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Investments

Making sense of the fixed interest markets

Melville du Plessis

2 February 2023

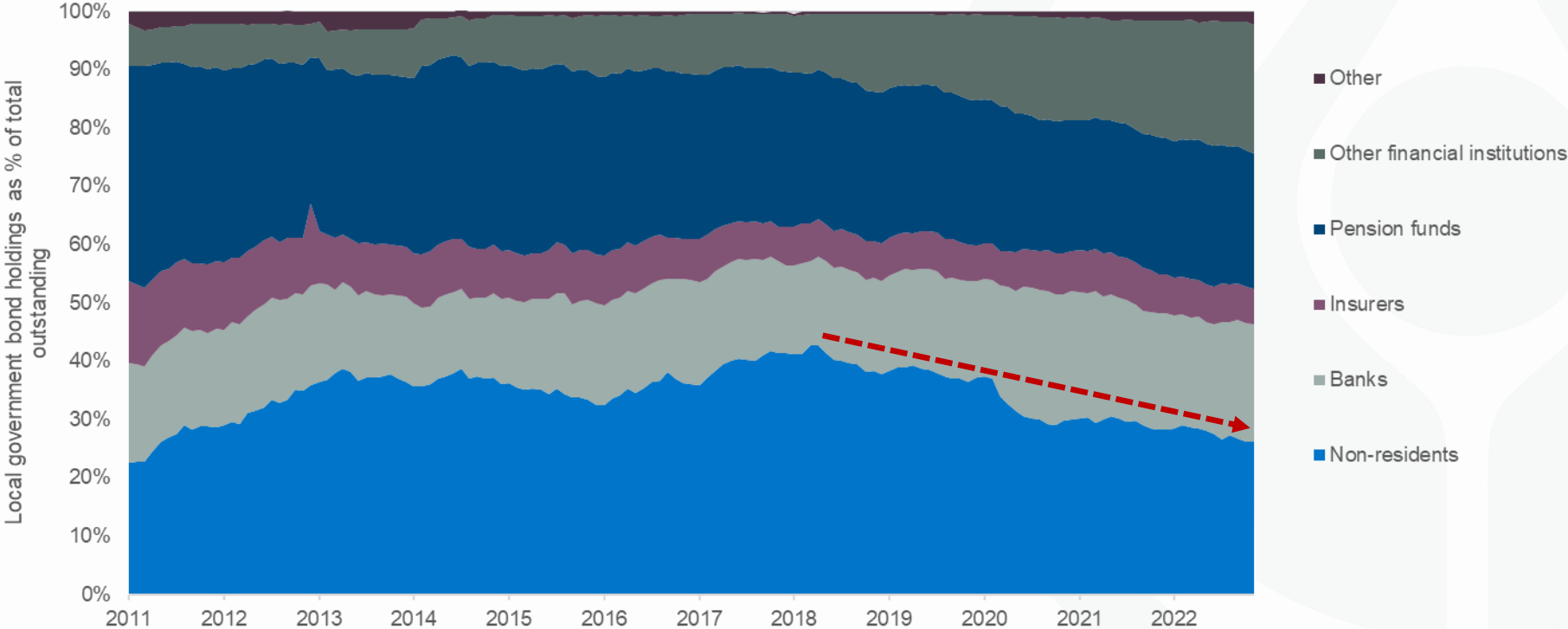
South Africa 10 year government bond yield

Local bond yields ended the year on a stronger note but continue to trade at elevated levels



