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ABOUT THE COMPANY

DaMina is a preeminent independent frontier markets risk advisory, research and consulting firm with a special focus on African capital markets.

DaMina provides exclusive, objective, highly-tailored, 360-degree regulatory, political, economic and security risk advisory and consulting services to a range of marquee global companies and investment firms.

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Periscope 2017: Year Ahead Risk Forecasts

2017 GLOBAL FORECASTS

- I. **Israel Alone:** 2017 will see Israel become more internationally isolated than at any period in its 70-year modern history. The ruptured 'special relationship' between Israel and the US which reached its crescendo under President Barack Obama, will accelerate under President Donald Trump despite the high hopes of Israel's ruling elite that the new American president will reflexively support the country's increasingly untenable international positions. Trump's expected unilateral recognition of Jerusalem as the official capital of Israel in early 2017 will trigger a violent Intifada in East Jerusalem, the West Bank, Gaza and on the Israel/Lebanese/Syrian border. Anger about Trump's Jerusalem decision will catalyze over 150 nations led by France to unilaterally officially recognize the state of Palestine within the 1967 borders – effectively pronouncing all Israeli settlements beyond the 1967 borders as illegal under international law and opening their residents up to a new barrage of violence. The Israeli Shekel is likely to fall by over 30% in early 2017 as the beleaguered country faces a raft of international economic sanctions and new trade embargoes, after a tumultuous election which will see Prime Minister Benjamin Netanyahu toppled from power, effectively ending the mirage of the two-state solution and the Oslo Accords. With the Syrian war ending, the recent antagonisms between Saudi Arabia, Turkey, Egypt, UAE and Iran will subside, with Israel re-emerging as the unifying geopolitical irritant to all the major Islamic states. Russia's current co-leadership of OPEC with Saudi Arabia will enmesh it more actively in Middle Eastern affairs on the side of Israel's adversaries. Trump's détente with Russia thus effectively limits the willingness of the next US administration to protect Israel at the UN against 170 nations.
- II. **Trump stock market rally to accelerate; JPY to crater – Dow 24,000; US 10-Year near 4%, USD/Euro below \$1 and Gold towards \$800:** Contrary to current market expectations that the ongoing 'Trump' Rally will subside in the New Year, and has run out of breath, the rally will continue to accelerate. Trump's unleashed Keynesian 'animal spirits' will see the DJIA rally above 24,000, gold sink toward \$800 – even in the face of rising interest rates, which could see the US 10 Year bond yield hit almost 4% by the end of 2017. The rally in the US dollar will continue, dealing a deadly blow to key EM/FM currencies. **Conversely**, boasting the highest debt-to-GDP ratio of any developed nation at over 230%, but fearing deflation even more, Japan's central bank will boost Abenomics and increase its government bond purchases to over \$1trillion from the current \$700billion, as US interest rates rise and private domestic Japanese purchases of government bonds falls. JPY 10 Year yields could hit 0.04% despite efforts to keep them below 0%, with the Yen falling towards 140/\$1.
- III. **More European Political Tremors as Theresa May trips over BREXIT, German Chancellor Angela Merkel abandons reelection effort, Geert Wilders wins Dutch polls and French left is vanquished:** Europe is set for another tumultuous year in 2017. UK Prime Minister Theresa May's botched BREXIT plans will cause wild gyrations in the value of the British Pound, with the currency losing over a third of its value vis-à-vis the US dollar, and the FTSE 100 falling to new multi-year lows in 2017 as confusion over BREXIT reigns. Despite launching a successful campaign for a fourth chancellorship of Germany, Chancellor Angela Merkel will ultimately abandon her reelection effort ahead of the September polls when it becomes clear that her party is headed to a landslide defeat. The ruling CDU/CSU coalition may rupture ahead of the polls over the issue of Muslim immigration effectively dooming Merkel's reelection efforts. In France, while Former Prime Minister Fillion may yet win the presidential poll in early 2017, Marine Le Pen's National Front Party, which currently has only 2 seats in the National Assembly will dramatically gain several dozen seats to become the third largest political force in France with the Socialist leftist parties reduced to their lowest parliamentary seat totals in over two decades. The Dutch parliamentary elections will also see Geert Wilder anti-Islamist immigrant party win the largest share of seats.
- IV. **Oil prices to drift towards \$40 despite OPEC-Russia deal; Trump to lift US oil export ban:** Despite the OPEC-Russia supply cut deal, global oil prices will have a difficult time remaining above \$50/ barrel as US shale production expands, and the US ban on crude import is lifted by the Trump administration. Many OPEC nations will over produce despite the November supply cut agreement. The WTI-Brent spread will also continue to widen as Middle East risks escalate with a new Intifada and soaring US oil production/ exports.

2017 AFRICA FORECASTS

- V. **Kenya's Uhuru Kenyatta to lose reelection:** Despite a surge in economic growth and an exoneration by the International Criminal Court (ICC), Kenya's President Uhuru Kenyatta is not as popular as the economic statistics imply. With rising public discontent about corruption and a revitalized united opposition, Kenyatta may yet slip up on his reelection bid.
- VI. **Nigeria may re-peg currency or raid forex accounts in 2017 as economy sags and Naira flirts with 700/\$1:** Grappling with dwindling state coffers, falling forex reserves and unwilling to accede to the demands of the Niger Delta militias, President Buhari's decision to treat the insurgency in the Niger Delta as a law enforcement challenge – to be resolved by a police-military action, rather than by political negotiation effectively dooms Nigerian oil production region to another year of stoppages and low production. With the Nigerian Senate still opposed to dramatically increasing the level of external borrowings, Nigeria may yet resort to more draconian measures such as forcibly converting local US dollar domiciliary accounts into Naira, or re-pegging the currency to stave off a collapse of the local currency to 700/\$1 in 2017. Nigerian oil production could fall below 1 million barrels.
- VII. **Ethiopian state of emergency to remain:** Ethiopia, until recently one of Africa's most attractive investment destinations is set for another politically tumultuous year. The government will continue its crackdown on dissidents, opposition leaders and other anti-government ethnic political agitators. The country, looking to the Chinese model of development, will in the coming year seek to constrain the political space, while expanding internal economic competition and reforms to accelerate economic growth.
- VIII. **A 'Bourguiba-style' forced medical retirement hangs over Mugabe:** Despite being confirmed as the 2018 presidential candidate by the Zimbabwean ruling Zanu-PF party, 93-year old President Robert Mugabe still faces the real prospect of being shunted aside in a Habib Bourguiba-style forced medical retirement in 2017. (In 1987 longtime Tunisian leader and father of the nation, Habib Bourguiba, then, 84 years was forcibly removed from office on grounds of medical incompetency by his chosen heir, Abidine Ben Ali, who was later himself in 2011 chased out of power by the Arab Spring). Mugabe faces a similar fate ahead of the 2018 polls.
- IX. **Southern Africa to slip into recession even as Ramaphosa slips and Zuma survives:** All the major countries in Southern Africa are likely to enter an economic recession in 2017. However despite the many political intrigues against him, President Jacob Zuma will survive even as his internationally beloved deputy Cyril Ramaphosa is gradually disempowered.

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