



Monthly Economic Update

Introduction

Has peace broken out? Meetings in Alaska and Washington addressed the Russia-Ukraine conflict and a measure of de-escalation is notable in the Middle East. However, these all lack finality. Nevertheless, it has calmed oil markets for now. One also gets a sense that trade frictions are of a lower intensity. However, final levels and their growth and inflation impacts remain to be seen. Financial markets have been remarkably calm despite these uncertainties. The dollar has weakened, while risk assets have been in favour. Namibia's growth forecast is around 3.0%-3.5%, Botswana still faces economic contraction amid a diamond slump, and South Africa remains fiscally constrained and short on growth.

Aftermath

The fallout from 2024's super election year lingers. New governments wrestle with coalitions and fragile mandates. Namibia's new administration is still settling, with the N\$87bn SWAPO Party Manifesto Implementation Plan (SMIP) fiscally unrealistic. South Africa's GNU holds together uneasily, while Botswana's new leadership faces a recessionary fiscal cliff as diamond revenues dry up.

Landings

Global growth is inching higher, with the International Monetary Fund's (IMF) 2025 forecast at 3.0%. The US outlook suggests a slowdown, but a soft landing remains the base case. Europe and the UK face a greater risk of hard landings, while China edges toward deflation. South Africa is barely growing, showing marginally positive GDP growth in 1Q25. Namibia remains steady at 3-4%, supported by oil, gas, hydrogen and mining projects. Botswana is stuck in a hard landing, dependent on a diamond rebound.

Commodities

Copper touched \$10,000/t before easing to \$9,500, signalling resilient demand. Gold is firm at \$3,315/oz, up 26% ytd. Oil retreated to the mid-\$60s as supply fears eased and is down 11% ytd. Gas followed oil's volatility which is down 20% yoy. Global grains fell with maize and wheat -17% ytd. SA maize futures slumped – white -38% ytd and yellow -30% ytd. Uranium prices ticked up to \$73/lb after a July bounce but is down 10% yoy.

Currencies

The USD appears to be consolidating around \$1.17 per EUR (-13% ytd), having lost some haven appeal. A firmer NAD is up 6% ytd versus the USD at around 17.70. Our targets of 19.50 by end-2025 and 20.00 by end-2026 are under review. The NAD is being supported by a healthy balance of payments position in SA and favourable terms of trade.

Inflation

Oil remains the swing factor. The June oil spike lifted inflation expectations, but prices have since fallen. Inflation rates in SA (currently 3.5%), Namibia (3.5%) and Botswana (1.1%) are likely to settle near 4.0%+ by end-2025 and drift up further in 2026. In the USA, the latest PPI number appeared to be a harbinger of tariff effects on producer inflation. It ticked up sharply to 3.3% yoy. Consumer inflation also rose – it reached 2.7% in July. The latest PCE deflator – a key Fed metric – is at 2.6%. The Fed's PCE core is at 2.1%, near target. Tariffs, oil and Chinese deflation trends are the key global drivers. The sharp domestic fuel price hikes we pencilled in for July and August had thankfully not materialised.

Fiscal Policy

Heavy debt burdens constrain policy. The US downgrade highlighted the risks of high structural deficits and debt-to-GDP ratios. Namibia's debt trajectory is improving, though the Eurobond redemption in October 2025 is a stress point. Botswana's finances are deteriorating fast with collapsing diamond revenues and a shallow capital market. South Africa's fiscal spiral continues, but default risk is low.

Monetary Policy

Bank of Namibia (BoN) has ended its cutting cycle with the repo held at 6.75% over the past three meetings and is likely to remain steady until 2026. Bank of Botswana (BoB) is also on hold at 1.90% until inflation pressures return. South African Reserve Bank (SARB) cut 25 bps in July to 7.00%; at the same time as the de facto implementation of the 3% target but with no explicit band. No more cuts are expected. The Fed is expected to cut twice in 2H25 to 4.0% by year-end. However, the risk is that the prospects for cuts are fading. Powell's speech at Jackson hole will be dissected for indications of the Fed Fund Rate trajectory. We do not foresee a change to the NAD/ZAR peg for the foreseeable future. The Botswana experience of late probably cemented the peg's benefits in policymakers' minds.



Bonds

Domestic bonds delivered +17% over the 12 months to July. The RSA-US 10yr spread narrowed to 540bps. Real yields remain attractive, with SA at 6.7% and Namibia at 7.1%. The demand for funding from Governments will remain strong, keeping the yield curve high. Nevertheless, expectations for double-digit returns over the next twelve months are not overly demanding.

Property

SA listed property gained +24% over the 12 months to July. Following the strong run, valuation metrics are now mixed – low yields indicate that property is expensive vs deep discounts to book value that indicate that property is still cheap. Fundamentals are improving with rental growth resulting in distribution growth. The latter is growing at 8.8% yoy.

Domestic Equity

The JSE is up +22% over the 12 months to July. Earnings revisions are surging – the 18-month forward expectations have been revised by +11% over the past six months. The one-year earnings growth forecast stands at 21% yoy. The forward PE ratio of 10x still shows a healthy value. Dividends are expected to grow by 20% over the next 12 months.