Foreigners now hold much less local bonds

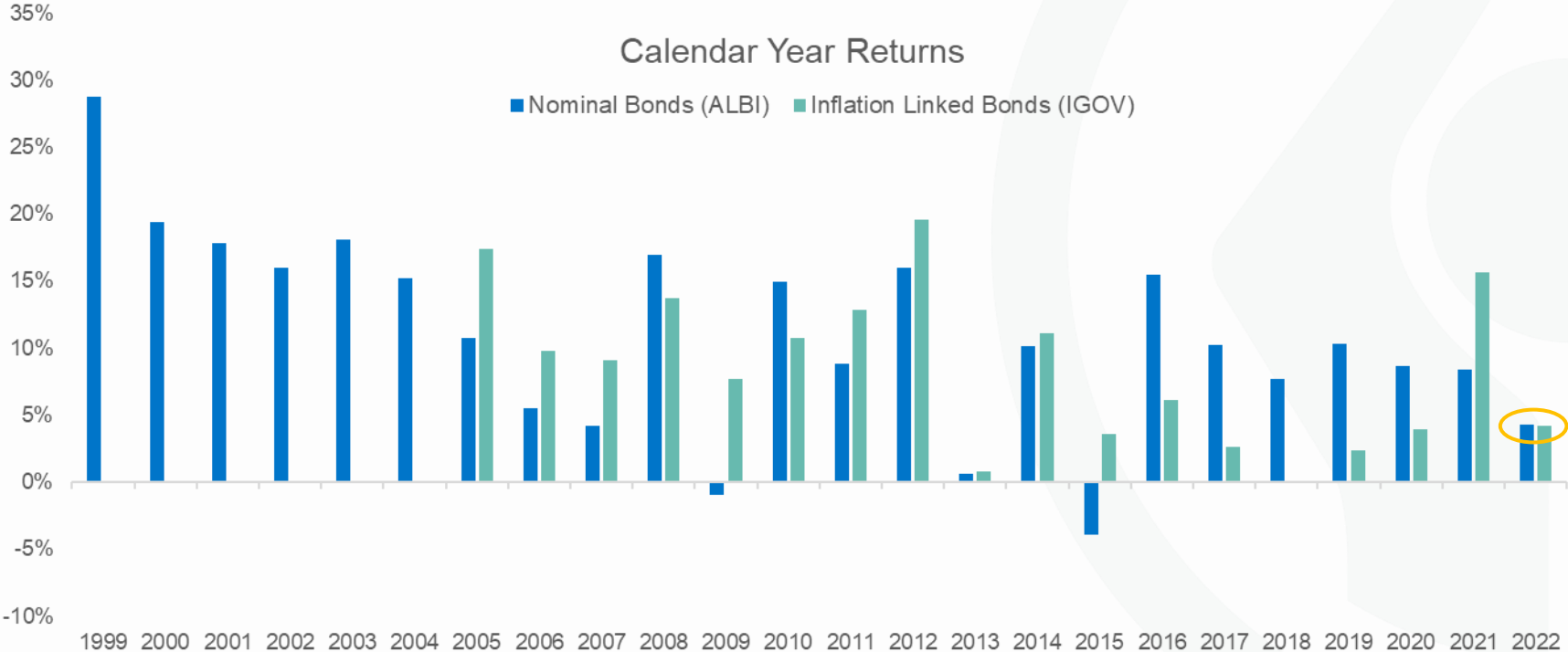
Foreigners are no longer the 'anchor tenant' in SAGBs which helped underpin stronger levels



