ABC BANKING CORPORATION
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7 January 2020

Perspective

Hectic start!

This year started with quite an unexpected turn of events! While most investors expected a slow and smooth transition into the new year, they were gifted with new geopolitical tensions straight from Iran. With an attack from the US killing one of their top military leaders, the possibility of revenge by Iran on the US is very likely. To top things, Iran is also meddling with the Nuclear accord. Gold and Oil are buoyant while safe havens seem to be viral this year.

What's in store?

Geopolitical tensions remain the key theme influencing global markets. Despite fresh worries from the middle east, the far east one shouldn't be set aside as well. While the US and China should keep exchanging tariff blows, we just hope the US and Iran do not start exchanging bombs instead. Risks of war are real and everybody is jumping in to try calm things down between the two parties.

The House impeachment of Trump might affect his re-election bid and could make this election year more lively than usual. Quick history, only 2 US presidents have been impeached, Andrew Johnson and Bill Clinton.

While we are there, over the past 4 decades, the dollar index depreciated only 2 times during election years. So, we might want to be more cautious when going against the greenback.

What about the economy?

2019 has been a tough year for most economies out there with stagnating growth, inflation, and labor markets. We had a few good news at the start of this one with some PMI in the green from Europe and the UK. We hope to keep seeing the same trend but this would require more data to confirm.

Central banks are most likely expected to stand pat on monetary policy, at least for the current quarter. While disappointing figures gave rise to speculation of a cut from the FED this year, we would need to see more from the economy starting Friday with the first Non-Farm Payroll figures for the year. Politics as well will have a great impact on how monetary policy is carried out. Hence, it's much more difficult to estimate when and how much of a move we are going to see.

Mauritius?

Inflation remained on the low side swinging into negative territory on some occasions. With global growth expected to be lower, the "insurance cut" of 15 basis points we saw last time might prove to be insufficient. We could start seeing some effects of the large depreciation of the Rupee that occurred in the second half of last year, but with the historically low exchange pass-through rate, the impact might be quite limited. The February meeting might provide more indication on the policy and how well the economy is performing as a whole, until then any forecast might prove to be incomplete.

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