

Glacier Life Investments Summit

Drivers of SA Bond Yields

August 2023

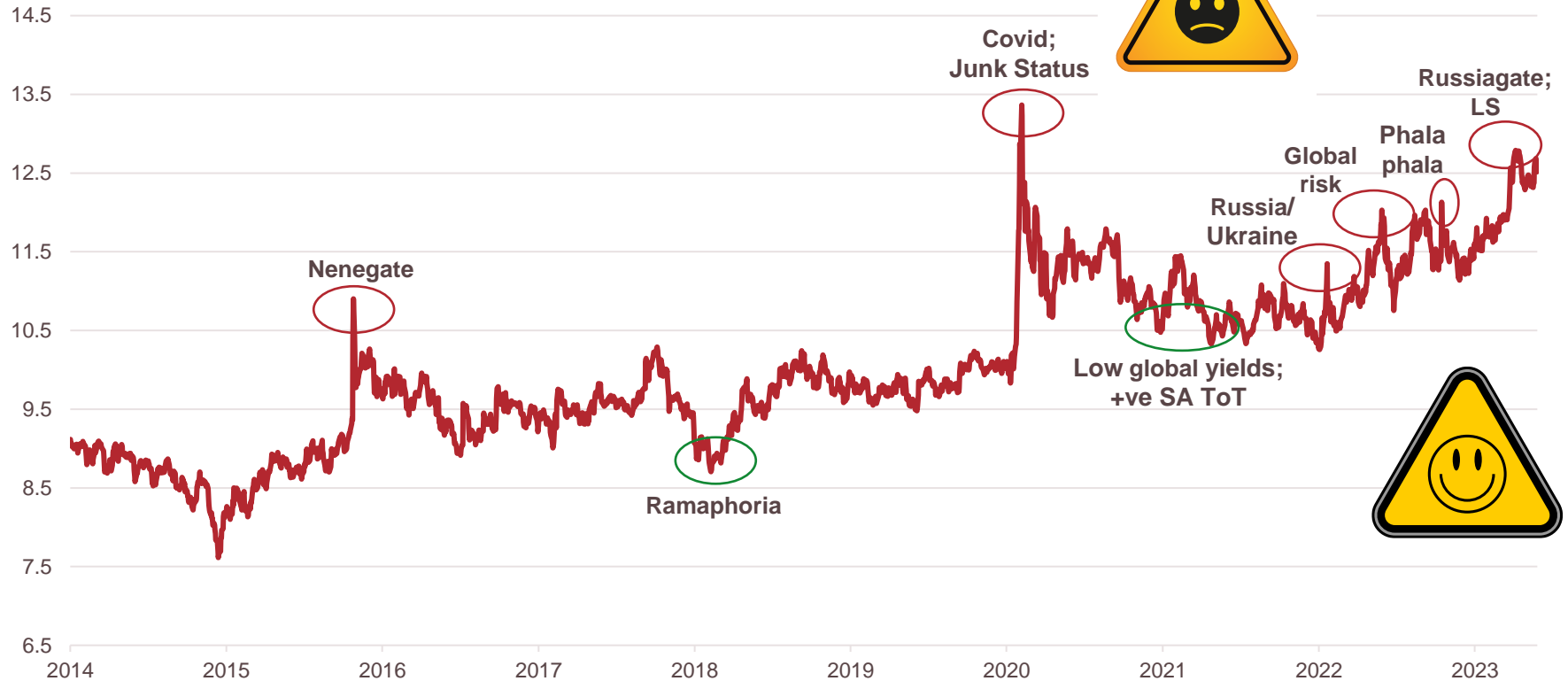
Melanie Stockigt

What causes bond yields to go up and down?



