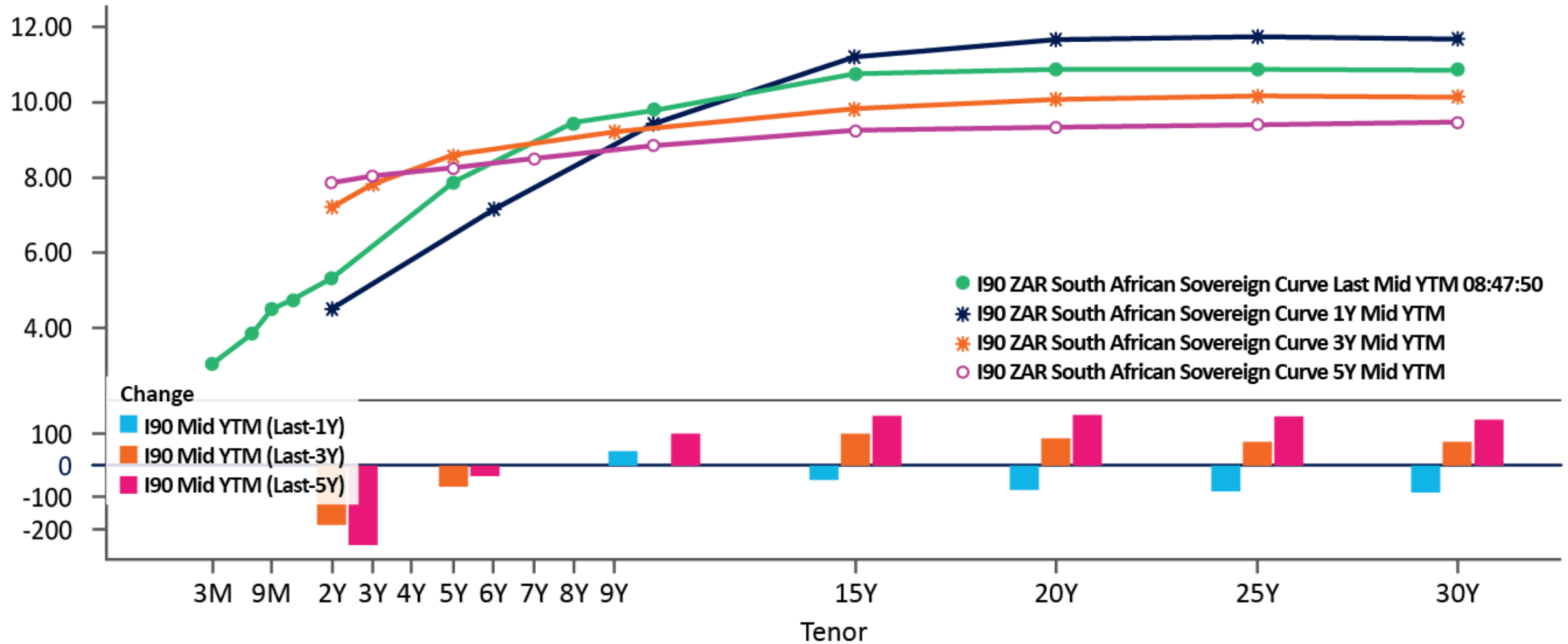
South African Government Bond Index



Two-year, 10-year and 30-year yields



South African Government Bond Index yield curve



SA 10-year fair value



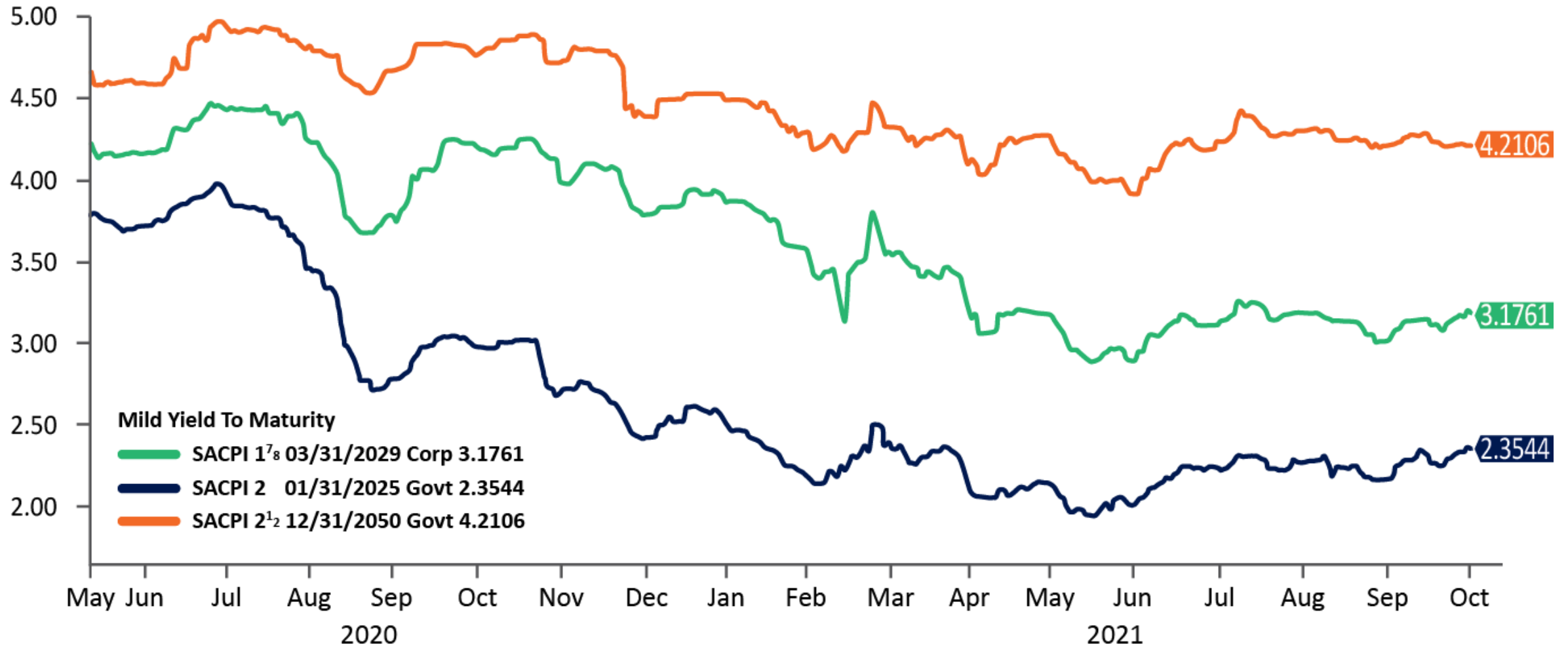
Curve constructed

10-year bond yield	Current	One year	Three years	Five years
US TIPS (10-year TIPS)	0.00	0.00	0.00	0.00
SA risk premium (10-year CDS)	2.95	3.32	3.94	4.23
Inflation expectations (10-year BE inflation)	5.51	5.72	5.83	6.03
Supply premium/discount	0.20	0.20	0.20	0.20
