Economic Headlines **Wednesday, 05 December 2018**

Will they or won't they (more like should they or shouldn't they)?

Today the Monetary Policy Committee of the Bank of Namibia (BoN) announces its decision regarding interest rates. We believe they should not hike for the following reasons:

- Following on from yesterday's daily where we talked about the Fed and, specifically expectations that are rising that they won't have to hike as fast as previously thought. This will lessen the pressure on the SARB and BoN to hike rates emanating from global rates.
- Inflation is behaving. The oil, and hence petrol price shock seems to be fading which lowers inflation expectations. As things stand, food inflation is still low. The wild card here is El Nino, the weather phenomenon that my lead to droughts and food inflation. However, currently, a mild El Nino is expected.
- The currency is well-behaved. It did experience wild gyrations over the past 12 months. First, in the run-up to the ANC conference in November 2017, it depreciated sharply. Second, it surged in the wake of "ramaphoria". Third, it crashed again as disillusionment set in. However, the real effective exchange rate of the rand is still 17% stronger than it's been during "nenegate" at the end of 2015 and it is trading within the range of the past 20 years. Remember that recently is was also a strong US$ story and not only a weak ZAR story.
- The real economy does not need another hit. Especially in the form of policy driven tightening. Demand is low. Confidence is low. Credit growth is slow. In most countries, an unemployment rate of 30% would be regarded as a huge existential crisis – the kind that topple governments.

These arguments were applicable to the SARB as well. Yet they hiked. BoN could do the same.

Economic growth in SA seem to have recovered somewhat. GDP grew by 2.2% qoq saar in 3Q 18 from -0.4% in 2Q 18. This means that growth for the year will at least be positive, but will be hard pressed to reach 1%. Hardly an environment in which interest rates should be hiked.

Domestic Headlines from the Republikein – worth a read

All eyes on Shiimi

05 December 2018 | Ekonomie

Jo-Maré Duddy - Namibians are waiting with bated breath this morning to hear whether the Bank of Namibia (BoN) will follow in the footsteps of the South African Reserve Bank (SARB) and kick-start interest rate hikes. Currently the BoN's repo rate is 6.75%. Should BoN governor Ipumbu Shiimi announce an increase, it will be the first movement in the rate since August last year. The prime lending rate of commercial banks, currently at 10.5%, will follow suit and increase by the same percentage points. The head of fixed income at Cirrus, Dylan van Wyk, expects the BoN to follow the SARB recent example and increase the repo by 25 basis points to 7%. “Market expectations are for short-term interest rates to continue increasing, thus Namibia will likely try to keep our repo rate at least 25 basis points higher than South Africa in case the SARB hikes in January,” Van Wyk says. The head of research at PSG Namibia, Eloise du Plessis, says it is unlikely that interest rates will rise. “Despite the upward trend in the consumer price index, the headline inflation rate is still within an acceptable level and economic growth remains anaemic,” she says. She believes the current buffer of 25 basis points between the repo rates in Namibia and South Africa will allow the BoN to keep its repo unchanged.

Fuel price relief ‘more generous’ than expected

1 dag gelede | Ekonomie

Petrol becomes cheaper tomorrow for the first time since September 2017, while the lower diesel price will be the first relief since July last year....

'Green fuel': Bananas to help wean Angola off oil

1 dag gelede | Ekonomie

Jorge Nsimba and Philippe Alfroy - Boxes of still-green bananas were shifted one-by-one from a towering stack of crates into a refrigerated shipping container.Stamped "From...

