

# Botswana Market Watch

# 21 December 2020

GMT		International and Local Data	Period	Exp	Previous
	<b>BO</b>	Nothing on the cards			
<b>13:30</b>	<b>US</b>	Chicago Fed activity index	Nov		0,83
<b>15:00</b>	<b>EZ</b>	Consumer confidence	Dec A	-18,3	-17,6

Regional Developments	What happened?	Relevance	Importance	Analysis
<b>SSA debt markets</b>	Several African nations, including Ghana and Kenya, are planning to tap international debt markets as investor sentiment towards the region improves. Ivory Coast's recent Eurobond issuance 5 times oversubscribed	Fitch said that weaker-rated SSA nations may face higher funding costs than before the pandemic, which could discourage their return to markets	<b>4/5</b> (fiscal)	Namibia, Nigeria and South Africa will likely roll over maturing bonds in 2021 when they fall due. Ivory Coast, Ghana and Kenya are also expected to return to the markets in 2021, with a possibility that other issuers, such as Benin, could join them according to Fitch
<b>Commodity rally</b>	International commodity prices are rallying as coronavirus vaccination rollouts boost optimism that demand would improve markedly next year. Weakness in the USD also providing support for commodity futures	The Bloomberg Commodity Index reaches to its highest level since 2014 with the rollout of COVID-19 vaccinations and the transition to a new US president well underway	<b>4/5</b> (economy, commodity)	Copper, which is often used as a proxy for the health of the global economy, is surging, while oil is rebounding from the devastating effects of the virus containment measures. Meanwhile, extreme weather conditions and robust Chinese demand are driving up international crop prices
<b>Capital flows</b>	Emerging market capital flows continued to recover last week supported by improved global risk appetite and heightened dollar liquidity. The Bloomberg Emerging Market Capital Flow Proxy rose to its highest level since the start of the pandemic in March	The recovery in appetite for higher beta assets bodes well for African assets as investors go in search for yield. The recovery in sentiment has provided a tailwind for bonds in particular	<b>4/5</b> (markets)	With the uncertainty pertaining to the US elections now out the way against the backdrop of positive COVID-19 vaccine signs, we expect risk sentiment to remain elevated. That said, the resurgence in infections in Europe and the US are dampening the recovery in demand for higher beta assets

Global Developments	What happened?	Relevance	Importance	Analysis
<b>US Stimulus Bill</b>	On Sunday, US congressional leaders reached an agreement for a \$900bn stimulus package to provide fresh aid to households battered by Covid-19	This is the second largest in history and with a vote on Mon, it will soon be deployed to boost growth	<b>4/5</b> (economy)	The Democrats continue to believe that the bill was not enough and will push for more once Biden becomes president and the Democrats potentially win the Senate seats in Georgia come Jan
<b>Japan Budget</b>	This morning, Japan's cabinet approved a record \$1.03trln budget for the next fiscal year. It marks the ninth consecutive annual rise in the budget	There is simply no evidence of any fiscal consolidation. Such efforts have been shelved for now	<b>3/5</b> (economy)	This holds tremendous implications for the overall debt profile of the country which has just become more precarious. Save for the ultra-low interest rates, such spending would be unsustainable
<b>UK business morale</b>	The release and distribution of the vaccine has assisted business morale with leaders now looking through the current crisis to better times ahead	Although it will still take some time before the vaccines are rolled out, it is just a matter of time	<b>3/5</b> (economy, markets)	This was the largest monthly increase in more than four years. Businesses are now anticipating a recovery through 2021 as the economy is gradually allowed to returns to normal function

## Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT				BWPUSD	BWPZAR	
BWPZAR	1.3081	1.4303	1.3333	1.4166	6m	1.2460				
BWPUSD	0.0887	0.0968	0.0904	0.0959	3y	3.8750	1m	-2.0670	0.0000	
GBPBWP	15.0260	13.7501	14.7009	14.0365	5y	5.0250	3m	-5.2358	0.0000	
BWPEUR	0.0728	0.0796	0.0745	0.0780	9y	5.2750	6m	-10.8615	0.0000	
JPYBWP			9.3829	9.8087	22y	5.9250	12m	-22.4543	0.0000	
USDZAR	14.1567	15.3463	14.4885	15.0143						
EURUSD	1.1699	1.2677	1.1973	1.2402						
GBPUSD	1.2815	1.3884	1.3115	1.3584						
					<b>Equities</b>		<b>Economic Indicators</b>			
					BSE Domestic Index	6880.41	GDP	-24	Bank Rate	3.75
					BSE Foreign Index	1547.28	CPI	2.2		

- Upstreamonline- Botswana has launched a new power generation strategy that confirms it will boost the contribution from renewable energy resources to its total energy supply mix to at least 15% by 2030, although coalbed methane will also play a key role and coal investments will continue, at least in the short term. Launching the government's 2020-2040 Integrated Resource Plan (IRP) this week, Lefoko Moagi, Minister of Mineral Resources, Green Technology & Energy Security, said renewables currently contribute just 2% of energy supplies. He said the aim is to reduce Botswana's dependence for electricity on neighbouring countries South Africa and Mozambique, as well as to reduce its carbon footprint and, potentially, become a net exporter of energy. ([full article here](#))
- Keeping the market on tenterhooks, travel bans against the UK have also been imposed by several European nations as it also battles a second wave driven by a reportedly separate mutated virus strain, which has seen the Sterling subdued this morning and largely driving USD strength in early trade.
- COVID-19 containment measures globally have thus been overshadowing progress made over the weekend in a US fiscal relief package. After the US Senate voted to extend Federal funding again to avert a government shutdown, reports broke on Sunday that Congressional leaders have agreed on the terms of a long-awaited \$900 billion stimulus package to support households and businesses, with the House of Representatives and Senate expected to vote on it today. However, further negative news that Brexit negotiations failed this weekend, which raises the risk of a no-deal Brexit by year end, will likely contribute to lower market sentiment for the day ahead with not much in the way of data for investors to digest.
- There is no data due for release this morning. However, we are expecting the next round of GDP data which is due on Wednesday. The BWP made further gains on Friday closing clear of the 0.0920 level in the interbank market. We would however caution against expecting further gains at the start of the week. The USD is on the front foot in Asia and this could filter through to the local market. From a trading perspective we expect the broader market to start thinning out as the December lull comes into force.

## ZAR and Associated Comments

- Risk appetite cooled somewhat on Friday following fears of renewed US-China tensions as the US was expected to add an additional 80 Chinese companies to a trade blacklist, offsetting hopes for a US stimulus package to be passed before the weekend. This offered the US dollar some reprieve from the onslaught of last week which saw the currency fall over 1% on a trade-weighted basis.
- Nevertheless, as most emerging market currencies backtracked, the ZAR extended its week-long winning streak as it gained 0.8% against the greenback on Friday. With the ZAR known for acting as a bellwether for EM sentiment, last week saw the local unit gain in excess of 4% against the USD as US stimulus hopes drove risk appetite. After securing the top spot amongst the EM basket, the ZAR ultimately ended the week around the 14.54/\$-handle, a level last seen in late January this year.
- With the USD-ZAR pair finding support after bouncing off the 14.50-handle on Friday, this looked to be the next line in the sand for the ZAR bulls. However, developments on the virus front may make this unlikely before the end of the year. Health Minister Zweli Mkhize announced on Friday that a new strain of COVID-19 had been identified in SA, largely driving the rapid infections in the second wave amongst younger people. This was not yet enough to drive the ZAR weaker in late Friday trade, however subsequent travel bans announced over the weekend against SA have seen the currency gap lower in early trade this morning with the local unit trading above the 14.75/\$-handle at the time of writing.

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**Report produced by ETM Analytics for BancABC Botswana.**

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