Amendment to the debit order limits for all Banks

The Bank of Namibia has embarked on a journey to replace the existing electronic fund transfer banking system (EFT) with an Enhanced EFT system, namely the Payment System Determination 7 (PSD 7) project. As a result of this system change, the Enhanced Debit Order Service limits for all banks were changed.

Previously the limits for daily debit orders via electronic fund collection by CAM into your investment account were N$ 500 000 for all non-Bank Windhoek clients and N$ 5,000,000 for Bank Windhoek Clients. The amended amount for both Bank Windhoek and non-Bank Windhoek clients will now be N$ 1,000,000.

We are working with Bank Windhoek to make this process as seamless as possible in order not to inconvenience any of our clients.

Is it time you review your investment portfolio?

Namibian interest rates are currently at a record low. This has a direct impact on short-term interest rate investments. On the other hand, we have also seen a slight uptick in inflation.

One of the most important reasons for investing is to protect and grow the purchasing power of your money. Thus, one need to invest in a product that is able to achieve this, albeit taking into consideration your own unique risk profile.

Often the higher the return of an investment, the higher the volatility, meaning the value of the investment can move up and down, resulting in a different risk profile of the investment.

Therefore, it is important to balance your capacity to take on financial risk with the level of risk required in order to achieve your investment goals, ultimately being your unique risk profile.

- Risk required
  The level of risk required to be taken on investments to achieve your desired level of investment return.
- Risk capacity
  The level of financial risk you can afford to take.
- Risk tolerance
  The level of financial risk you are emotionally comfortable with or willing to take.

Your unique risk tolerance and risk capacity may change overtime due to life events and life stage cycles. This may in turn have an impact on your current portfolio recommendation and may need to be reviewed and reassessed.

To ensure you are on the right track and that your currently investment portfolio addresses your needs and unique risk profile, we encourage you to take our risk assessment free of charge which is available on our website.

Follow this **link** to start your risk assessment now.

For more information on alternative investment products please contact our sales team at cam.service@capricorn.com.na

Health is Wealth

In support of the Government of Namibia's expressed concern regarding the start of the "third wave" we want to encourage our investors to register for Capricorn Online. This will enable you to transact on and view your investment portfolio from the comfort and safety of your home rather than having to visit our offices or your nearest Bank Windhoek branch.

Capricorn Online is a secure online platform that enables you to view statements, make deposits and withdrawals. You can even open new investments or switch between investments. In addition the cut-off time for instructions submitted via Capricorn Online is extended to 12:00

If you are not yet registered, simply complete the Capricorn Online registration form, which is available on our website and email it to cam.service@capricorn.com.na

Upon successful application, our sales team will contact you with the next steps to complete the registration process.

Economic Update

The theme in markets is inflation. How high will it go? How long will it last? How will policy makers react? What does it mean for investment decisions?

An uneven global economic recovery is being hampered by supply chain disruptions. The latter has been brought about by the Covid-19 crisis of 2020. Firms have cut back on supply capacity and are running bare-bones inventory and in many instances they have re-located. Anecdotal evidence abound about shortages; from computer chips to shipping containers, lumber, copper and orange juice. Many commodity prices have surged from the depths of the Covid-19 collapse a year ago, helped along by surging demand, especially out of China and the USA.

These developments have resulted in inflation rising, plus the fears of inflation rising further being stoked by the media. We have been warning that we were likely to see a strong bounce in 2021 in real economic activity as well as inflation, globally as well as domestically.

In Europe, deflation (falling prices) during the second half of 2020, turned into inflation reaching 1.6% by April 2021. Producer Price (PPI) inflation in the G7 have jumped to 5.5% and that of the USA to 6.2%. Consumer Price (CPI) inflation in the USA accelerated to 4.2%, in the RSA to 4.4% and in Namibia to 3.9%.

How high will it go?

Our view is that Namibian inflation will average 3.6% for 2021 and end the year at around 4.0%, while for 2022 it should average 4.3% and end the year at 4.6%. In SA, inflation should peak in the second quarter of 2021 at above 5% and thereafter return to around and just above the mid-point of the SARB's target range of 4.5%. This means that interest rates will be kept at current levels for as long as inflation behaves this way.

Only if inflation stays stubbornly higher for longer than we expect, will we see a monetary policy reaction starting with the Fed in the USA, that is a hike in rates. The Fed has been at pains to inform the market that it will not necessarily react to inflation of more than 2% as we have been used to in the past. We think that they will hold out for as long as possible in order to cement the economic recovery. The latter is still on shaky legs and much can still go wrong.

Apart from inflation, monetary policy makers also take note of other developments such as credit growth, which is still very soggy – in SA it is contracting and in Namibia it is growing at only 1.5% or so. High unemployment, weak property markets and indebted consumers are all factors staying the hand of our Central Banks. The SARB rate of 3.50% and the BoN rate of 3.75% is likely to be maintained for an extended period, to support the recovery of the economy.

Up to early 2020 the three-month Treasury Bill rate was 7%-8% and then basically halved as Covid-19 struck. The outlook for monetary policy means that Money Market interest rates are likely to stay at or around current low levels of virtually half of what we were used to in the 5 to 6 years prior to Covid-19. The result is that investors and savers in the Money Market will likely not receive a positive real return, that is a return above inflation, for an extended period.

One needs to take a view on whether one can wait it out, so to speak, in the safety and liquidity of the Money Market funds, or whether one should investigate alternatives with a higher yield, but which are subject to the vagaries of the market.