Terugkeer na beleggingsgraad is prioriteit, sê Tito

1 dag gelede | Ekonomie

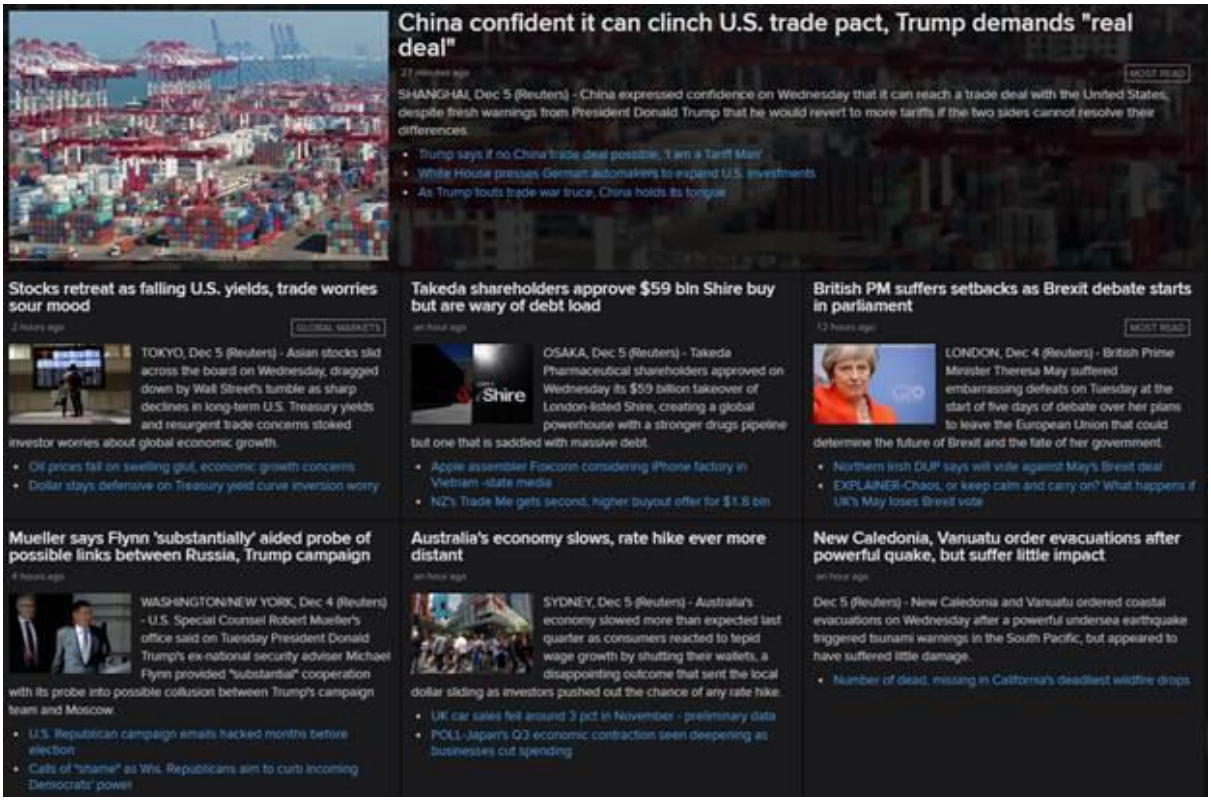
Bloomberg – Dis vir die regering prioriteit om sy beleggingsgraad te herwin as deel van sy planne om ’n stagnerende ekonomie wakker te kry, het...

Trump en Xi praat reeds oor motors

1 dag gelede | Ekonomie

Pres. Donald Trump van die VSA en pres. Xi Jinping het 'n dag na hulle besluit het om vir eers halt te roep wat betref...

Thomson Reuters Headlines



China confident it can clinch U.S. trade pact, Trump demands "real deal"

SHANGHAI, Dec 5 (Reuters) - China expressed confidence on Wednesday that it can reach a trade deal with the United States, despite fresh warnings from President Donald Trump that he would revert to more tariffs if the two sides cannot resolve their differences.

- Trump says if no China trade deal possible, 'I am a Tariff Man'
- White House presses German automakers to expand U.S. investments
- As Trump touts trade war truce, China holds its tongue

Stocks retreat as falling U.S. yields, trade worries sour mood

TOKYO, Dec 5 (Reuters) - Asian stocks slid across the board on Wednesday, dragged down by Wall Street's tumble as sharp declines in long-term U.S. Treasury yields and resurgent trade concerns stoked investor worries about global economic growth.

