

# Methodical Fixed Income

## A focus on valuations



# A focus on valuations

Relating market moves to long term valuations

- Macro Backdrop
- Fixed income views
- Portfolio positioning



# Real repo rate was high

Expecting further cuts

SA real repo



# ZAR Oil spike

Fuel price increases feed inflation

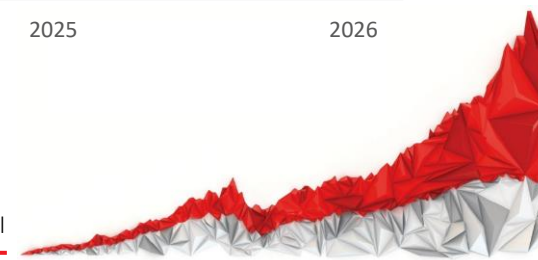
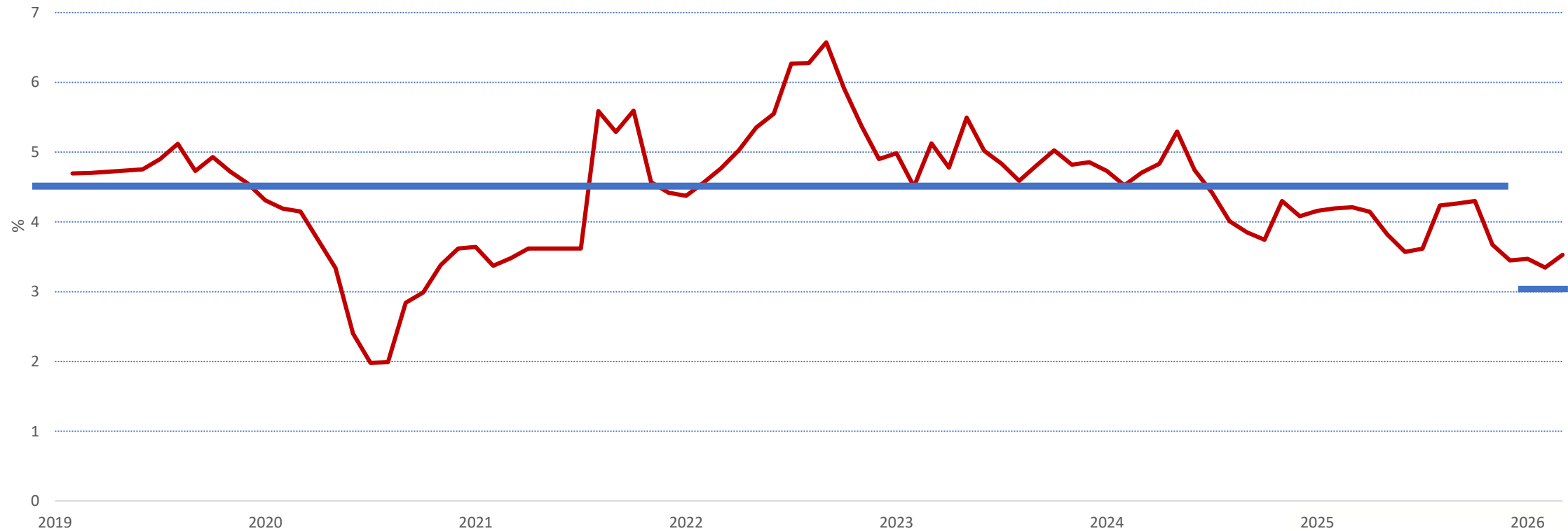
Oil in ZAR



