Capricorn Asset Management
a member of Capricorn Group

Review your Investment Goals for 2024

As we embrace the opportunities of the new year, it's natural to reflect on the past and reconsider our goals for the future.

So, ask yourself, are my investment objectives in line with my lifestyle aspirations?

To realign your investments, take our complimentary risk assessment and find out if your current investment portfolio requires a thorough review.

Allow us to be your strategic partner, ensuring that you are navigating the right level of risk to pave the way for your investment success.

Take the risk assessment now by following this **link.**

Economic Overview

Geopolitics

The outlook for 2024 is dominated by global geopolitical flash points as well as domestic elections in many countries, including Namibia and South Africa (SA). Current flash points include Ukraine (Europe), Israel (Middle East) and Taiwan (Asia Pacific), while it is entirely possible that some other regional or ethnic conflict could arise.

The main contagion risks are:

1. supply disruptions,
2. an oil shock,
3. contraction in global aggregate demand,
4. risk-off sentiment resulting in a weak currency and a spike in domestic yields and
5. socioeconomic unrest.

Our base case is still a "muddle through scenario" wherein conventional policy measures are effective. Economies will come through it, albeit bruised and battered.

Relocation of the Capricorn Asset Management Office

On the 4th of March 2024 our office, currently in Independence Avenue 119, 4th Floor Capricorn House, will move to the 3rd Floor Capricorn Corner, c/o Nelson Mandela and Hofmeyer Street, Klein Windhoek.

We look forward to the relocation and believe this will enable us to serve our clients with even more efficiency and ease.

Our contact numbers will remain the same and our team will be readily available to assist you without any interruptions.

Capricorn Unit Trusts' Annual Financial Statements

The summarised report of the 30 June 2023 Annual Financial Statements of all the Capricorn Unit Trust Funds are available on our website under the "News Platform" section.

View now: **Financial Statements**

We are proud to announce that the Capricorn Unit Trusts returned a profit of almost N$1.7 billion (N$1,694,229,862) in the form of distributions to the Unit Holders.

The audited Financial Statements and the auditor's report thereon are available for inspection at the company's registered office.

Global Economic Growth

A strong consensus continues to expect the global economy to cool down in 2024 under the weight of high interest rates while facing geopolitical headwinds. A growth recession, which is low but positive growth, is still on the cards, i.e. Developed Markets (DM) growth of the order of 1.5% and Emerging Markets (EM) around 4.0%. Something worse than this will require a significant slowdown in the USA, which currently is still defying the gravity of weak forward-looking indicators. Its strength is driven by a tight labour market, which is strong growth in wages and low unemployment. The main weak patches in the outlook remains the UK, Europe and China. In the latter, serious problems in the property sector remain a nagging risk.

Domestic Economic Growth

In Namibia, 3Q23 headline GDP growth was a huge positive surprise at 7% yoy, as the mining sector continues to experience a surge in activity. We expect the Namibian economy to expand by quite a robust rate of 3% plus for several years, including 2024.

In SA the outlook is still marginally positive, but it is flirting with a contraction in economic activity.

Growth in Botswana appears set to be below average for several years, since the outlook for the global diamond market is currently not that bullish.

Global Inflation

A strong consensus also exists regarding global disinflation. China is currently in a deflation cycle with Producer Price Index (PPI) at -2.7% yoy and Consumer Price Index (CPI) at -0.3% yoy. Combined with a weaker Yuan, it makes Chinese goods cheaper on world markets, which will assist in a global disinflation trend. Energy markets have injected renewed uncertainty. However, the oil price has, counterintuitively, declined sharply in 4Q23 by 19%. In the USA, inflation measures have, generally, continued to decline with CPI at 3.4% yoy, the Personal Consumption Expenditure (PCE) deflator at 2.6% yoy and PPI at 0.9% yoy. In Europe, consumer inflation is down sharply from its peak in double digits, that is 10%+ in 2022. CPI is at 2.4% yoy in the Eurozone and PPI is at 3.5% yoy. UK CPI is at 3.9% and PPI at -0.2% yoy. German PPI is in deflation at -7.9% yoy, down from eyewatering levels of above 45% in 2023.