Longer dated SA bond yields

20 year constant maturity bond yield

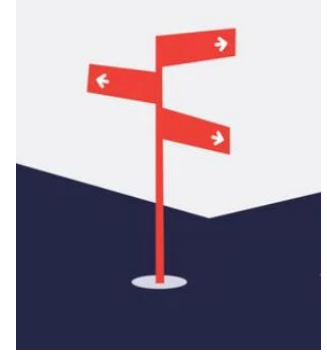


Longer dated SA bond yields

20 year constant maturity bond yield



Source: Bloomberg, Laurium

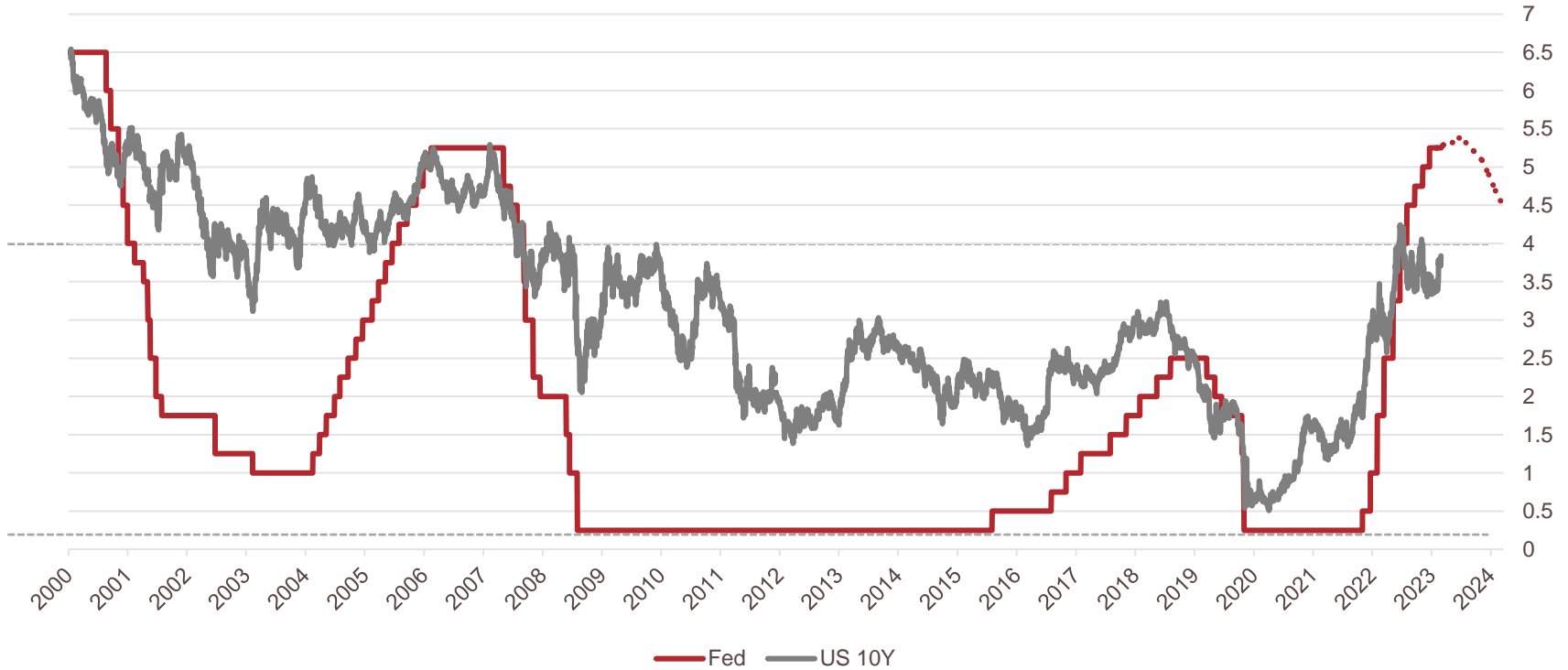


Where to
from here?

What are the three big SA bond drivers?