10-year fair value yield	8.66	9.24	9.97	10.46

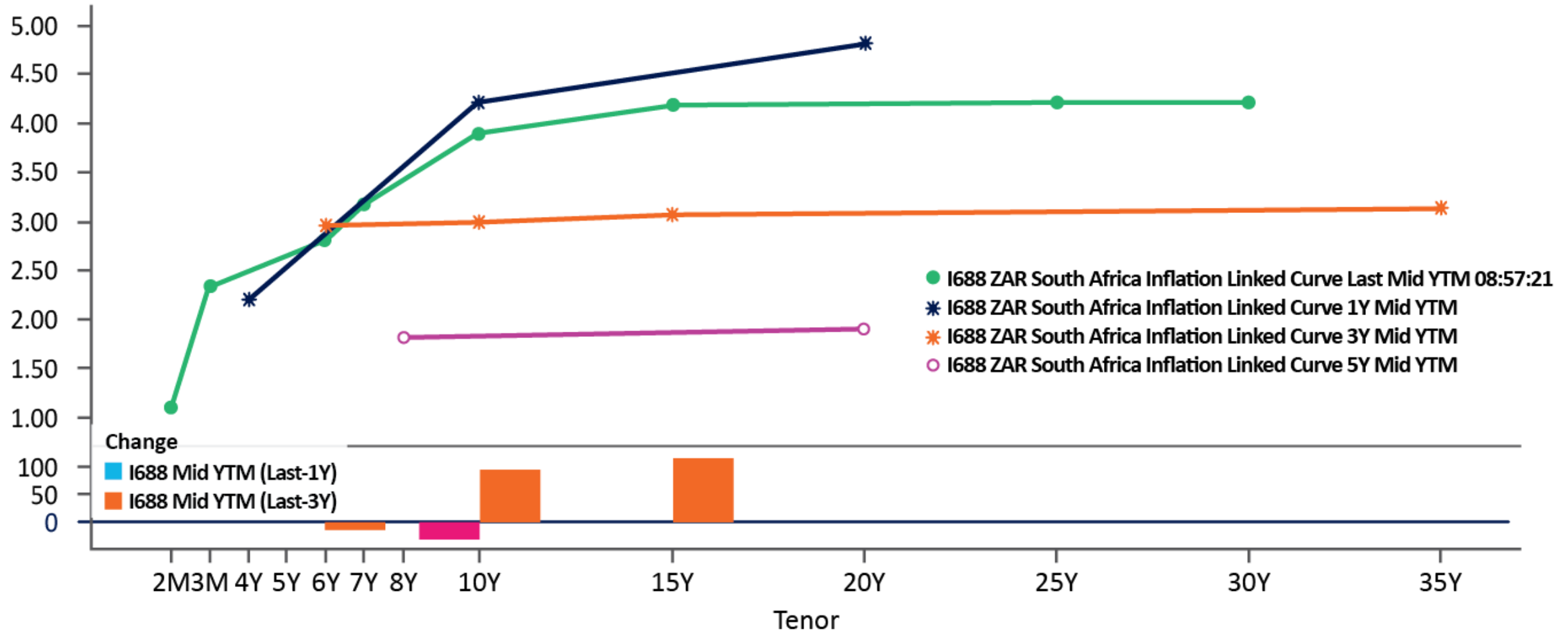
South African inflation-linked bonds



Four-year, eight-year and 29-year inflation-linked bond yields



SA inflation-linked bond curve



Management insight



Fixed income expected returns

Total returns	One year to three years
All Bond Index	8.00% to 9.50%
Inflation-linked bonds	7.50% to 9.00%
Credit	5.50% to 6.00%
Cash (NCD)	4.65% to 5.85%

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