

## **Botswana Market Watch**

# **18 December 2020**

GMT	Int	Period	Exp	Previous			
	ВО						
09:00	GE	IFO business climate	Dec 3Q	90	90.7		
13:30		Current account balance	rent account balance			\$-170.5bn	
15:00	US	Leading Indicators		Nov	0.50%	0.70%	
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 re- gion improves. Ivory Coast's recent Eurobond issuance 5 times over- subscribed	Fitch said that weaker-rated SSA nations may face higher funding costs than before the pandemic, which could discour- age 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 lvory Coast, Ghana and Kenya are also expected to return to the markets in 2021, with a possibil that other issuers, such as Benin, could join ther according to Fitch			
Commodity rally	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 In- dex reaches to its highest level since 2014 with the rollout of COVID-19 vaccinations and the transition to a new US president well underway	4/5 (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, extremweather conditions and robust Chinese demand are driving up international crop prices			
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	<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		
US labour market	Weekly jobless claims disappoint- ingly rose 23k to 885k, although continuing claims still fell 273k to 5.508mn. The resurgent virus is im- pacting materially on economic ac- tivity	This is a clear sign that the ef- fects of the pandemic are still significant and will linger for many months to come	4/5 (economy)	worrying that Businesses t	iring is happening a initial claims are ris hat held out this lor sting any longer and val action	sing once more. Ig are simply not	
Japanese deflation	Japan's CPI fell at the fastest pace in a decade with core Nov CPI fall- ing 0.9% y/y. This has raised fears of a deflation spiral and an inflating debt problem	If anything, this will strengthen the resolve of the BoJ and fiscal authorities to do more	3/5 (economy)	Travel discou	nted the fourth cons int campaigns and s so reflects the effec mpression	oft oil prices	
UK consumer confidence	Consumer confidence in Dec rose by the most in eight years in re- sponse to news of the vaccine be- ing released and deployed. As the deployment gains traction, confi- dence will rise further	Lockdown fatigue means inves- tors and households will be hy- per-sensitive to any news point- ing to an end to the pandemic	3/5 (economy, markets)	confidence m	however been done nay be returning, the debt, failed busines unemployment and low recovery	e pandemic has ses, insolvent	

## **Local FX Opening Rates and Comment**

	CUSTOMER	CUSTOMER	CUSTOMER	CUSTOMER								
	BUY	SELL	BUY	SELL								
	CASH	CASH	π	π		Benchmar	rk Yield Cur	ve	Forward F	oreign Exch	nange	
BWPZAR	1.3003	1.4224	1.3254	1.4087		6m	1.2450			<b>BWPUSD</b>	BWPZAR	
BWPUSD	0.0885	0.0966	0.0902	0.0957		3у	3.8750		1m	-2.0621	0.0000	
GBPBWP	15.2662	13.9685	14.9359	14.2595		5y	5.0250		3m	-5.2260	0.0000	
BWPEUR	0.0723	0.0789	0.0740	0.0774		9y	5.2750		6m	-10.8518	0.0000	
JPYBWP			9.3632	9.7884		22y	5.9250		12m	-28.2701	0.0000	
								•				
USDZAR	14.1027	15.2883	14.4332	14.9576								
EURUSD	1.1756	1.2737	1.2032	1.2461		Equities			Economic	Indicators		
GBPUSD	1.2991	1.4074	1.3295	1.3770		BSE Dome	stic Index	6882.44	GDP	-24	Bank Rate	3.75
					BSE Foreign Index		1547.28	CPI	2.2			