- Oil prices fall on swelling glut, economic growth concerns
- Dollar stays defensive on Treasury yield curve inversion worry

Takeda shareholders approve $59 bln Shire buy but are wary of debt load

OSAKA, Dec 5 (Reuters) - Takeda Pharmaceutical shareholders approved on Wednesday its $59 billion takeover of London-listed Shire, creating a global powerhouse with a stronger drugs pipeline but one that is saddled with massive debt.

- Apple assembler Foxconn considering iPhone factory in Vietnam -state media
- NZ's Trade Me gets second, higher buyout offer for $1.8 bln

British PM suffers setbacks as Brexit debate starts in parliament

LONDON, Dec 4 (Reuters) - British Prime Minister Theresa May suffered embarrassing defeats on Tuesday at the start of five days of debate over her plans to leave the European Union that could determine the future of Brexit and the fate of her government.

- Northern Irish DUP says will vote against May's Brexit deal
- EXPLAINER-Chaos, or keep calm and carry on? What happens if UK's May loses Brexit vote

Mueller says Flynn 'substantially' aided probe of possible links between Russia, Trump campaign

WASHINGTON/NEW YORK, Dec 4 (Reuters) - U.S. Special Counsel Robert Mueller's office said on Tuesday President Donald Trump's ex-national security adviser Michael Flynn provided "substantial" cooperation with its probe into possible collusion between Trump's campaign team and Moscow.

- U.S. Republican campaign emails hacked months before election
- Calls of "shame" as Wis. Republicans aim to curb incoming Democrats' power

Australia's economy slows, rate hike ever more distant

SYDNEY, Dec 5 (Reuters) - Australia's economy slowed more than expected last quarter as consumers reacted to tepid wage growth by shutting their wallets, a disappointing outcome that sent the local dollar sliding as investors pushed out the chance of any rate hike.

- UK car sales fell around 3 pct in November - preliminary data
- POLL-Japan's Q3 economic contraction seen deepening as businesses cut spending

New Caledonia, Vanuatu order evacuations after powerful quake, but suffer little impact

Dec 5 (Reuters) - New Caledonia and Vanuatu ordered coastal evacuations on Wednesday after a powerful undersea earthquake triggered tsunami warnings in the South Pacific, but appeared to have suffered little damage.

- Number of dead, missing in California's deadliest wildfire drops

Chart of the Day

Data Releases

Local Time		Country	Event
Wednesday 5 December			
		US	Financial markets closed to honour George HW
08:15	EST	Canada	Official International Reserves
10:00	EST	Canada	BOC Interest Rate Decision
09:45	CCT	China	China Services PMI
10:00	CET	EU	Eurozone Services PMI
11:00	CET	EU	Retail trade
09:50	CET	France	France Services PMI
09:55	CET	Germany	Germany Services PMI
06:00	GMT	Ireland	Ireland Services PMI
11:00	GMT	Ireland	Industrial Production and Turnover
09:45	CET	Italy	Italy Services PMI
09:30	JST	Japan	Japan Services PMI
09:15	SAT	South Africa	South Africa Whole Economy PMI
09:00	CET	Spain	Industrial Production
09:15	CET	Spain	Spain Services PMI
09:00	GMT	UK	SMMT Registration figures
09:30	GMT	UK	CIPS / Markit Services Purchasing Managers
09:30	GMT	UK	Narrow money (Notes & Coin) and reserve
09:30	GMT	UK	UK Official Holdings of International Reserves
07:00	EST	US	MBA Weekly Mortgage Applications Survey
08:15	EST	US	ADP National Employment Report
08:30	EST	US	Revised Productivity & Costs
09:45	EST	US	US Services PMI
10:00	EST	US	ISM Non-Manufacturing Report on Business
10:00	EST	US	Online Help Wanted Index
10:00	EST	US	Quarterly Services
10:30	EST	US	EIA Weekly Petroleum Status Report
11:00	EST	US	Global Services PMI
14:00	EST	US	Beige Book

