Dashboard: Weekly

Ending 21/02/2025

This week saw divergent trends in South African bond yields, with higher-yielding instruments experiencing modest declines, while lower-yielding bonds saw mixed movements. The R\_186 bond, a key benchmark, remained stable at 8.34%, reflecting limited movement in shorter-term sovereign yields. However, some long-dated instruments such as R\_2048 (-0.61%) and R\_2053 (-0.53%) saw notable decreases, possibly indicating increased demand for longer-duration assets.

Most Volatile Instruments:

Short-term treasury bills (SATB3M, SATB6M, SATB9M) were the most volatile this week, with yields dropping sharply by 4.17%, 3.83%, and 1.68%, respectively. The repo rate fell significantly (-3.23%), hinting at expectations of potential easing in borrowing costs. These movements suggest that investors are positioning for a lower interest rate environment.

Contrasting Yield Movements:

Lower-yielding bonds, such as R\_2023 (7.55%), saw limited movement, while higher-yielding long-dated bonds like R\_214 (11.18%) experienced more pronounced shifts. The ZAR Government Bonds (ZARGB) series also saw yield declines, reinforcing a possible market rebalancing toward risk-adjusted returns.

Market Overview:

This past week saw mixed movements in South African government bonds. High-yield bonds such as R\_214 (11.18%), R\_2053 (11.315%), and ZARGB20 (11.391%) experienced moderate declines, suggesting a recalibration in long-term risk sentiment. Conversely, lower-yielding instruments like R\_186 (8.335%) and SATB12M (8.028%) remained relatively stable.

Volatility & Key Movers:

The most volatile bond was SATB3M, plunging -4.17% in a week and -12.03% over 90 days, reflecting sensitivity to short-term liquidity conditions. Meanwhile, SATB6M and SATB9M also declined sharply, hinting at increasing risk aversion in shorter maturities.

Yield Differentials & Trends:

The steepest declines were observed in mid-to-long-duration bonds, while short-term repo rates also fell (-3.23%), suggesting shifting expectations regarding SARB’s policy stance. With South Africa’s policy rate remaining elevated at 8.25%, expectations of easing later in the year remain intact.