Global Equity

MSCI World is up +14% in NAD terms over the 12 months to July. Global earnings growth expectations are being shaved back slightly, and valuations are rich. The forward PE stands at 20x vs the 16.5x long-term average.

A few key watchpoints

1. Middle East, Ukraine and oil.
2. Tariff levels and timelines.
3. US & UK inflation.
4. China & Germany deflation.
5. EU fiscal stimulus/defence.
6. Diamond market developments.
7. Corporate earnings revisions.
8. Defaults and restructurings – sovereigns and corporates/Chinese property.
9. Key CB meetings in September.
10. SARB target mandate – the MoF is less enthusiastic than the SARB. The tolerance level of the SARB with rising inflation will be crucial for the developments regarding monetary policy, which, in turn, will be an important factor for bond yields going forward.



Investment Scam Awareness: Protect Yourself Before You Invest

Imagine This

You have been saving diligently, watching your investments grow, and then a new opportunity appears, promising high returns with minimal risk. Excitement sets in because this could accelerate your financial goals. With a simple call or message that urges you to act immediately, bypassing normal channels, you jump at the investment opportunity. However, what seems like a promising opportunity could quickly turn into a costly mistake.

The Incident

Meet James, an individual approached online with an exclusive investment opportunity promising guaranteed returns. The message was polite, professional, and persuasive, urging James to transfer funds to a private account. Trusting the communication, James followed the instructions, only to discover later that the opportunity was a scam and that his money had been lost.

Scammers have become increasingly sophisticated, often using urgency and official-sounding communication to create a false sense of legitimacy. James' experience highlights a critical lesson: always verify, never rush, and only act through official, trusted channels.



How to Stay Safe

- **Question Unrealistic Promises**
High returns with little or no risk are almost always scams.
- **Verify Contacts and Platforms**
Never send money to accounts you have not independently verified.
- **Take Your Time**
Pressure tactics are a red flag. Legitimate companies will allow time for due diligence.
- **Use Official Channels**
Always transact through recognised and regulated institutions.



We Protect You

At Capricorn Asset Management, your security is our priority. By using **Capricorn Online**, individuals can:

- Access their investments anytime, anywhere, securely.
- Monitor transactions and account activity in real time.
- Enjoy peace of mind knowing they are operating through official, regulated channels.

Two-Factor Authentication (2FA) has now been introduced to further enhance account security on Capricorn Online. We strongly encourage all individuals to **activate 2FA on their accounts**. This additional layer of protection ensures that unauthorised access to your investments is prevented even if your login details are compromised.

Visit our website or access Capricorn Online directly via <https://www.online.cam.com.na/> to verify your account, and enable 2FA today. Protecting your investments has never been easier or safer.



Africa Cup Inline Hockey Tournament 2025

Capricorn Asset Management proudly sponsored the 2025 Africa Cup Inline Hockey Tournament, held from 22 to 25 August at The Dome in Swakopmund. The event brought together an impressive **295 players across 44 teams, representing 15 different nationalities, competing in 119 action-packed games.**

This was the **seventh time Namibia hosted the Africa Cup**, further cementing the country's growing reputation as a hub for world-class inline hockey. The tournament was a resounding success, showcasing both international talent and Namibia's own remarkable progress in the sport.

Notably, the Namibian Inline Hockey Team recently made history by securing **third place at the 2025 World Games in China**, an achievement that highlights the country's rising status on the global stage.

Capricorn Asset Management is proud to support initiatives that inspire excellence, foster community, and create opportunities for Namibian athletes to shine both locally and internationally.





Swakopmund Endurance Desert Challenge 2025: Grit, Grace and Golden Sands

Capricorn Asset Management was proud to sponsor the **Swakopmund Endurance Desert Challenge & The 2025 Namibia Endurance Championship**, a two-day test of stamina, strategy and horsemanship held on **Wednesday 27 August and Thursday 28 August** at **Reiterverein Swakopmund**.

Set against the breathtaking backdrop of the **Namib Desert and Atlantic coastline**, this prestigious event drew riders and horses into a world of shifting dunes, coastal winds and long-distance endurance across multiple competition levels.

Challenging Courses and Impressive Turnout

Wednesday featured the longer distances, pushing both horse and rider to their limits with events spanning **80 km, 100 km, and 120 km**. **Thursday** welcomed another full day of riding with **40 km, 60 km, 80 km, and 100 km** categories on offer.

A total of **93 horses** took to the trails, with a competitive field that included:

- **19 riders from South Africa**
- **1 from Australia**
- **1 from Slovakia**
- And the majority proudly **representing Namibia**

A True Test Across Categories

The event welcomed riders across all age groups and categories, celebrating inclusivity and excellence with entries in:

- **Child Riders**
- **Young Riders**
- **Light Weight**
- **Standard Weight**
- **Heavy Weight**

Each rider navigated the dynamic terrain with discipline and dedication, embracing the spirit of endurance riding at its finest.

From the golden desert trails to the welcoming camaraderie between the riders, their horses and teams, the Swakopmund Endurance Desert Challenge was not just a competition but a testament to what is possible when passion meets perseverance.

