Capricorn Asset Management
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2025 Macro Themes

This month, we continue to expand on the ten macro themes that we expect to impact the macro and investment landscape in 2025 and beyond.

Aftermath

The turbulent political landscape following the 2024 super election year persists, largely influenced by Trump and USA dynamics. Furthermore, new administrations in the USA, Namibia and Botswana will have important effects on the macro and investment landscape, while European nations are struggling to establish Governments and South Korea is in a crisis. Germany is facing another election soon. The GNU (Government of National Unity) in the RSA is slowly taking hold, while tensions with the USA are rising. At the time of writing, President Netumbo Nandi-Ndaitwah is still to constitute a cabinet, which will likely be in March.

Landing

The "landing" theme continues to evolve. The USA economy is still in a resilient phase – a soft landing, if any, remains our base case. However, we are watching the forward-looking indicators, such as the yield curve and the leading indicator, for signs of a worsening outlook. Europe and the UK remain sluggish, with signs of an unfolding hard landing. China is in a downswing, bordering on a crisis – aggressive policy action is likely to prevent a hard landing. South Africa is in a hopeful phase of self-help reforms – but struggling to take off. The production side is still weak, even though spending, e.g. retail sales and passenger car sales, have jumped. Namibia remains steady, maintaining a growth rate of 3%-4%. Botswana is in recession – an unexpectedly hard landing. Global growth expectations remain around 3.3%. In line with the various "landing" scenarios, analysts are revising growth rates for various geographies – for the USA up, for Europe barely positive, for China below average, for SA up, for Namibia 3%-4%, and for Botswana a contraction.

Commodities

Gold has surged 44% year-on-year, largely driven by central bank purchases. The energy complex is exhibiting diverging trends, while largely moving speculatively in view of the Trump tariff rhetoric and newly threatened sanctions on Iran and Russia. Oil was up 7% in January but declined by 1.7% in February. Natural gas prices have spiked by 51% over the course of 2024, but are down 5% ytd on ICE. Gas plays an important part in the Developed Markets (DM) inflation rates. In agricultural commodities, global maize prices have surged 31% since September. Conversely, domestic maize has declined sharply by 22% year-to-date, marking a sudden reversal. For Namibia, the declining uranium price is not good news. It is down to U$66 from U$106 about a year ago.

Currencies

The US dollar is pausing but remains dominant. It is 4.5% (was 2%) away from parity with the euro. We foresee USDNAD at 19.50 and 20.00 at year end 2025 and 2026 – the relative stability is largely thanks to a healthy balance of payments position in SA, as well as, e.g. gold. Some SA economists remain optimistic about the rand, citing potential reforms under the GNU's 'self-help' agenda.

Inflation

The DMs inflation remains range-bound between 2% and 3%. The latest number out of the USA at 3.0% surprised to the upside. Housing costs, such as rental escalations and municipal services, remain a thorn in the flesh for several countries. However, the January housing survey in Namibia surprised sharply to the downside, lowering the inflation trajectory noticeably. Recent inflation rates are as follows - SA 3.0%, Namibia 3.2% and Botswana 2.5%. Oil price pressures have eased, supporting a softer energy inflation outlook.

Fiscal Policy

It will show diverging responses depending on economic cycles and manoeuvrability. USA policy appears set to remain stimulatory, regardless of DOGE, while Europe is agonising about which way to go. Defence spending will come to the fore, regardless of peace talks. China is likely to continue its consideration of how to use fiscal policy. We expect Namibia's Budget in March, while South Africa grapples with a difficult fiscal trajectory, weighed down by underperforming SOEs. The "aftermath" theme played out in SA with the February Budget being postponed due to pressure from opposition parties in the GNU.

Monetary Policy

We foresee further interest rate cuts from the Fed (but later), the SARB, the BoN and the BoB, that is by mid-2025 levels of 4.00% (current level 4.50%), 7.00% (current level 7.50%), 6.50% (current level 6.75%) and 1.65% (current level 1.90%), respectively, which implies prime rates of 7.00%, 10.50%, 10.25% and 5.76%. In time, these lower rates ought to raise disposable incomes and assist economic growth. The global easing cycle is likely to be more extended than the domestic one. We foresee hikes by the Fed late in 2027, whereas the BoN and SARB are likely to start raising rates in 2026. This is due to an expected upturn in domestic inflation by late 2025. Just as inflation has surprised markets to the downside into the 2024 year end, it is plausible that the opposite might be the case by the year end of 2025, which means the window for further easing is now quite small. We maintain our view that the NAD's fixed exchange rate regime will remain in place for the foreseeable future.

Bonds

Interest bearing asset markets have started the year on the back foot. Global bond markets remain unsettled, grappling with Trump's policy signals and political fragmentation in Europe. Total returns from US 10-year Treasuries were -1.5% ytd, while RSA 10-year bonds are largely flat. Amid global uncertainty, Namibian bonds remain attractive, offering real returns of around 6.5%.

Property

We make a distinction between direct property and listed property. Namibia's directly held residential property market is in the early stages of an upswing. In certain, not all, segments of the market rentals are escalating at around 15% yoy. House prices have also started to pick up, escalating at 7% in 3Q24, albeit with wide regional divergences. The listed property market has done very well, delivering a 29% return in 2024. However, its valuation has become stretched showing a dividend yield of 5.6% vs. its long-term average of 7.7%. Relative to bonds the yield amounts to 0.61 vs. its long-term average of 0.88.

Equity

Global equities have performed exceptionally well over the past two years, returning 21.8% per annum in USD terms, largely driven by the USA equity markets that delivered returns ranging from 26% pa on the S&P500 to 37% pa on the Nasdaq. Valuations are very stretched at a forward PE of 19 times, compared to a long-term historical average of 16 times. Admittedly, the skewing by the "Magnificent Seven" of returns, as well as valuations need to be considered. Domestic equities (JSE) have performed solidly, up 5.5% year-to-date and 20% over the past year.

For the 12 month period ending January 2025, the returns of the major asset classes, in Namibia dollar terms, were as follows:

Global Equities	21.9%	MSCI World
Domestic Equities JSE	20.0%	JSE All Share
Domestic Equities NSX	18.0%	NSX Local Index
Domestic Property	21.0%	JSE SAPY Index
Domestic Bonds RSA	16.9%	Reuters All Bond
Domestic Bonds NAM	15.9%	IJG Namibian ALBI
Domestic Cash RSA	8.4%	RSA STEFI
Domestic Cash NAM	9.1%	Capricorn Enhanced Cash Fund
Commodities: Gold	36.0%	Bloomberg Gold Total Return Index
Commodities: Overall	9.1%	Bloomberg Commodity Total Return Index

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Congratulations to the Capricorn Foundation on this remarkable milestone of 5 Years of Positive Change. We look forward to many more years of meaningful impact.