# Markets inflation expectations have increased

Inflation expectations were contained but now ticking up

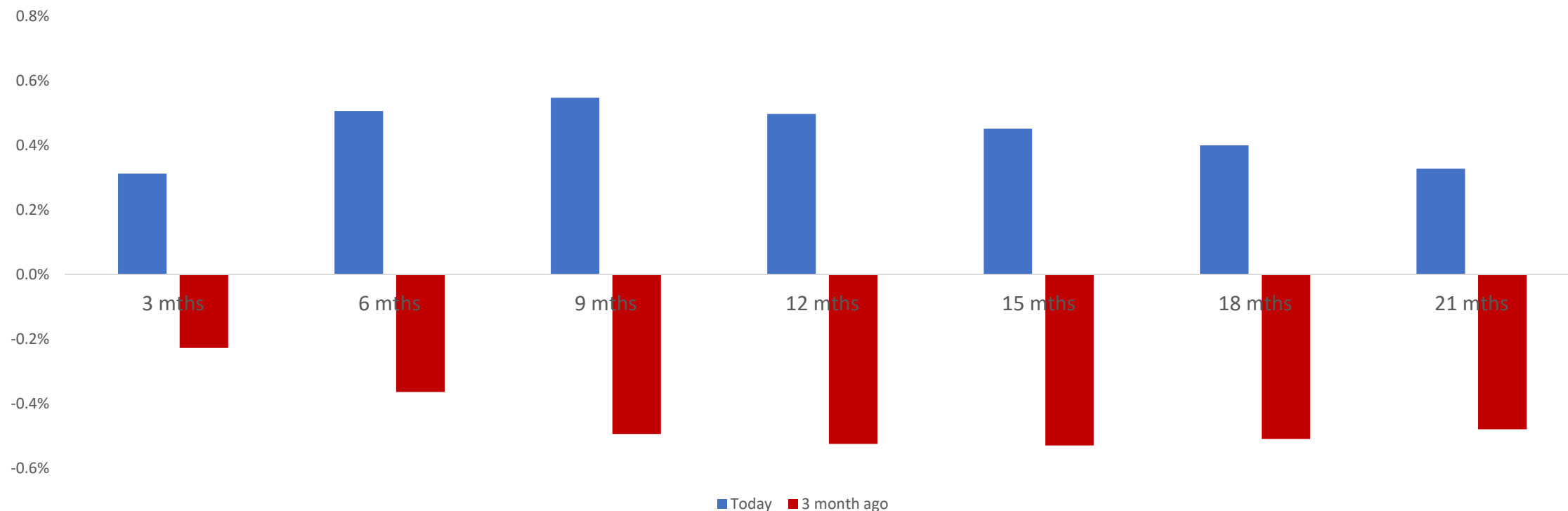
2 year inflation swap



# Repo rate expectations

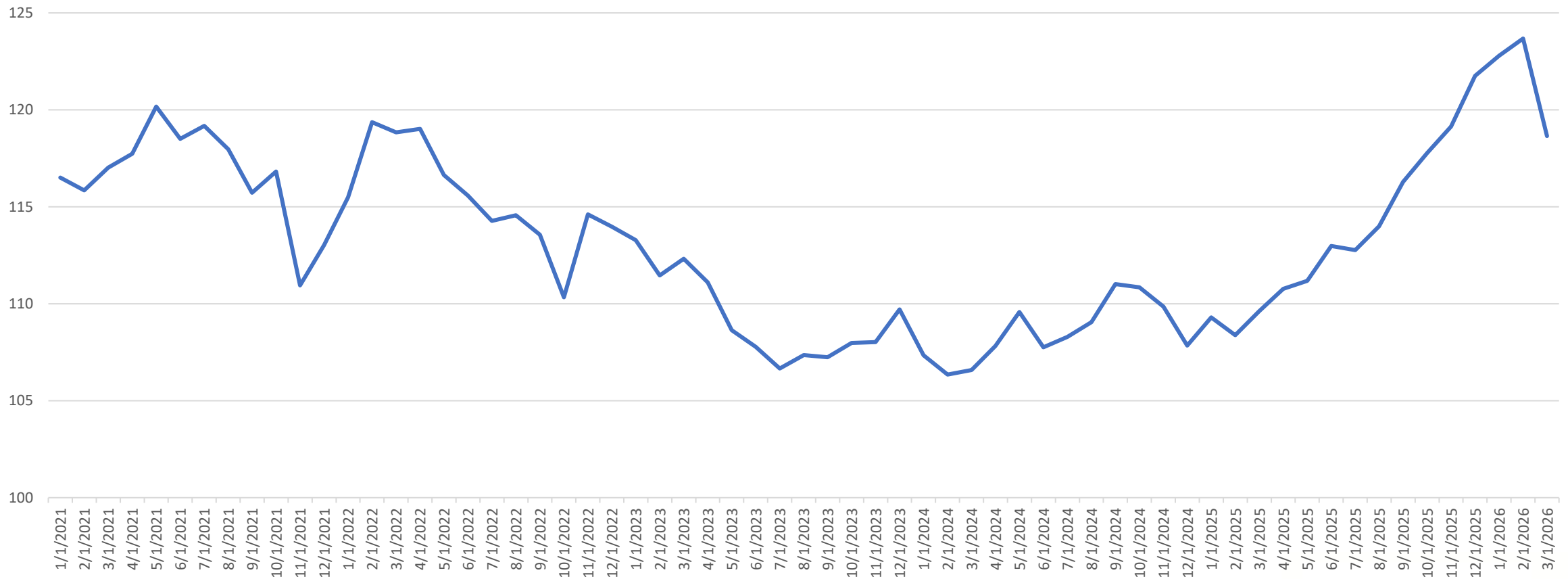
Market went from expecting cuts to hikes