Source: Thomson Reuters

Market Overview

MARKET OVERVIEW

4-Dec-18

Money Market		Change	Latest
3 months	⇨	0.00%	7.15%
6 months	⇨	0.00%	7.75%
9 months	⇨	0.00%	8.03%
12 months	⇩	-0.02%	8.35%
Bonds		Change	Latest
GC21 (R208 : 7.15%)	⇩	-0.03%	8.01%
GC24 (R186 : 8.87%)	⇩	-0.03%	10.02%
GC27 (R186 : 8.87%)	⇩	-0.03%	10.12%
GC30 (R2030 : 9.34%)	⇩	-0.01%	10.79%
GC32 (R213 : 9.44%)	⇩	-0.02%	11.04%
GC35 (R209 : 9.62%)	⇩	-0.01%	11.12%
GC37 (R2033 : 9.55%)	⇩	-0.01%	11.35%
Commodities		%Change	Latest
Gold	⇧	0.66%	$ 1,238.81
Platinum	⇩	-0.36%	$ 804.70
Copper	⇨	0.00%	$ 6,295.00
Brent Crude	⇧	1.80%	$ 62.19
Main Indices		%Change	Latest
NSX (Delayed)	⇩	-0.24%	1289.34
JSE All Share	⇩	0.00%	52,079.02
S&P 500	⇧	1.09%	2,790.37
FTSE 100	⇩	-0.71%	7,012.51
Hangseng	⇧	0.29%	27,260.44
DAX	⇩	-0.73%	11,381.88
JSE Sectors		%Change	Latest
Financials	⇧	0.04%	16,488.06
Resources	⇩	-1.02%	37,849.19
Industrials	⇧	0.36%	64,060.28
Forex		%Change	Latest
N$/US Dollar	⇩	-0.63%	13.6050
N$/Pound	⇧	0.03%	17.4280
N$/Euro	⇩	-0.29%	15.4989
US Dollar/ Euro	⇧	0.33%	1.1392
Namibia Monthly Data		Latest	Previous
Namibia Inflation (Oct 18)		5.1	4.8
Bank Prime		10.50	10.50
BoN Repo Rate		6.75	6.75

Selected NSX Stock

Symbol	Stock Name	Spot	% Move
CGP	CAPRICORN INVESTMENT GROUP L	1553	0.19%
NBS	NAMIBIA BREWERIES LTD	4602	0.00%
BVN	BIDVEST NAMIBIA LTD	699	0.00%
FNB	FIRSTRAND NAMIBIA LTD	4349	0.00%
ORY	ORYX PROPERTIES LTD	2020	0.00%
NAM	NAMIBIAN ASSET MANAGEMENT LT	64	0.00%
NHL	NICTUS NAMIBIA	180	0.00%
BMN	BANNERMAN RESOURCES LTD	46	-4.17%
DYL	DEEP YELLOW LTD	442	-2.86%
SILP	STIMULUS INVESTMENT LTD-PREF	12129	0.00%
FSY	FORSYS METALS CORP	248	-4.62%
TUC	TRUSTCO GROUP HOLDINGS LTD	1044	0.00%
B2G	B2GOLD CORP	3435	0.94%

Source: Bloomberg

For enquiries concerning the Daily Brief please contact us at

Daily.Brief@capricorn.com.na

Disclaimer

The information contained in this note is the property of Capricorn Asset Management (CAM). The information contained herein has been obtained from sources which and persons whom the writer believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute the writer's judgement as of the date of this material and are subject to change without notice. This note is provided for informational purposes only and may not be reproduced in any way without the explicit permission of CAM.

A member of Capricorn Group