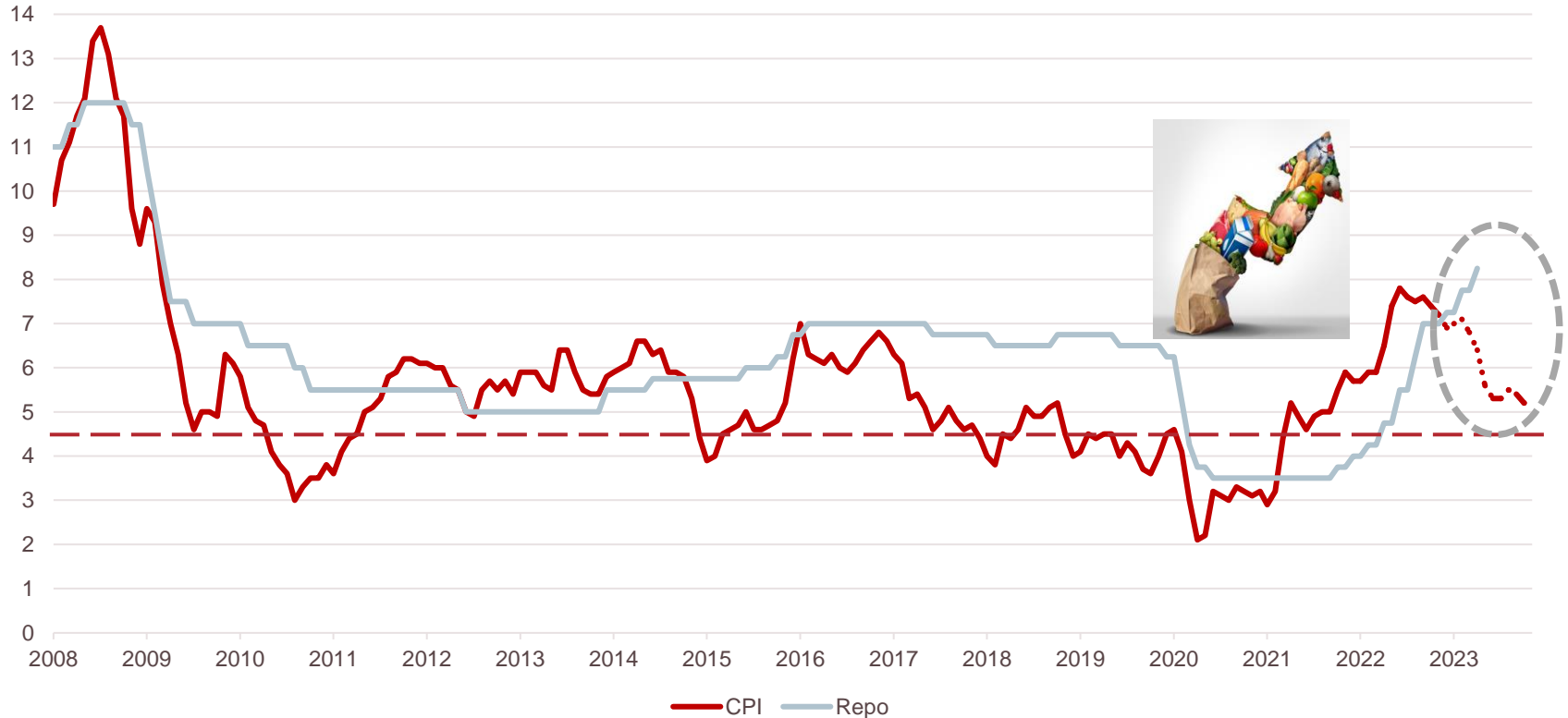
US rates and bond yields back to more normal levels



Source: Bloomberg, Laurium

What could cause SA bond yields to fall?