- De Beers the world's largest seller of rough diamonds reported a 33% drop in revenue in 2020 which it attributed to the COVID-19 pandemic which resulted in a global economic downturn. The diamond giant which is 15% owned by the Botswanan government reported sales of \$440m in the 10<sup>th</sup> site sale which was below the \$462m it achieved at the 9<sup>th</sup> sale of 2020, it was however up on the 10<sup>th</sup> site sale of 2019 where it recorded sales worth \$426m. Sales for the full year came in at \$2.78bn compared with \$4.044bn in 2019. It is hoped that there is a sustained recovery in 2021 however consumers may be somewhat reluctant to spend on luxury purchases until they are certain that the worst is out of the way. That is why the first round of vaccines are so important, it sets the stage for a more broadbased vaccine programme across the world in the second quarter of 2021 which hopefully reaches all corners of the globe by the end of 2021.
- In other news, Xinhua reported the following Botswana's public and private sectors have been encouraged to take full advantage of the Chinese market to grow their exports. Policymakers and business executives made the revelation on Wednesday at an investment summit organized by the Botswana Investment and Trade Center (BITC) in Gaborone, Botswana's capital city. As Botswana looks forward to recovering from the economic doldrums caused by COVID-19, the southern African nation is seeing the Chinese market as the answer to its economic difficulties. The opening up of China to world imports does present export opportunities from Botswana, Kutlo Moagi, BITC's Director of Corporate Affairs, told the summit. Currently, diamond has been the main export from Botswana to China. (full article here)
- Given the potential for copper to add to the diversified mining exports of Botswana its worth casting an eye towards that market from time to time.
- Copper has marked levels above \$8000/tonne in Asia this morning for the first time in 7 years. The bullish undertone has been driven by progress on the US stimulus talks and strong economic prospects out of China.
- All the fundamentals are aligning strongly for copper, a weaker USD, strong growth out of China, and predictions of a deficit all
  point to higher prices in due course. We may well be entering a new super cycle we do however caution that currently the market is overheated and is due for a correction in the short term.
- Locally the economic calendar remains bare which will leave the markets to focus on international developments once more. We
  are heading into the final two weeks of the year and many corporates and investors will be winding down interest as 2020 fades.
  It is however worth noting that there has been an increase in risk appetite over the past couple of days and this has been supportive of frontier and emerging markets. Yesterday we had the Pula gain some 0.22% against the greenback and we view the
  outlook for the Pula in 2021 as favourable.

#### **ZAR and Associated Comments**

- Global risk appetite surged yesterday following the US Fed's rate decision on Wednesday which, despite keeping policy unchanged, instilled confidence that the central bank remains committed to reinforcing the economic recovery. Further boosting sentiment is progress over the next round of US fiscal stimulus with the market hopeful for a conclusion this week. After US retail sales figures on Wednesday and initial jobless claims yesterday which continue to point to a turbulent recovery, this underscores the need for further government support and prompts US lawmakers to come to an agreement.
- Resultantly, the US dollar came under heavy pressure yesterday. The dollar index (DXY), which tracks the greenback against major currencies on a trade-weighted basis, fell below the 90-handle for the first time since the second quarter of 2018. Emerging market currencies took advantage of dollar bearishness on aggregate, of which the ZAR was a top performer on the day, closing roughly 1.3% stronger at the 14.65/\$-handle.
- Aggressive monetary and fiscal policy by the US and other developed nations has heavily weighed on the US dollar and other haven currencies, especially alongside the resumption of global risk appetite. The reflation of risky assets, however, may yet run the risk of being overdone as the divergence of asset prices versus underlying economies widens due to financial systems being flush with liquidity. This is true for emerging markets as well, which generally have higher associated degrees of fiscal risk and have likely been elevated by the pandemic. However, in terms of the local currency, the ZAR remains about 5% weaker year-to-date while the USD has retreated to 2 ½ year lows, suggesting a degree of fiscal risk remains priced in. Nevertheless, as developed nations' central banks are unlikely to tighten policy anytime soon, emerging markets still have further upside potential which should be the status quo into 2021 as the pace of vaccine administration picks up.
- For the day thus far, the USD staged a minor comeback overnight after news that US stimulus negotiations may hit a roadblock in the form of expiring Fed coronavirus loans which may not be able to be revived by the Biden administration next year. Thus, negotiations may spill over into the weekend and allow the USD some reprieve for the day ahead.

### Contacts

Mogamisi Nkate+267 3674335email: mnkate@bancabc.comPhillip Masalila+267 3674621email: pmasalila@bancabc.comKefentse Kebaetse+267 3674336email: kkebaetse@bancabc.comMaungo Sebonego+267 3674338email: msebonego@bancabc.com

Report produced by ETM Analytics for BancABC Botswana.

Disclaimer

The information provided her of an offer to buy or sell the second based upon information espect to their accuracy or collisclaims any and all liability reports that the contact of the second	ecurities or instruments m n generally available to th ompleteness, and they ma elating to these materials, i	entioned or to participa ne public from sources ny change without notice including, without limita	te in any particular tradi believed to be reliable. e. BancABC on its own b	ng strategy. These mate . No representation is selehalf and on behalf of i	erials have given with ts affiliate: