

# Botswana Market Watch

8 February 2021

GMT	International and Local Data			Period	Exp	Previous
09:30	<b>BO</b>	Nothing on the cards				
16:00	<b>EZ</b>	Sentix investor confidence index			Feb	1.90
17:00	<b>EC</b>	ECB's Villeroy speaks at Bank of France				1.30
	<b>US</b>	Fed's Mester Discusses the Economy				
Africa	What happened?		Relevance	Importance	Analysis	
Africa investment	A UK development finance institution, CDC Group, is planning to invest about \$1bn into Africa this year in infrastructure and finance. The group is targeting markets including Ethiopia, Kenya, Egypt and Nigeria		In the midst of the pandemic, which has weighed heavily on government funds for infrastructure projects, any investment should be seen in a positive light by investors	3/5 (economy)	The UN Conference on Trade and Development reported that the continent is expected to have suffered a 25% to 40% decline in foreign direct investment last year as a result of the COVID-19 pandemic. As such, the UK investment into Africa at the start of the new year is encouraging	
SSA debt	Fitch said in a report that the coronavirus pandemic has driven interest-to-revenue ratios among sovereigns in Sub-Saharan Africa close to levels seen before debt relief was extended in the 2000s		As the second wave of the pandemic emerges, fiscally constrained sovereigns have less room to provide stimulus than other economies	4/5 (Fiscal)	Fitch said that the fiscal constraints would weigh on the region's economic recovery as governments are unable to offer additional support to cushion the economic blow of the second wave of the coronavirus	
AfCFTA	Members of the African Continental Free Trade Area (AfCFTA) should complete their tariff reduction schedules and finalise essential rules of origin by July according to a senior official. Recall that the new trade agreement came into effect on January 1		Members must phase out 90% of tariff lines over the next 5-10 years while the 7% that is considered sensitive will be granted more time and 3% will be allowed to be placed on an exclusion list	3/5 (economy)	Silver Ojakol, chief of staff at the AfCFTA Secretariat, announced that nearly 90% of the rules of origin have now been agreed and the remaining 10% which involves key issues such as infrastructure interconnectivity will have until July. While the AfCFTA is seen boosting trade and growth, there are still major challenges to be overcome	
Global	What happened?		Relevance	Importance	Analysis	
Vaccine latest	After some trials, it would appear that the AstraZeneca vaccine is not effective against the South African variant, while the UK has already spoken of the need for a booster shot		Investors will be hoping that the other vaccines are more effective or hopes around the vaccines will fade	4/5 (global economy)	The South African variant has found its way to many other countries already and if not contained and it spreads, the efficacy of the vaccines becomes of paramount importance if the pandemic is to be overcome	
US labour market	The recovery in the US labour market last month was weaker than expected. The US economy added 49k last month compared to analyst expectations for a more pronounced increase of 105k.		It is a sign that the second wave of the pandemic is still weighing heavily on the world's largest economy	4/5 (economy)	Of concern was the sharp downward revision to the December reading which was revised down from -140k to -227k. Meanwhile, the unemployment rate fell from 6.7% in December to 6.3%, levels not seen since March last year	
Oil prices	Oil prices have continued to surge and Brent is now approaching \$60/bbl as hopes turned to the prospect of more stimulus efforts to bolster sluggish growth		Global demand is slowly normalising and demand for commodities is steadily rising	4/5 (markets)	Add to all this the weaker USD which will boost prices, the \$1.9trln stimulus package and the rollout of vaccines and the outlook for global demand will steadily improve through 2021	

## Local FX Opening Rates and Comment

CUSTOMER BUY    CUSTOMER SELL    CUSTOMER BUY    CUSTOMER SELL											
CASH		CASH		TT		TT		Benchmark Yield Curve		Forward Foreign Exchange	
BWPZAR	1.2928	1.4190	1.3177	1.4053	6m	1.1970			BWPUSD	BWPZAR	
BWPUSD	0.0869	0.0953	0.0886	0.0943		3y		3.8750	1m	-1.9939	0.0000
GBPGBP	15.7839	14.3937	15.4424	14.6935		5y		4.7050	3m	-6.5666	0.0000
BWPEUR	0.0722	0.0791	0.0739	0.0776		22y		6.2650	6m	-14.6396	0.0000
JPYBWP			9.3731	9.8291					12m	-32.9940	0.0000
USDZAR	14.2855	15.4915	14.6203	15.1564							
EURUSD	1.1557	1.2522	1.1828	1.2251							
GBPUSD	1.3185	1.4284	1.3494	1.3975							
Equities    Economic Indicators											
BSE Domestic Index		6867.51		GDP		-6.0		Bank Rate		3.75	
BSE Foreign Index		1548.15		CPI		2.2					