→ SA inflation falls back towards target



Source: Bloomberg, Laurium

SA risk premium over 10 year US bond yield

SA 10 year yield minus US 10 year yield



Source: Bloomberg, Laurium

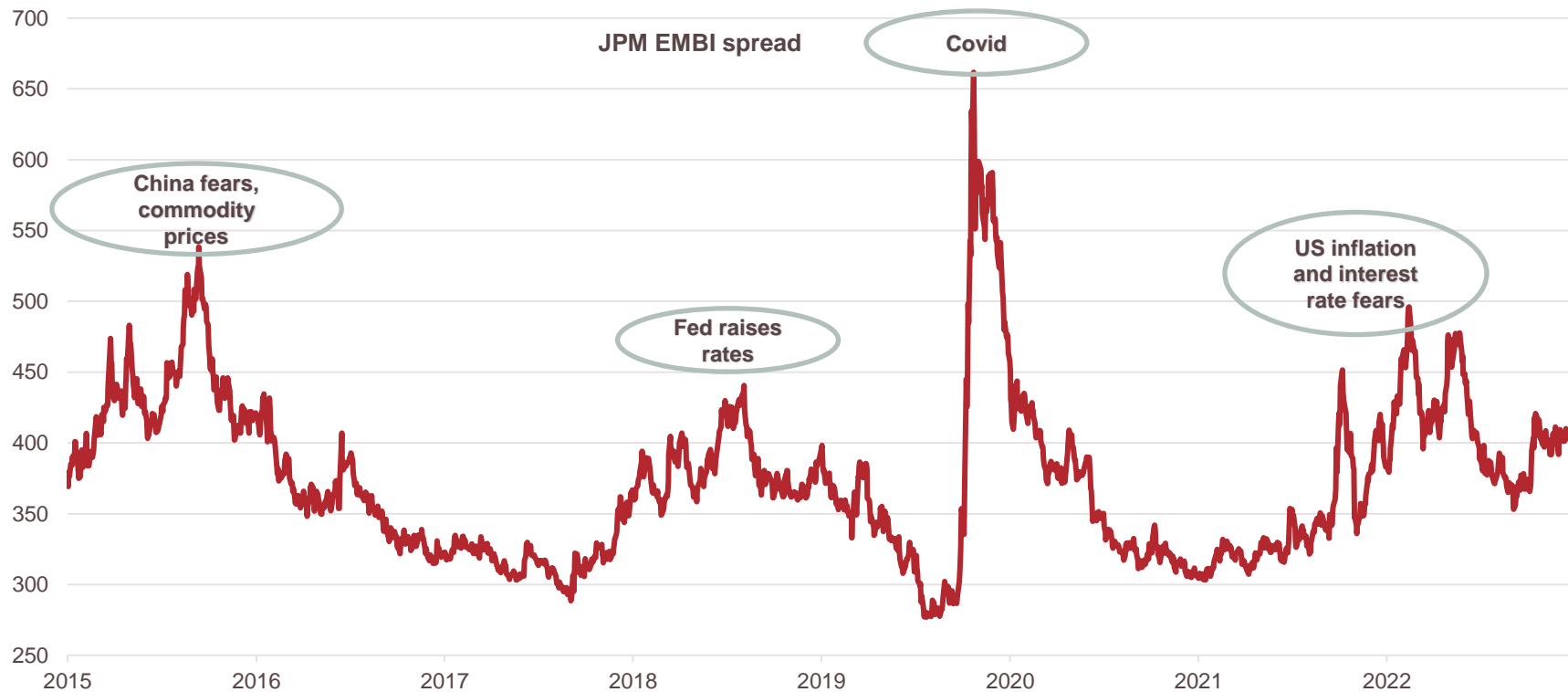
SA bonds do require a risk premium

- **Global** risks still prevalent
- Potential further **fiscal** improvement now challenging
- SA economic **growth** is too low
- SA **energy security** has deteriorated
- **Political/geopolitical** risks are heightened



What could cause SA bond yields to fall (price rise)?