Source: National Treasury, Sanlam Investments | January 2023

Local nominal bonds versus inflation linked bonds

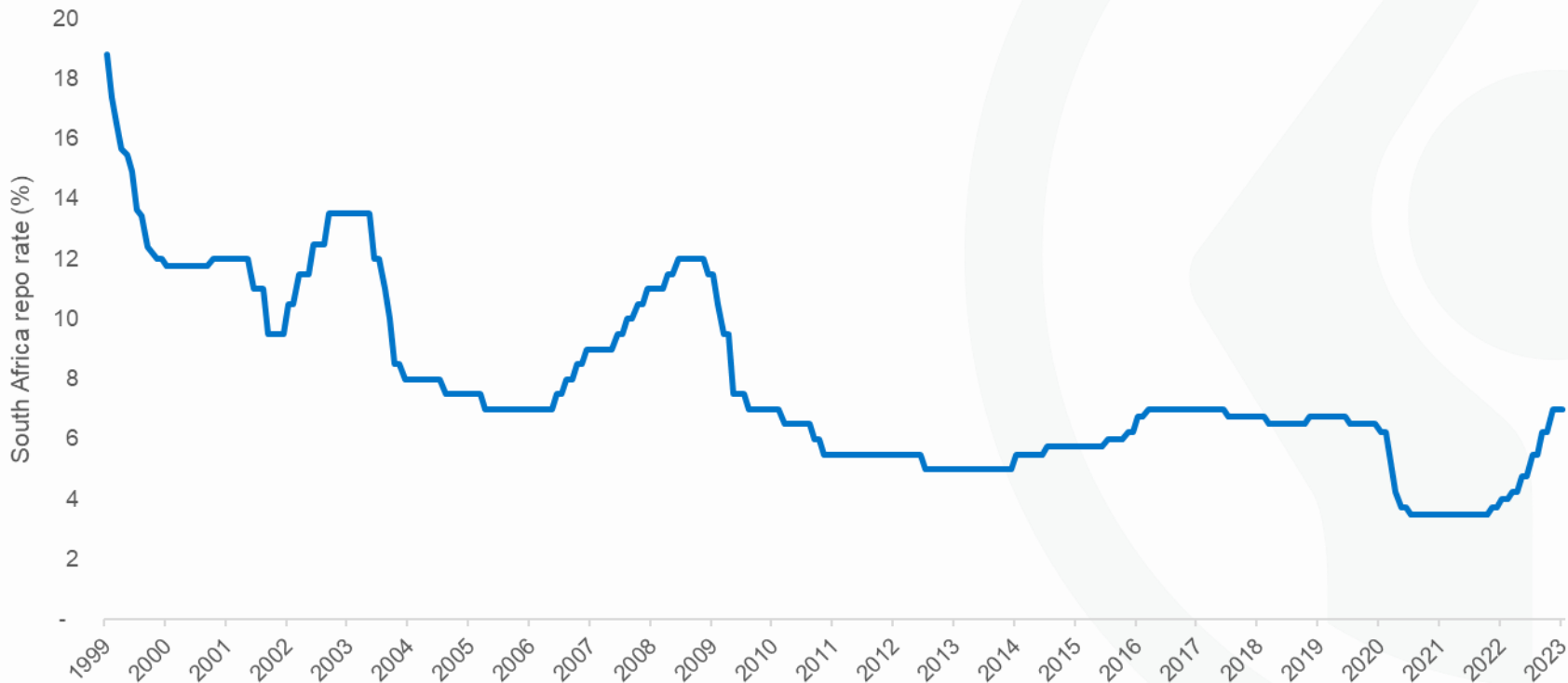
Nominal bonds posted better results in the second half of the year