- Local news flow has been on the thin side over the weekend. News wires have for the most part remained focused on the COVID-19 pandemic. The latest news is that the government expects the first vaccines to make landfall by the end of March according to the World Health Organisation. It is expected that some 940 8000 doses of the vaccine will be made available and this should cover some 20% of the population under the two-dose regimen.
- Moving onto the economy, the Finance Minister and Economic Development minister, Thapelo Matsheka was quoted as saying that the “shocks” contained in his budget speech on Monday were the necessary culmination of long delayed interventions required to stabilise the country's financial position. The increase in VAT caught many offguard, as well as the introduction of a sugar tax. Botswana has been the most fiscally prudent country in the region and these increases although significant at a local level pale in comparison to what is going to be needed in other SADC countries to right the fiscal ships.
- In other news, Mmegi reported the following - *Government's P14.5 billion Economic Recovery and Transformation Plan (ERTP) will have P1.95 billion set aside for improving domestic food production to ensure a higher degree of self-sufficiency, BusinessWeek has established. Over the years, government's efforts to boost agribusiness and food self-sufficiency through programmes such as the Integrated Support Programme for Arable Agriculture Development (ISPAAD), the Livestock Management and Infrastructure Development (LIMID), the Young Farmers Fund and others have had muted success. According to the final ERTP that Parliament approved, the average growth rate of the agricultural sector since the beginning of NDP 11 was 2.5 percent, making it the slowest growing sector of the economy, while its share of GDP has been stagnant, at around two percent. However, the sector also provides job opportunities for some 80,000 adults or almost 12% of the total employed population.*
- Internationally, the US holds focus as it has the “macro key” at present. Democrats in Congress pressed ahead with their efforts to pass the \$1.9trln stimulus package as they approved a budget outline that will allow them to push through the stimulus package. Vice President Harris used her casting vote for the first time to clear the Senate hurdle. The Democrats are pushing hard for this bill, in order to offer the economy some support, with the latest non-farm payrolls data only strengthening the Democrats' resolve to stimulate.
- Focus will turn to the Senate and Trump's impeachment trial. It looks like this effort will not secure a conviction and is dead before it even begins with the Democrats unlikely to secure enough votes to convict Trump. Once again, this is turning into a political spectacle which is in itself distracting from some deep-seated issues that need to be tackled. Worse still, is that Trump's defence will seek to highlight the double standard applied by the Democrats who themselves supported the BLM movement through the riots and arguably enticed some of the bad behaviour. It is unlikely to work out well for either side..
- In terms of the FX markets, some disappointing labour data on Friday triggered investors to rethink their USD recovery views. If there was ever any doubt on the need for more stimulus, the latest data tilted the scales more squarely in favour of ongoing monetary support and galvanised Democrat efforts to pursue their \$1.9trln stimulus package. Such stimulus efforts may be aimed at supporting GDP growth, but they have the effect of steadily debasing the underlying value of the USD through the promotion of massive twin deficits. Technically, the USD now looks set to lose more ground this week.
- At the risk of sounding like a broken record, The local unit remains anchored for now above the 0.0900 mark with 0.0905 the pivot in the interbank market. No much to report back on.

## ZAR and Associated Comments

- The USD's recent rally ran into headwinds on Friday, as disappointing labour market data caused some investors to scale back their assessments of the US economy's recovery. The highly-anticipated January employment report showed the world's number one economy added only 49,000 jobs through the month, compared to consensus expectations for a more-pronounced increase of 105,000. Of just as much concern was the fact that the December reading was revised down from -140,000 to -227,000, pointing to a labour market that is struggling to recover. The softer-than-expected employment print will boost the Biden administration's resolve to push for another massive stimulus package. This offers perspective on why higher-risk assets such as the ZAR were able to capitalise on Friday's USD weakness.
- The local unit also got a boost from an announcement by Health Minister Zweli Mkhize on Friday that SA secured enough COVID-19 vaccines for at least 26mn people. Mkhize told a parliamentary committee it would take roughly three months to complete the first phase of the vaccination plan which would initially focus on healthcare workers, but would be rolled out to others post that. This provided the market with some confidence that SA was still on the right track, even as concerns persist over government's ability to implement such an extensive vaccine roll-out plan. These factors helped the USD-ZAR trade 1.25% lower on Friday, taking aggregate declines for the week to 2.10%.
- The good news was however short lived. Government announced over the weekend that it would put on hold the use of AstraZeneca's COVID-19 shot in its vaccination programme, after data showed it gave minimal protection against the 501Y.V2 variant currently spreading through the country. It was hoping to roll out the AstraZeneca vaccine to healthcare workers after receiving 1mn doses thereof from the Serum Institute of India (SII) last week, but will now offer frontline workers vaccines developed by Johnson & Johnson and Pfizer/BioNTech in the coming weeks. This development will likely slow down SA's vaccination programme, and raises concerns that an economically-devastating third wave of infections could be on the horizon before herd immunity is achieved.
- While investors will be monitoring news flow on this front closely this week, they will also have January business confidence stats to digest on Wednesday, followed by December mining and manufacturing production data on Thursday. This week's main event, however, will be President Cyril Ramaphosa's State of the Nation address on Thursday. The address will likely focus on the COVID-19 pandemic and vaccination programme, although investors will also be keen to hear what the president says about long-awaited

structural reforms and how the government plans to reignite an economy devastated by the coronavirus and consequent lockdowns.

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