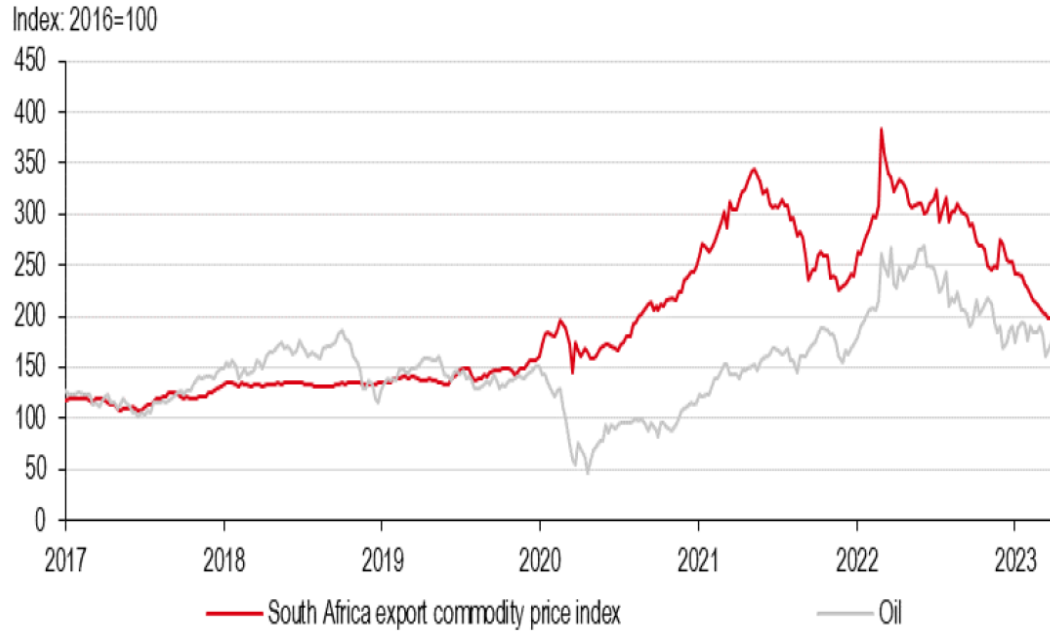
→ Resumption in global risk appetite





What could cause SA bond yields to fall?

→ Lift in SA Terms of Trade



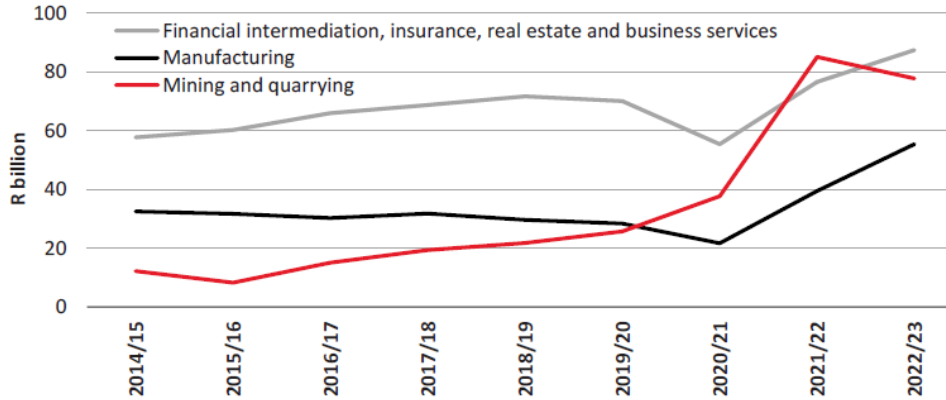
Source: HSBC



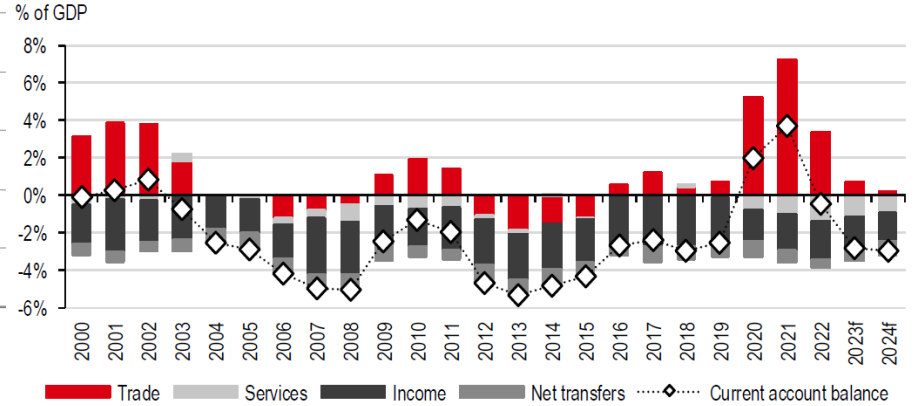
What could cause SA bond yields to fall?