Source: IRESS | January 2023

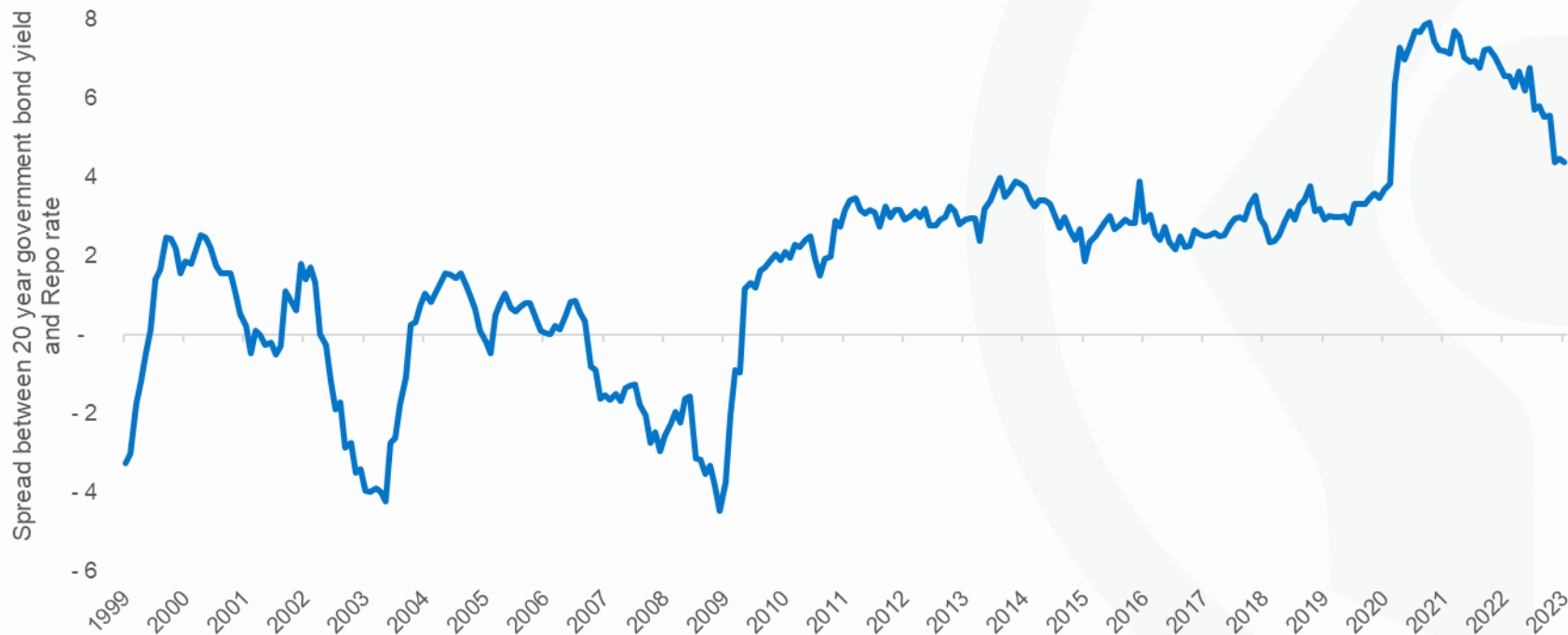
South African policy rate

SARB lending rate increased sharply last year from the exceptionally base



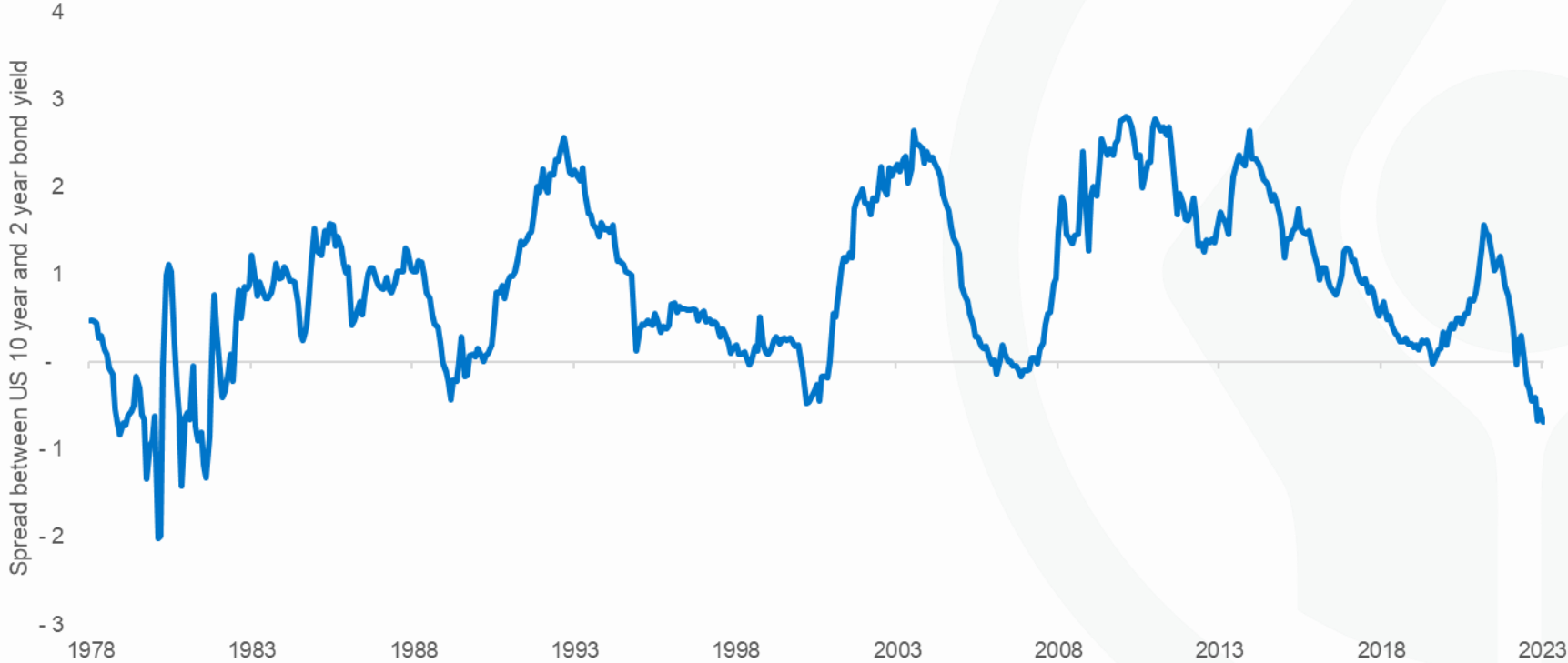
South Africa 20 year bond yield vs repo rate