SA interest rate expectations

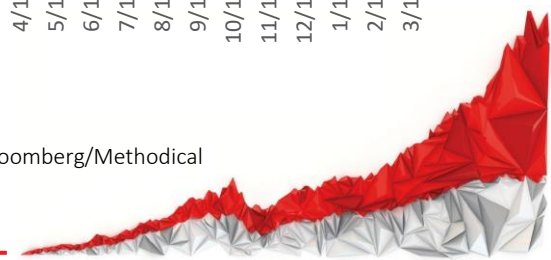


# South Africa Terms of trade

Oil imports versus commodity exports – pressure on the rand and less support for foreign bond buyers



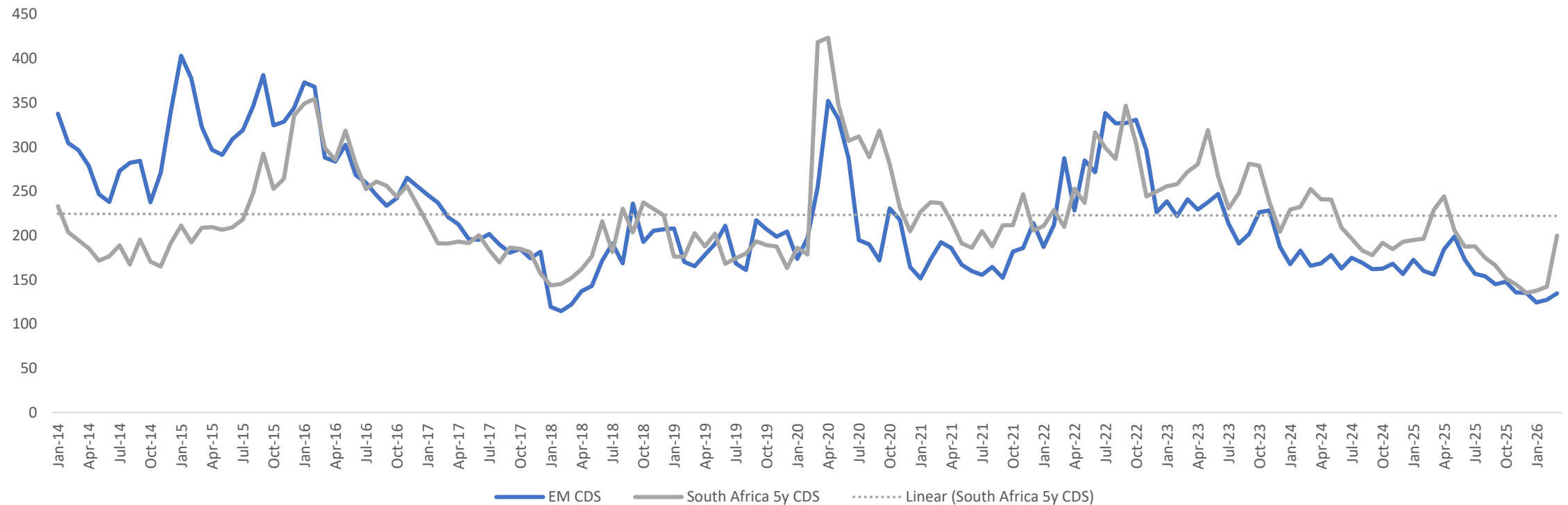
Source: Bloomberg/Methodical