Commodity export prices important for SA fiscal and current account

Government Revenue



Current Account



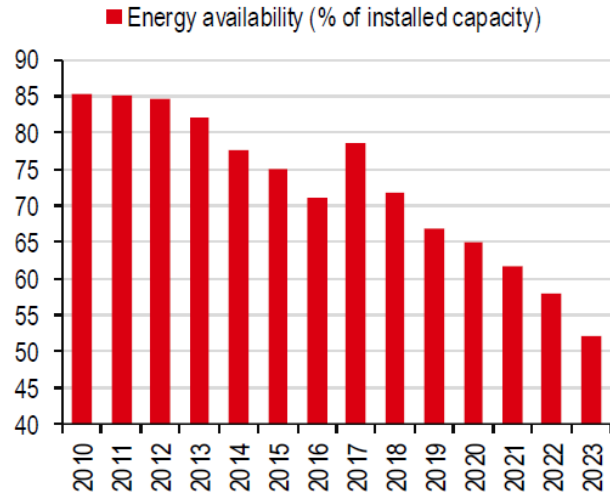
Source: National Treasury



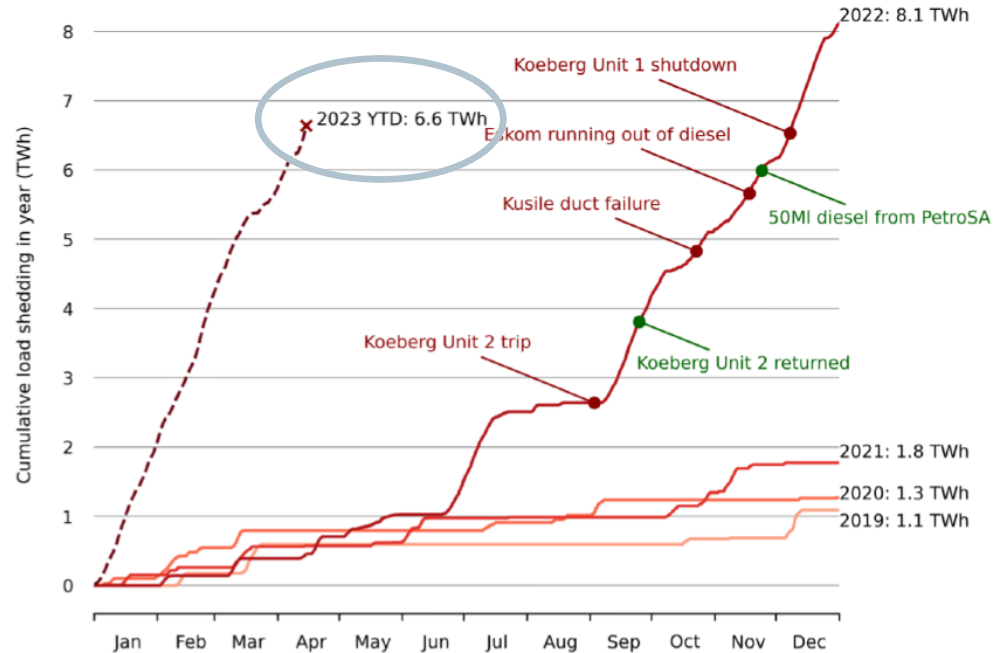
Source: HSBC

What could cause SA bond yields to fall?