Exceptional curve steepness finally started to reverse as a result of policy rate increases



US yield curve inversion

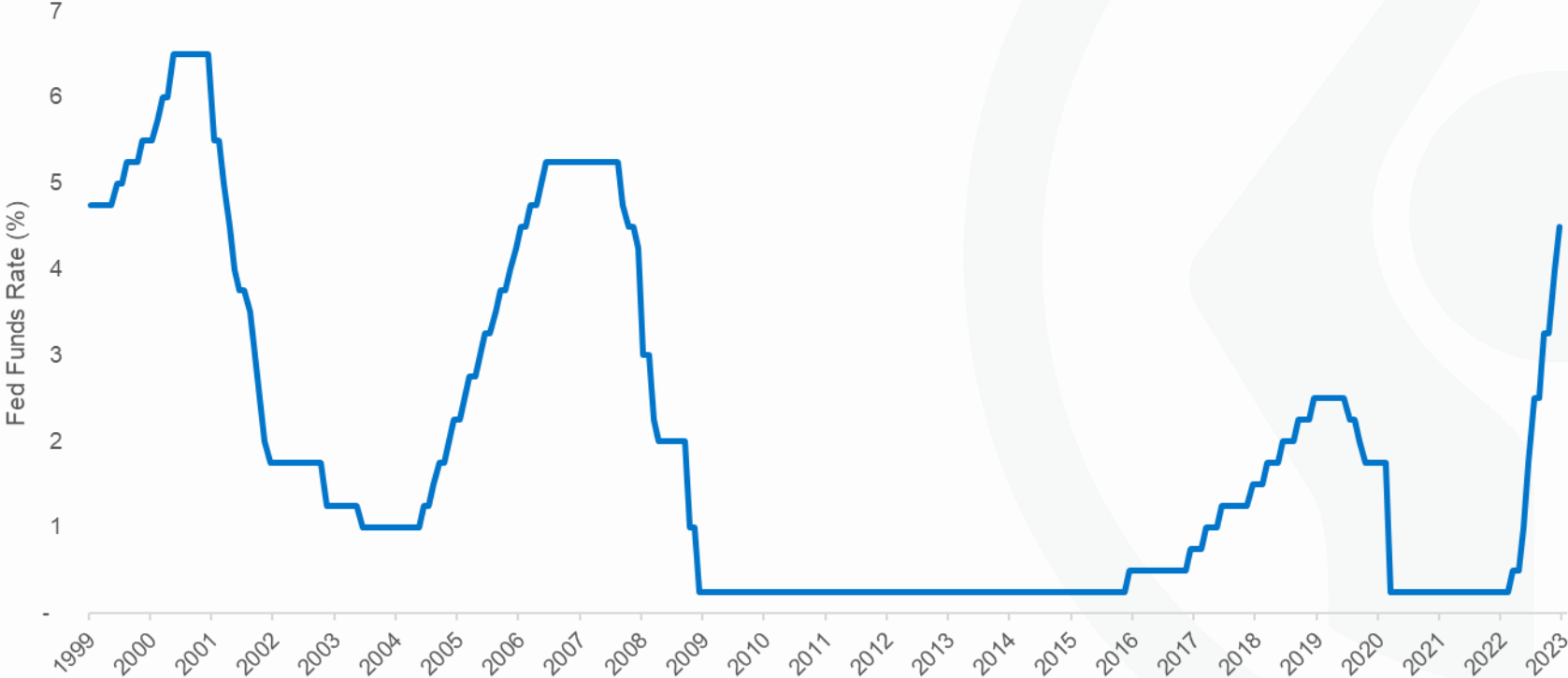
Spread of US 10 year versus 2 year bond yield spread at exceptional negative level