# EM and SA credit spreads

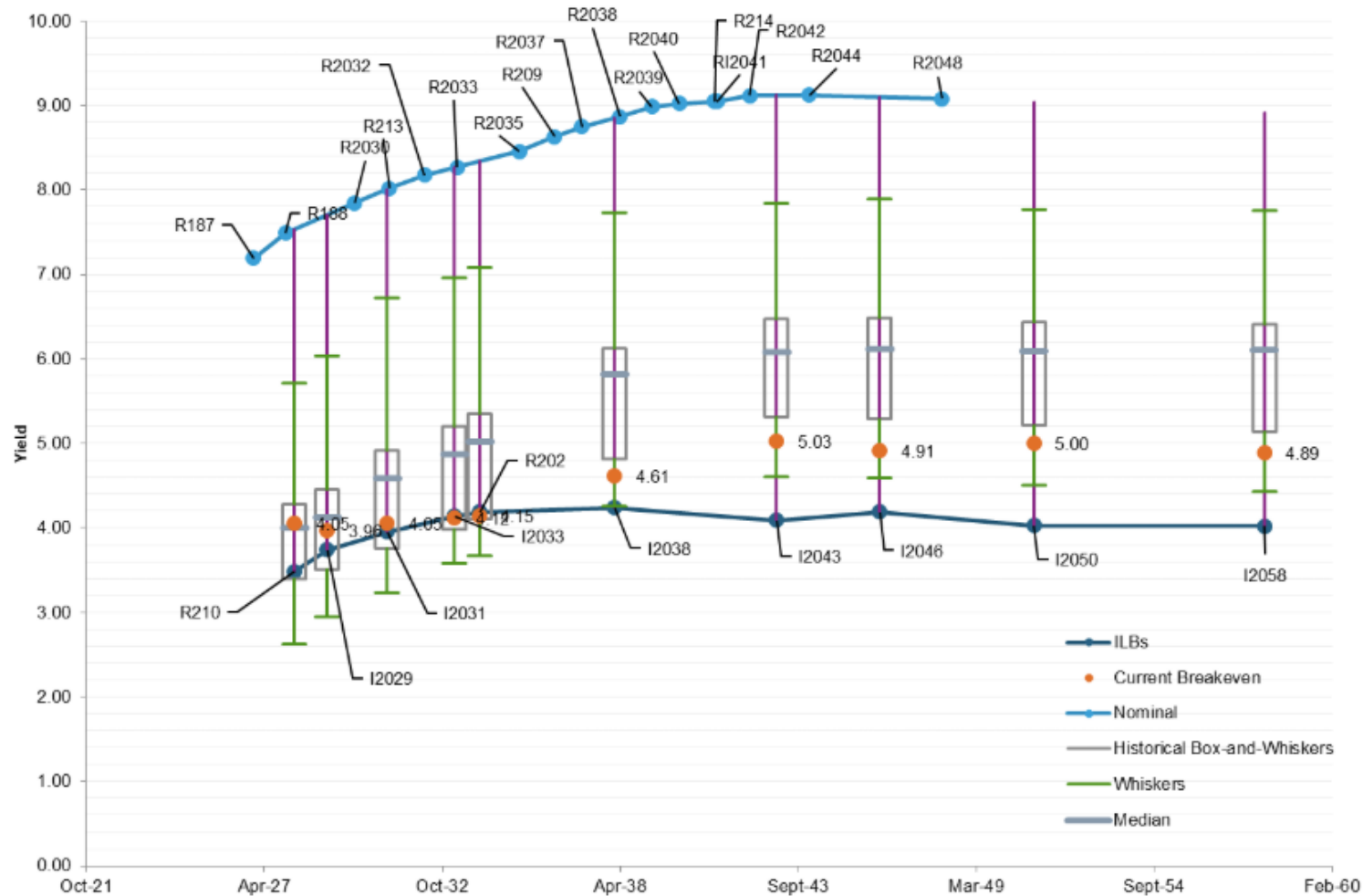
Some weakening but Credit spreads are still tight versus historical levels

EM sovereign spread vs SA sovereign spread



# ILBs in the front end show value

Breakevens are still below 4% for short dated ILBs making them attractive versus fixed bonds