→ Less loadshedding / no grid collapse



Source: HSBC

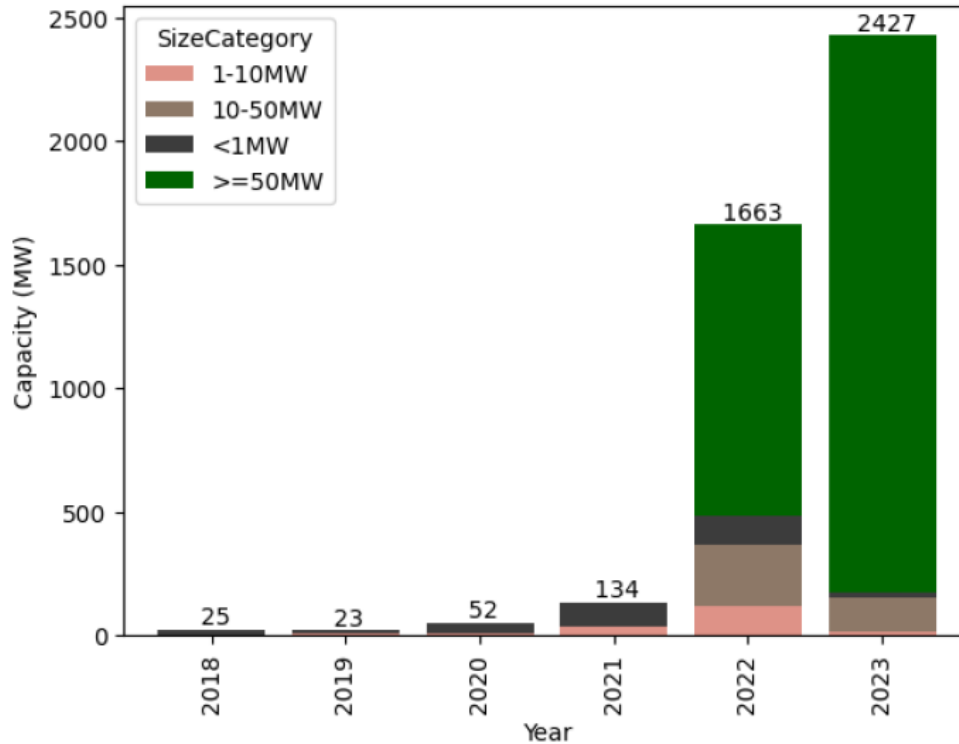


Source: Meridian Economics (2023) based on Eskom data portal



What could cause SA bond yields to fall?