Source: St Louis Fed, IRESSS, Sanlam Investments | January 2023

US policy rate

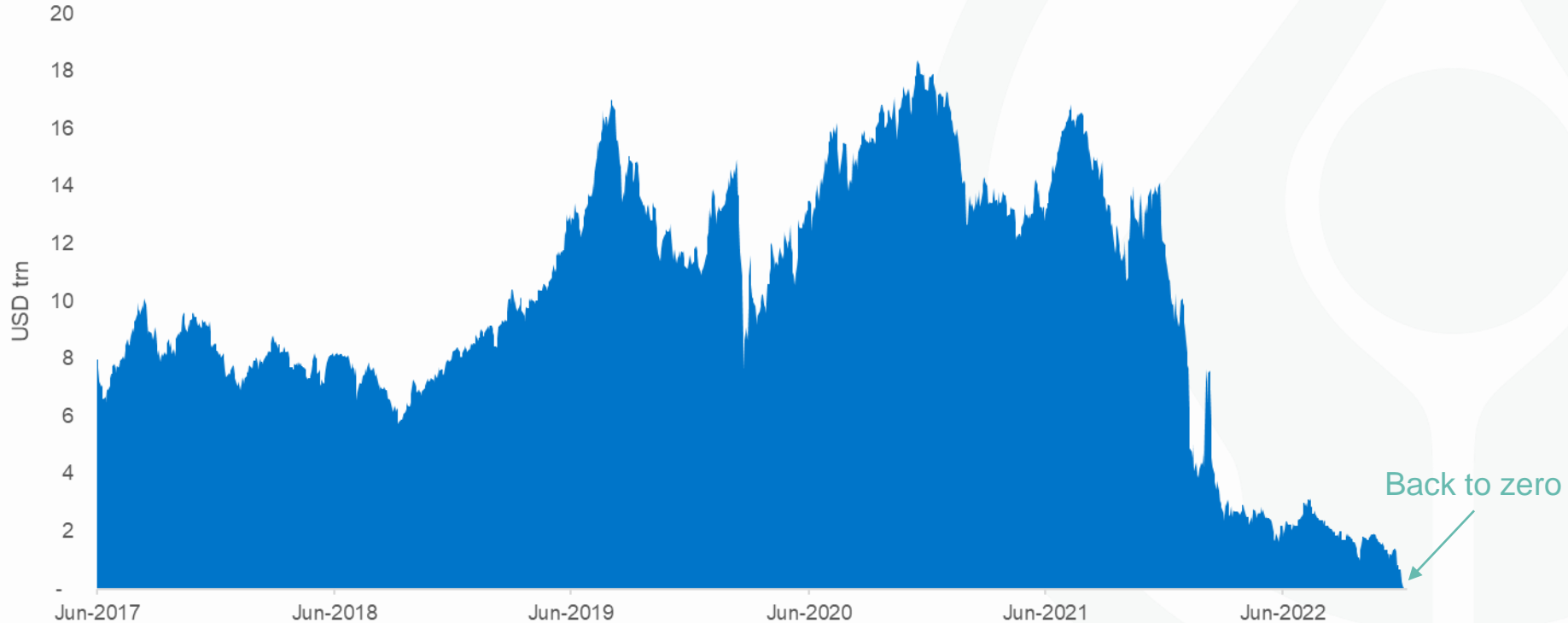
Fed Funds Rate increased at a fast pace and in large increments last year