Domestic Inflation

In the RSA, inflation rose from close to the mid-point to close to the upper band of the target range before dipping to 5.5% in November 2023. We anticipate that it will remain above 5% for several months whereafter it should resume its downtrend to around the mid-point by mid-2024.

Similarly, inflation In Namibia reached 4.5% in July, but then kicked up to 6.0% in October, driven by two months of stiff fuel price hikes. It dipped again of late but is likely to remain close to 6.0% in 1Q24. Thereafter, it should reach the mid-point by 4Q24. Risks to inflation remain OPEC (oil), El Nino (food) and Russia/Middle East (oil and food).

In Botswana, inflation bottomed at 1.2% in August '23, then spiked to 3.9% in November, before dipping to 3.5% in December. We anticipate that inflation will peak in 3Q24 at above 5%, then decline to 4.4% by year-end 2024.

Commodity Markets

The oil price was up sharply during 3Q23. However, for 4Q23, it was down 19% in USD and 21% in NAD. This brought relief in fuel prices. In Botswana, fuel prices were cut by 6% in November, in RSA by 16% over three months and in Namibia by 9% over two months. Energy remains a dark horse and a volatility driver in the inflation picture. Oil has fluctuated between $9 and $133 over the past few years and has recently threatened to halt the progress made on the inflation front. Nevertheless, oil at $80 is down 40% and gas at $77 is down 88% from their eyewatering peaks of 2022. Global maize is down 44% from its peak (-30% yoy), while wheat is down 52% from its peak (-18% yoy). The SA yellow maize, white maize and wheat prices are all down by about 16% yoy, which augurs well for lower food inflation.

Currency

The US dollar experienced a 3.5% depreciation throughout 2023, however, it has remained relatively firm in the early part of this year. This is attributable to safe haven demand, economic outperformance, and favourable inflation, as well as interest rate differentials. The ZAR (NAD) managed to appreciate in the wake of the Medium Term Budget Policy Statement (MTBPS) of November to end 2023 at 18.30. We expect the USDZAR at 19.00 and 19.20, EURZAR at 20.70 and 21.90 at y/e 2023 and 2024, respectively.

Credit Growth

Monetary conditions in Namibia remain loose, which is a liquid money market. Credit demand in SA and Namibia remains weak, with Private Sector Credit (PSCE) growth at 3.8% and 3.0% yoy, respectively, while in Botswana it is relatively strong at 11.5% yoy. Money supply growth rates are running at 5.5%, 10.1%, and 6.2%, for the three geographies, respectively. Demand for credit in Namibia remains anaemic but should pick up somewhat in a "normalising" economic environment. However, it is likely to remain far below par.

Fiscal Policy

The Namibian fiscal trajectory is looking much improved. The debt-to-GDP ratio is now estimated to have reached a peak and is set to decline to below 60% over the next several years. This clearly differentiates Namibia from SA. However, creditworthiness needs to be higher on the agenda of the Ministry of Finance, in our view. For Namibia, Botswana and SA, debt-to-GDP ratios are expected to peak at 70%, 20% and 78%, respectively. In SA, fiscal slippage is evident, as Transnet and Local Authorities have emerged as major concerns. Globally, fiscal policy and high indebtedness remain concerning.

Interest Rates

Lower policy rates are another area of strong consensus. This year will be marked by a tug-of-war between markets (faster cuts) and central banks (slower cuts). The latter will maintain a very cautious stance. Nevertheless, this means that a very aggressive tightening cycle has ended. However, the full effects are still to be felt in the real economy, especially in residential property markets. The South Africa Reserve Bank (SARB) has stopped its hiking cycle at 8.25%. The earliest cut is likely in July 2024. Bank of Namibia (BoN) is also on hold at 7.75%, a level reached in June 2024 that re-established a 50bp "discount" to that of SA. In the USA, as well as in SA and Namibia, Central Banks (CBs) ought to gradually lower interest rates throughout 2024, most likely in 2H24, and into early 2025. At this stage, a cumulative 150bp seems likely by mid-2025.

Politics

Herewith is another reminder that the next 18 months will be dominated by global and domestic politics. There is a record number of elections scheduled for 2024. This will increase the "noise" in markets, while the socioeconomic environment will become more tense and volatile. The USA election is scheduled for November 2024. The dates for the SA and Namibian elections are not known yet.