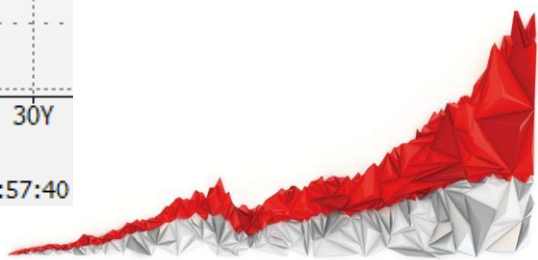
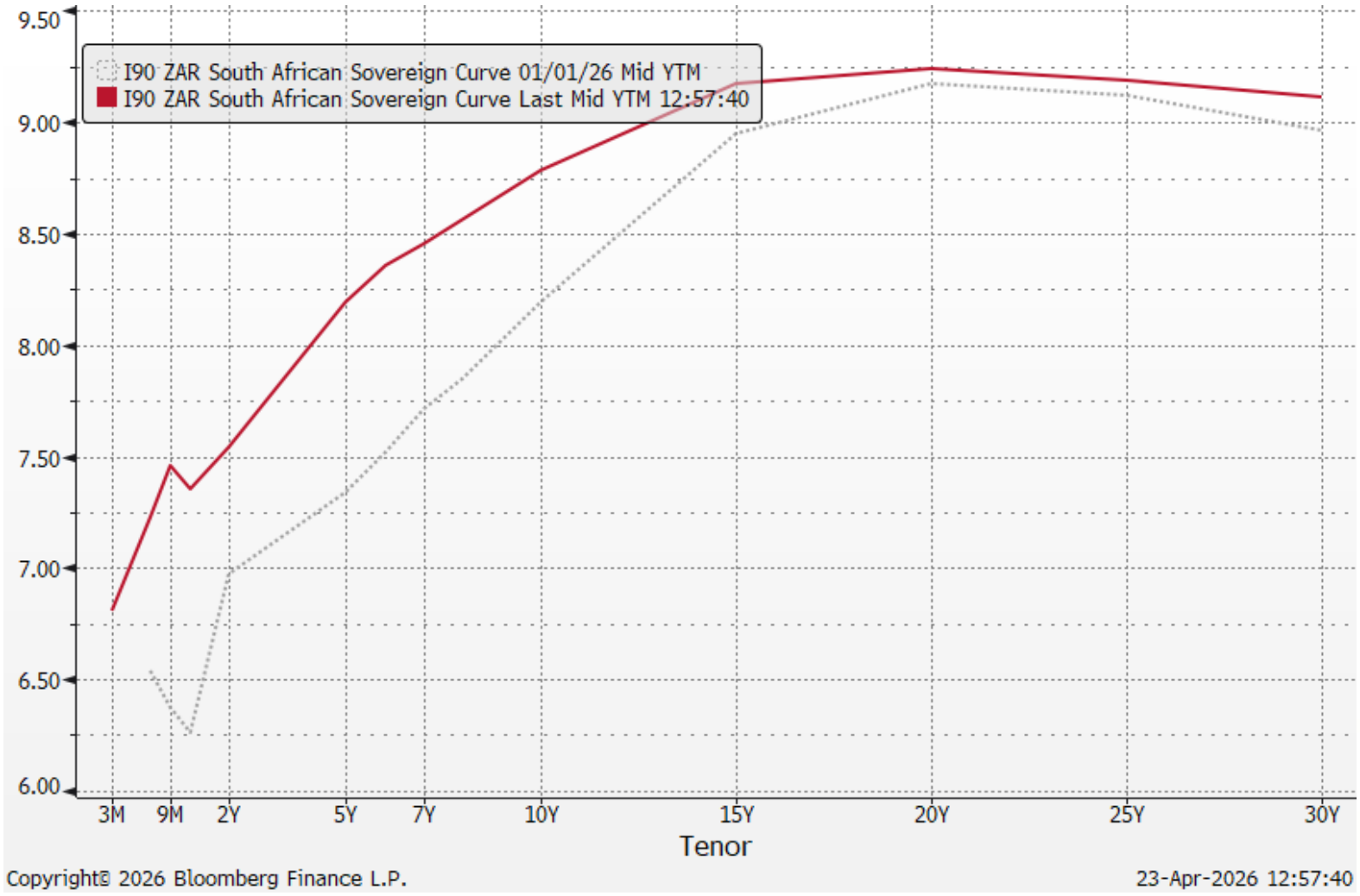


Source: Prescient Securities



# SA curve weaker

Inflation pick up, less support from the SARB and a weaker Rand have weighed on bonds