Source: Bloomberg, Sanlam Investments | January 2023

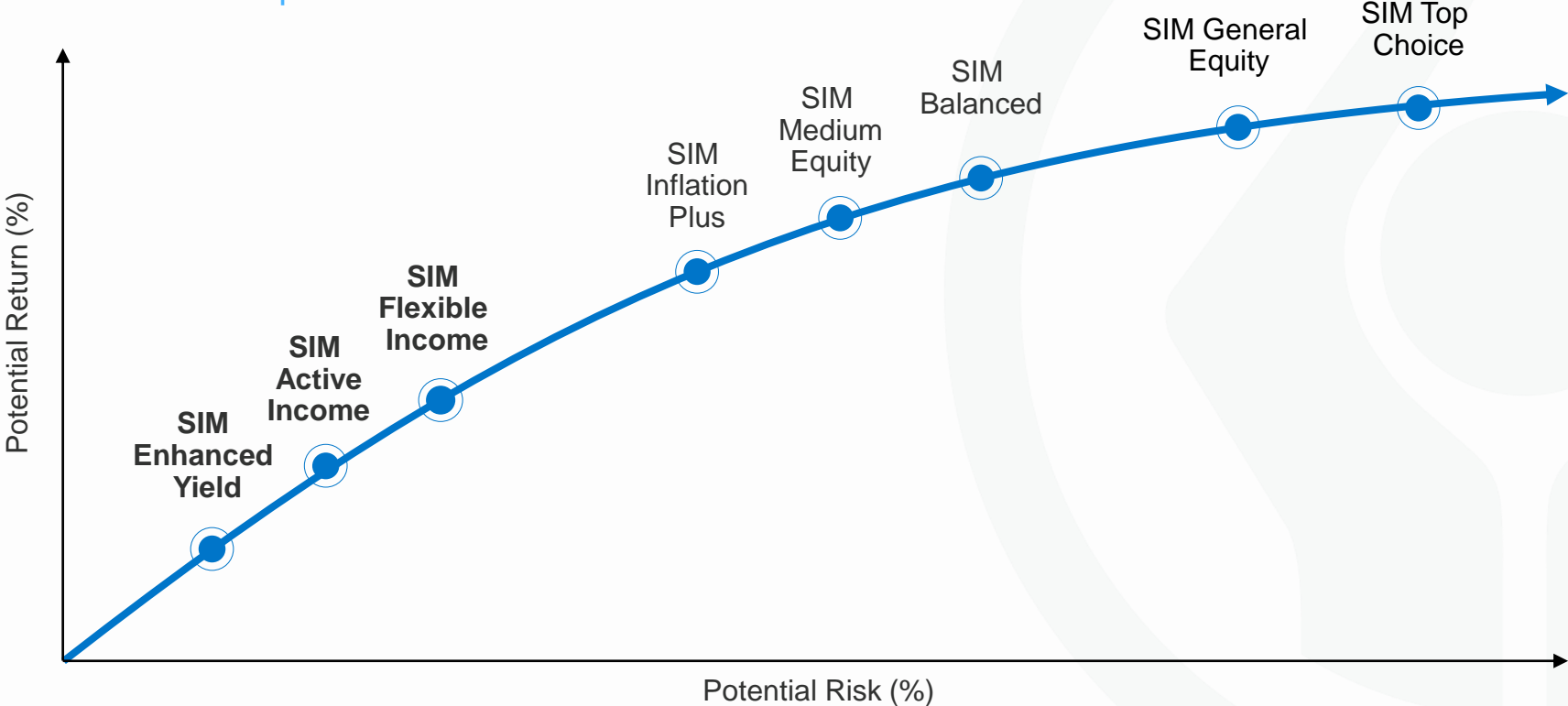
No more negative yielding debt going into 2023

Bloomberg Global Aggregate Negative Yielding Debt Market Value (USD tn)



SIM core range

Potential risk/reward profile



Source: Sanlam Investments

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