Private sector: power generation capacity registered with NERSA

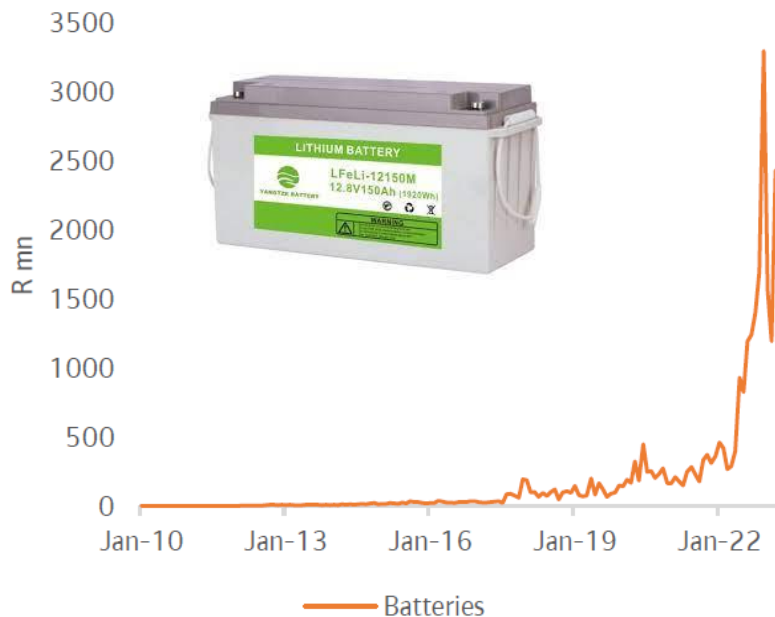


Source: Meridian, 2023, based on NERSA registration database

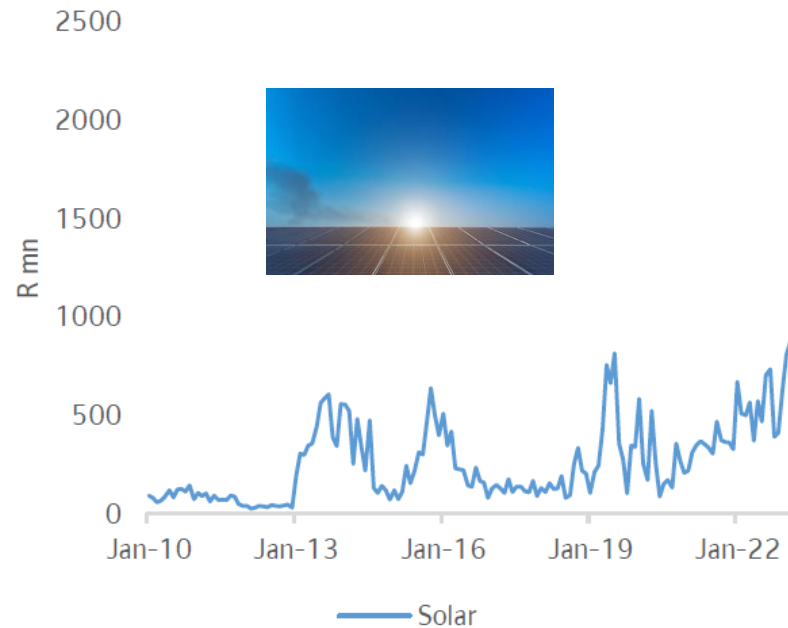
What could cause SA bond yields to fall?

Private sector taking over the baton

Battery imports



Solar panel imports

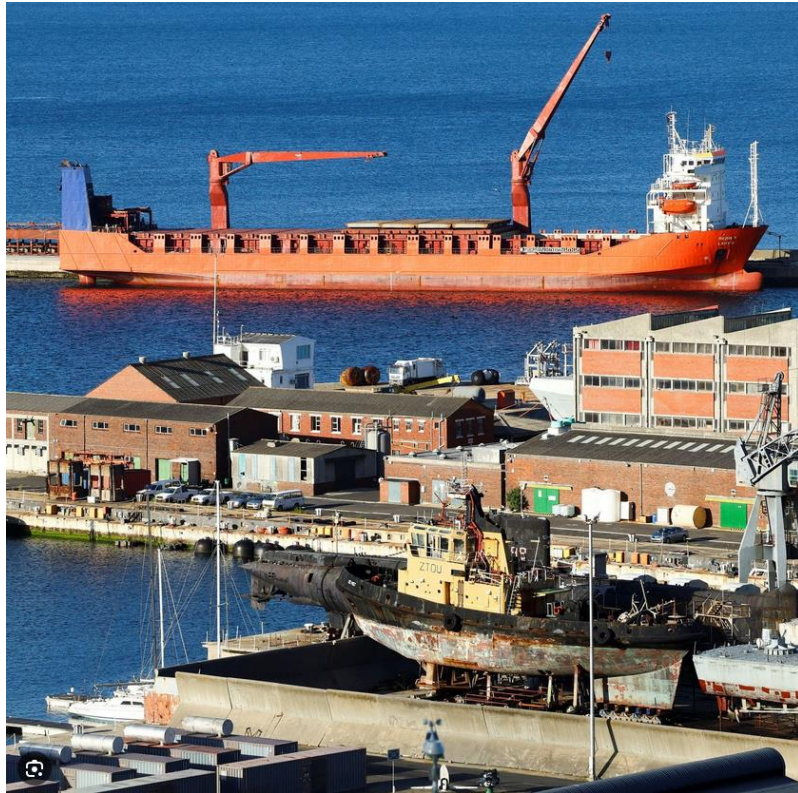


Source: SARS, Quantec, Standard Bank Research

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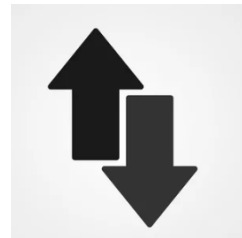
What could cause SA bond yields to fall?

→ Lift in geopolitical tensions



Longer dated SA bond yields

20 year constant maturity bond yield



Timing of catalysts uncertain, **high yield** pays you to wait for good news



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Head Office

9th Floor, 90 Grayston
90 Grayston Drive
Sandton, Johannesburg
South Africa
T +27 11 263 7700

Cape Town Office

4th Floor, The Citadel
15 Cavendish Street
Claremont, Cape Town,
South Africa
T +27 10 9003394