

Botswana Market Watch

7 December 2020

GMT		International and Local Data	Period	Exp	Previous
	BO	Nothing on the cards			
07:00	GE	Industrial production wda y/y	Oct	-4,8%	-7,3%
09:30	EZ	Sentix investor confidence index	Dec		-10
20:00	US	Consumer credit	Oct	\$18bn	\$16,21bn

Regional Developments	What happened?	Relevance	Importance	Analysis
SSA debt markets	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	4/5 (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
African governance worsens	The Ibrahim Index of African Governance, which rates 54 African nations on security, human rights, economic stability, just laws, free elections, corruption, infrastructure, poverty, health and education, showed that Africa's governance performance has worsened	The 2019 African average score for overall governance fell by -0.2 points when compared to the previous year, registering the first year-on-year decline since 2010	3/5 (economy, governance)	The report highlighted that while Africa has been spared infections on a scale seen in many other regions, the virus has nonetheless highlighted gaps in African healthcare systems. Moreover, it has contributed to a declining democratic environment, increasing food insecurity, as well as instability and violence
Capital flows	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	4/5 (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
Virus spread	The US has recorded 1mn new Covid cases in just the past five days, following the travelling that occurred for Thanksgiving and the spread that resulted	As the virus continues to spread, the real risk of a stricter lockdown looms to curb the numbers	5/5 (economy)	Although for now, financial markets appear to have ignored the risks. A continued rise in the number of infections will restrict the gains as investors price for a difficult Q4 and Q1
US non-farm payrolls	The latest round of non-farm payrolls data disappointed massively with half the amount of jobs anticipated, added through the month	The economy added the fewest jobs in six months in a clear loss of momentum as the virus hurt confidence	4/5 (economy, market)	As the virus surges through Dec and has gathered rather than lost momentum, the potential for more stringent lockdowns means that mobility and the economy will be hurt further
Chinese exports	Chinese exports rose at the fastest pace since Feb 2018, boosted by improved global demand and China's efforts to capture greater market share	China was well-poised to take advantage as its lockdown was significantly shorter and less disruptive	4/5 (economy)	Exports were also boosted by strong demand for PPE as well as electronic equipment used for people to work remotely. The effects of all this will persist for a while still

Local FX Opening Rates and Comment

	CUSTOMER BUY		CUSTOMER SELL		Benchmark Yield Curve		Forward Foreign Exchange			
	CASH	CASH	TT	TT				BWPUSD	BWPZAR	
BWPZAR	1.3269	1.4470	1.3525	1.4330	6m	1.2260				
BWPUSD	0.0872	0.0950	0.0888	0.0940	3y	3.8750	1m	-1.8428	0.0000	
GBPGBP	15.3766	14.1151	15.0439	14.4091	5y	4.9250	3m	-5.1578	0.0000	
BWPEUR	0.0718	0.0783	0.0735	0.0768	9y	5.3250	6m	-12.5531	0.0000	
JPYBWP			9.2748	9.6663	22y	5.8250	12m	-27.8801	0.0000	
USDZAR	14.6133	15.8485	14.9558	15.5056						
EURUSD	1.1647	1.2620	1.1920	1.2347						
GBPUSD	1.2887	1.3962	1.3189	1.3660						
					Equities		Economic Indicators			
					BSE Domestic Index	6872.85	GDP	-24	Bank Rate	3.75
					BSE Foreign Index	1547.28	CPI	2.2		

- Newflow over the weekend was mainly focused on corporate actions with the Choppies./PWC lawsuit holding centre stage. The Mail and Guardian produced a lengthy piece which can be viewed by [clicking here](#).
- December is firmly upon us and it is likely that we see an increase in travel across the region. The major fear for the policy makers at the moment is a resurgence of the COVID-19 virus. It is worth noting that there has been an uptick in reported cases in South Africa in certain areas and thus the situation will be closely monitored. Although a vaccine is ready, it will be many months before it is widely available in Botswana and thus vigilance will be a pre-requisite for those travelling over this period.
- On the international front, investors have been focusing on three things. The COVID-19 vaccine/cases, a US stimulus deal, and rising US - Sino tensions.
- Investors are weighing up the optimism of a COVID-19 vaccine roll out against renewed tensions between China and the United States. Reuters reported that the US is looking to add at least a dozen more Chinese officials to the sanctions list over their role in the recent disqualification of Hong Kong legislators. These sanctions could be announced as early as today.
- US Speaker Nancy Pelosi meanwhile said there's momentum building toward a compromise fiscal stimulus package. However, the Republicans complained about the scale of aid to states included in the bipartisan proposal that's become the closest that US politicians have come to striking a new stimulus deal to help cushion the blow of the resurgence in COVID-19 infections. Southern California is preparing for its harshest lockdowns in the US as coronavirus cases spike to record levels and intensive care beds in hospitals are filled to capacity.
- Moving over to the currency markets we see the BWP-USD having cemented its position ahead of the 0.0900 mark into the close last week. A measured local Central Bank coupled with a weaker USD helping the local unit.
- In terms of the day ahead there is no local data to trade off so investors will focus on international developments once again. We favour buying on any dips towards the 0.0900 level

ZAR and Associated Comments

- The ZAR held a narrow range on Friday as an erratic week for the local unit came to a close. As a result, the ZAR closed the day relatively flat while the market's reaction to weaker than expected US payrolls data was muted. Given the limited reaction, it suggests investors are looking ahead to next year, the potential rollout of vaccines and that the USD's decline is to be gradually spread out over the coming months. The weaker employment data, however, kept overall risk appetite for higher-beta assets intact.
- Performance over the week for the ZAR took a slight hit from prior weeks as local developments led to a denting of market sentiment for the currency. The ZAR managed a weekly gain of 0.25% however, but failed to capitalise on the broader USD retreat, where the greenback tumbled 1.25% over the course of last week.
- Despite the uncertain economic outlook for the globe and indeed South Africa, the ZAR is still expected to continue its upwards trajectory as loose monetary policies in developed nations debase major currencies and promote capital flows to emerging markets with investors hungry for higher yields. The longer term outlook remains cloudy though and depends on critical structural reforms to improve South Africa's economic growth potential and lower its dependency on debt to fund its operations.
- Furthermore, if South Africa is dealt a similar resurgence as in the northern hemisphere, we may well see localised restrictions for another six months potentially which would see a further dent in the balance sheets of businesses who have survived thus far, as well as government's. While developed nations will likely gain first access to vaccines, developing countries are expected to endure a longer wait. Over the weekend, the Health Ministry has said South Africa will probably take first delivery of vaccines under the WHO-backed Covax initiative by mid-2021. The initial payment thereof is expected to be made within the next week and amounts to R327 million, the total cost being R2 billion. Failure to make payment on time would see South Africa fall down the "waiting list" and receive the vaccine even later in the year.
- Further afield, progress on the US stimulus front is expected to gain pace this week following reports that the Trump administration would sign off on a \$908 billion stimulus bill. This should bolster risk appetite at the start of the week, barring sentiment taking a dive from further virus containment measures being announced.
- Domestically, it is a data-filled week ahead kicking off with the SARB's gross and net reserves for November today. This is followed by third quarter GDP growth tomorrow and inflation, retail sales data and the SACCI business confidence index on Wednesday. The current account balance, mining and manufacturing production data rounds off this week's data card on Thursday, thus domestic markets may be in for some unsteady trade as the week heats up..

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