# ZAR PPP – Long term valuations

Rands driven by flows but PPP gives a good anchor

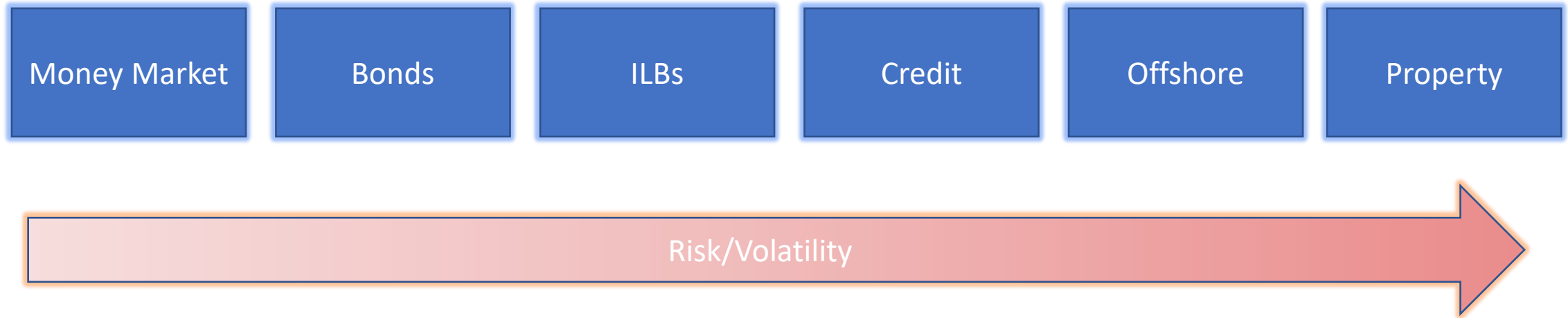
USDZAR PPP



Source: Methodical / Bloomberg

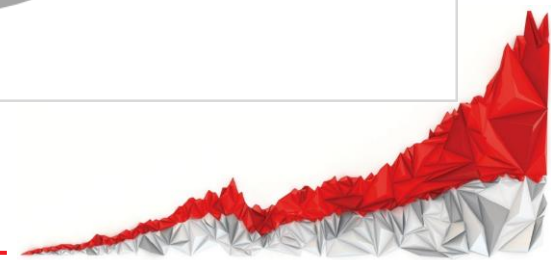
