

Daily Fixed Income Report (19 May 2023)

HEI Fixed Income Market Commentary

- On Friday, the South African rand weakened against the US dollar. In a key news, the S&P Global Ratings maintained South Africa's credit outlook at 'stable'.
- Based on the data provided in Table 2, it is evident that there has been a significant surge in the yield of several government bonds. Specifically, the GC2026 bond exhibited an increase from 10.05% to 10.29%. Notably, the yield of the GC2048 bond also experienced a rise, climbing from 14.15% to 14.27%.

- The observed changes in bond yields can be attributed to the concerns raised by analysts regarding market conditions, particularly the upward trend in interest rates. These concerns have led to the perception that bonds may be comparatively cheaper to purchase. As interest rates rise, bond prices tend to decrease, resulting in higher bond yields. This dynamic reflects the relationship between market conditions and the affordability of bonds for potential investors.
- Table 1 exhibited a slight decline in 6- 9 months fixed-term deposit rates

Table 1. Fixed Term Deposits

| Term | 16-May-23 | 17-May-23 |
|------------------|-----------|-----------|
| 1 Month | 7.57 | 7.57 |
| 2 Months | 7.65 | 7.65 |
| 3 Months | 7.75 | 7.74 |
| 4 Months | 7.84 | 7.84 |
| 5 Months | 7.90 | 7.90 |
| 6 Months | 8.25 | 8.24 |
| 7 Months | 8.35 | 8.33 |
| 8 Months | 8.46 | 8.45 |
| 9 Months | 8.53 | 8.51 |
| 10 Months | 8.58 | 8.58 |
| 11 Months | 8.68 | 8.68 |
| 12 Months | 8.74 | 8.74 |

Source: BoN & HEI Research

Table 2. Namibia Government Bonds

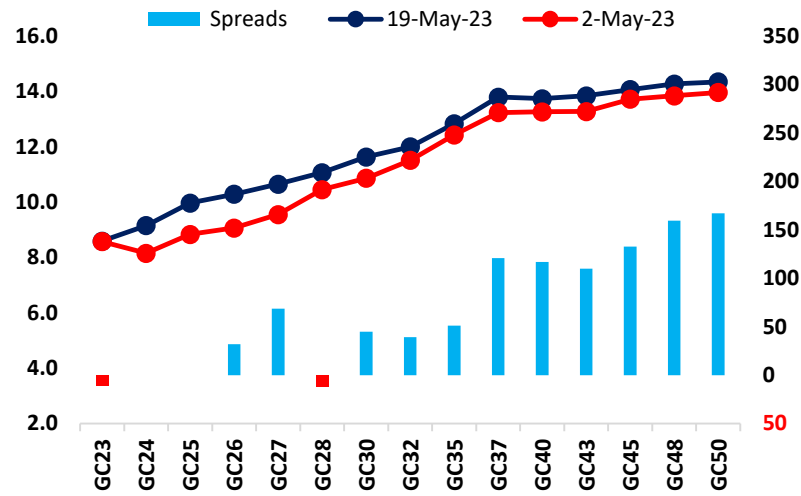
| <i>Bonds</i> | <i>Coupon</i> | <i>Maturity</i> | <i>YTM (%)</i> | <i>YTM (%)</i> | <i>YTM (%)</i> | <i>DTDA</i> | <i>Prices</i> |
|--------------|---------------|-----------------|----------------|----------------|----------------|-------------|---------------|
| | | | 2-May-23 | 17-May-23 | 19-May-23 | (bps) | 19-May-23 |
| GC23 | 8.85 | 15-Oct-23 | 8.58 | 8.65 | 8.59 | -5.85 | 100.07 |
| GC24 | 10.5 | 15-Oct-24 | 8.15 | 8.91 | 9.15 | 23.90 | 101.72 |
| GC25 | 8.5 | 15-Apr-25 | 8.83 | 9.73 | 9.97 | 23.90 | 97.48 |
| GC26 | 8.5 | 15-Apr-26 | 9.07 | 10.05 | 10.29 | 23.80 | 95.58 |
| GC27 | 8 | 15-Jan-27 | 9.55 | 10.42 | 10.66 | 23.90 | 92.10 |
| GC28 | 8.5 | 15-Oct-28 | 10.46 | 10.87 | 11.07 | 20.30 | 89.74 |
| GC30 | 8 | 15-Jan-30 | 10.86 | 11.44 | 11.64 | 20.31 | 83.43 |
| GC32 | 9 | 15-Apr-32 | 11.51 | 11.81 | 12.00 | 19.15 | 83.82 |
| GC35 | 9.5 | 15-Jul-35 | 12.43 | 12.65 | 12.84 | 19.05 | 79.68 |
| GC37 | 9.5 | 15-Jul-37 | 13.24 | 13.61 | 13.80 | 19.30 | 73.52 |
| GC40 | 9.8 | 15-Oct-40 | 13.26 | 13.57 | 13.74 | 17.00 | 74.12 |
| GC43 | 10 | 15-Jul-43 | 13.28 | 13.71 | 13.85 | 13.06 | 74.06 |
| GC45 | 9.85 | 15-Jul-45 | 13.73 | 13.94 | 14.07 | 13.31 | 71.44 |
| GC48 | 10 | 15-Oct-48 | 13.84 | 14.15 | 14.27 | 12.94 | 71.42 |
| GC50 | 10.25 | 15-Jul-50 | 13.97 | 14.24 | 14.35 | 11.45 | 72.05 |

Source: BoN & HEI Research

Important disclosure:

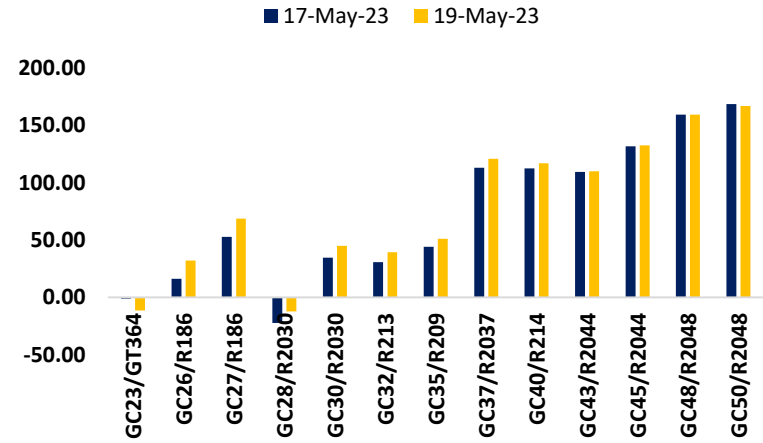
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Figure 1. Namibia Bond Yield: 2-May-2023 vs. 19-May-2023



Source: BoN & HEI Research

Figure 2. Namibia vs. South Africa Bond Spreads: 17-May-2023 vs. 19-May-2023



Source: BoN & HEI Research

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