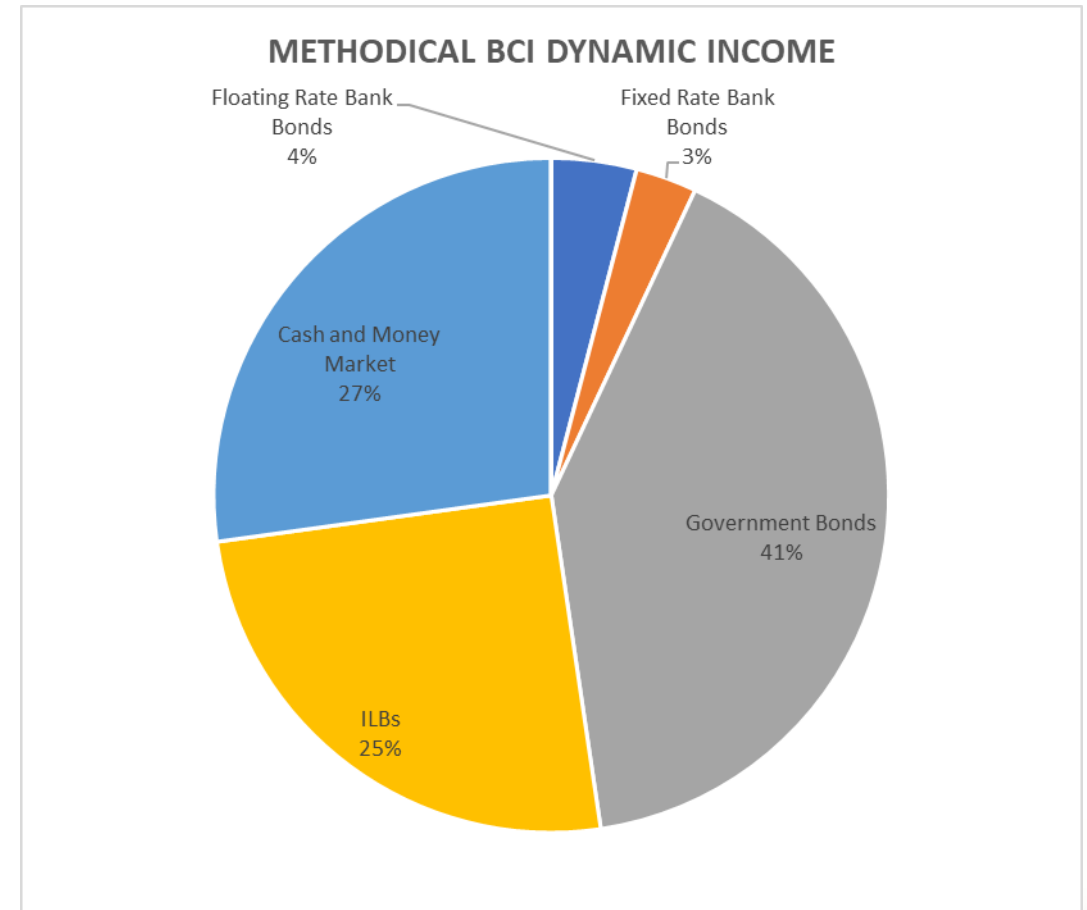
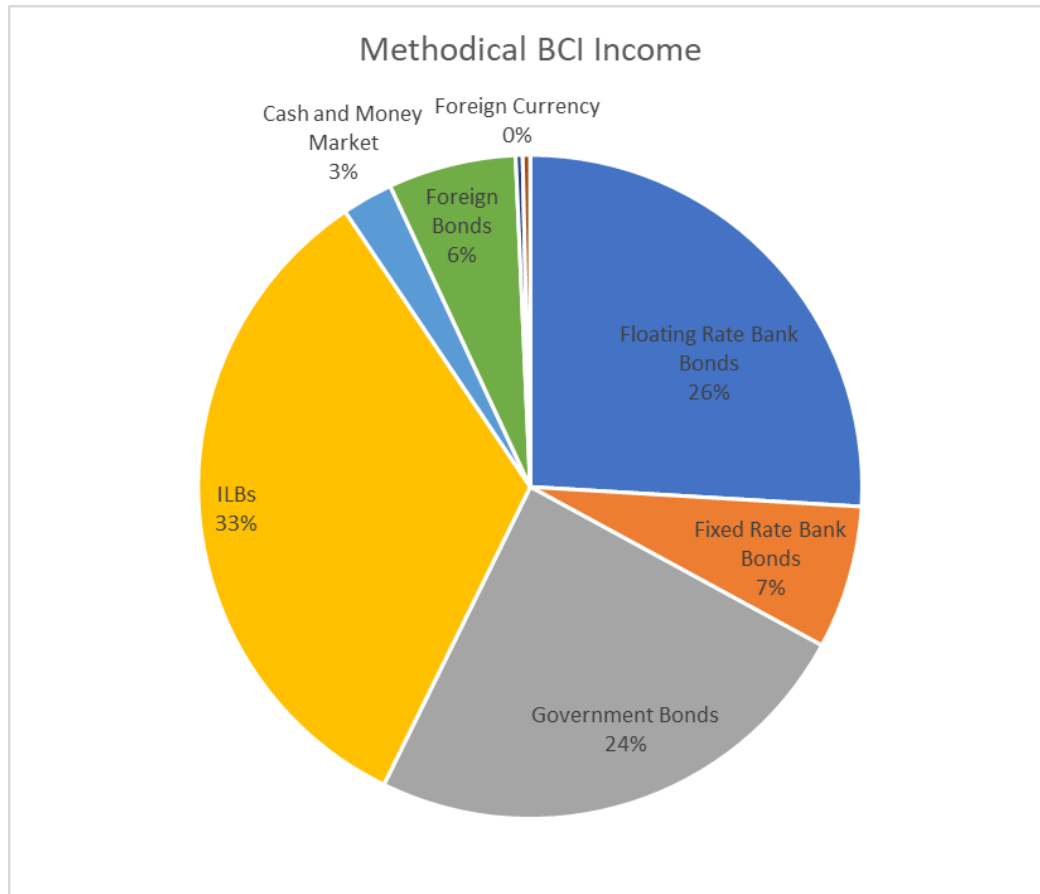
# Income fund

## Asset selection



# Fund breakdown

Cautious positioning



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